Compensation Policy

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Investor Relations Cell &

Human Resources Department

Regd. & Central Office

Karur

Index

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COMPENSATION POLICY

1. Background

This Policy provides the framework for compensation payable to the Board of Directors, Key Managerial Personnel, Material Risk Takers, Control Function Staff and all other employees of Karur Vysya Bank.

Based on the Financial Stability Board (FSB) principles for sound compensation practices, Reserve Bank of India had issued the Compensation Guidelines dated 13.01.2012 vide its circular DBOD No. BC 72/29.67.001/2011-12. Further as a part of regulatory reforms RBI had published guidelines vide its circular DOR. Appt. BC. No. 23/29.67.001/2019-20 dated 04.11.2019 superseding the earlier guidelines with effect from April 01, 2020. A subsequent addition was made on August 30, 2021 by Circular RBI/2021-22/95 DOR.GOV.REC.44/29.67.001/2021-22, in respect of accounting of the fair value of granted shares.

These guidelines reflect "pay for performance principles" and align the compensation structure with prudent risk taking norms as also to address the misconduct risk. These new guidelines are applicable to Whole Time Directors/Chief Executive Officer/ Material Risk Takers and Control function staff, etc.

Section 178 of the Companies Act, 2013 and regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") also requires, to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Bank.

Principles for sound compensation practices

The principles enunciated in the said RBI guidelines are in tune with the Sound Compensation Practices issued by Financial Stability Board (FSB) with the aim to ensure the following:

(I) Effective governance compensation

- Board of directors of the Bank must actively oversee the compensation systems design and operation.
- Board must monitor and review the compensation system to ensure the system operates as intended.
- Employees engaged in financial and risk control must be independent, have necessary authority and must be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank.

(II) Effective alignment of compensation with prudent risk taking

- Compensation must be adjusted for all types of risks
- Compensation outcomes must be symmetric with risk outcomes
- Compensation payout schedules must be sensitive to the time horizon of risks
- The proportion of cash, equity and other forms of compensation must be consistent with risk alignment.

(III) Effective supervisory oversight and engagement by stakeholders

- Supervisory review of compensation practices must be rigorous and sustained and deficiencies must be addressed promptly with supervisory action
- Banks must disclose comprehensive and timely information on their compensation practices which shall facilitate constructive engagement by all stakeholders.

2. Applicability and Scope

This Policy has been framed in line with the guidelines issued by RBI vide its circular dated 04.11.2019 covering Managing Director & Chief Executive Officer/ WTD, Part Time (Non-Executive) Chairman, Non- Executive Directors/ Independent Directors, Key Managerial Personnel, Material Risk Takers, Control Function Staff and all other employees of Karur Vysya Bank.

The Bank shall have a judicious and prudent approach to the compensation and shall not use compensation as the sole lever to attract and retain employees. Compensation shall be adjusted for all types of risks. A wide variety of measures of credit, market, liquidity and various other risks shall be used by banks in implementation of risk adjustment.

Employee compensation shall take into account a mix of external market pay and internal equity. The total compensation will be a prudent mix of fixed pay and variable pay. The proportion of variable pay should increase significantly along with the level of seniority and/or responsibility. There shall be proper balance between the cash and share linked components in the variable pay. Back office and risk control employees play a key role in ensuring the integrity of risk measures.

