



Policy on Compensation of Directors, Executives and Other Employees

CAPITAL INDIA FINANCE LIMITED

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Version Control Table

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[Version 1: Remuneration Policy for the Members of Board and Executive Management Policy w.e.f. 16 August 2017]

[Version 2: Policy on Remuneration of the Directors, Key Managerial Personnel and Other Employees w.e.f. 10 May 2019]

[Version 3: Policy on Remuneration of the Directors, Key Managerial Personnel and Other Employees w.e.f. 26 May 2021]

[Version 4: Policy on Compensation of Directors, Executives and Other Employees w.e.f. February 13, 2023]

[Version 5: Policy on Compensation of Directors, Executives and Other Employees w.e.f. July 03, 2025]



The Policy on Compensation of Directors, Executives and Other Employees is formulated pursuant to Section 178(3) of the Companies Act, 2013 (“**Act**”), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, issued by the Reserve Bank of India (“**RBI**”).

1. DEFINITIONS

- 1.1 This compensation policy provides a framework for remuneration to be paid to the members of the Board of Directors (“**Board**”), Key Managerial Personnel (“**KMP**”), Senior Management Personnel (“**SMP**”) (KMP and SMP are collectively referred to the “**Executives**”) and Other Employees of the Company.
- 1.2 “Senior Management Personnel” shall mean and include:
 - Officers/Personnel of the Company who are members of the core management team vested with managerial responsibilities;
 - Key Managerial Personnel viz.
 - Managing Director, Whole-time Director, Manager;
 - Chief Executive Officer;
 - Chief Financial Officer;
 - Company Secretary;
 - Chief Compliance Officer; and
 - Any other positions within the Company at the discretion of the Managing Director / Chief Executive Officer in consultation with the Board;
 - All members of management one level below the Chief Executive Officer/ Managing Director/ Whole-time Director/ Manager;
 - Officers/Personnel of the Company reporting to Committee of the Board / Board, including the heads of Control, Assurance, Vigilance functions and functional heads, by whatever name called.
- 1.3 The expression Other Employees mean all Employees of the Company other than Directors (Board), Key Managerial Personnel(s) and Senior Management Personnel(s).
- 1.4 Total Compensation shall mean remuneration including a mix of Fixed Pay and Variable Pay inter alia comprising of cash and non-cash components.

2. AIMS & OBJECTIVES

- 2.1 The policy aims that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Executives and Other Employees of the quality required to run the Company successfully;
- 2.2 The policy aims that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 2.3 The policy aims that the remuneration to Directors, Executives and Other Employees involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals which will address issues arising out of excessive risk taking caused by misaligned compensation packages;
- 2.4 The policy aims that the compensation levels are supported by the need to retain earnings of the Company and the needs to maintain adequate capital based on internal capital adequacy assessment process; and
- 2.5 The policy seeks to enable the Company to provide a well-balanced and performance- related compensation package, taking into account shareholder interests, industry standards and relevant Indian corporate regulations.

3. PRINCIPLES OF REMUNERATION

- 3.1 Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company's vision and strategy.
- 3.2 Transparency: The process of fixing the remuneration to be paid to Directors, Executives and Other Employees shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 3.3 The compensation of KMP and SMP is periodically benchmarked to ensure it is in line with industry best practices and competitive for the talent that we have, and to continue to attract best in class talent to the company.
- 3.4 Flexibility: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other legislation.
- 3.5 Performance-Driven Compensation: The Company shall entrench a culture of performance driven compensation through the implementation of the performance appraisal system for all employees. Likewise, at the end of a financial year, performance of a KMP and SMP is evaluated basis individual, business/ function unit's and company's performance as per the performance metrics defined at the start of the financial year
- 3.6 Affordability and Sustainability: The Company shall ensure that remuneration is affordable on a sustainable basis.
- 3.7 Components and Risk alignment: The compensation of Directors & Executives will be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The compensation package will comprise of such pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.
- 3.8 Compensation for Control and assurance function personnel:
- 3.8.1 The goal setting and performance appraisal process of the company as mentioned in Clause 3.5 ensures that KMPs and senior management team members engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.
- 3.8.2 Their performance will be reviewed independently and advised to NRC/Board for their guidance which in turn results in the variable pay of their compensation.
- 3.9 Composition of Fixed Pay: As defined in Annexure 1.
- 3.10 Composition of Variable Pay: As defined in Annexure 1.
- 3.11 Compensation Components for KMP and SMP:
- 3.11.1 The total remuneration for KMP and SMP has two main components: Fixed Pay and Variable Pay.
- 3.11.2 Variable pay comprises of:
- a) Payment made in cash as bonus
- b) Share linked instruments such as stock options of the company (ESOPs) for select employees as approved by NRC/Board.

Company has an approved ESOP scheme that follows a vesting schedule as approved by NRC/Board from time to time. The accounting of ESOP grants to be done as per extant accounting guidelines.

