

REMUNERATION POLICY FOR NON-EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTORS OF AXIS BANK LIMITED

1. INTRODUCTION AND PHILOSOPHY

Axis Bank's (the Bank) remuneration practices are underpinned by principles of meritocracy and fairness. The Bank strives to maintain strong focus in the areas of compensation governance and ensures the compensation systems are in line with emerging compensation regulations as applicable.

2. COVERAGE

The Remuneration Policy for Non-Executive Chairman and Non-Executive Directors of the Bank (the Policy) provides the overarching governance framework and criteria for determining and payment of remuneration to the Non-Executive Chairman and the Non-Executive Directors of the Bank, in terms of the following norms:

- i) Section 10B (1A) of the Banking Regulation Act, 1949, in respect of payment of remuneration to the Non-Executive Chairman of a Private Sector Bank.
- ii) RBI Circular No. RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated 26th April 2021, in respect of Non-Executive Directors (NEDs) other than Non-Executive Chairman of the Bank (The RBI Circular).

3. REMUNERATION GUIDELINES

3.1. NON-EXECUTIVE CHAIRMAN

The terms and conditions relating to the appointment and remuneration of the Non-Executive Chairman of the Board, who shall be an Independent Director, is governed in terms of Sections 10B (1A) and 35B of the Banking Regulation Act, 1949.

3.1.1. Tenure

In terms of the RBI Circular, the total tenure of the Non-Executive Chairman of the Bank, continuously or otherwise, on the Board of the Bank, shall not exceed 8 years. After completing his tenure of 8 years on the Board of the Bank, the Non-Executive Chairman may be considered for being re-appointed on the Board of the Bank, after a minimum gap of 3 years.

3.1.2. Remuneration

The terms and conditions relating to the appointment, including remuneration payable to the Non-Executive Chairman of the Bank shall be subject to the prior approval of the RBI and the Shareholders of the Bank, detailed as under:

- 3.1.2.1. The remuneration payable to the Non-Executive Chairman of the Bank shall comprise of Fixed Pay and Perquisites/ Allowances, as approved by the RBI and the Shareholders of the Bank, from time to time.
- 3.1.2.2. The Non-Executive Chairman of the Bank shall be entitled to sitting fees for attending meetings of the Board and Committees, as approved by the Board of the Bank and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.

3.1.2.3. The Chairman shall be entitled to reimbursement of expenses for maintenance of his/her office, travel, lodging, and boarding expenses incurred for official work and those relating to the affairs of the Bank. The Chairman shall also be provided with a company car.

3.1.2.4. Deleted.

3.1.2.5. The Non-Executive Chairman of the Bank shall not be entitled to grant of Stock Options.

3.2. NON-EXECUTIVE DIRECTORS (NEDs) (EXCEPT NON-EXECUTIVE CHAIRMAN)

The terms and conditions relating to the appointment, including remuneration payable to the Non-Executive Directors of the Bank, is governed under Section 10A (2A) of the Banking Regulation Act, 1949, read with relevant provisions of the RBI Circular, the Companies Act, 2013, the Rules made thereunder and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulation).

3.2.1. Tenure

In terms of the RBI Circular, the total tenure of a Non-Executive Director of the Bank, continuously or otherwise, on the Board of the Bank, shall not exceed 8 years. After completing his tenure of 8 years on the Board of the Bank, the Non-Executive Director may be considered for being re-appointed on the Board of the Bank, after a minimum gap of 3 years.

3.2.2. Remuneration

3.2.2.1. The Non-Executive Directors of the Bank shall be entitled to sittings fees for attending meetings of the Board and Committees as approved by the Board of Directors of the Bank and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.

3.2.2.2. In terms of the RBI Circular, in addition to sitting fees and reimbursement of expenses for attending meetings of the Board and Committees of the Bank and such other expenses, as may be incurred by the NEDs in discharge of duties for the Bank, the Bank may provide for payment of compensation to its NEDs (other than the Non-Executive Chairman) in the form of fixed remuneration commensurate with the individual NEDs responsibilities and demands on his time and which are considered sufficient to attract qualified competent individuals.

