

Vesting of Variable Pay: The deferred portion of the remuneration will vest at the end of deferral period and will be spread out over the course of the deferral period.

Malus/ Clawback Arrangement: The Company believes in sustained business performance in tandem with prudent risk taking and has therefore, has devised appropriate deterrents in order to institutionalize the aforementioned commitment.

Malus Arrangement: The provision of a Malus arrangement would entail cancellation of payout for the deferred portion of reward (variable pay/long term incentive (LTI))

Clawback Arrangement: The provision of Clawback arrangement would entail return of payout of reward (variable pay /LTI) made in the previous years attributable to a given reference year wherein the incident has occurred. The return would be in terms of net amount.

Illustrative list of conditions are enumerated below. The occurrence of any/some/all of the following conditions shall trigger a review by the Nomination and Remuneration Committee for the application of the Malus or the Clawback arrangement:

- Reckless, negligent or willful actions or exhibited inappropriate values and behavior
- Mis-Selling practices, breach of fiduciary duty, illegal activities which causes material, financial or reputational harm to the firm
- If award was basis material mis-representation by the employee
- Other instances which can be termed as breach of code of conduct of the firm
- If the risk exposure of the firm was due to gross negligence and the same was not reported / escalated to the management promptly on becoming aware of the risk exposure
- If the decision undertaken leads to firm / business unit suffering major material downturn in its financial performance
- Divergence in the Firm's / business unit's provisioning for NPA vis-à-vis reality
- Fraud that requires a financial restatement
- Reputational harm
- Exposing the Company to substantial risk
- Additional NRC defined conditions

Errors of judgment shall not be subject to Malus/ Clawback arrangements under this Policy.

The NRC may decide to apply malus on part, or all of the unvested deferred bonus amounts and LTIP. The time horizon for the application of malus/clawback clause shall be three years from the date of reward.

The Nomination and Remuneration Committee shall review the act of

misconduct/incident to ascertain the degree of accountability attributable to a Director prior to applying the Malus or Clawback arrangement. The criteria for Malus /Clawback will be reviewed by the Nomination and Remuneration Committee annually.

C. Guaranteed Bonus: Guaranteed bonus may not be paid to KMPs and senior management. 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 remuneration, performance appraisal and rewards to Senior Management, KMP (other than Whole Time Directors) and other employees, shall be in line with the stated objectives.
- Employees must conduct themselves to ensure that no breach of Code of Conduct, Code of Conduct for prohibition of Insider Trading, Standard Operating Procedures (SOPs) and all other relevant and applicable Codes are committed. Any such breach will have a direct bearing on their performance appraisal and rewards.
- The Variable Pay Plan of the Company will be as per the framework defined in Annexure I.

6. Disclosures in the Board's Report

The disclosures as required under the relevant provisions of the Companies Act, 2013, the rules made there under and the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 shall be made with regard to the remuneration details of the Directors, KMPs, Senior Management and other employees.

7. Policy review

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013 and rules made there under, the Memorandum and Articles of Association of the Company, any other laws as applicable or as may be otherwise prescribed by the Board from time to time. The policy shall be reviewed annually and as and when required.

The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

Annexure I – Framework for Variable Pay Plan

The Managing Director(s), in consultation with the reporting managers & Human Resource Department will decide all the variable pay and the period thereof in respect of which such variable pay shall be paid based on the broad framework below:

For Employees Involved in Sales, Business Development and Collection Roles:

- All employees will be eligible for the minimum bonus as per the Payment of Bonus Act, 1965 and any other applicable law as amended from time to time;
- Variable pay will be paid to the Sales and Business Development teams based on various targets as they get rolled out from time to time (Existing variable pay matrix is enclosed in Appendix 1); Any change in the variable pay matrix will be put up before NRC for noting
- The Collection team will be eligible for Collection Incentive as per the Collection Incentive Scheme
- Targets and the variable pay plans will be defined for the given period and variable pay will be paid based on the achievement of those targets;
- The variable pay (excluding Bonus as per The Payment of Bonus Act 1965) for any given year will be up to 1% of the loan disbursed. These payments will be based on various activities including, but not restricted to lead generation, cross selling, file collections, loan approvals, disbursements, performance, initiatives etc.
- Incentive amount may be held back or even clawed back in case of compliance/disciplinary issues.
- Employees covered under such sales or collections incentive scheme shall not be eligible for variable pay for the specific duration.

For Employees Responsible for Financial Control, Risk Management, Compliance and Internal Audit roles:

- All employees will be eligible for the minimum bonus as per the Payment of Bonus Act, 1965 and any other applicable law as amended from time to time;
- The variable pay will be based on the performance review of the employee and will be decided by the Managing Director(s);
- For Employees in financial and risk control functions (including Risk, Compliance, Internal Audit, HR, Fraud and Vigilance), the variable pay will be independent of business growth;
- .Variable Pay may be held back or even clawed back in case of

compliance/disciplinary issues.

For Employees of Other Departments:

- All eligible employees will be eligible for the minimum bonus as per the Payment of Bonus Act, 1965 and any other applicable law as amended from time to time;
- The variable pay will be determined based on the performance review of the employee and will be decided by the Managing Director(s);
- In case performance not being satisfactory no ex-gratia, performance variable pay will be paid;
- Variable Pay may be held back or even clawed back in case of compliance/disciplinary issues.

Financial Censure:

Prior to any payout of any financial award to all employees like annual increment, variable pay (annual bonus/ performance linked pay), recognition awards which are monetary in nature, promotions, performance related rewards, salary corrections or adjustments etc., the Company would check for any act(s) of misconduct by the employees that may attract financial censure. In the event the misconduct is marked for financial censure, the Company may, depending on the gravity of the censure in question, withhold part or entire award due to the employee.