3.12 Principles of Variable pay:

- 3.12.1 Variable pay as a proportion of total remuneration increases as roles and responsibilities increase.
- 3.12.2 The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year.
- 3.12.3 The variable pay component of remuneration is paid to the KMP and SMP basis the final performance for the year.
- 3.12.4 The cash component of the variable pay shall be limited to a maximum of 100% of annual fixed pay
- 3.12.5 Basis performance, cash component of variable pay can be reduced to zero in a given financial year.
- 3.12.6 These aspects ensure compensation outcomes are symmetric with risk and performance outcomes.

3.13 Guaranteed Bonus:

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

3.14 Deferral of variable pay:

- 3.14.1 RBI guidelines for NBFC advises that a certain portion of variable pay, as decided by the NRC/Board of the company, may be deferred. Also, deferral period for such an arrangement may be decided by the NRC/Board of the company.
- 3.14.2 Of the two components of variable pay, the approved ESOP scheme of the company follows deferred vesting schedule post the grant as approved by the NRC/Board from time to time and thus deferral is designed in it and is in line with best practices followed across NBFCs.
- 3.14.3 Taking the guidelines into consideration, the cash component of variable pay may be deferred basis guidance from NRC/Board.

3.15 Provisions for Malus and Clawback: Refer Annexure 1 for definition of Malus and Clawback.

- 3.15.1 As a guiding principle, prior to any action being taken by the NRC under this provision, the NRC and the company will ensure due regard for the Principles of Natural Justice.
- 3.15.2 The variable pay part of compensation will be subject to Malus and Clawback arrangements in the event of certain circumstances.
- 3.15.3 Circumstances under which application of Malus and Clawback is to be considered:
 - 3.13.3.1 Material breach of company's 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.
 - 3.13.3.2 Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
 - 3.13.3.3 Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
 - 3.13.3.4 An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
 - 3.13.3.5 Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

3.16 Application of Malus & Clawback provisions:

- 3.16.1 The NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- 3.16.2 The Company may withhold cash bonus and/or vesting of unvested Employee Stock Options in accordance with the ESOP Plan of the Company.
- 3.16.3 The provision of Clawback arrangement would entail return of already paid variable pay in cash.
- 3.16.4 The payment of deferred cash component of variable pay would continue as per schedule even after separation of the employee from the services of the company except in the event of this separation being on account of Malus or Clawback conditions as defined in clause 3.15 or as decided by NRC.
- 3.16.5 The NRC may decide period and portion of variable pay for malus/ claw back basis level of involvement, proportionality and impact.

4. NOMINATION AND REMUNERATION COMMITTEE

- 4.1 The Nomination and Remuneration Committee (referred as “**Committee**”) shall comprise of three or more non-executive directors out of which not less than two-third shall be independent directors.
- 4.2 The Nomination and Remuneration Committee shall be responsible for:
- 4.2.1 identifying persons who are qualified to become Directors, and those who may be appointed as Executives in accordance with the criteria laid down and recommend to the Board their appointment & removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
 - 4.2.2 formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors.
 - 4.2.3 formulating the criteria for determining qualifications, positive attributes and independence of a director, and recommending to the Board a policy relating to the remuneration for the Directors, Executives and Other Employees.
 - 4.2.4 every appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
 - 4.2.5 devising a policy on diversity of Board of Directors.
 - 4.2.6 whether to extend or continue the term of appointment of the Independent Director, based on the report of performance evaluation of Independent Directors.
 - 4.2.7 recommend to the Board, all the remuneration, in whatever form, payable to Directors & Executives.
- 4.3 The Nomination and Remuneration Committee shall:
- 4.3.1 ensure ‘fit and proper’ status of proposed/ existing directors and that there is no conflict of interest in the appointment of Directors on Board of the Company and Executives (if required);
 - 4.3.2 review the ongoing appropriateness and relevance of the compensation policy;
 - 4.3.3 ensure that all provisions regarding disclosure of compensation, are fulfilled;
 - 4.3.4 ensure that no Director, Executives or Other Employees is involved in any decisions as to their own compensation.
- 4.4 without prejudice to the generality of the terms of reference to the Nomination and Remuneration Committee set out above, the Committee shall:
- 4.4.1 formulate and administer the Company’s Employee Stock Options schemes (if any) or other incentives schemes (if any) as applicable. It shall recommend to the Board the total aggregate amount of any grants to Directors and Executives, if required as per applicable laws and make amendments to the terms of such schemes;
 - 4.4.2 liaise with the trustee/custodian of any Employee Stock Options scheme which is created by the Company for the benefit of Directors, Executives or Other Employees.

5. PROCEDURE FOR SELECTION AND APPOINTMENT OF THE BOARD OF DIRECTORS

5.1 Board membership criteria

The Nomination and Remuneration Committee shall review on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience in business, government, academics, finance, banking, technology and in areas that are relevant for the Company’s operations.

In evaluating the suitability of individual Board members, the Nomination and Remuneration Committee shall consider many factors, including general understanding of the Company's business dynamics and social perspective, educational and professional background and personal achievements.