3. Definitions

- **Key Managerial Personnel (KMP):** As per the Companies Act, 2013, Managing Director & Chief Executive Officer/ Whole Time Director (WTD), Company Secretary, Chief Financial Officer and any other Person identified by the Board. Currently, Managing Director & Chief Executive Officer, President & Chief Operating Officer, Chief Financial Officer and Company Secretary are identified as Key Managerial Personnel in our Bank.
- **Senior Management:** All members of management one level below the Managing Director & Chief Executive Officer i.e. President & COO and shall specially include Chief General Manager, General Manager, Chief Financial Officer, Company Secretary, Chief Risk Officer, Chief Compliance Officer, Chief Information Officer, Chief Technology Officer, Chief Information Security Officer, Chief Vigilance Officer and other functional (vertical) Heads.
- **Material Risk Takers (MRTs):** Whose actions have a material impact on the Risk Exposure of the Bank, and who satisfy the qualitative and any one of the quantitative criteria as per RBI Norms.
- **Control Function Staff:** are who monitor and control the integrity of risk measures undertaken and staff members who are independent of the business areas.
- **Black-Scholes Model:** It is a pricing model used to determine the fair price or theoretical value for pricing an options contract / underlying stock price. Share linked instruments (ESOPs) shall be fair valued on the date of grant by the bank using Black-Scholes model.

- **Malus:** 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.
- **Clawback:** 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.
- **Retention Period (Lock in Period):** A period of time after the vesting of instruments which have been awarded as variable pay, during which they cannot be sold or accessed.
- **Share-linked instruments:** are such instruments as defined in Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
- **Fixed Pay:** All fixed items of compensation, including perquisites will be treated as a part of Fixed Pay. All perquisites that are reimbursable (subject to monetary ceilings) shall also be included in Fixed Pay. Contribution towards superannuation/retirement benefits shall also be treated as part of Fixed Pay.
- **Variable Pay:** Variable pay shall include cash/non-cash compensation paid (including Performance Linked components).
- **Hedging:** A risk management strategy used to limit or offset probability of loss either by way of insurance or by entering into a counter arrangement.

4. Role of Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) of the Board shall oversee the framing, implementation aspects of Compensation Policy on behalf of the Board. Further NRC shall also review the policy annually as and when required and shall place before the Board for approval.

NRC shall work in close co-ordination with the Risk Management and Asset Liability Management Committee of the Board in order to achieve effective alignment between remuneration and risks.

NRC shall ensure that the compensation package is consistent with maintenance of sound capital adequacy ratio and the cost to income ratio of the bank.

NRC is entrusted with the responsibility of recommending to the Board an appropriate compensation payable to Non-Executive Chairman, Managing

Director & Chief Executive Officer, Whole Time Director (WTD), Material Risk Takers and the Key Managerial Personnel. The recommendation shall be based on the policy laid down in this document.

5. Identification of MRTs

Actions of Material Risk Takers (MRTs) have a material impact on the risk exposure of the Bank. The emergence of this role highlights the importance attached to risk and control within the business. MRTs are empowered executives and are in a position to be held accountable for the effectiveness of the controls within the business for the risk and control environment.

Compensation structures of MRTs shall be aligned with prudent risk taking. An employee of the Bank shall be classified as a MRT if he satisfies the qualitative and any one of the quantitative criteria given below:

5.1 Standard Qualitative criteria

The role and decision-making power of staff member, either individually or jointly which exposes the Bank to any significant material risk.

5.2 Standard Quantitative Criteria

Their total remuneration exceeding ₹ 50 lakhs p.a.

OR

Included among the 0.3% of staff with the highest remuneration in the Bank.

OR

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

6. Control Function Staff

Management's primary task is to take steps and to ensure that organizational goals are achieved in an efficient manner. Once strategies are set and plans are made, these plans are carried out by directing the activities of others; a major part of the control function is making sure other people do what should be done. Back-office and risk control employees play a key role in ensuring the integrity of such measures.

Compensation of back-office and risk-control employees should not be influenced by personnel in front-line business areas.

Banks are obliged to establish and operate a qualified and effective Financial, Risk management, Human resources, Compliance function & Internal Audit units that cover all branches and operations. These functions determine and review the policies and procedures related to performance metrics and internal control systems of the Bank for effective functioning. Staffs working under these functions would be identifiable as control function Staff (*an indicative list*: RMD, FCD, IAD, Compliance, Investor Relations Cell, HR etc.).

