



Piramal Capital & Housing Finance Limited

REMUNERATION POLICY

**Original Effective Date: 7th October 2021
[Last Updated: 31st March 2023]**

REMUNERATION POLICY

1. Preamble:

The Remuneration Policy is framed in line with the requirement of the Section 178 and other applicable provisions of the Companies Act, 2013, Regulation 19 read with Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Reserve Bank of India ('RBI') Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs, dated 29th April 2022 and other applicable circulars/ guidelines/ notifications/ directions issued by RBI, from time to time.

This Policy reflects the Company's core values viz. Knowledge, Action, Care and Impact.

2. Definitions:

“Act” means the Companies Act, 2013 as prevailing from time to time.

“Board of Directors” or **“Board”** means the Board of Directors of the Company.

“Company” means Piramal Capital & Housing Finance Limited.

“Clawback” is a contractual agreement between the employee and the Company in which the employee agrees to return, forego, compensate to the Company in cash, kind or any other manner previously paid or vested remuneration, perquisites, benefits, amenities, facility to the Company under certain circumstances.

“Nomination and Remuneration Committee” or **“NRC”** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“Independent Director” means a Director of the Company who satisfies criteria for independence under the Act and the Regulations.

“Key Managerial Personnel” or **“KMP”** means persons as defined under the Act.

“Malus” is an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration, perquisite, benefit, amenities or facility.

“Listing Regulations” shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“Senior Management” shall mean the personnel of the Company as laid down under Explanation to Section 178 of the Act and the Listing Regulations.

“Policy” means this Remuneration Policy.

3. Objective:

The Policy aims to provide a framework to create, modify and maintain appropriate compensation programs including to attract and retain talent, and to ensure long term

sustainability of talented managerial persons, and processes with adequate supervision and control.

4. Framework:

The NRC shall have the constitution, powers, functions and duties as laid down in Section 178 of the Act and Listing Regulations.

The NRC shall be responsible to oversee the framing, review and implementation of Compensation Policy of the Company approved by the Board.

The NRC shall work in close coordination with Risk Management Committee of the Company to achieve effective alignment between compensation and risks.

The NRC shall ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP). The NRC shall also ensure 'fit and proper' status of proposed/existing Directors and that there is no conflict of interest in appointment of directors on the Board, KMPs and Senior Management.

Further, the NRC shall determine the remuneration of Directors, KMPs and Senior Management and make recommendation to the Board for approval.

5. Designing of Remuneration Packages:

While designing remuneration packages of employees including Key Managerial Personnel (KMPs) and Senior Management, the following principles for compensation shall be taken into consideration:

- a) **Components and Risk Alignment:** The compensation of Key Managerial Personnel (KMPs) and Senior Management shall be to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable 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.
- b) **Composition of Fixed Pay:** All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. 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.
- c) **Variable Pay:**
 - i) **Composition of Variable Pay:** The variable pay may be in the form of Cash or share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

- ii **Proportion:** The proportion of variable pay in total compensation (fixed and variable pay) shall be commensurate with the role and prudent risk-taking profile of KMPs/ Senior Management. At higher levels of responsibility, the proportion of variable pay shall be higher. There shall be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay shall be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level. The Company has Pay for Performance philosophy which ensures that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- iii **Deferral of variable pay:** Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the NRC, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement shall be decided by the NRC.
- iv **Control and assurance function personnel:** KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.
- d) **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 by the Company. The said bonus will neither be considered part of fixed pay nor of variable pay.

6. Remuneration to Directors:

A. Non-Executive Directors / Independent Directors:

The **Non-Executive Directors / Independent Directors** are entitled to the following:

- i. **Sitting Fees:** The **Non-Executive Directors / Independent Directors** receive remuneration in the form of sitting fees for attending meetings of Board or Committee thereof of the Company and its subsidiaries where such Director may be so appointed. Provided that the amount of such fees shall not exceed such amount per meeting as may be stipulated under applicable regulatory requirement.
- ii. **Commission:** The Board may at its discretion pay commission subject to compliance with applicable regulatory requirements.

B. Remuneration to Whole – Time / Executive / Managing Director(s)

- i. The remuneration to be paid to the Whole – Time / Executive / Managing Director(s), when applicable, shall be in compliance with the applicable regulatory requirements, including such requisite approvals as may be required by law.

- ii. Increments may be recommended by the NRC to the Board, subject to the limits specified under the applicable laws and regulatory requirements.
- iii. The Board may at the recommendation of the NRC and in its discretion, consider the payment of such additional remuneration within the framework of applicable laws and regulatory requirements.

7. Malus and Clawback

Malus & Clawback clauses shall be applied basis informed judgement of the NRC.

The Malus and Clawback shall be applicable to variable pay (Cash/Deferred Cash/Share Linked Instruments) and shall be actioned and reviewed by NRC in the event of any/some/all of the following conditions :-

- i employee convicted of a felony;
- ii employee wilfully engages in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or its subsidiaries or affiliates, including competition with the Company or its subsidiaries or affiliates;
- iii employee in breach of Code of Conduct & Ethics Policy published by the company;
- iv employee found guilty under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;
- v employee has wilfully and continually failed to perform the employee's duties with the Company, its subsidiaries or affiliates following written notice specifically identifying the nature of the non-performance and demanding specific substantial performance; and,
- vi subdued or negative financial performance of the Company and/or the relevant line of business or employee misconduct in any year.

The Malus & Clawback period shall be applicable for 5 years from the date of pay-out or reward (as applicable).

8. Disclosure

The disclosures as required under the relevant provisions of the Act and the rules made thereunder, Listing Regulations, and RBI circulars/ guidelines/ notifications/ directions, issued from time to time, shall be made by the Company.

9. Review

The NRC shall periodically review the effectiveness of this Policy and recommend any revisions that may be required to this Policy to the Board for consideration and approval.