



## **NOMINATION, REMUNERATION AND HR POLICY**

| Sl. No. | Particulars                    | Details                      |
|---------|--------------------------------|------------------------------|
| 1       | Owner Department of the Policy | Board Secretariat Department |
| 2       | Version number                 | Version 16                   |
| 3       | Validity of the Policy         | Till next revision           |
| 4       | Periodicity of review          | On annual basis              |
| 5       | Last Review Date               | 08-06-2026                   |

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## NOMINATION, REMUNERATION AND HR POLICY

### Preamble

As per the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), the Board of Directors ("**Board**") every Listed Company is required to constitute a Nomination and Remuneration Committee. Further, such a Company is required to have a Nomination and Remuneration Policy duly approved by its Board and get the same displayed on the Company's website.

The Nomination, Remuneration & HR Committee ("**NRC**") of **Can Fin Homes Limited** ("**the Company**" or "**our Company**" or "**CFHL**") has been duly constituted by the Company's Board in their meeting held on June 04, 2014 in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto (hereinafter referred to as "**the Act**") and SEBI Listing Regulations.

Further, being a Housing Finance Company ("**HFC**"), the Company is also required to comply with various directions/ circulars prescribed by the Reserve Bank of India ("**RBI**") including applicable provisions of the RBI (Housing Finance Companies) Directions, 2015 ("**RBI HFC Directions**") and Reserve Bank of India (Non-Banking Financial Companies- Governance) Directions, 2015 ("**RBI Governance Directions**"). In accordance with RBI HFC Directions and RBI Governance Directions (hereinafter collectively referred to as the "**RBI Directions**"), in addition to constitution of the NRC, the Company is required to put in place a policy to ensure 'fit and proper' status of proposed/ existing Directors and proper framework in relation to remuneration of Directors, Key Managerial Personnel and senior management personnel. .

### Constituents of the Nomination, Remuneration & HR Policy

The Nomination Remuneration Policy shall have two components:

**A. Nomination Policy-** The following aspects shall be covered within the ambit and scope of the Nomination Policy:

- i) The constitution of the Nomination, Remuneration & HR Committee ("**NRC**") shall be as defined in the **Annexure-1**.
- ii) The NRC shall lay down basic criteria for selection and to identify persons who are qualified to become Directors of the Company. Formulation of such criteria shall be aimed at determining qualifications, expertise, track record, integrity, positive attributes, independence of a Director and other 'fit and proper' criteria. The NRC shall ensure 'fit and proper' criteria of the directors, as per the Fit and Proper Policy , at the time of appointment and on a continuing basis.
- iii) The NRC shall review the information, declarations and undertakings given by the existing and proposed Director(s) giving additional information in the format as prescribed in the **Fit and Proper Policy** in terms with RBI Governance Directions and the Chairman/ Chairperson of NRC shall authenticate the same.
- iv) The NRC shall ensure that the deed of covenants is signed by each of the Directors in the format as prescribed in the **Fit and Proper Policy**.
- v) Whenever a new Director is to be inducted, then NRC shall review the profile of such candidate and evaluate his/ her credentials against the laid down criteria to establish that the candidate is 'fit and proper' for the position for which he/ she is being considered.

- vi) The appointment, renewal, re-appointment including extension or continuation of the term of appointment, re-categorisation and/or removal of the Directors shall be recommended by NRC to the Board in accordance with laid down criteria as detailed in the **Annexure-2**. The term 'Director' used in this policy shall carry the same meaning as defined under Companies Act, 2013 and include Independent Director.
- vii) The NRC shall review the criteria laid down under the CFHL service regulations/ HRM Policy/ Promotion Policy for selection of employees for Senior Management of the Company. Further, it shall also lay down criteria for direct selection of candidates for Senior Management positions wherever required. Further, wherever required, the NRC shall review a proposal for removal of such Senior Management Personnel and ensure that the same is noted by the Board. The NRC shall also review the proposal for appointment or removal of any KMP and recommend to the Board for their consideration in accordance with Rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014.
- viii) Determination of broad guidelines for appointment and/ or removal/ retirement of Senior Managerial Personnel and Key Managerial Personnel as detailed in the **Annexure-3**.
- ix) The NRC shall also review the information in terms of the RBI Guidelines.