7. Compensation Structure

Compensation structure would be aligned to multiple factors such as business strategy, market dynamics, internal characteristics and structural complexities within the bank. The ultimate objective is to provide a fair and transparent structure that helps it to retain and acquire the talent pool critical to building competitive advantage and brand equity.

The compensation structure shall be a prudent mix of fixed pay and variable pay taking into account 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.

The compensation structure shall broadly comprise of Fixed Pay and Variable Pay as applicable to categories described herein.

7.1 Fixed Pay:

Bank will ensure that the fixed portion of compensation is reasonable, taking into account all the relevant factors including adherence to statutory requirements and industry practice.

All fixed items of compensation i.e., basic pay, allowances, costs of benefits and perquisites, and contribution towards superannuation / retirement benefits shall also be treated as part of Fixed Pay.

7.2 Variable Pay:

Variable Pay, as applicable to certain categories detailed herein, shall be adjusted to the time horizon of risks.

The size of the variable compensation pool and its allocation within the bank should take into account the full range of current and potential risks, and in particular:

- the cost and quantity of capital required to support the risks taken;
- the cost and quantity of the liquidity risk assumed in the conduct of business; and
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings.

Variable Pay shall be considered on the basis of performance matrix broadly categorized as a) Bank as a whole, b) Business Unit, c) Individual, based on the quantitative and qualitative criteria. The quantitative criteria shall relate to the performance of the Bank and certain qualitative factors taking into account the, Governance Improvement Measures, Cost to Income Ratio, Capital Adequacy Ratio, extraordinary items, appropriate risk management and efficient consumption of capital, etc as set out by NRC.

Variable pay shall include cash/non-cash compensation paid (including Performance Linked components), excluding the fixed pay mentioned above. The variable pay shall be in the form of Share linked instruments or a mix of cash and share linked instruments.

Norms for grant of share linked instruments shall be in conformity with the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and Employee Stock Option Policies (ESOPs) of the Bank.

Share linked instruments shall be fair valued on the date of grant by the bank using Black-Scholes model. The share linked instruments granted shall also be disclosed in terms of the disclosure requirements.

Limit on Variable pay

(a) Total variable pay shall not be less than 100% of Fixed Pay (i.e., 50% of total remuneration) and shall be limited to a maximum of 300% of the fixed pay.

(b) At higher levels of responsibility, the proportion of variable pay shall be higher, in case if variable pay is:

- Over and above 200% of fixed pay a minimum of 67% of such variable pay shall be in the form of non-cash instruments (i.e., Share Linked instruments).

- Up to 200% of fixed pay, a minimum of 50% of such variable pay shall be in the form of non-cash instruments.

(c) In case if grant of share-linked instruments is barred by the statute or regulation, variable pay would be capped at 150% of the fixed pay.

(d) The deterioration in the financial performance of the bank would generally lead to a contraction in the total amount of variable compensation, which can even be reduced to Zero.

7.3 Compensation for various categories

- Non-Executive (Part-Time) Chairman
- Managing Director & Chief Executive Officer/ WTD/MRT
- Non-Executive Directors/Independent Directors
- Control Function Staff
- Key Managerial Personnel (KMP) other than Managing Director & Chief Executive Officer and MRTs of the Bank
- Other categories of staff

7.3.1 For Non-Executive (Part-Time) Chairman

The Salary/honorarium payable to the Non-Executive (Part Time) Chairman of the Bank shall only be a consolidated fixed payment taking into account the Banking industry practice as approved by Reserve Bank of India.

Besides fixed salary/honorarium, Non-Executive Chairman is also entitled for the sitting fees payable as applicable to other Non-Executive Directors of the Bank. The Board of the Bank from time to time by a resolution decides the quantum of sitting fees payable to the Non-Executive Directors of the Bank, subject to the overall ceiling prescribed under the Companies Act, 2013 and the Rules made there under.