However, such fixed remuneration, shall not exceed Rs. 20 lakh per annum. The fixed remuneration shall be paid to the NEDs of the Bank, even in case of inadequacy or absence of profits of the Bank, in any financial year.

3.2.2.3. Criteria for determining Fixed Remuneration

Non-Executive Directors (NEDs) are also appointed as Members of various Committees, in compliance with extant norms. As part of succession process the Board also rotates Members of the Board between different Committees, from time to time and accordingly all Board Members carry diverse and important responsibilities during their tenure with the Bank. Accordingly, same amount of fixed remuneration will be paid to all the NEDs who are Members of the various Committees.

Chairperson of the Committees in addition to above responsibilities is also required to manage the administrative functions and oversee the secretarial requirements with regards to functioning of the Committees. Accordingly, a higher amount of fixed remuneration will be paid to the Chairpersons of the Committees.

Based on the above, the Board shall determine the quantum of fixed remuneration to be paid to the NEDs, within the overall limit of Rs. 20 lacs per annum.

- 3.2.2.4. Payment of said compensation, shall be effective from 1st April 2021 and paid on a quarterly basis after every quarter, subject to deduction of tax at source and such other charges, as per extant income tax laws.

The payment of the said compensation in terms of this Policy, shall be subject to the approval of the Shareholders of the Bank, under the extant norms.

- 3.2.2.5. In case of any change in Chairmanship/ Membership of Committees during a quarter, the revised fixed remuneration as per relevant slab shall be paid from the next quarter.
- 3.2.2.6. In case any Non-Executive Director of the Bank, who is appointed or resigns or retires during the financial year, he/she would be paid fixed remuneration pro-rata to the number of days he/ she was a director during the said financial year, subject to the compliance with the conditions as aforesaid.
- 3.2.2.7. The Non-Executive Directors of the Bank shall not be entitled to grant of Stock Options.
- 3.2.2.8. The Non-Executive Directors of the Bank shall be entitled to reimbursement of expenses for attending the meetings of Board & Committees and such other expenses, incurred by them in discharge of their duties for the Bank.
- 3.2.2.9. In case of Non-Executive Independent Directors, the terms and conditions relating to their appointment including their remuneration shall be set out in the letter of appointment, to be issued to them in terms of Schedule IV to the Companies Act, 2013.

REMUNERATION POLICY FOR MD & CEO, WHOLE TIME DIRECTORS, MATERIAL RISK TAKERS, CONTROL FUNCTION STAFF AND OTHER EMPLOYEES OF AXIS BANK LTD

1. INTRODUCTION AND PHILOSOPHY

Axis Bank's (the Bank) remuneration practices are underpinned by principles of meritocracy and fairness. The remuneration system strives to maintain the ability to attract, retain, reward and motivate employees in order to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates. The Bank's pay-for-performance approach strives to ensure both internal and external equity in line with emerging market trends. However, the business model and affordability form the overarching boundary conditions.

The Bank strives to maintain strong focus in the areas of compensation governance and ensures the compensation systems are in line with emerging compensation regulations as applicable. To this effect, the Axis Bank Comprehensive Remuneration Policy provides the overarching governance framework for all employees of the Bank including MD & CEO and Whole Time Directors of the Bank.

The Remuneration Policy also adheres to principles and guidelines as prescribed by the RBI in terms of the circular on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff, dated 4th November, 2019.

This Policy seeks to:

- Ensure the linkage of compensation with individual performance as established against a set of balanced parameters as well as alignment with the corporate objectives of the Bank.
- Maintain the ability to attract, retain and reward employees to enable the Bank to attain its strategic objectives within the increasingly competitive context in which it operates.
- Reinforce a culture of meritocracy and differentiate and reward performance.
- Balance the mix of Fixed, Variable and Long Term Pay to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviours and actions in the long term.
- Ensure policy is consistent with, and promotes, effective risk management practices and the company's commitment to compliance and controls.
- Ensure reasonable and fair rewards administration, having regard to best governance practices.
- Align compensation programs, structures and decisions with shareholder interests and regulatory guidelines.