## **B. Remuneration/ Compensation Policy**

- i) The Remuneration/ Compensation Policy shall among other things cover remuneration for the Directors at periodical intervals. Further, it shall review the remuneration/ salary/ perquisites for directly recruited Senior Management Personnel, Key Management Personnel and all other regular employees governed by CFHL service regulations at the intervals as per guidelines laid down in the HRM policy and recommend to the Board.
- ii) However, in the case of the Managing Director, deputed from the Sponsor Bank, the Remuneration, perquisites and other entitlements shall be applicable as per norms laid down by the Sponsor Bank. In respect of appointment of the Managing Director from the market, the NRC shall recommend salary/ remuneration/ compensation/perquisites etc. to the Board.
- iii) Incentive programmes/ schemes/ performance based benefits/employee stock option scheme (ESOP) etc. shall be framed and recommended to the Board by the NRC.
- iv) The broad guidelines of the Remuneration Policy have been provided in **Annexure-4**.

## **C. Definitions-**

In this policy, unless stated otherwise or unless repugnant to the context, the following terms shall have the meanings as ascribed hereunder:

**(a) Key Managerial Personnel:** Key Managerial Personnel means and includes:

- (i) Chief Executive Officer or the Managing Director or the Manager;
- (ii) Whole-time director duly appointed by the Board;
- (iii) Chief Financial Officer;
- (iv) Company Secretary; and
- (v) Such other officer, not more than one level below the Directors who is in whole time employment, designated as Key Managerial Personnel by the Board

**(b) 'Senior Management' or 'Senior Management Personnel' (SMP):** It means personnel of the Company who are members of its core management team excluding the Board of Directors. This would include all members of management one level below the Managing Director/ Whole-Time Director/ President including all functional heads and persons identified

and designated as key managerial personnel, other than the board of directors, by the Company. The President, Vice President, Assistant Vice President, and Chief Manager(s) of the Company who are functional heads shall be considered as SMP for the purpose of this policy.

#### **D. Succession Planning :**

Regulation 17(4) of SEBI Listing Regulations, has mandated the Listed Companies to put in place for orderly succession for appointment to the board of directors and senior management, in order to ensure that interests of investors of a listed company does not suffer on account of sudden or unplanned gaps in management of the company. The broad guidelines of Succession Planning are placed at **Annexure 5**.

**E. Review of the Policy-** The Nomination, Remuneration Policy shall be reviewed on annual basis by the Nomination, Remuneration & HR Committee of the Board and recommend to Board for adoption.

## **Annexure- 1: Constitution and Charter of Nomination, Remuneration & HR Committee**

### **1. Objective**

The Nomination Remuneration & HR Committee ("NRC") is a committee of the Board of Directors of the Company constituted in accordance with the provisions of the Companies Act, 2013, the RBI Guidelines, SEBI Listing Regulations and other statutory/ requirements. The NRC has been authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this charter and such other roles and responsibilities. The Committee shall as per this charter and as per the policy approved by the Board have primary objective of identifying persons who are qualified to become Directors, senior management etc. and recommend the same to the Board. The NRC shall formulate the policy for determining qualifications, positive attributes and independence of Director and their remuneration, Key managerial personnel and other employees.

### **2. Composition of the NRC**

- (a) The Committee shall consist of a minimum 3 Directors.
- (b) All Directors of the Committee shall be non-executive directors and at least two thirds of the NRC members shall be Independent Directors.
- (c) The Chairperson of the Committee shall be an Independent Director.
- (d) The Chairperson of the Company, whether executive or non-executive, may be appointed as a member of NRC and shall not chair the Committee.
- (e) The Company Secretary of the Company shall act as Secretary of the Committee.
- (f) The Members of the Committee shall be rotated in every two years.

### **3. Quorum of the NRC:**

- (a) The quorum shall be either two members or one third of the members of the Committee, whichever is greater, including atleast one Independent Director in attendance.
- (b) The Chairperson of the NRC may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

### **4. Frequency of Meetings of the NRC:**

The meeting of the Committee shall be held as and when required. Minimum one meeting shall be held in a financial year.