7.3.2 For Managing Director & Chief Executive Officer/WTD/MRTs of the Bank

Corporate Governance pillars on transparency and fairness in action satisfying accountability and responsibility towards the stakeholders. Top Executives play a key role in balancing the interests of the various stakeholders. While Managing Director & Chief Executive Officer is Key authority for the governance, direction, control and management of the Bank, MRTs are empowered executives who are held accountable for the effectiveness of the controls. Their strategic vision helps the organization to align both the internal and external stakeholders towards achieving the long- term wealth creation.

Their Compensation arrangements shall consider prudent risks that are consistent with bank's long-term value creation and time horizons of risk as they are responsible for the entire banks risk posture and performance.

Compensation structure would also consider "the cost/income ratio of the bank supporting the compensation package, consistent with maintenance of sound capital adequacy ratio".

NRC shall determine suitable compensation structure of Managing Director & Chief Executive Officer/WTD/MRTs, in line with clause 7 of this policy ensuring that the compensation payable is:

- adjusted for all types of risk;
- is symmetric with risk outcomes;
- sensitive to the time horizon of risk; and
- the mix of cash, equity and other forms of compensation are consistent with risk alignment.
- variable component shall be subject to annual evaluation based on

the criteria fixed by NRC.

7.3.3 For Non-Executive Directors / Independent Directors:

[1] No remuneration is paid to Non-Executive Directors/ Independent Directors except Part-time Chairman other than the Sitting Fees for attending Board/ Committee meetings. However keeping in view the need of banks to attract and retain professional expertise in their Boards, RBI vide their Circular No. DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015, issued guidelines on payment of Compensation to Non-executive Directors (other than the Part-time Chairman). Further RBI vide its Circular dated February 09, 2024, has increased the quantum of Compensation (fixed remuneration) to Non-executive Directors.

- **Payment of sitting fees and other incidental expenses to Non-Executive Directors / Independent Directors***:*

  The Board may fix sitting fees to Non-Executive Directors/Independent Directors for attending meetings of the Board or Committee thereof from time to time and are eligible for other incidental expenses which may be incurred by the Director for participating in the Board/Committee meetings and other meetings, not exceeding the amount as may be prescribed under the Companies Act, 2013 or rules made thereunder along with SEBI (LODR) Regulations, 2015.

- **Compensation in the form of Fixed Remuneration:**

  The Board may determine on the recommendation of the NRC, compensation in the form of Fixed Remuneration to Non-Executive Directors other than Part Time (Non-Executive) Chairman based on the performance of the Bank subject to the compliance with the provisions of the Companies Act, 2013, RBI guidelines and other applicable rules/regulations.

  Remuneration to the Non-Executive Directors shall be within the limit approved by the shareholders in General Meeting and subject to the amount not exceeding one per cent of the net profits of the Bank computed as per the provisions Section 197 of the Companies Act, 2013 and rules made there under. However in terms of RBI guidelines such

[1] amended to incorporate requirements of RBI circular dated February 09, 2024 vide NRC approval dated 25.03.2024

compensation, shall not exceed ₹ 30 Lakh per annum for each director.

- **Stock Options:**

  The Non-Executive/Independent Directors shall not be entitled to any stock options of the Bank.

7.3.4 For Control Function Staff

Back office and risk control employees play a key role in ensuring the integrity of risk measures. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation.

Their Compensation should be framed considering the following:

a. Remuneration should be determined independently of other business areas and be adequate to attract qualified and experienced staff;
b. Performance measures should be based principally on the achievement of the objectives of their functions.

The mix of fixed and variable compensation for control function personnel shall be weighted in favour of fixed compensation. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay shall not be applicable for this category of staff. However, it shall be at the discretion of NRC to consider a reasonable proportion of compensation in the form of variable pay, so that exercising the options of Malus and/or Clawback, when warranted, is not rendered infructuous.

