



## IDFC FIRST Bharat Limited

### Remuneration Policy for Directors, KMP & SMP

Version : 1.5

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## **A. Objectives of Remuneration Policy**

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of the following categories of people in IDFC FIRST Bharat Limited:

1. Whole Time/Executive Directors
2. Non-executive / Independent Directors
3. Key Managerial Personnel (hereafter referred to as “KMP”) and Senior Management Personnel (hereafter referred to as “SMP”)

## **B. Principles for Remuneration**

The principles for remuneration at IDFC FIRST Bharat Limited are guided by the organization’s philosophy for enabling employee performance to achieve the organization’s short term and long term objectives, balanced with prudent risk taking and are in compliance with the applicable acts on compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc.

The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the company and its shareholders
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures
- To respect employee needs basis relevant market anchors and to compensate adequately for the contribution towards the company’s growth
- To ensure reasonable and fair rewards administration, having regard to best governance practices.
- Align compensation programs, structures and decisions with companies’ interest and regulatory guidelines including labour codes as issued from time to time.

## **C. Components of Remuneration**

### **1. Whole Time / Executive Directors**

All components of remuneration for Whole Time Directors and Executive Directors should remain within the overall limit as per Section 197 of the Companies Act, 2013, and rules framed thereunder and subject to the approval of the shareholders of the Company

#### **(i) Fixed Pay**

The fixed pay will be benchmarked primarily to the Indian financial sector companies of similar portfolio. Any annual increments will be linked to the overall performance and other factors as may be decided by the Nomination and Remuneration Committee.

#### **(ii) Variable Pay**

The company will follow a total compensation philosophy comprising of fixed pay and variable pay, as approved by the Nomination and Remuneration committee. The variable pay will be in the form of an annual performance bonus.

Any annual performance bonus will be determined based on company, Business unit and individual performance and other evaluation criteria and is not an entitlement. The Annual Performance bonus will also consider Indian financial sector company’s

benchmarks when determining the total compensation of the individual.

**(iii) Retiral benefits, allowances, perquisites and other benefits**

Retiral benefits include Provident fund, Gratuity, NPS and other benefits will be payable as per the rules of the Company. Allowances, perquisites and other remunerations will be applicable as per the Company policy.

**(iv) Employee Stock Options**

The Whole Time / Executive Directors will be eligible for Employee stock options ("ESOPs") as per the ESOP scheme of IDFC FIRST Bank as decided by the IDFC FIRST Bank. All ESOPs would be governed by the Employee Stock Option Scheme of the Bank, and would be in compliance with SEBI guidelines and / or any other applicable regulations

ESOP grants are not an entitlement and are granted based on management discretion and other criteria such as performance of the Company, Business Unit and the Individual.

**(v) Other Components of Remuneration**

Other components of remuneration applicable to Whole Time Directors / Executive Directors may include Joining/Sign-on and /or indicative Target bonus. These components can be in the form of ESOPs (of IDFC FIRST Bank) and/or Cash, would become applicable only in the context of hiring new staff and would be limited to the first financial year of the employment. All ESOPs will be governed by the IDFC FIRST Bank Employee Stock Option scheme, in compliance with SEBI guidelines and / or any other applicable regulations.

- Joining/Sign-on bonus (paid at the time of joining) is offered for resettlement of dues with the previous employer and may be committed to a new hire to compensate for a one-time loss in income. This may include the loss of performance bonus for the year completed, ESOP loss and/or buyout of claw backs with the previous employer. ESOP loss and/or buyout of claw backs for the reason other than any punitive action with the previous employer. Joining/Sign-on bonus, if paid in cash, may be subject to a one-year claw back clause.
- To attract the right talent, it would be required to give a comparative view of the compensation earned with the previous employer and the earning potential at IDFC FIRST Bharat in the first year. To meet this requirement, indicative Target bonus for the first year (which depends on the performance delivered and is paid at the end of the current financial year) may be communicated to the new hire. This would be subject to the delivery against a minimum level of performance objectives agreed and continued employment of the new hire as on the date of payment/grant.

**(vi) D&O Policy**

The Whole Time / Executive Directors will be covered under the Directors and Officers Liability Insurance (“D&O”) Policy of IDFC First Bank.

**(vii) Severance Pay**

The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity, NPS or Superannuation) except in cases where it is mandated by any statute.

