

## **REMUNERATION POLICY**

### **1. Objective**

The objective of Hinduja Leyland Finance Limited's Remuneration Policy is to attract, motivate and retain qualified and expert individuals that the Company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognizing the interests of the stakeholders of the Company.

### **2. The Nomination and Remuneration Committee**

The Nomination and Remuneration Committee ("Committee") is responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Personnel (KMP) and Senior Executives of the Company from time to time. KMP is defined under Section 2(51) of the Companies Act, 2013 and Senior Management is defined under Section 178.

### **3. Remuneration for Non-Executive Directors**

Non-Executive Directors ("NED") are remunerated by way of Sitting Fee for each meeting of the Board/ Committees of the Board attended by them and at an appropriate time in the evolution of the Company, an annual commission on the profits of the Company. Commission to respective NED will be determined on the basis of an objective criteria discussed and agreed upon by the Committee Members unanimously. NED's are reimbursed of any out of pocket expenses incurred by them for the purpose of the Company.

### **4. Remuneration for Executive Directors, Key Managerial Personnel (KMP) and Senior Executives**

The following elements are taken into consideration for determining the Remuneration of Executive Directors, KMP and Senior Executives:

- The remuneration policy reflects a balance amongst the interests of the Company's main stakeholders, as well as a balance between the Company's short-term and long-term strategy. As a result, the structure of the remuneration package for the Directors, KMP and Senior Executives is designed to balance short-term operational performance with the medium and long-term objective of creating sustainable value within the Company, while taking into account the interests of its stakeholders. The Company strives for a high performance in the field of sustainability and aims to maintain a good

balance between economic gain, respect for people and concern for the environment.

- To ensure that highly skilled and qualified KMP/Senior Executives can be attracted and retained, the Company aims for a total remuneration level that is comparable to levels provided by other companies that are similar to the Company in terms of size and complexity.
- In designing and setting the levels of remuneration for the Directors, KMP and Senior Executives, the Committee also takes into account the relevant statutory provisions and provisions of corporate governance regulations, societal and market trends and the interests of stakeholders.
- The Company's policy is to offer the Directors, KMP and Senior Executives a total compensation comparable to the peer group.

### **Total Compensation (TC)**

The total compensation of the Managing Director and Senior Executives consists of the following components: 1. Base salary

2. Variable income –

- Annual Performance Pay (APP)
- Performance-related Long-Term Incentive Plan (LTIP) and / or ESOPs

### **Base salary**

On joining the Company, the Managing Director, KMP and Senior Executives receive a base salary comparable to the peer group. Every year, base salary levels are reviewed by the Committee.

### **Variable income**

The variable income part of remuneration consists of APP and LTIP/ ESOPs. The distribution between APP and LTIP for (on target) performance aims to achieve a proper balance between short-term result and long-term value creation. The parameters relating to the various elements of the variable income part of the remuneration are established and where necessary adjusted by and at the discretion of the Committee, taking into account the general rules and principles of the remuneration policy itself.

The targets are determined each year by the Committee in consultation with the respective Director/KMP / Executive, based on historical performance, the operational and strategic outlook of the Company in the short term and expectations of the Company's management and stakeholders, among other things. The targets contribute to the realization of the objective of long-term value creation.

It is one of the long-term objectives to reach the proportion of variable compensation up to 50% of the total compensation.

## **5. Remuneration for other Employees**

Remuneration of all employees, except MD & CEO, of the Company consists of fixed pay and Annual Performance Pay which is reviewed on an annual basis. Increase in the remuneration of employees is effected based on an annual review taking into account performance of the employee and the performance of the Company.

## **6. Employee Stock Options**

Employees are rewarded with stock options in order to encourage harmonious efforts to improve enterprise value. The quantum of stock options is determined by the Board on the recommendations of the Nomination and Remuneration Committee, taking into account the potential of the Executive and his / her criticality to the Company's growth and performance.

## **7. Alignment of Remunerations**

The Committee strives to achieve that the remunerations of the Directors, Senior Executives, Middle and lower level employees of Hinduja Leyland Finance Limited are aligned to each other.

## **8. Term of Appointment**

Term of Managing Director would be as per the provisions of the Companies Act, 2013 and Rules made thereunder and be renewed from time to time as may be determined by the Board / Members as the case may be. The term of the other employees, generally is up to the age of superannuation. However, Company also employs contractual employees as 'consultants' for shorter periods on need basis.

## **9. Post-Retirement Benefits**

All the executive directors and employees are entitled for retirement benefits such as provident fund, superannuation fund and gratuity.

## **10. Severance Arrangements**

Contracts of employment with Executive Directors and regular employees, provide for compensation of up to 3 months pay or advance notice of similar period for cessation from services of the Company.

## **11. Risks and linkage to Performance**

The company faces various kinds of risks like Regulatory Risks, Financial Risks, Interest Rate risk, Client concentration risk, People & Leadership Risk, Performance Risk, Compliance Risk etc. These risks are aligned to the respective KMP's / Senior Management in the organization.

## **12. Performance Management**

Risks are captured as one of the key parameters in KRA's of KMP's./ Senior Management, MD&CEO and all KMP's are governed basis these KRA's and business plans. Performance ratings are given against achievement against the KRA's set. The ratings are directly linked to the performance of the organization and the function.

## **13. Malus / Clawback- Payout of Variable Pay**

Company recognizes that Management should not be paid if there is a deficiency in the performance. Accordingly our compensation structure proactively withholds between 10 to 20% of the senior management/KMP's total salary as a performance based pay. The Variable Pay is paid out at the end of the performance year after the audited financial results are declared by the Company. 100% payout will happen on achieving stated performance targets. In case of lack of performance employee will be paid NIL amount and in case of partial performance, the payout is reduced by 50%. Therefore rather than malus/clawback, we are using a deferred payout mechanism, where compensation is paid only after audited results are declared by the Company

## **14. Malus/Clawback Period**

This will be for a period of 1 year and the risk needs to be mitigated.

This policy was last reviewed and approved by the Board on November 3, 2023.