7.3.5 For KMP other than Managing Director & Chief Executive Officer and MRTs of the Bank

(a) Key Managerial personnel are being paid as per the Bi-partite settlement or CTC basis. In case of CTC basis, Bank would be paying a fixed remuneration to the Key Managerial Personnel as per the recommendations of NRC.

(b) The NRC shall fix suitable fixed & variable pay to the said position based on the market practice/compensation being paid by other banks, experience of the person etc.

(c) Key Managerial Personnel are also entitled for ESOP based on the recommendation of NRC and subject to the SEBI regulations in this regard.

(d) Key Managerial Personnel are entitled for all the perquisites and allowances if any as may be decided by the Board based on the recommendation of NRC as applicable to the cadre or such higher quantum as may be decided by the Board.

7.3.6 Other categories of staff

Bank has been party to the IBA negotiated Bi-partite settlements /Joint Notes at all India level in respect of workmen cadre employees and Officer Employees for the payment of salary and other emoluments, and as such, the Bank has been following the emoluments / compensation as arrived at in each Bi-partite settlements for the relevant category of staff. In respect of Scale IV to VII cadres (Executives) also the Bank has been following the IBA structure.

The Board of the Bank has been granting performance linked ex-gratia with fixed and variable components each year to all the said cadres who are coming under the Bi-partite settlements taking into account the overall growth of the bank, profitability etc. Bank has also followed separate Performance Linked Incentive Plan for Executives which is based on the Performance Measurement & Management process, ensuring effective alignment of remuneration and risks.

Board approved appointment and compensation approach is followed for employees on CTC model, and they would also be eligible for performance linked ex-gratia, or performance linked incentive, depending on the role and appointment terms.

In the above mentioned other categories of staff on IBA/CTC models the requirement of minimum 50% of total compensation to be paid in the form of variable pay shall not be applicable.

The NRC may also recommend the concept of Variable Pay to specific employees other than MRTs, or KMPs to the Board, for the purpose of engaging specific talent from the industry. In such cases, the application of malus/claw back clauses shall be as indicated in Clause 9.

8. Deferral of Variable Pay & Vesting

- In case of Managing Director & Chief Executive Officer/WTD and other employees who are MRTs and Control Function Staff, in adherence to FSB implementation standards, deferral arrangements must invariably exist for the variable pay.
    - a minimum of 60% of the total variable pay shall be under deferral arrangements.
    - if cash component of variable pay equals or exceeds ₹ 25.00 Lakhs, then atleast 50% of the cash bonus shall be deferred.
- In cases where the compensation by way of share linked, instruments is not permitted by law / regulations, the entire variable pay can be in cash, subject to deferral /vesting / malus-clawback norms.
- Period of Deferral Arrangement: The deferral period shall be a minimum of three years applicable to both cash and non-cash components of the variable pay.
- Subject to bank's ESOP scheme, NRC at its discretion may specify a retention period after the vesting of stock linked instruments which have been awarded as variable pay during which they cannot be sold or accessed.
- Deferred remuneration shall either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting shall be not before one year from the commencement of the deferral period. The vesting shall be no faster than on a pro-rata basis. Additionally, vesting, shall not take place more frequently than on a yearly basis, to ensure a proper assessment of risks before the application of ex-post adjustments.

9. Malus and Claw Back

Malus and Claw back play an important role in addressing misconduct by providing both, incentives for good conduct and adjustment mechanism that support appropriate accountability when misconduct occurs. To achieve the goal of aligning the compensation structure with prudent risk taking, bank shall identify, prevent, mitigate and remediate misconduct and use malus and claw back as tools to fix the accountability.

Modalities

The deferred compensation shall be subject to malus/clawback arrangements of variable pay subject to the following conditions:-

I. Subdued or negative financial performance of the bank and / or the relevant line of business in any year

II. Misconduct Risk, viz.:-

- Non adherence to Systems and Procedures arid Internal guidelines / Policies
- Breach of Contract / violation of non-disclosure agreement
- Gross negligence and: Integrity breach
- Misuse of official powers
- Unjust enrichment
- Non-disclosure in case of conflict of interest
- Failure / lapses in Regulatory Compliance.
- Assessed Divergence in Bank's provisioning for NPA exceeds prescribed threshold.