### **5. Roles and Responsibilities of the NRC shall be as under:**

- (a) Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel and other Employees.

For every appointment of an Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director.

The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- (i) use the services of an external agencies, if required;
  - (ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - (iii) consider the time commitments of the candidates.
- (b) Formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
- (c) Devise a policy on diversity of the Board of Directors.
- (d) Identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.
- (e) Consider whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- (f) Carry out evaluation of every Director's performance.
- (g) Recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel, Senior Management Personnel and other employees.
- (h) Carry out additional functions as is contained in the SEBI Listing Regulations or other regulatory requirements applicable to the Company.
- (i) work in close coordination with the RMC to achieve effective alignment between compensation and risks;
- (j) ensure that compensation levels are supported by the need to retain earnings of the NBFC and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP)
- (k) While formulating the policy the NRC shall ensure that:
  - (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
  - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - (iii) remuneration to Directors, key managerial personnel and senior management personnel involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals:
- (l) Such policy shall be placed on the website of the Company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the Policy, if any, shall be disclosed in the Board's report.

## **Annexure- 2: Provisions for Appointment and Removal of Directors**

### **1. Appointment Criteria and Qualifications**

- (a)** The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, liable to retire by rotation or an Independent Director and recommend to the Board his /her appointment.
- (b)** A person should possess adequate qualification, expertise and experience to be eligible for appointment as director. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/ satisfactory for being appointed as Director, liable to retire by rotation or an Independent Director.

The Committee also has discretion to recommend to the Board, the appointment/ reclassification of 'a director liable to retire by rotation' or 'an independent director in terms of Regulation 16 & 17 of the SEBI Listing Regulations to an Independent Director under the Act'.

- (c)** No person shall be eligible to be appointed as a director of the Company if he suffers from any of the disqualifications contained in Section 164 of the Companies Act, 2013 or if he is disqualified by virtue of any other Section of Companies Act, 2013 or any rules made thereunder or any regulation under the SEBI Listing Regulations.
- (d)** An Independent Director shall hold office for a term of three consecutive years, on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- (e)** No Independent Director shall hold office for more than two consecutive terms of three years each but such Independent Director shall be eligible for appointment after expiry of three years (hereinafter referred to as cooling-off period) of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the cooling-off period, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

- (f)** Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time.

Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.

### **2. Board Diversity**

Company shall aim to enhance the effectiveness of the Board by diversifying its composition and to obtain the benefit out of such diversity in better and improved decision making. In order to ensure that the Company's boardroom has appropriate balance of skills, experience and diversity of perspectives that are imperative for the execution of its business strategy, the Company shall consider a number of factors, including but not limited to skills, educational qualification, industry experience, expertise, background, gender, ethnicity and physical disability. In order to ensure a balanced composition of executive, non-executive and independent directors on the Board, the Company shall consider candidates from a wide variety of backgrounds, without discrimination and based on the above factors.

The NRC of the Company shall review and assess the Board composition in terms of the provisions of the Companies Act, 2013 and related rules and also the provisions of listing agreement and shall recommend to the Board, the appointment of new Directors considering

the benefits of diversity, but not limited to, those described above, in order to ensure effective discharge of its duties and responsibilities.

### **3. Evaluation**

The Committee shall carry out evaluation of performance of every Director. Such an evaluation shall be carried out on yearly basis. The evaluation shall be done on the basis of the following criteria i.e. whether Directors:

- (a) act objectively and constructively while exercising their duties;
- (b) exercise their responsibilities in a bona fide manner in the interest of the company;
- (c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (e) refrain from any action that would lead to loss of his independence;
- (f) inform the Board immediately when they lose their independence;
- (g) assist the company in implementing the best corporate governance practices;
- (h) strive to attend all meetings of the Board of Directors and the Committees;
- (i) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (j) strive to attend the general meetings of the company;
- (k) keep themselves well informed about the company and the external environment in which it operates;
- (l) do not unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (m) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- (n) abide by Memorandum and Articles of Association, policies and procedures including code of conduct, insider trading guidelines etc. of the Company.

### **4. Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable statute/Acts, rules and regulations there under, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director subject to the provisions and compliance of the applicable statute/Acts, rules and regulations.

