

AXIS BANK

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

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.

To this effect, this Policy provides the overarching governance framework for the Non-Executive Chairman and the Non-Executive Directors of the Bank.

The Remuneration Policy also adheres to principles and guidelines as prescribed by the RBI in terms of the following circulars:

- i) Non-Executive Chairman of a Private Sector Bank (In terms of Section 10B (1A) of the Banking Regulation Act, 1949,)
- ii) Non-Executive Directors (NEDs) (other than Non-Executive Chairman) (Vide Circular DBR. No. BC. 97/29.67.001/ 2014-15 dated 1st June, 2015)

2. COVERAGE

This Policy provides the remuneration guidelines for:

1. Non-Executive Chairman
2. Non-Executive Directors

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 is governed in terms of Sections 10B (1A) and 35B of the Banking Regulation Act, 1949.

3.1.1. Tenure

The Non-Executive Chairman of the Bank shall be entitled to hold office as such for such period (s) and on such term and conditions as may be imposed by the Reserve Bank of India or prescribed under any regulation or amendment thereto, for time being in force and subject to the approval of Shareholders of the Bank.

3.1.2. Remuneration

The terms and conditions relating to the appointment and 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 fee as approved by the Board of Directors of the Bank and within the overall limits 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 for official work relating to the affairs of the Bank and shall be provided with a company car.
- 3.1.2.4. The Non-Executive Chairman of the Bank shall not be entitled to any profit linked commission.
- 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)

The terms and conditions relating to the appointment and remuneration payable to the Non-Executive Directors of the Bank, is governed as per terms of Section 10A (2A) of the Banking Regulation Act, 1949, guidelines issued by the RBI and subject to compliance with the relevant provisions of 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 Section 10A (2A) of the Banking Regulation Act, 1949, a Non-Executive Director of the Bank can be appointed for a period of 8 continuous years, subject to him/her not having attained the upper age limit of 70 years at the time of his/her appointment/ re-appointment, as prescribed in Circular no. DBOD.No. BC.24/ 08. 139. 001 /2002-03 dated 9th September, 2002, issued by the RBI.

3.2.2. Remuneration

- 3.2.2.1. The Non-Executive Directors of the Bank shall be entitled to sittings fees as approved by the Board of Directors of the Bank and within the overall limits prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.
- 3.2.2.2. The Non-Executive Directors of the Bank (excluding the Non-Executive Chairman) would be entitled to profit related commission, subject to the Bank making profits for an amount not exceeding Rs. 10 lacs per annum, in terms of the RBI Circular DBR. No. BC. 97/29.67.001/ 2014-15 dated 1st June, 2015.

The quantum of profit related commission that would be payable to the concerned Non-Executive Director, would be subject to outcome of his performance evaluation, the profitability of the Bank as stated in its Annual Accounts and the % of meetings of the Board/ Committees attended by the NEDs. In case the % of meetings of the Board/ Committees attended by the NED during the financial year is less than 75%, then the profit related commission payable shall be proportionate to the % of meetings attended by the concerned NED and in case the % of meetings of the Board/ Committees

attended by the NED during the financial year is 75% or more, then the maximum profit related commission shall be payable.

The profit related commission, as recommended by the Board, would be paid to the Non-Executive Directors of the Bank after adoption of the Annual Accounts by the shareholders of the Bank at the Annual General Meeting and subject to compliance with the relevant provisions of the said Act and Rules, relating to payment of remuneration to the Non-Executive Directors.

Furthermore, in case of any Non-Executive Director of the Bank, who is re-appointed or resigns or retires during the financial year, he/she would be paid commission pro-rata to the number of days he/ she was a director during the said financial year, subject to the outcome of his performance evaluation and compliance with other conditions as aforesaid.

However, in case of absence or inadequacy of profits in any financial year, no commission shall be paid to the Non-Executive Directors.

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

3.2.2.4. 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.

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 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/ 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) Retirals – 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

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.

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.

- 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 drop in Profit After Tax (PAT) from one financial year to the next by 30% 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 negligence, on part of one or group of employees, comes to light in the subsequent period, as defined in section 4.4.

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. Clawback clause shall be considered if an act of integrity breach or fraud, on part of one or group of employees, comes to light in the subsequent period, as defined in section 4.4.

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 Committee'. Constitution of the Remuneration Governance Committee:

- 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

4.4.2. 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 Committee', as defined in section 4.3.1.3.
- 4.4.3. Final decision to invoke malus and/or clawback shall be approved by NRC, with the recommendation of the Remuneration Governance Committee.
- 4.4.4. Prior to yearly payout of the deferred components of Total Variable Pay, NRC shall review the release of the payout, based on recommendation of the Remuneration Governance Committee.
- 4.4.5. MD & CEO, Whole Time Directors and other Material Risk Takers shall be required to sign malus/ clawback contracts towards Total Variable Pay (cash and stock options).
- 4.4.6. In the event of an enquiry determining integrity breach or fraud, 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.

4.6. 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:
 - .1.1. Resignation
 - .1.2. Discharge/ Dismissal from services
 - .1.3. Retirement / Early Retirement
 - .1.4. Authorised long leave/ Sabbatical
 - .1.5. Transfer to group company
 - .1.6. 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 entitlement	<ul style="list-style-type: none"> • Use of Bank's car for official purposes • Driver's salary • Furnishing Allowance • Club membership(s) • 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).