2. SCOPE OF THE POLICY

This Policy provides the remuneration guidelines for:

1. Managing Director & CEO, other Whole-time Directors
2. Other Material Risk Takers
3. Employees in Control Functions
4. Other employees of the Bank

3. REMUNERATION GUIDELINES

3.1. MANAGING DIRECTOR & CEO, OTHER WHOLE TIME DIRECTORS

The terms and conditions relating to the appointment and remuneration of the Managing Director & CEO of the Bank are governed under Sections 35B of the Banking Regulation Act, 1949.

3.1.1. Remuneration

The terms and conditions relating to the appointment including remuneration of the Managing Director & CEO/ Whole-time Directors of the Bank and its revision will be considered by the Nomination and Remuneration Committee and recommended for the approval of Board and will be subject to the prior approval of the RBI and the shareholders of the Bank. The guidelines governing remuneration for MD& CEO and Whole-time Directors are as follows:

3.1.1.1. Fixed Pay

The fixed portion of compensation for MD & CEO and other Whole Time Directors shall be reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

All the fixed items of compensation, including the perquisites constitute 'Fixed Pay'.

- a) Monthly fixed salary
 - Basic salary
 - All cash allowances
 - Other allowances and perquisites as may be decided by the Board of Directors of the Bank, from time to time.
- b) Retirals – As per Bank's Policy
- c) Perquisites
 - Entitlement or monetary equivalent of the perquisite as best as it is possible to determine shall be included in Fixed Pay.
 - Perquisites which are reimbursable and have monetary ceilings shall be included in Fixed Pay.
 - Perquisites which are reimbursable without any monetary ceilings, e.g. hospitalization expenses, etc. shall be excluded from Fixed Pay.

Refer Annexure I for detailed definition of Fixed Pay.

3.1.1.2. Total Variable Pay

Total Variable Pay component of remuneration shall be truly and effectively variable and can even be reduced to zero in line with the symmetry principle defined by the FSB. The framework for payment of Total Variable Pay, including Target Variable Pay, Performance Rating Scale and Gating Criteria have been defined under the Board approved Variable Pay Policy for Senior Management.

Total Variable Pay can be in the form of employee stock options, or a mix of cash and employee stock options.

- a) Banks shall use a combination of financial and non-financial measures to assess employee performance of MD & CEO and Whole-time Directors, and to take decision on grant of Total Variable Pay.
- b) 50% of total compensation i.e. Fixed Pay plus Total Variable Pay shall be variable
- c) Variable Pay shall be paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance.
- d) Percentage of Total Variable Pay for the Managing Director & CEO/ Whole-time Directors of the Bank would be capped at 300% of Fixed Pay.
- e) If the Total Variable Pay is up to 200% of the Fixed Pay, a minimum of 50% of the Total Variable pay; and in case Total Variable Pay is above 200%, a minimum of 67% of the Total Variable Pay shall be paid via employee stock options.
- f) In the event that an executive is barred by statute or regulation from grant of employee stock options, his/her Total Variable Pay will be capped at 150% of the Fixed Pay, but shall not be less than 50% of the Fixed Pay.
- g) Minimum 60% of the Total Variable Pay shall be deferred over 3 years. If cash component is part of Total Variable Pay, at least 50% of the cash component of variable pay should also be deferred over 3 years. Deferral shall follow the schedule mentioned in Annexure II.
- h) In cases where the cash component of variable pay is under Rs. 25 lakh, variable pay shall not be deferred.
- i) Employee stock options (ESOS)
 - The Bank has in place an Employee Stock Option Scheme (ESOS), formulated in accordance with the SEBI (Employee Share Based Employees Benefits) Regulations, 2014.
 - ESOS shall have an inbuilt deferral design of 30% vesting after one year, next 30% vesting after two years & balance 40% vesting after third year, which is intended to spread and manage risk.
 - Employee stock options shall be fair valued on the date of grant by the Bank using Black-Scholes model.
 - The Bank will not provide any funds or facility or permit employees to hedge their compensation benefits, with the Bank or with any other financial institution. The Bank will incorporate appropriate clauses against hedging in the contract to be executed with the concerned employees.

