

REMUNERATION/COMPENSATION POLICY

Hiranandani Financial Services Private Limited

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Policy Control

Particulars	Policy Owner	Date of Board Meeting	Version
Date of adoption	Human Resource	April 27, 2023	1.0
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1. **PREAMBLE**

Hiranandani Financial Services Private Limited ("**HFS/ the Company**") is a, Non- Banking Finance Company and is registered with the Reserve Bank of India ("**RBI**") as an Investment and Credit Company – Non-Deposit Taking.

HFS Remuneration Policy ("the Policy") shall be in compliance with section 178 of the Companies Act, 2013, ("**the Act**") applicable guidelines of Reserve Bank of India ("RBI") including on Corporate Governance norms for NBFCs. "Scale Based Regulations (SBR) - A revised regulatory framework for NBFCs and guidelines on Compensation of Key Managerial Personnel (KMPs) and Senior Management Personnel (SMP) in NBFCs, as amended from time to time.

2. **PURPOSE & APPLICABILITY**

The Policy is applicable to all Directors, KMPs and SMPs. This policy has considered the provisions laid down under Section 178 (4) of the Act, which are as under:

- The level and composition of compensation is reasonable and sufficient to attract, retain and motivate directors/KMPs/SMPs of the quality required to run the company successfully;
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- Remuneration to Directors, remuneration to KMPs and SMPs involves a balance between fixed and variable pay reflecting short term and long-term performance objectives appropriate to the working of the Company and its goals

3. **DEFINITION**

- I. "Board" shall mean Board of Directors of the Company.
- II. "Committee" shall mean the Nomination and Remuneration Committee of the Company.
- III. "Deferral" shall mean payment of a part of compensation at a date later than when it becomes due to the Directors, KMPs and/or SMPs.
- IV. "Key Managerial Personnel ("KMP") means:
 - a) Chief Executive officer or Managing Director
 - b) Whole –time Director
 - c) Chief Financial Officer
 - d) Company Secretary
 - e) Such other officer as defined in section 2(51) of the Companies Act, 2013 ("the Act"), as amended from time to time or may be prescribed by the Act or the rules made thereunder.
- V. The term "Senior Officer" or "Senior Managerial personnel ("SMP")" shall mean personnel of the Company who are members of its core management team excluding Board of Directors ,Comprising all members of management including functional heads who are

one level below the executive directors or any person designated at grade Senior Vice President and above.

- VI. Unless the context otherwise requires, the “words and expressions” used in this Policy and not defined herein but defined in the Companies Act, 2013 or RBI regulations as may be amended from time to time, shall have the meaning respectively assigned to them therein.

4. CONSTITUTION OF A NOMINATION AND REMUNERATION COMMITTEE

The Committee shall have the constitution, as laid down in section 178 of the Companies Act, 2013 as amended from time to time.

5. REMUNERATION GOVERNANCE

The Nomination and Remuneration Committee (hereinafter referred to as “Committee”) shall have supervisory oversight regarding implementation of remuneration/ Compensation practices and policies of the Company. The payroll and remuneration unit within the Human Resources function will administer the Policy by following the rules and processes that are objective and transparent. NRC may take into consideration any staff accountability /action related discussion in Risk management committee. Further NRC may ensure that compensation levels are well supported by need to retain earnings of the company and maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAPP).

6. POLICY REVIEW AND APPROVAL

The Board of Directors on its own and/or as per the recommendation of Nomination and remuneration Committee can amend the Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) issued by the relevant authorities not being consistent with the provisions laid down in this Policy then such amendment(s), clarification(s), circular(s) shall prevail upon the provisions mentioned hereunder such amendment(s), clarification(s), circular(s) etc.

7. PRINCIPLES OF COMPENSATION

The Committee shall follow the below mentioned key principles of compensation, based on RBI Circular RBI/2022-23/26 DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022:

- a) Benchmarked to appropriate market: The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees of the quality required to run the Company.
- b) Should be relevant and commensurate to skills, qualification and experience of the employees
- c) Compliant with local laws:
 - Remuneration for KMPs shall be in compliance with the relevant provisions of the Companies Act, 2013 and/or any other applicable law.
 - Remuneration shall be in compliance with the relevant provisions of Payment of Wages Act, Minimum Wages Act, and such other relevant Labour Laws of the country as may be applicable to the Company from time to time.
- d) The compensation/remuneration of KMPs and SMPs shall be aligned effectively with prudent risk taking to ensure that the mix of cash, equity and other forms of compensation are consistent with risk alignment.

