

**Remuneration Policy for Key Managerial  
Personnel, Senior Management & Other  
Employees**

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## 1.0 Objective

- To maintain fair, meritocratic, consistent, and equitable compensation practices in alignment with the Roles and Responsibilities of individuals, strategic business goals and emerging compensation regulations, as applicable.
- To ensure effective governance of Compensation and alignment of compensation practices with prudent risk taking.

## 2.0 Compensation Philosophy

The philosophy of the Company is to have a performance-oriented culture. The compensation system shall also consider factors like roles, skills / competencies, experience and grade / seniority to differentiate pay appropriately on the basis of contribution, skill and availability of talent on account of competitive market forces.

## 3.0 Definitions:

**Nomination and Remuneration Committee (“NRC”)** shall mean a committee of the Board having the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013, applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, RBI Guidelines and other applicable legal provisions.

**“Malus”** arrangement shall mean where the Company prevents the vesting of all or part of the amount of a deferred remuneration.

A **“Clawback”** arrangement shall mean a contractual agreement between the covered Employees and the Company in which the covered employee agrees to return previously paid or vested remuneration to the Company under certain circumstances or empowers the Company to recover previously paid or vested remuneration by the Company under certain circumstances.

**“Company”** means Mahindra Rural Housing Finance Limited

**“Key Managerial Personnel” (KMP)** as defined in section 2(51) of the Companies Act, 2013 (“the Act”) means:

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer;

(v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as Key Managerial Personnel by the Board;

**“Senior Management Personnel” (SMP)** shall mean officers and personnel of the Company who are members of its Core Management Team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole-time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary, Chief Financial Officer.

(For removal of doubts the core management team shall comprise of Head - Affordable Housing, Head - Credit, Chief Risk Officer, Head - Human Resources, Chief Compliance Officer, Head - Strategy, Chief Investment Officer, Head - Collection, Head - Legal, and any other officer of the Company as may be decided by the CEO / MD.)

### **3.1 Governance of Compensation - Nomination and Remuneration Committee & Review Process:**

- The Nomination and Remuneration Committee (NRC) will -
  - ⊖ Oversee the framing, review and Implementation of the policy of the Company in adherence to the statutory requirements.
  - Work in coordination with the Risk Management Committee to achieve alignment between risks and remuneration.
  - Ensure ‘fit and proper’ status of proposed / existing director and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and SMPs.
  - The Compensation decisions consider various factors including:
    - 3.1..1 Long term business plans.
    - 3.1..2 Overall health of the Company.
    - 3.1..3 Industry & Market Trends.
    - 3.1..4 Any other relevant factors.
  - Approve and recommend to the Board the compensation of the Managing Director/ Executive Director, KMP and SMP as defined in point 5.0 below.
  - 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) in appointment of KMPs and Senior Management.

### **4.0 Components and Risk Alignment -**

- The compensation of Key Managerial Personnel and Senior Management Personnel would be reasonable, recognizing all relevant factors including adherence to

statutory requirements and industry practices. The compensation packages would comprise of Fixed and Variable pay components and are 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.

- Compensation structure will comprise of Total Remuneration consisting of:
  - (i) Fixed Pay - All fixed items of compensation, including the Perquisite Pay/ Benefit, Contribution towards Superannuation / Retiral benefits would be treated as a part of Fixed Pay. All Perquisites that are reimbursable within specified monitoring ceiling would also be included in the fixed pay. Monetary equivalent of benefits of non - monetary nature (such as pre-furnished house, use of Company car, etc.) would also be part of the fixed pay. *For details refer Annexure 1.*
  - (ii) Variable Pay - The variable pay includes Performance bonus/Incentives.
  - (iii) Long Term Incentive Pay in form of Deferred cash bonuses, all share-linked instruments (e.g. ESOP, RSU, etc.) - *For details refer Annexure 2.*
  - (iv) Other payments, which includes Joining / sign on Bonus, Severance package, etc.