3.1.2. Treatment of deferred components in case of separation from the Bank

- 3.1.2.1. Treatment of Employee stock options in case of resignation, retirement, suspension, dismissal, discharge, termination or death shall be as per the Employee Stock Option Scheme (ESOS) for the respective grant.
- 3.1.2.2. Treatment of deferred cash variable pay in case of separation from the Bank
 - Retirement/ Early retirement – Deferred cash variable pay shall be paid as per original deferral schedule.
 - Death/ Permanent Incapacitation – Entire cash variable pay, deferred but unvested, shall be paid on the earliest date of vesting.

- Resignation/ Discharge/ Dismissal/ Severance of employment due to any other reasons – Unvested cash variable pay shall lapse.
- Authorised long leave/ Sabbatical – Deferred but unvested cash variable pay shall be paid 6 months after the employee resumes his duties after completion of long leave/ sabbatical leave.
- In case of an eligible employee who has been suspended or who has been issued a Show Cause Notice, the unvested cash variable pay shall stand suspended. Such variable pay shall not be paid unless the suspension is revoked or disciplinary proceedings initiated against the employee are completed and the concerned employee has been absolved of all the allegations.

3.1.3. Other terms:

- a) Guaranteed bonuses are not part of compensation plan for Managing Director & CEO/ Whole-time Directors of the Bank. Joining/ sign on bonus may be granted only in the context of hiring and will be limited to the first year, in the form of ESOP only. Such bonus will neither be considered part of fixed pay nor part of variable pay.
- b) No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.
- c) No sitting fees will be paid to Managing Director & CEO/ Whole-time Directors of the Bank for attending the meetings of the Board/ Committees thereof of the Bank or for any of its subsidiary companies.

3.1.4. Compensation revision cycle

The Managing Director & CEO / Whole-time Directors of the Bank will be eligible for annual revision in compensation, subject to regulatory and other approvals. The compensation cycle of the Bank is from 1st April to 31st March every year.

3.2. OTHER MATERIAL RISK TAKERS (MRTs)

3.2.1. Definition of MRTs

Actions of Material Risk Takers (MRTs) have a material impact on the risk exposure of the Bank. An employee of the Bank shall be classified as a MRT if she satisfies the qualitative and any one of the quantitative criteria given below:

Qualitative criteria

- Role and decision-making power of employee has jointly or individually, the authority to commit significantly to the following risk categories:
 - Governance and Regulatory Risk
 - Credit Risk
 - Market Risk
 - Liquidity Risk
 - Operational Risk

Quantitative criteria

- Their Fixed Pay, as defined in section 3.2.2.1 exceeds INR 2.0 Cr per annum, or

- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

List of MRTs for the reference year shall be presented to the NRC for approval.

3.2.2. Remuneration

3.2.2.1. Fixed Pay

The fixed portion of compensation for Material Risk Takers shall be reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

All the fixed items of compensation, including the perquisites constitute 'Fixed Pay'.

- a) Monthly fixed salary
 - Basic salary
 - All cash allowances
 - Other allowances and perquisites as may be decided by the Bank, from time to time.
- b) Retirals – As per Bank's Policy
- c) Perquisite Entitlements – As per Bank's Policy

Refer Annexure I for detailed definition of Fixed Pay.

3.2.2.2. Total Variable Pay

Total Variable Pay can be in the form of employee stock options, or a mix of cash and employee stock options.

- a) Banks shall use a combination of financial and non-financial measures to assess employee performance of Material Risk Takers, and to take decision on grant of Total Variable Pay.
- b) 50% of total compensation i.e. Fixed Pay plus Total Variable Pay shall be variable.
- c) Variable Pay shall be paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance.
- d) Percentage of Total Variable Pay for Material Risk Takers would be capped at 300% of Fixed Pay.
- e) If the Total Variable Pay is up to 200% of the Fixed Pay, a minimum of 50% of the Total Variable pay; and in case Total Variable Pay is above 200%, a minimum of 67% of the Total Variable Pay shall be paid via employee stock options.
- f) In the event that an executive is barred by statute or regulation from grant of employee stock options, his/her Total Variable Pay will be capped at 150% of the Fixed Pay, but shall not be less than 50% of the Fixed Pay.
- g) Minimum 60% of the Total Variable Pay shall be deferred over 3 years. If cash component is part of Total Variable Pay, at least 50% of the cash component of variable pay should also be deferred over 3 years. Deferral shall follow the schedule mentioned in Annexure II.

h) In cases where the cash component of variable pay is under Rs. 25 lakh, variable pay shall not be deferred.

i) Employee stock options (ESOS) – As defined in section 3.1.1.2 (i)

3.2.3. Treatment of deferred components in case of separation from the Bank

As defined in section 3.1.2.

