

HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED
(Formerly known as Credila Financial Services Pvt.Ltd.)

**REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL,
SENIORMANAGEMENT AND OTHER EMPLOYEES**

1. Preamble

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of the Directors, Key Managerial Personnel (KMPs), Members of Senior Management and other employees of the Company.

The primary objectives of this Policy are as under:

- a) to ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives;
- b) to ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component);
- c) to have performance measurement parameters in place to assess the overall performance of Directors, KMPs, Members of Senior Management and all other employees.

Principles of Compensation Practices

- a) Effective governance of compensation
 - i) Board of Directors of the Company must approve the remuneration policy;
 - ii) The Company must form Nomination & Remuneration Committee (NRC) in compliance with the Companies Act, 2013;
 - iii) Staff engaged in credit approvals must be independent of sales functions.
- b) Effective alignment of compensation with prudent risk taking
 - i) The Company must ensure that the compensation of credit team is adjusted for all types of risk;
 - ii) The Company to ensure that there is adequate fixed portion of compensation for credit team and lower percentage of variable pay;
 - iii) For audit and compliance staff the compensation will not be dependent of businessgrowth.
- c) Effective supervisory oversight and engagement by stakeholders
 - i) The Company will disclose clear information about the compensation of KMPs in compliance with the Companies Act, 2013 and applicable laws.

2. Applicability

This Policy shall be applicable and act as a guiding principle with regard to remuneration payable by the Company to all Directors, KMPs, Senior Management and other employees of the Company.

3. Remuneration of Non-executive / Independent Directors

The key elements of remuneration of Non-executive/ Independent Directors is sitting fees, subject to overall limit as prescribed in the Companies Act, 2013 and Rules made there under and the approval of the Board, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be eligible for stock options.

4. Remuneration of Whole-time Directors

The Managing Director(s) are appointed for a fixed tenure as approved by the shareholders and such appointments are renewable upon expiry of the tenure subject to recommendation by the NRC/ Board and approval of the shareholders.

The remuneration paid to Managing Director(s) to be approved by the shareholders of the Company, which includes fixed salary, incentive, perquisites, variable pay, commission, bonus, other benefits and allowances and certain retirement benefits, within the overall limit under Section 197 of the Companies Act, 2013. They shall also be eligible for partially or fully paid rights issue, sweat equity, warrants, stock options and any other financial instruments as per the scheme framed/ to be framed by the Company, from time to time.

The Managing Director(s) shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.

5. Remuneration of KMP (other than whole-time directors), Senior Management and other employees

- Senior Management refers to those Functional Heads who are directly reporting to Managing Director(s), unless specifically identified and confirmed by the Board.
- KMPs include the Chief Executive Officer or the Managing Director or the manager, company secretary, whole-time director, Chief Financial Officer; and such other officer as may be prescribed, by the Companies Act, 2013 and / or any other law as applicable from time to time. The appointment of the KMP shall be done by the Board on the recommendation of the Nomination & Remuneration Committee as prescribed by the Companies Act, 2013 and / or any other law as applicable from time to time.
- Increments of Senior Management and KMP (other than Whole Time Directors) will be subject to the approval of the Chairman and then be put up for ratification by the Nomination & Remuneration Committee. Composition of compensation of newly created Functional Head(s) who are directly reporting to the Managing Director(s), will be approved by the Chairman and be put up in the following meeting of the Nomination & Remuneration Committee for noting purposes.
- The key components of remuneration package of the Senior Management, KMP (other than Whole Time Directors) and other employees of the Company shall comprise of basic salary, dearness allowance, house rent allowance, transport allowance, education allowance, other allowance, ex-gratia, bonus, variable pay, contribution to provident fund, gratuity, leave encashment, etc. as applicable. Conveyance and tour re-imbursment related to business purposes will be reimbursed by the Company at actual as per norms.

- The compensation of the Senior Management and KMPs would be gradually structured at 70% towards Fixed Pay, 20% towards Performance Incentive and balance 10% towards Medium and Long Term Incentive Plan (MLTIP) within a time span of 5 years i.e by October 2022.
- 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.
- Credit approval team plays a key role in ensuring the integrity of risk measures. It's important to ensure that their compensation is not affected by short-term measures. Variable component of the Compensation framework of Credit Team to be consistent with the following:
 - Compensation is adjusted for all types of risks
 - The risk evaluation would be both quantitative and judgmentalelements.
- 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 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 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
- 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.

For Employees Who Are Responsible for Credit Decisions & Recovery

- 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;
- The variable pay will not be dependent on the quantum of business generated but be decided by KRAs which are linked to risk mitigation;
- Based on the performance review, the amount of variable pay to Credit Employees & Recovery Employees will be decided by the Managing Director(s);
- Variable pay (excluding Bonus as per The Payment of Bonus Act 1965 and any other applicable law as amended from time to time) for the given year / period under review shall not exceed six times monthly gross salary.

For Employees Responsible for Audit and Compliance

- 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 responsible for audit and compliance, the variable pay will be independent of business growth;
- Amount of variable pay (excluding Bonus as per The Payment of Bonus Act 1965 and any other applicable law as amended from time to time) for the given year/ period under review shall not exceed six times monthly gross salary.

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;
- Amount of variable pay (excluding Bonus as per The Payment of Bonus Act 1965 and any other applicable law as amended from time to time) for the given year/ period under review shall not exceed six times monthly gross salary.

Appendix 1

Disbursement Variable Pay for Managers (For the Period from October 1, 2019 to September 30, 2020)			
First Tranche Disbursed Amount	Cat A, Cat B & Cat C Locations Variable Pay As % of Disbursed Amount	Minimum (₹)	Maximum (₹)
Above ₹ 35 Crore	0.150%	5,25,001	No Limit
More than ₹ 30 Crore - Upto ₹ 35 Crore	0.120%	3,60,001	4,20,000
More than ₹ 25 Crore - Upto ₹ 30 Crore	0.100%	2,50,001	3,00,000
More than ₹ 20 Crore - Upto ₹ 25 Crore	0.090%	1,80,001	2,25,000
More than ₹ 15 Crore - Upto ₹ 20 Crore	0.080%	1,20,001	1,60,000
More than ₹ 10 Crore - Upto ₹ 15 Crore	0.060%	60,001	90,000
More than ₹ 7 Crore - Upto ₹ 10 Crore	0.025%	17,501	25,000
Upto ₹ 7 Crore	-	-	-