The Qualitative and Quantitative factors enabling the application of malus/claw back clauses with respect to Material Risk Takers (MRTs) is mentioned in Annexure III.

In case of employees other than MRTs to whom Variable Pay is part of the total compensation and includes deferred pay-outs, Malus and Clawback is applicable, and such action would be based on the reports if any of the Staff Accountability Committee, in respect of deviances referred to the Committee, and consequent action indicated by the competent Disciplinary Authority.

For all other employees, who do not qualify for Variable Pay as detailed above, however may be paid smaller quantum by way of Ex-gratia, or Performance Linked Incentive, or non-cash awards (such as ESOPs), malus and clawback are normally not applicable except in such cases where action would be based on the reports, if any of the Staff Accountability Committee, in respect of deviances referred to the

Committee, and consequent action indicated by the competent Disciplinary Authority.

Period of Applicability

The malus can be applied any time during the deferral period. Clawback can be applied anytime for a period of 3 years from the date of release of variable pay.

Other Conditions

Wherever 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. Further, in such situations, no proposal for increase in variable pay (for the assessment year) shall be entertained. In case the bank's post assessment Gross NPAs are less than 2%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provision and asset classification.

10. Guaranteed Bonus/Ex-gratia & Severance Pay

Guaranteed Bonuses are not consistent with sound risk management or the pay for performance principle and are not expected to be part of prospective compensation plans.

- Bank shall not offer any guaranteed bonus based on its performance in tune with the sound risk management principles.

- Guaranteed bonus may occur in the context of hiring new staff as joining/sign-on bonus which shall only be limited to the first year. The joining/sign-on bonus shall be in the form of share-linked instruments and not in cash. Such bonus will neither be considered part of fixed pay nor part of variable pay.

- Bank shall not grant any severance pay, However the following as applicable under the extant guidelines/relevant statute may be entitled:

(a) Provident Fund contribution made by the Bank
(b) Gratuity payable

11. Hedging

Bank shall not provide any facility or funds to the employees to insure or hedge his/her compensation structure to offset the risk alignment effects embedded in the compensation package.

12. Disclosures

12.1 Bank shall keep at its registered office disclosures on remuneration payable to the Non-Executive (Part–Time) Chairman as also the WTD's remuneration to the shareholders in terms of Section 190 of The Companies Act, 2013 in this regard.

12.2 The approved compensation shall also be placed before the shareholders in the Annual General Meeting seeking their consent for the terms of appointment in terms of the provisions of the Companies Act, 2013 and extant regulations of SEBI. The abstract of the terms of appointment shall be furnished by way of an Explanatory Statement to the shareholders as per Sec 102 of the said Act.

12.3 Bank would be making a disclosure on remuneration on an annual basis in the Annual Report to the shareholders of the Bank as detailed below:

12.3.1. Remuneration payable to the Non-Executive Chairman as also the WTD/M Managing Director & Chief Executive Officer who is also a member of the Board of Directors shall be disclosed in the Corporate Governance Report forming part of the Directors' Report every year.

12.3.2. Besides the above disclosure under Corporate Governance Report, the Bank would be furnishing the details of remuneration paid to the Non-Executive Chairman and the WTD/ Managing Director & Chief Executive Officer under AS 18 forming part of the Notes on Accounts in the Annual Report.

12.3.3. Bank would also be making a disclosure of the remuneration paid to the Chairman/WTD/Managing Director & Chief Executive Officer in terms of Section 197(12) of the Companies Act, 2013 and the Rules made thereunder.