Additionally, the Board members must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

5.2 Selection of Board Members / extending invitation to a potential director to join the Board

One of the roles of the Nomination and Remuneration Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the above criteria, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Nomination and Remuneration Committee shall also identify suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board shall evaluate the candidate(s) and decide on the selection of the appropriate member.

6. PROCEDURE FOR SELECTION AND APPOINTMENT OF EXECUTIVES

- 6.1 The Human Resource Function shall actively liaise with the relevant departments of the Company to study the requirement for Executives, and shall prepare a list of the Executive positions to be filled up with relevant job profile;
- 6.2 The Human Resource Function shall conduct a wide-ranging search for candidates for filling various positions of Executives both externally (through references, self-sourcing and/or from the help of human resource consultants etc.) and from within the Company, group company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, if any;
- 6.3 The professional, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the candidates shortlisted shall be compiled;
- 6.4 A meeting of the Committee shall be convened, and the resume of the shortlisted candidates shall be examined with emphasis on the suitability of the shortlisted candidates after giving due consideration to the location and other relevant factors for appointment of the Executive(s);
- 6.5 Before the selection of Executive(s), the recommendations along with relevant information on the relevant candidate(s) shall be submitted to the Board of Directors for their consideration;
- 6.6 The Committee shall carry out other follow-up tasks based on the decisions and feedback received from the Board of Directors.

7. COMPENSATION STRUCTURE

7.1 Compensation to Non-Executive Directors:

The Non-executive Directors excluding Independent Directors of the Company are neither paid sitting fee nor any commission.

7.2 Compensation to Executive Directors and Executives:

The Company has a transparent framework for determining and accounting for the compensation of the Managing Director / Whole Time Directors, Chief Executive Officer, and Executives. Their remuneration may comprise mix of cash, equity or such form acceptable in the industry and is governed by the external competitive environment, track record, potential, risk taking capacity, individual performance and performance of the

Company as well as industry standards. The recommendations for performance appraisals of Executive Directors and Executives (inter alia increments, bonus and grade changes) shall be proposed for approval by the internal Management Committee. Upon approval by internal Management Committee, the recommendations for performance appraisal of Executive Directors and Executives shall be put up to the Committee for approval and recommendation to the Board.

The compensation determined for Executive Directors by the Committee is subject to the approval of the Board of Directors and Shareholders in due compliance of the provisions of Companies Act, 2013. The Nomination and Remuneration Committee shall recommend compensation for the Executives, in whatever form payable to them, at the time of the appointment, to the Board. Any subsequent increments in remuneration shall be recommended by the Nomination & Remuneration Committee to Board for approval and recommendation to the Board.

The compensation package for the Executive Directors and Executives of the Company may comprise of fixed pay, variable pay, deferred compensation and malus/clawback arrangements.

As a policy, the Executive Directors are neither paid sitting fee nor any commission.

7.3 Other Employees (Employees other than Executive Directors and Executives)

The Company has a transparent framework for determining and accounting for the compensation of the employees. Their compensation is governed by the external competitive environment, track record, potential, individual performance as well as industry standards. The recommendations of performance appraisals of all the employees (inter alia increments, bonus and grade changes) shall be proposed for approval by the internal Management Committee.

8. POLICY REVIEW

- 8.1 This Policy is framed based on the provisions of the Act and rules thereunder, Listing Regulations and circular(s) issued by Reserve Bank of India. This remuneration policy as framed by the Nomination and Remuneration Committee shall be recommended to the Board for its approval.
- 8.2 In case of any subsequent changes in the provisions of the Act or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- 8.3 This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are incorporated in the policy due to changes in regulations or as may be felt appropriate by the Committee. Any changes or modification to the policy as recommended by the Nomination and Remuneration Committee would be presented before the Board of Directors for their approval.

ANNEXURE 1

Definitions used in the document

- Fixed Pay:** All fixed items of compensation, this would include
- Monthly fixed salary payable (Basic salary, HRA, Special allowance, etc.)
 - Perquisites and contributions towards retiral benefits (Employer contribution to PF, Superannuation, NPS, gratuity, etc.)
 - All perquisites that are reimbursable (Car lease etc.) and have a monetary ceiling
 - Monetary equivalent of benefits of non-monetary nature (Company provided car, Furnished house, etc.)
- Variable Pay:** All items of compensation that are paid basis performance of an individual and/or the company
- Variable pay is part of the compensation that is paid basis performance measures defined for the performance measurement period.
 - Components: Both cash and share linked instruments such as stock options of the company (ESOPs) are part of variable pay
- Clawback:** As per RBI circular on 'Guidelines on Compensation of KMP and SMP in NBFCs'
- "A clawback is a contractual agreement between the employee and the NBFC in which the employee agrees to return previously paid variable pay to the NBFC under certain circumstances"
- Malus:** As per RBI circular on 'Guidelines on Compensation of KMP and SMP in NBFCs'
- A malus arrangement permits the NBFC to prevent vesting of all or part of the amount of a deferred remuneration.
 - Malus arrangement does not reverse vesting after it has already occurred.

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