3.2.4. Other terms:

a) No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.

3.2.5. Compensation revision cycle

The Material Risk Takers will be eligible for annual revision in compensation. The compensation cycle of the Bank is from 1st April to 31st March every year.

3.3. EMPLOYEES IN CONTROL FUNCTIONS

3.3.1. Objectives & principles

The objective of laying down a compensation policy of staff under Risk and Compliance function is to ensure that they are compensated in a manner that is independent of the business areas they oversee. The compensation system should be able to attract, retain and motivate the best of talent in the function, while ensuring that their compensation is not importantly affected by the short term goals.

3.3.2. Applicability

- Employees in the levels of Senior Vice Presidents & above in the Risk function (including Information Security function).
- Employees in the levels of Senior Vice Presidents & above in the Compliance function.
- Employees in the levels of Senior Vice Presidents & above in the Internal Audit function.

3.3.3. Remuneration

3.3.3.1. Fixed Pay

All the fixed items of compensation, including the perquisites constitute 'Fixed Pay'.

- a) Monthly fixed salary
- Basic salary
 - All cash allowances
 - Other allowances and perquisites as may be decided by the Bank, from time to time.
- b) Retirals – As per Bank's Policy
- c) Perquisite Entitlements – As per Bank's Policy

Refer Annexure I for detailed definition of Fixed Pay.

3.3.3.2. Total Variable Pay

Total Variable Pay can be in the form of employee stock options, or a mix of cash and employee stock options. Employee stock options shall be fair valued on the date of grant by the Bank using Black-Scholes model.

- a) Banks shall use a combination of financial and non-financial measures to assess performance of employees in control functions, and to take decision on grant of Total Variable Pay.
- b) The parameters will be independent of performance of the business area they oversee and will commensurate with their key role in the bank.
- c) The ratio of fixed and variable compensation will be weighed towards fixed compensation.
- d) Appropriate deferral structure as approved by the Nomination and Remuneration Committee will be applicable to this category of employees
- e) Employee stock options (ESOS) – As defined in section 3.1.1.2 (i)

3.3.4. Treatment of deferred components in case of separation from the Bank

As defined in section 3.1.2.

3.3.5. Other terms

The Bank will not provide any funds or facility or permit employees to hedge their compensation benefits, with the Bank or with any other financial institution. The Bank will incorporate appropriate clauses against hedging in the contract to be executed with concerned employees.

Joining / sign on bonus may be granted only in the context of hiring and will be limited to the first year, in the form of ESOP only.

3.3.6. Compensation revision cycle

Employees under Risk Control and Compliance function will be eligible for annual revision in compensation. The compensation cycle of the Bank is from 1st April to 31st March every year.

3.4. OTHER EMPLOYEES OF THE BANK

3.4.1. Remuneration

3.4.1.1. Fixed Pay

- a) Monthly fixed salary
 - Basic salary
 - All cash allowances
 - Other allowances and perquisites as may be decided by the Bank, from time to time.
- b) Refirals – As per Bank's Policy
- c) Perquisite Entitlements – As per Bank's Policy

Refer Annexure I for detailed definition of Fixed Pay.

3.4.1.2. Total Variable Pay

Total Variable Pay can be in the form of employee stock options, or a mix of cash and employee stock options.

- a) Banks shall use a combination of financial and non-financial measures to assess performance of employees in control functions, as per Bank's Performance Management System, to take decision on grant of Total Variable Pay.
- b) For employees in the grade of Executive Vice Presidents and above, if the cash component of variable pay is above Rs. 25 lakh, same shall be deferred, as per schedule defined in Annexure II.
- c) Employee stock options (ESOS) – As defined in section 3.1.1.2 (i)

3.4.1.3. Sales Incentives

- a) Employees in certain sales/ relationship management roles may be covered under the sales incentives schemes, which are paid basis the individual and business performance. Sales incentive amount may be held back or even clawed back in case of compliance/disciplinary issues.
- b) Employees covered under such sales incentive scheme shall not be eligible for variable pay for the specific duration.