**D. Non-Executive/ Independent Directors**

The key elements of remuneration of Non-executive / Independent Directors are as follows:

**(i) Commission to Non-executive / Independent Directors**

- In accordance with the provisions of Section 197 of the Companies Act, 2013, the Non-executive / Independent Directors may be paid remuneration by way of commission, either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other, not exceeding 1% of the net profits of the company computed in the manner referred to in Section 198 of the Companies Act, 2013.
- Payment of compensation in the form of profit related commission to the Non-executive / Independent Directors (other than the Part - time Chairperson), shall be subject to the company making profits. Such compensation, however, shall not exceed Rs.10 Lakhs per annum for each such director.
- In accordance with the above guidelines, since the Non-executive / Independent Directors collectively endeavor to ensure that the company performs well and is compliant with applicable laws, rules, regulations and guidelines, profit related commission can be paid to the Non-executive / Independent Directors (other than the Part - time Chairperson), subject to the approval of the shareholders, which shall be in not more than 1% of the Net Profits of the company as computed in the manner laid down in Section 198 of the Companies Act, 2013

**(ii) Sitting Fees and Other Expenses**

In addition to the above, Non-executive / Independent Directors (including Non-Executive Part-time Chairperson) will be paid sitting fees, travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings and such other expenses as are incurred and allowed to be reimbursed as per the provisions of the Companies Act, 2013.

**(iii) D&O Policy**

The Non-executive / Independent Directors will be covered under the Directors and Officers Liability Insurance (“D&O”) Policy of IDFC First Bank.

**E. KMPs and SMPs**

“KMP” shall mean and include the Company Secretary and the Chief Financial Officer.

“SMP” shall mean and include all employees who are in the grade of General Manager and above.

For categories of staff other than WTD/CEO, the company to devise appropriate compensation structure and may adopt principles similar to the principles enunciated for WTD/CEO as appropriate.

**(i) Fixed Pay**

The fixed pay will be benchmarked primarily to the Indian financial sector companies of similar portfolio. The Nomination and Remuneration Committee will determine the competitive position that the company must be placed at in terms of compensation from time to time, bearing in mind the need to attract, retain and motivate good talent and the fact that the company largely hires from the major Indian financial sector companies.

Any annual increments for the KMPs and SMPs will be linked to the company's performance and their individual performance, as decided by the Managing Director & CEO and reviewed by the Nomination and Remuneration Committee.

**(ii) Variable Pay**

The Bank will follow a total compensation philosophy comprising of fixed pay and variable pay, as approved by the Nomination and Remuneration Committee. The variable pay will be in the form of an annual performance bonus and/or incentive plans linked to the achievement of performance.

Any annual performance bonus will be determined based on Company, business unit and individual performance and other evaluation criteria and is not an entitlement. Annual Performance bonus will also consider Indian financial sector company's benchmarks when determining the total compensation of the individual.

**(iii) Retiral benefits, allowances, perquisites and other benefits**

Retiral benefits include Provident fund, Gratuity, NPS and Superannuation payable as per the rules of the Company. Allowances, perquisites and other benefits will be applicable as per the Company policy.

**(iv) Employee Stock Options**

The KMPs & SMPs will be eligible for ESOPs as per the ESOP Scheme of the Bank as decided by the IDFC FIRST Bank.

All ESOPs will be governed by the Employee Stock Option scheme in compliance with SEBI guidelines and/or any other applicable regulations.

ESOP grants are not an entitlement and are granted based on management discretion and other criteria such as performance of the Bank, Business Unit and the Individual.

**(v) Other components of Remuneration**

Other components of remuneration applicable to KMPs/SMPs may include Joining/Sign-on and/or indicative Target bonus for the first financial year of joining. These components can be in the form of ESOPs (of IDFC FIRST Bank) and/or cash, would become applicable only in the context of hiring new staff and would be limited to the first financial year of the employment. All ESOPs will be governed by the IDFC FIRST Bank Employee Stock Option scheme, in compliance with SEBI guidelines and / or any other applicable regulations.

- Joining/Sign-on bonus (paid at the time of joining) is offered for resettlement of

dues with the previous employer and may be committed to a new hire to compensate for a one-time loss in income. This may include the loss of performance bonus for the year completed ESOP loss and/or buyout of claw-backs with the previous employer. Joining/Sign-on bonus, if paid in cash, may be subject to a one year claw-back clause.

- To attract the right talent, it would be required to give a comparative view of the compensation earned with the previous employer and the earning potential at IDFC FIRST Bharat in the first year. To meet this requirement, indicative Target bonus for the first financial year (which depends on the performance delivered and is paid at the end of the current financial year) may be communicated to a new hire in the form of total compensation comprising of the fixed pay offered and the performance bonus applicable for the role and grade. This would be subject to the delivery against a minimum level of performance objectives agreed and continued employment of the new hire as on the date of payment/grant.

**(vi) D&O Policy**

The KMPs will be covered under the Directors and Officers Liability Insurance (“D&O”) Policy of IDFC First Bank.

**(vii) Severance Pay**

The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity, NPS or Superannuation) except in cases where it is mandated by any statute.

**F. Disclosures in the Board’s Report**

The disclosures, as required under the relevant provisions of the Companies Act, 2013, the rules made thereunder shall be made with regard to the remuneration details of the Directors, Non-executive / Independent Directors, KMPs and SMPs.

**G. Policy Review**

This Policy shall be reviewed, as and when required. Any amendment to this Policy as per change in law or otherwise shall be made by the Managing Director & CEO, which shall be ratified at the next meeting of the NRC & Board held after such change.