### **5. Retirement**

The Directors shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company unless otherwise provided in the Memorandum of Association and Articles of Association and the Act or rules made thereunder.

## **Annexure- 3: Provisions for Appointment and Removal of Senior Management Personnel**

### **1. Appointment**

The Committee shall lay down criteria for ascertaining integrity, qualification, expertise and experience of the person for appointment as Senior Management Personnel in conjunction with provisions of HRM & promotion policy of the company as amended from time to time and recommend to Board for their due approval. The Committee shall have access to the HRM & promotion policies as well as the general/relevant background information including experience and qualification of the candidates available for selection to position of senior management.

Except for directorship in a subsidiary of the Company, a Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.

### **2. Removal**

Due to any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable statutes/Acts, CFHL rules and regulations as per HRM policy & CFHL service regulations, the Committee may review the performance/conduct of the senior management personnel and recommend to the Board with reasons recorded in writing for removal of Senior Management Personnel.

### **3. Retirement**

The Senior Management Personnel shall retire as per the CFHL Staff Regulations prevailing from time to time and the provisions of Companies Act.

## Annexure- 4: Remuneration/ Compensation Policy

### 1. Preamble/ Background

The RBI, vide RBI (Housing Finance Companies) Directions, 2025 ("**RBI HFC Directions**") and Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025 ("**RBI Governance Directions**") has prescribed the Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs (Collectively referred as "**RBI Guidelines**"). The RBI Guidelines are applicable for formulating the Compensation/ Remuneration Policy of Key Managerial Personnel ("**KMP**") and members of Senior Management of NBFCs in Middle Layer and NBFCs in Upper Layer.

In view of the RBI Guidelines, the existing Remuneration Policy of the Company has been reviewed to include policy guidelines for fixing the compensation/ remuneration of the Key Managerial Personnel and members of the Senior Management Personnel of the Company. In this regard, definitions of the Key Managerial Personnel ("**KMP**") and the Senior Management Personnel ("**SMP**") have been provided under Para on Definitions at Page 2 of this NR Policy.

Further, being a leading organization in the NBFC sector, some parts of the policies are being defined taking a future forward view. In this context, practices of leading banks and the RBI Guidelines for the banking sector have also been evaluated and considered.

### 2. Role of the Nomination, Remuneration & HR Committee ("NRC" or "Committee")

- 2.1** As mentioned at Annexure 1, the role of the NRC shall be to ensure compliance with the relevant provisions of the Companies Act, 2013, the RBI Guidelines and various other obligations as mentioned in the Charter of the Committee as approved by the Board of Directors from time to time.
- 2.2** As per the norms of a listed company, the Board of the company has constituted the NRC. Its role, scope and constitution has been defined and approved by the Board.
- 2.3** One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation practices of the organization.
- 2.4** The NRC also ensures 'fit and proper' status of proposed / existing directors and that there is no conflict of interest in appointment of directors on Board of the company , SMPs and KMPs.
- 2.5** Two members of NRC shall also be members of the Risk Management Committee (RMC) of the Board. This ensures effective alignment between compensation and risks.
- 2.6** Constitution of the NRC is reviewed periodically by the Board.
- 2.7** The NRC, while discharging its duties, shall ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process and the capital adequacy requirements, as applicable from time to time.
- 2.8** The Committee shall also ensure 'fit and proper' status of proposed/ existing directors is maintained as per the statutory/ regulatory requirements and that there shall be no conflict of interest in appointment of directors on the Board of the Company, the KMPs and the SMPs.

