SMFG India Credit Company Limited

Remuneration Policy for Directors, KMPs and all Other Employees of the Company

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1. Policy Scope, Applicability and Exception

This Policy shall be applicable for fixing remuneration of the Directors, Key Managerial Personnel ('**KMPs**') and all other employees of SMFG India Credit Company Limited ('**the Company**').

2. Definitions

Applicable laws/laws	mean the regulatory requirements that cover/ may cover Income Tax, RBI Regulations / Circulars/ Directions, Corporate Laws and other laws and regulations, as may be applicable to the Company
Board	means the Board of Directors of the Company
Committee	shall mean the Nomination and Remuneration Committee of the Company
Deferral	shall mean payment of a part of compensation at a date later than when it becomes due to the employee
Guidelines	shall mean RBI Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs
Key Managerial Personnel" (KMPs)	KMP in relation to a company, shall include the following as defined in Section 2(51) of the Companies Act 2013: (i) the Chief Executive Officer (CEO) or the Managing Director (MD) or the manager; (ii) the Company Secretary; (iii) the Whole Time Director (WTD) which shall also include Executive Directors; (iv) the Chief Financial Officer (CFO); (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; and (vi) such other officer as may be prescribed
Senior Management	shall include personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Executive Directors, including the functional heads as per 'Explanation' to Section 178 of the Companies Act, 2013
Share Linked	means that portion of the variable pay which is payable as per the Employee Phantom Share Plan of the company or any other Long Term Incentive Scheme launched by the company in future
Variable Pay	means that portion of the compensation which is variable in nature and linked to performance of the company and/ or the employee.
Separation	means separation on account of retirement, resignation or cessation due to any reason, whatsoever from the Directorship / services of the Company

3. Key Principles

The Committee shall review and recommend to the Board, through its annual review process (or such periodicity as it deems appropriate), adopting the key principles of remuneration of the Directors, KMPs, Senior Management and all other employees of the Company.

1) Benchmarking of the Remuneration as per industry norms /market practices: The level and composition of remuneration is appropriate / reasonable and sufficient to attract, retain and motivate employees of the quality required to run the Company successfully.
2) Adopt a Pay for Performance philosophy such that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
3) Have an appropriate balance in pay mix: The remuneration has a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals. For the Senior Management, variable pay shall be higher at higher levels of responsibility and subject to the following principles:
   a. It shall be commensurate with the role and prudent risk taking profile of KMPs and Senior Management employees;
   b. Can be reduced to zero based on performance at an individual, business-unit and company- wide level.
4) Be financially viable and relevant to market practices and commensurate to skills:
   a. taking into account, financial position of the Company, trend in the industry, appointee's qualification, experience,
      past performance, past remuneration, and any other relevant factors that the Committee may deem fit;
   b. be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.
5) The compensation of KMPs and Senior Management shall be aligned effectively with prudent risk taking to ensure that
   a. compensation is adjusted for all types of risks;
   b. the compensation outcomes are symmetric with risk outcomes;
   c. compensation pay-outs are sensitive to the time horizon of the risks, and
   d. the mix of cash, non cash, equity and other forms of compensation are consistent with risk alignment.
6) Compliant with local laws:
   a. Remuneration for KMPs and Senior Management is in compliance with the relevant provisions of the Companies Act, 2013, Applicable SEBI & RBI Regulations, directions or circulars as applicable.
   b. Remuneration for all employees are in compliance with the relevant provisions of all relevant Labour Laws of the country as may be applicable to the Company from time to time.

4. Compensation Governance

The Committee shall have supervisory oversight regarding implementation of compensation practices and policies of the Company. The Compensation and Benefits unit within the Human Resources function will administer the compensation policy by following rules and processes that are objective and transparent.
The Committee may work in close coordination with Risk Oversight Committee (ROC) of the company to achieve effective alignment between compensation and risks.

The Committee may 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).

5. Approval

The compensation structure and pay revision for KMPs and Senior Management will be approved by the Committee. Supervisory review of compensation practices will be rigorous and sustained; any deficiencies would be addressed promptly with supervisory action.