#### **4.1 Fixed Pay - For details refer Annexure 1.**

#### **4.2 Variable Pay / Performance Pay (PP):**

- This includes Performance Pay/Incentive and is linked to assessment of performance. Performance assessment would be based on achievement of individual targets linked to KRAs for the year, defined Level of performance for the role / individual, and Company's / Business's / Functions' budgets / targets/ objectives and achievements.

4.2.1 **Incentive:** This may be paid at intervals ranging from monthly, quarterly, half-yearly and annual. The monthly/ quarterly / half yearly incentive / Performance Linked pay will be based on the role / grade and preapproved business specific incentive schemes.

4.2.2 The composition of variable pay may be in the form of 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.

#### **4.2.3 Proportion:**

- a) The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk-taking profile of the role.
- b) At higher levels of responsibility, the proportion of variable pay needs to be higher.
- c) There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments.
- d) 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. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism as fair.

#### **4.2.4 Deferral of Variable Pay:**

Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, may be deferred to time horizon of the risks for certain grade or all employees across grades, as decided by the Board of the Company. 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 may be decided by the Board of the Company.

#### **4.3 Long Term Incentive pay – For details refer Annexure 2.**

**4.4 Other Payments:** (This includes Joining / Sign on Bonus, Severance package etc.

- **Joining Bonus:** This may be offered sparingly for recruitment of new employees. Joining bonus, if offered, will be limited to the first year of service. The Company may decide to recover such joining bonus amount in the event of an employee leaving in less than the stipulated period as mentioned in the joining bonus letter issued along with the offer letter.

- **Severance Pay:** Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity or Superannuation), other than in exceptional cases where it is as deemed fit by the management.

## 5.0 Employee Classification

Employees have been broadly classified into the following categories:

- (i) **Category I** – Comprising MD & CEO and Whole Time Directors (WTDs).
- (ii) **Category II** –
  - a. **Key Management Personnel (KMP)** : Comprising Chief Financial Officer & Company Secretary.
  
  - b. **Senior Management Personnel (SMP)** : Category I & Category II a mentioned above) & Chief Compliance Officer.
- (iii) **Category III – Risk control and compliance employees** – Comprising staff in grade L3DH and above in the following Control functions.
  - a. Risk & Policy function
  - b. Financial Control including group consolidation
  - c. Compliance
  - d. Internal Audit
  - e. Vigilance
  - f. Legal
  - g. Secretarial
  - h. CISO
  - i. Human Resources
  - j. Credit
  - k. Finance and Accounts
- (iv) **Category IV: Other employees** - This includes all employees, not explicitly covered in the first three categories.
  - **Control and Assurance function personnel** – KMPs and SMPs engaged in financial control, Risk Management, Compliance and Internal Audit may 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.

- **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 bonus will neither be considered part of the fixed pay nor of variable pay.

## 6.0 Broad Guidelines

- Minimum tenure in the Company and its subsidiaries, including Group companies will be applicable for being eligible for Compensation revision and Variable Pay.
- Specific role, grade and business based incentive scheme will be applicable as per guidelines of variable pay policy.
- All variable pay & joining bonus commitments made will continue to be implemented as per policy.
- In case an employee moves from one category/grade/role/division/unit to another, commitments on compensation made in the previous category/grade/role/division/unit will cease to be available and the individual will be guided by the guidelines applicable to the new category/grade/role/division/unit unless specifically discussed and agreed with the employee.
- Under certain circumstances, the Company may decide not to issue any new grants / approve any variable pay/ Incentive pay for the year, or for specific period, to an employee individually, or to a group of employees collectively, or to all employees.

## 7.0 Malus and Clawback

- Malus & Clawback clauses will be applicable to Performance Pay, Long-term Incentive Plan (LTIP), Deferred Cash payments (i.e. All components of compensation other than fixed pay), as defined above.
- These can be applied to all categories of employees.
- Malus & Clawback clauses will be applied basis informed judgement of NRC for Category I & Category II employees. For Category III & Category IV employees, it will be applied on the basis of informed judgement of committee comprising CEO, CFO, COO, CRO and Head - HR.

**7.1 Malus:** Malus arrangement is applicable for all types of compensation other than Fixed pay (e.g. PP / Deferred Cash / ESOP / RSU / Deferred Incentive Plan / Joining Bonus / Severance Pay), which has not yet vested, or vested but not paid / exercised. Payment of all, or part of such



components as mentioned above can be prevented under Malus.