### **3. Policy Guidelines with respect to Remuneration of Directors, KMPs, SMPs and Other Employees:**

- 3.1** The remuneration /compensation /commission/perquisites/benefits/facilities etc. to the Whole-time Director /Managing Director recruited from the market shall be determined by the NRC and recommend to the Board.
- 3.2** The remuneration / compensation / commission etc. shall be subject to rules laid down by the Government, wherever the same is required under the Company law or any rules made there under.
- 3.3** The NRC shall, if required, frame and formulate detailed terms and conditions of the Employee Stock Option Schemes in line with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.
- 3.4** Such remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits specified under the Companies Act or any rules or schedule thereto.
- 3.5** However, in the case of Managing Director/President/other employees deputed from the Sponsor Bank, the Remuneration, perquisites, entitlements and other service conditions applicable to such Executives in the Sponsor Bank shall be applicable.
- 3.6** The Whole-time Director /Managing Director/Manager, as defined under the Act, shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee.
- 3.7** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director/ Managing Director/Manager in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.
- 3.8** If any Whole-time Director/ Managing Director/Manager draws or receives, by way of remuneration from the Company any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.
- 3.9** The Director, including an Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. The sitting fees for attending the Board meeting shall be Rs.50,000/- and for attending Committee meeting shall be Rs.30,000/- for the present and Rs 10,000 will be paid additional fees to the Chairman of the Board/Committee. Any increase in the sitting fees shall be recommended by the NRC to the Board for approval.
- 3.10** The directors shall be entitled for the expenses on travel, accommodation & local transport for attending the above meetings on terms as applicable to Managing Director.
- 3.11** The remuneration / compensation / commission etc. including its break-up payable will be recommended by the NRC to the Board for approval.
- 3.12** The remuneration / compensation / commission/ incentive etc. including its break-up payable to the senior management personnel, Key Management Personnel and all other regular employees as payable under CFHL service regulations shall be subject to review by the NRC at the intervals as per guidelines laid down in HRM policy. The Board shall be guided by the recommendations and suggestions of the NRC suggested to the Board pursuant to such review.
- 3.13** The remuneration / compensation / commission etc. payable to MD & incentives to

Employees under Employees Stock Option (ESOP) shall be subject to the prior/post approval of the Board and shareholders of the Company and Central Government, wherever required under the Company law or any rules made thereunder.

**3.14** The remuneration/ Compensation/ Commission, etc. or any increments thereof shall be within the statutory limits wherever the same is required under the Company law or any rules made thereunder.

**3.15** The NRC shall ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

**3.16** Where any insurance is taken by the Company on behalf of its Whole-time Director/ Managing Director/ KMPs or any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

**3.17** Remuneration to employees shall be subject to the HRM Policy of the Company.

#### **4. Principles for Compensation**

**4.1** The Company shall keep the remuneration reasonable and based on the relevant factors such as adherence to statutory requirements, industry practices, key responsibility areas assigned and the achievement thereof. The increments shall usually be linked to their performance as well performance of the Company. The total compensation may comprise of fixed, and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks. The Company shall ensure that the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of various forms of compensation are consistent with risk alignment.

**4.2** The Company follows a well-defined policy for compensation. The Policy clearly links the performance with the total remuneration paid to an individual. This is shared at the start of the year with KMPs and members of Senior Management.

**4.3** The annual performance management process of the company gets initiated at the start of the financial year with goal setting. At the end of the year, the individual is evaluated on the performance delivered basis individual, business/ function unit's and company's performance. In addition, the individual is also rated on leadership demonstrated during the year.

**4.4** The compensation of KMPs and SMPs is periodically benchmarked with a basket of companies, including leading banks, to ensure it is in line with industry best practices and competitive, and to continue to attract best in class talent to the company.

**4.5 Fixed Pay-** Fixed pay/ compensation will be determined based on size and scope of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation may include basic salary, HRA, special allowance, contribution to provident fund, gratuity etc. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay compensation.

## 4.6 Essential Elements of Variable Pays

### 4.6.1 Principles of Variable Pay

- (a) The proportion of Variable Pay in total compensation shall be commensurate with the role and prudent risk-taking profile of KMPs and SMPs. At higher levels of responsibility, the proportion of variable pay shall be higher.
- (b) The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year.
- (c) The variable pay component of remuneration shall be paid to the KMPs and SMPs basis the final performance and leadership rating for the year.
- (d) There shall be proper balance between the cash and share-linked instruments in the variable pay compensation in case the variable pay contains share linked instruments as per the policy approved by the Board/ NRC.
- (e) The variable may be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees properly understand the incentive mechanism.