6. Compensation Guidelines for KMPs and Senior Management Compensation Structure

The compensation structure shall broadly comprise the following components:

a) Fixed Pay
b) Variable Pay

a) Composition of Fixed Pay:

(i) All the fixed items of compensation, including the perquisite and contributions towards superannuation / retiral benefits, may be treated as part of fixed pay;
(ii) All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements;
(iii) 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.

b) Composition of Variable Pay:

The variable pay for the KMPs and Senior Management shall consists of the following:

(i) a mix of cash and share-linked instruments;
(ii) It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

7. Compensation for Risk Control and Compliance Staff:

To ensure a robust Risk Management and Control Mechanism, it is intended that KMPs ,Senior Management and other staff engaged in Financial Control, Risk Management, compliance and internal audit shall be independent of business line, free from conflict of interest and business targets and be compensated in a manner that is commensurate with their key role in the Company. Accordingly, the Company shall ensure that the mix of fixed to variable compensation for control function is weighted in favour of fixed compensation and in line with the RBI guidelines for NBFCs.

8. Deferral of variable pay:

For KMPs and Senior Management, both cash and share linked variable pay may be deferred as recommended by the Committee and as approved by the Board of the company. However, where the cash variable pay is below the threshold limit of variable pay defined by the Committee, deferral requirement will not be necessary. In the event of the separation of an employee on good terms with the company, the Committee shall have the discretion to waive part or whole of the deferred pay.

9. Guaranteed bonus:

Guaranteed bonus may not be paid to the 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.

10. The guidelines relating to payment of remuneration to the Non-Executive Directors of the Company:

i. The Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company) be entitled to payment of sitting fees within the prescribed limit under the Companies Act, 2013, for attending meetings of the Board/ Committees of the Board and payment of commission, up to such amounts, as decided by the Board of Directors of the Company, from time to time. As a matter of governance, the Non-Executive Non- Independent Directors shall not be paid any sitting fees or commission by the Company.

ii. The Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company) shall be entitled to payment of commission, within the limits fixed by the Board, under the Companies Act, 2013. The actual amount of commission to be paid would be subject to the outcome of the performance evaluation of the Non-Executive Independent Directors and Non-Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company), as reviewed by the Nomination and Remuneration Committee (NRC) and approved by the Board.

iii. The NRC whilst determining the quantum of commission payable shall take into account the outcome of the performance evaluation of the individual Non-Executive Independent Directors and Non- Executive Non-Independent Directors (who are not related or associated with the shareholders of the Company), vis a vis the criteria laid and adopted for the said purpose.

iv. All payments relating to sitting fees/ commission, shall be subject to deduction of taxes, cess, surcharge etc., in such manner as prescribed by the Government, from time to time.

v. All payments relating to commission shall be subject to the norms relating to malus/ claw-back, as called out in the Code of Conduct and this Policy.

11. Malus and Clawback:

Malus: A malus arrangement shall permit the committee to prevent vesting of all or part of the amount of unvested variable pay. Malus arrangement does not reverse vesting after it has already occurred.

Clawback: A clawback is a contractual agreement between the employee and the company in which the employee agrees to return previously paid or vested remuneration to the NBFC under certain circumstances as stated below.

In the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year, the Committee shall evaluate and decide if malus and/ or clawback needs to be applied on none, part or all of the variable compensation along with the time period. The Committee also reserves the right to include any additional conditions which may trigger Malus/ Clawback provisions over and above those defined herein.

Employee Misconduct shall mean any act detrimental to the interest of the organization including and not restricted to violation of company's Code of Conduct.

While setting criteria for the application of malus and clawback, the company may also specify the period during which malus and/or clawback can be applied, covering at least the deferral period.

Malus and Clawback shall apply equally to resigning and retiring employees.

12. Regulatory Reporting

The Company may be required to disclose the compensation of KMPs as well as Senior management as per applicable regulations to the Regulatory bodies.