**7.2 Clawback:** Previously paid or already vested LTIP, PP, Deferred Cash, Retention Bonus can also be recovered under this clause. It may be applicable for upto past 4 years of variable pay (Cash / Deferred cash / Deferred Incentive Plan), which has vested and paid & LTIP in case of ESOP/ RSU exercised or paid. Clawback will be applicable to employees even after their separation from the Company.

**7.3 Malus and Clawback may be applied under following circumstances:**

- 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 MD & CEO would propose the cases to the NRC, where malus/ clawback clause needs to be initiated. In deciding the application of malus / clawback to any part or all of variable pay or incentives (whether paid, vested or unvested), the NRC will follow due process and adhere to the principles of natural justice, materiality of the issue and proportionality on a case-to-case basis. Further, in assessing the quantum of cancellation / withdrawal, the

NRC will take into consideration all relevant factors, including *interalia*, internal factors such as role and responsibilities of the employee, culpability, and proximity to the misconduct as well as any external factors, including but not restricted to a situation like pandemics, that may have been beyond the control of the concerned employee. The terms of appointment of KMPs and Senior Management of the Company shall contain suitable clause on malus/clawback, as recommended by the NRC and approved by the Board.

## **8.0 Disclosures**

- Company will make disclosure on remuneration of Whole time Directors /CEOs on an annual basis in the Annual Report.
- Further, the Company will also comply with the disclosure requirements for remuneration prescribed by the relevant regulatory authorities, as amended from time to time.

## **9.0 Review and Revision**

- Any non-material change other than areas pertaining to Category I & II would be approved by MD.
- All reviews and amendments to this policy will be approved by NRC.
- The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the policy entirely with a new policy, based on the recommendation(s) of NRC, from time to time.
- Statutory/ regulatory provisions and any amendments thereon, made from time to time shall be binding on the Company and will be complied even if not specifically incorporated in this Policy.

## **10. Scope Limitation**

In the event of any conflict between the provisions of this Policy, SEBI Listing Regulations / the Act and rules made thereunder, RBI Guidelines or any other statutory enactments, the SEBI Listing Regulations / the Act and rules thereunder, RBI Guidelines or any other statutory enactments shall prevail over this Policy.

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**Annexure 1**

- **Fixed Pay (Fixed CTC):** is defined as Fixed Cost to Company (FCTC) typically comprising of Basic Salary, Allowances, Flexi pay (as per bouquet of allowances offered by the Company), Retirals and other benefits and will include imputed value of benefits like Housing and Car. It also includes cost of retirals such as Company's contribution to PF, accumulation towards Gratuity, Superannuation, where applicable and pension. The Fixed portion of the compensation shall be reasonable, considering relevant factors including the market practice, competency, competition, criticality of role, grade, experience and performance of the employee and any statutory requirements.
- **Perquisite Pay / Benefits:** Perquisite Pay / Benefits are part of Fixed Pay and include Mediclaim Benefit; various domiciliary medical expenses including Dental and Spectacle reimbursement, Life Insurance Cover; Personal Accident Cover; Furnishing allowance; Club Membership; Housing and Car and related fuel and maintenance expenses, if provided by Company, etc. These may be given in the form reimbursement, within predefined limits, or in the form of benefit to all employees / select group of employees.

## **Annexure 2**

### **Long Term Incentive Pay:**

- Long Term Incentive Pay may be in form of deferred cash bonuses, share-linked instruments (e.g. ESOPs, RSUs) depending on the nature of the business / function / role, the risk involved, the time horizon for review.
- This shall be granted on a discretionary and reasonable basis, to motivate and retain employees.
- Create value by aligning interest of employees with the long-term interests of the Company.
- LTIP may also be granted from time to time with the objective of retaining employees.
- ESOPs/RSUs will be linked to Company Stock price and may vest over a period of time.
- ESOPs /RSUs scheme would be pre-approved by the NRC / Board / Shareholders as may be the statutory requirement.