3.4.2. Treatment of deferred components in case of separation from the Bank

As defined in section 3.1.2.

3.4.3. Other terms:

- a) Guaranteed bonuses are not part of compensation plan for Material Risk Takers. Joining/ sign on bonus may be granted only in the context of hiring and will be limited to the first year, in the form of ESOP only. Such bonus will neither be considered part of fixed pay nor part of variable pay.
- b) No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.

3.4.4. Compensation revision cycle

Other Employees will be eligible for annual revision in their compensation. The compensation cycle of the Bank is from 1st April to 31st March every year.

4. MALUS / CLAWBACK¹

4.1. Definition

¹ A malus arrangement permits the Bank 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. A clawback, on the other hand, is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the Bank under certain circumstances.

Malus arrangement permits the Bank to prevent vesting of all or part of the deferred remuneration. It does not reverse vesting after it has already occurred.

Clawback is a contractual agreement between the employee and the Bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances.

- a) Cash Variable Pay – the employee shall return previously paid amount, net of taxes, to the Bank.
- b) ESOPs – As a general rule, clawback would be applicable only to the vested but un-exercised options. However, in exceptional cases, NRC may decide to extend the clawback clause to exercised options as well. In this case, where the vested stock options have already been exercised, the employee shall return fair value of options at the time of grant, using Black-Scholes model.

4.2. Scope

In line with RBI guidelines, Malus/ Clawback arrangements under this Policy are only applicable for MD & CEO, Whole Time Directors and other Material Risk Takers.

4.3. Framework to invoke malus/ clawback clauses

4.3.1. Errors of judgment shall not be subject to Malus/ Clawback arrangements under this Policy.

4.3.2. In the event of deterioration in financial performance in form of Bank fails to achieve its budgeted Profit After Tax (PAT), as defined in the Board approved business plan, by an extent of 50% or more, the NRC shall evaluate and decide if malus needs to be applied on none, part or all of the unvested deferred variable compensation. For the evaluation, the NRC may take into consideration conditions leading to the deterioration in financial performance, including changes in regulations, industry performance and others.

4.3.3. Malus clause shall be considered if an act of gross negligence, on part of one or group of employees, comes to light in the subsequent period, as defined in section 4.4. An act of gross negligence occurs when a professional fails to meet the standard of due diligence or commits a negligent error that another similarly skilled professional would have most likely avoided.

4.3.4. In the event where the assessed divergence in Bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure, the Bank shall not pay the unvested portion of the variable compensation for the assessment year under 'malus' clause. In case the Bank's post assessment Gross NPAs are less than 2.0%, 'malus' clause shall apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

4.3.5. In the event of the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, gross or wilful insubordination, or any other act detrimental to the interest of the Bank including and not restricted to violation of Bank's Code of Conduct, the Clawback clause shall also be considered.

4.4. Process

4.4.1. Related to NPAs

- 4.4.1.1. All fresh NPA slippages during the financial year, with outstanding exposure more than INR 20 Cr, shall be reviewed by 'Staff Accountability Committee', chaired by Chief Credit Officer of the Bank.
- 4.4.1.2. The Committee may recommend specific cases to the Bank's Internal Audit/ Vigilance Department for further enquiry and setting individual accountability, if applicable.
- 4.4.1.3. Findings from the enquiries, along with recommendation on individual accountability, shall be reviewed by 'Remuneration Governance Council. Constitution of the Remuneration Governance Council:
 - 1) Chief Risk Officer (CRO) of the Bank – member
 - 2) Chief Compliance Officer (CCO) of the Bank – member
 - 3) Chief Audit Executive (CAE) of the Bank – member
 - 4) Head – Human Resources – invitee
- 4.4.1.4. Role of Remuneration Governance Council is that of a non-conflict, fact-finding council which will assist the NRC in any fact finding, internal or external investigation etc. The RGC shall not make any recommendations with respect to invoking malus and clawback, and the sole authority for the same lies with the NRC of the Board.