8. COMPENSATION/REMUNERATION STRUCTURE

The Structure shall broadly comprise the following components-

- Fixed Pay
- Variable Pay

A. **Fixed Pay:** The Composition of Fixed Pay is as under:

- i. All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay;
- ii. 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.

B. Variable Pay: This includes Performance Pay and is linked to assessment of performance. Performance assessment would be based on achievement of individual targets linked to KRAs for the year at defined Level of performance for the role / individual.

The composition of variable pay may be in the form of cash or/and share-linked instruments

Proportion of variable pay:

- The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk-taking profile of the role.
- At higher levels of responsibility, the proportion of variable pay needs to be higher.

- The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level.

Note: *Guaranteed bonus may not be paid to the KMPs and SMPs. However, in the context of new hiring, joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.*

The shares so granted under the heading of Variable Pay shall be governed by the ESOP Scheme of the Company.

9. GUIDELINES RELATING TO PAYMENT OF REMUNERATION TO DIRECTORS OF THE COMPANY

A) NON-EXECUTIVE DIRECTORS:

- 1) The Independent Directors and Non-Executive Directors (who are not related or associated with the shareholders of the Company) are entitled to payment of sitting fees within the prescribed limit under the Companies Act, 2013, for attending meetings of the Board/ Committees up to such amounts, as decided by the Board of the Directors of the Company, from time to time.
- 2) All payments relating to sitting fees shall be subject to deduction of taxes as applicable, in such manner as prescribed by the Government, from time to time.
- 3) An Independent Director shall not be entitled to any stock option of the Company.

B) MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR/OTHER DIRECTOR

The remuneration/compensation of the Managing Director/whole-time Director/ other Executive Director will be determined by the Committee and recommended to the Board for approval and shall be governed as per the provisions of the Companies Act, 2013 and the rules made thereunder or any other enactment for the time being in force or any other applicable provisions

10. REMUNERATION TO KMPs and SMPs

Upon recommendation of Nomination and Remuneration Committee and based on the criteria laid down under Companies Act, 2013, the KMPs maybe appointed on such terms as

may be approved by the Board or as per criteria approved by the Board, respectively. NRC may also ensure that there is no conflict of interest in appointment of KMPs and senior management

For KMPs: Remuneration of KMPs (Other Than Managing Director / Whole Time Directors) i.e. Chief Financial Officer/ Chief Executive Officer / Company Secretary shall be recommended by the Committee and approved by the Board of Directors subject to approval of shareholders, wherever required.

For SMPs: Considering the outcome of the performance appraisal as per the prevailing process and practice of the Company, Committee shall review and approve the increase/ restructure the remuneration of SMPs.

The KMPs and SMPs must conduct themselves to ensure that no breach is committed of the provisions of Code of Conduct, Company's Securities Dealing Code, Standard Operating Processes (SOPs) and all other relevant and applicable policies and codes. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

Compensation for Risk Control and Compliance Staff: To ensure a robust Risk Management and Control Mechanism, it is intended that KMPs and SMPs engaged in financial control, risk management, compliance and internal audit are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. For such personnel the fixed component of the total pay will be higher than variable component.

11. MALUS/ CLAWBACK

In the event of misconduct by KMPs and SMPs in any year, the Committee shall evaluate and decide if deferral and/ or clawback need to be applied or not on the Variable Pay along with the time period. The Committee also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein.

Malus and Clawback may be applied in circumstances including but not limited to the following:

- Fraud, misfeasance, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information pertaining to the company or any of its affiliates;

- Willful misinterpretation / misreporting of financial performance of the company;
- Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee, whether directly or indirectly;
- Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or an act of a felonious or criminal nature;
- Non-disclosure of material conflict of interest by an employee or any misuse of official powers;
- An act of willful, reckless or grossly negligent conduct which is detrimental to the interest or reputation of the company or any of its affiliates, monetarily or otherwise;
- Material breach of 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 or / and clawback provisions;
- The Committee also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein
- Misconduct by KMPs and SMPs shall mean any act detrimental to the interest of the organization including and not restricted to violation of company's Code of conduct.
- The NRC will decide on the materiality of the breach for application of Malus / Clawback provisions.

12. REPORTING REQUIREMENT

Company may be required to disclose Directors, KMPs and/or SMPs compensation as per regulation applicable to the company.