### 4.6.2 Deferral of Variable Pay

- (a) The RBI Guidelines has prescribed that a certain portion of variable pay, as decided by the Board of the company, may be deferred and this deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Also, deferral period for such an arrangement may be decided by the Board of the company.
- (b) Thus far, the Company did not have any separate variable pay for KMPs and SMPs.
- (c) Taking the RBI Guidelines into consideration, the Compensation Policy is being revised to introduce an additional component of variable pay with deferral/malus and clawback clauses effective from FY2023-24 onwards.
- (d) The payout of variable pay/ annual bonus is proposed to be deferred over 3 years post the year of performance as per the following schedule:

| Grade | Variable Pay<br>% of Annual<br>Fixed Pay | Payout of<br>Variable Pay<br>in Year 1 | Payout of<br>Variable Pay in<br>Year 2 | Payout of<br>Variable Pay<br>in Year 3 |
|-------|------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| KMP   | 20%                                      | 60%                                    | 25%                                    | 15%                                    |
| GM    | 20%                                      | 60%                                    | 25%                                    | 15%                                    |
| DGM   | 18%                                      | 60%                                    | 25%                                    | 15%                                    |
| AGM   | 15%                                      | 60%                                    | 25%                                    | 15%                                    |
| CM    | 12%                                      | 60%                                    | 25%                                    | 15%                                    |

Irrespective of the cadre of KMP, performance pay/variable pay, deferral, Malus & Clawback provisions will be as applicable to KMP. In respect of Senior Management (President, Vice President, Asst Vice President and Chief Manager as defined in Nomination Remuneration & HR policy of the Company) , performance pay/variable

pay, deferral, Malus & Clawback provisions shall be as applicable to their respective cadre as per the said policy.

Present incentive, which is part of contract, if any, to be readjusted in line with the above schedule. Further, the vesting of deferred cash component of variable pay would continue as per schedule even after separation of the employee from the services of the company except in the event of such separation triggering Malus or Clawback conditions as defined below.

#### **4.6.3 Compensation for Control and assurance function personnel**

- (a) The goal setting and performance appraisal process of the Company as mentioned in Para 4.1 above ensures that KMPs and senior management engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.
- (b) The Risk Management Committee and Audit committee of the Board shall review their performance independently and advises on their performance which in turn may impact variable part of their compensation.

### **5. Provisions on Malus<sup>2</sup> and Clawback<sup>3</sup> Provisions for KMPs and SMPs**

**5.1** As a **guiding principle** prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard to the Principles of Natural Justice.

**5.2** The deferred compensation may be subject to malus or clawback arrangements in the event of subdued or negative financial performance of the Company and/or the relevant line of business or employee misconduct in any year.

#### **5.3 Circumstances under which Malus and Clawback may be applied**

- 5.3.1** Negative Trend (over a continuous period of atleast 3 years) for determination of variable pay
- 5.3.2.** Material breach of the Company's Code of Conduct, Corporate Governance policy, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations due to gross negligence or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or/ and Clawback provisions.
- 5.3.3** Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- 5.3.4** Wilful misinterpretation/ misreporting of financial performance of the Company.
- 5.3.5** Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- 5.3.6** Non-disclosure of material conflict of interest by the employee or any misuse of official powers.

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<sup>2</sup> **A malus arrangement** shall permit the Company to prevent vesting of all or part of the amount of a deferred remuneration. However, a malus arrangement shall not reverse vesting after it has already occurred.

<sup>3</sup> **A clawback** is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

- 5.3.7** An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the Company.
- 5.3.8** Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next.
- 5.3.9** Any other situation where the NRC deem invoking Malus/Clawback provision is necessary and justified.

#### **Application of Malus/ Clawback provisions**

- 5.3.10** The circumstances mentioned at Para 5.3 are to be considered by the NRC for application of Malus and Clawback where such events result in significant loss to the Company or its shareholders.
- 5.3.11** The performance measures defined as part of goal setting process of the Company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus.
- 5.3.12** In this process, the NRC may duly take into consideration Negative Trends that were within control of the KMP/SMP, and/ or beyond reasonable control on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.
- 5.3.13** The NRC will review the requirement to invoke the Malus or Clawback provisions for any vested shares/stocks paid for the performance year 2024-25 onwards in the event one or more of the circumstances come to light. Such review shall aim to determine the involvement, accountability, severity and wilful nature of the act of the concerned person/s.
- 5.3.14** Bonafide errors of judgment will not be subject to Malus provisions.
- 5.3.15** The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay basis level of involvement, proportionality and impact.
- 5.3.16** The provision of Clawback arrangement would entail return of already paid variable pay in cash attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- 5.3.17** Due consideration may be given to the actual/ realized performance of the Company. For legal enforceability, the Malus and Clawback shall consider observable and verifiable measure of risk outcome.
- 5.3.18** The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- 5.3.19** Malus/ clawback clause can be applied within a period of 3 years after the date of grant of Total Variable Pay.
- 5.3.20** On deciding to invoke Malus or Clawback, NRC will have power to take any of the following action basis the nature and severity of trigger:

#### **In case of Malus Clause:**

1. Cancel part or full vesting of the deferred cash or share linked component due for vesting in that particular year.
2. Cancel Part or full vesting of entire unvested deferred cash or share linked component which are to be vested in future years.

- **In case of Clawback Clause :**
  1. Recovery of part or full cash component of deferred variable pay paid over the applicable period;
  2. Recovery of part or full of benefit (in form of shares or cash equivalent of shares) accrued to the employees on account of exercise of share linked instrument.
  3. Forfeiture of part or full vested but unexercised/unpaid share linked instrument which are vested during the applicable period.

**5.4 Review of Malus or Clawback Provisions-** Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

## **Annexure- 5: Succession Planning**

### **1. Preamble :**

In terms of the provisions of Regulation 17 of SEBI Listing Regulations, the Listed Entities are required to put-in place for orderly succession for appointment to the Board of Directors and Senior Management. Accordingly, the board of directors ("Board") of all listed companies are required to develop an action plan for successful transition of key executives in accordance with the Listing Regulations.

In view of the above, the Company has formulated the following Policy on Succession Planning for the Board and Senior Management of the Company ("Policy").

### **2. Objectives :**

The objectives of the Policy are, inter alia, as under:

- a) To ensure that the business of the Company is not adversely affected or hampered on account of superannuation, voluntary retirement, resignation, death or permanent incapacitation or sudden exit of any Member of the Board and Senior Management.
- b) To create a talent pool of high potential personnel, who will be suitable for appointment at the Board and Senior Management positions and to groom them to assume specific roles as and when required.
- c) To ensure qualitative and timely replacements for high level personnel in the Board and Senior management.
- d) To identify the competency requirements of critical and key positions, assess potential candidates and develop required competency through planned development and learning initiatives.

### **3. Implementation Process:**

#### **A. Positions at the Directors level:**

- The responsibility of ensuring timely replacement for positions of any Director, lies with the NRC Committee. For vacancies in the Executive Directors, the NRC in consultation with the Chairman and other Members of the Committee, shall recommend to the Board the name(s) of the candidate(s) (whether internal or external) who have the necessary qualifications, qualities and traits for such position(s).
- For other vacancies in the Board, the NRC shall identify and recommend name(s) of the candidate(s) with requisite qualifications and characteristics for being considered for such position(s).
- The NRC shall undertake a process of due diligence to determine the suitability of the person for appointment/re-appointment /continuation as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper criteria.
- In the event of any unexpected vacancy in the Board, NRC shall meet and appoint from the identified pool of persons to take charge of the said position either on an interim basis or on permanent basis.

#### **B. Positions at the Senior Management and other critical positions:**

- The NRC shall review the vacancies, if any, at Senior Management level and other critical positions at least once a year. On the basis of such requirements, an appropriate action plan should be drawn and adopted.
- Such action plan, in the first instance, should consider the identification and short listing of an employee within the same location/function through a lateral transfer of an employee from another location/function.
- In case of non- availability, alternatively, the plan should consider selection of an external candidate/ lateral entry having the required skills, experience, leadership quality and expertise, necessary for the said position.

- It is also imperative to have a contingency plan in place to deal with sudden exits at the said Senior Management level. The Human Resource Department of the Company should identify a select pool of employees who can be trained to occupy senior level positions in case of any such eventuality for handling responsibilities.
- In addition to the above indicated key positions, there should be succession plans for the functional business heads like the Zonal Heads and Branch Heads and the persons heading / handling various departments/ sections in the Registered Office, as well.

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