4.4.2. Others

- 4.4.2.1. The process related to any other negative event related to a Material Risk Taker, say arising due to a whistle blower complaint or a fraud, shall be follow Bank's laid down Disciplinary Action Process.
- 4.4.2.2. Findings from the Disciplinary Action Process shall be reviewed by 'Remuneration Governance Council', as defined in section 4.3.1.3.
- 4.4.3. Final decision to invoke malus and/or clawback shall be approved by NRC.
- 4.4.4. Prior to yearly payout of the deferred components of Total Variable Pay, NRC shall review the release of the payout.
- 4.4.5. MD & CEO, Whole Time Directors and other Material Risk Takers shall be required to formally accept the malus/ clawback clauses as part of the overall Remuneration Policy.
- 4.4.6. In the event where the clawback clause is invoked, the employee will agree to return the previously received Total Variable Pay back to the Bank, taking into account relevant regulatory/ statutory stipulations. In case the vested stock options have already been exercised, the employee shall return fair value of options at the time of grant, using Black-Scholes model.

4.5. Period

- 4.5.1. Malus/ clawback clause can be applied for a period of 3 year after the date of grant of Total Variable Pay.

4.5.2. In the event of a felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, Board with recommendation of ACB, may extend the clawback period beyond the 3-year period.

4.6. Effective period

4.6.1. Malus/ clawback clause can be applied for all Material Risk Takers who are in active employment of the Bank as well as those who have since separated from the Bank, due to any of the following reasons:

- Resignation
- Discharge/ Dismissal from services
- Retirement / Early Retirement
- Authorised long leave/ Sabbatical
- Transfer to group company
- Severance of employment due to any other reasons, except death

5. AUTHORIZATION SCHEDULE

The authorization schedule will set out to provide powers to the MD & CEO and the Executive Director responsible for HR to review/ratify/approve any special compensation interventions at a company level provided that it is ratified by the Nomination & Remuneration Committee and the Board of Directors, as applicable, at its subsequent meeting.

6. REVIEW

This Policy shall be reviewed annually by the Nomination & Remuneration Committee pursuant to any changes to the applicable provisions of the Banking Regulation Act, 1949, Guidelines issued by RBI from time to time, Companies Act, 2013, Rules made thereunder or Listing Regulation, or as deemed appropriate.

Any amendment to this Policy would be subject to its review by the Nomination & Remuneration Committee and the approval of the Board of Directors of the Bank.

7. DISCLOSURES

The details of remuneration paid to the Directors and other employees of the Bank, in terms of this Policy shall be made in the Annual Financial Statements of the Bank, in terms of the guidelines issued by the RBI, the relevant provisions of the Companies Act, 2013, the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ANNEXURE I**DEFINITION OF FIXED PAY**

Details of Fixed Remuneration	Particulars
Monthly Cash Components	<ul style="list-style-type: none"> • Basic Pay • Leave Travel Allowance • House Rent Allowance • Utility Allowance • Other Fixed Allowances as may be decided by the Board of Directors of the Bank, from time to time
Retiral Benefits	<ul style="list-style-type: none"> • Provident Fund • Gratuity • Superannuation
Perquisites/ Reimbursements (as per entitlement unless specified otherwise)	<ul style="list-style-type: none"> • Use of Bank's car for official purposes • Driver's salary • Furnishing Allowance • Club membership(s) – <i>cost as per actuals</i> • Staff Loan Benefit • Insurance benefits (Term Life and Mediclaim) • Other perquisites as may be decided by the Board of Directors of the Bank, from time to time

ANNEXURE II
DEFERRAL SCHEDULE

Payable effective date	Schedule for Cash Variable Pay*	Schedule for ESOPs
Immediately following the reference performance year	50% payout	Grant; No vesting
At the end of first year following the reference performance year	16.5% payout	30% vesting
At the end of second year following the reference performance year	16.5% payout	30% vesting
At the end of third year following the reference performance year	17.0% payout	40% vesting

* If Cash Variable Pay is more than INR 25 Lacs.

Payment of Total Variable Pay to Whole Time Directors is subject to approval by the Reserve Bank of India (RBI).