

Corporate Office: Plot No. A9, Sector 3, Noida - 201301

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CIN: U65923HR2008PTC046947

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Policy for Compensation of Key Managerial Personnel (KMP) and Senior Management

Version Control	
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Prepared By	Legal & Secretarial Department
Reviewed By	CCO
Approved By	Board of Directors
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The Reserve Bank of India (RBI) has issued a circular DOR.GOV.REC.No. 29/18.10.002/2022-23 dated 29th April, 2022 on Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs.

In view of the Guidelines, this Policy has been framed to provide a framework to govern compensation of KMPs and SMs and shall apply to them in addition to the existing remuneration framework. This Policy will be reviewed and updated from time to time to ensure that it is current. All updates and revisions to the Policy will be approved by the Board of Directors (Board) of the Company or its delegated Nomination & Remuneration Committee (henceforth referred to as NRC).

2. Scope

2.1. Objectives The objective of this Policy is as follows:

- a) to ensure that the compensation practices are within the regulatory framework stipulated from time to time by RBI or any other relevant regulatory body.
- b) to ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.

2.2. Coverage This Policy is applicable to:

a) Key Managerial Personnel

— Executive Director and equivalent,
-- Chief Financial Officer and Company Secretary; and
— such other officer(s), not more than one level below the Directors who is in whole-time employment, designated as being a KMP by the Board.

b) Senior Management Personnel:

— As per Section 178 of the Companies Act (2013), personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Executive Director, including the functional heads.

3. Governance Structure for Compensation

3.1. The Nomination & Remuneration Committee (NRC)

In accordance with the RBI Guidelines, the NRC shall:

- a) actively oversee the framing, review and implementation of compensation policy to ensure that the mechanism operates as intended and is also consistent with the principles outlined by the RBI.
- b) work in close coordination with the Asset Liability, Risk Management & IT Strategy/ Steering Committee (ALRMC) of the Company to achieve effective alignment between compensation

and prudent risk-taking.

c) ensure that compensation packages/levels are supported by need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).

d) ensure “fit and proper” status of existing/ proposed Directors and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and senior management.

e) review the criteria for Malus and Clawback periodically or as deemed necessary.

f) define performance parameters and recommend final pay-out for incentives to the Board.

3.2. Principles for determination of Compensation for KMPs and SMs

Compensation to KMPs and SMs shall be determined based on the following principles:

a) level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Senior Management team of the quality required to run the Company successfully, which means compensation should be:

- market competitive (‘market’ for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent),
- driven by the role played by the individual,
- reflective of the complexity of operations; and,
- the Company’s capacity to pay.

b) linkage of compensation to appropriate performance benchmarks.

c) compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.

d) compensation structure will have a proper balance between Fixed-Pay and Variable-Pay.

b) Material breach of HCL Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus and/or Clawback provisions.

c) Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.

d) Wilful misinterpretation/misreporting of financial performance of the Company.

e) Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.

f) Non-disclosure of material conflict of interest by the employee or any misuse of official powers.

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- g) An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the Company.

4.4.2 Guidelines for Implementation

- a) This Policy will be binding on all KMPs and SMs covered under the purview of this Policy and terms of their compensation shall automatically stand revised in accordance with this Policy as amended from time to time.
- b) The NRC shall review the incident/ act of misconduct to ascertain the degree of accountability attributable to the concerned employee and may decide to apply malus and/or clawback on none, part or all the unvested/ vested deferred variable-pay based on the outcome of the evaluation.
- c) The provision relating to malus would entail forfeiture of full or part of the unvested/ unpaid part of the deferred variable-pay, attributable to a given reference year wherein the incident has occurred.
- d) The provision relating to clawback would entail return of full or part of the variable-pay (net of taxes) paid, attributable to a given reference year wherein the incident has occurred. The Company will have a right to set-off the clawback amount against any amount payable to the concerned employee.

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