12.3.4. In terms of RBI circular dated 04.11.2019 on Compensation payable to the Whole Time Directors/CEOs/ Material Risk Takers and Control Function staff, necessary disclosure in Table or Chart format showing the details of compensation both for the current reporting year as well as the previous year be made to the shareholders in the Annual Report being sent to every shareholder of the Bank. The format as per the circular dated 04.11.2019 is forming part of this policy as Annexure I.

13. Regulatory Approval

The Bank would be seeking the approval of RBI in format (Annexure II) mentioned in the circular, for payment of any salary/honorarium in terms of Sec 35 B and Sec 10B of the Banking Regulation Act, 1949 and the rules made there under in this regard.

In case of Managing Director & Chief Executive Officer/WTD application of Variable pay for a particular performance measurement period shall be filed with RBI in format part-B as specified in circular, after the end of the period considering performance evaluation.

Annexure I

Disclosure requirements for remuneration

Remuneration		
Qualitative disclosures	(a)	Information relating to the composition and mandate of the Remuneration Committee.
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.
	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.
	(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.

<table>
<tr><td rowspan="5">Quantitative disclosures
(The quantitative disclosures should only cover Whole Time Directors /Chief Executive Officer/Other Risk Takers)</td><td>(g)</td><td>Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.</td></tr>
<tr><td>(h)</td><td>➢ Number of employees having received a variable remuneration award during the financial year.
➢ Number and total amount of sign-on awards made during the financial year.
➢ Details of guaranteed bonus, if any, paid as joining/sign on bonus.
➢ Details of severance pay, in addition to accrued benefits, if any.</td></tr>
<tr><td>(i)</td><td>➢ Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
➢ Total amount of deferred remuneration paid out in the financial year.</td></tr>
<tr><td>(j)</td><td>➢ Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.</td></tr>
<tr><td>(k)</td><td>➢ Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.
➢ Total amount of reductions during the financial year due to ex- post explicit adjustments.
➢ Total amount of reductions during the financial year due to ex- post implicit adjustments.</td></tr>
<tr><td rowspan="2"></td><td>(l)</td><td>Number of MRTs identified.</td></tr>
<tr><td>(m)</td><td>➢ Number of cases where malus has been exercised.
➢ Number of cases where clawback has been exercised.
➢ Number of cases where both malus and clawback have been exercised.</td></tr>
<tr><td>General Quantitative Disclosure</td><td>(n)</td><td>The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.</td></tr>
</table>

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Annexure II

Details of Remuneration/Compensation of the Whole Time Director/Chief Executive Officer

Sr. No.	Particulars	Existing (₹)	Proposed (₹)	Reasons for change
	(1)	(2)	(3)	(4)
	Part-A:			
	Fixed Pay (including perquisites):			
	w.e.f _____________ up to ______			
1.	Salary			
2.	Dearness allowance			
3.	Retrial/Superannuation benefits:			
	a) Provident Fund			
	b) Gratuity			
	c) Pension			
	d)			
4.	Leave Fare Concession/ Allowance			
5.	Other fixed allowances, if any (please specify)* *Consolidated allowance, if any, to be given with details of heads it subsumes.			
6.	Perquisites:			
	i) Free Furnished House and its maintenance/House Rent Allowance			
	ii) Conveyance Allowance/Free use of bank's car for a. Official purposes			

Sr. No.	Particulars	Existing (₹)	Proposed (₹)	Reasons for change
	(1)	(2)	(3)	(4)
	b. Private purposes			
	iii) Driver(s)' salary			
	iv) Club Membership(s)			
	v) Reimbursement of medical expenses			
	vi) Any other perquisites (please specify)			
Total Fixed pay (including perquisites)				

Note:

a. If any of the benefits is of a non-monetary nature, e.g. free furnished house, its monetary equivalent as best as it is possible to determine, should invariably be given. In case the person to be appointed is already associated with the applicant bank, particulars of his existing compensation, etc. should be furnished.
b. The reasons for any proposed changes in the remuneration should be suitably indicated under column (4).
c. In case the bank proposes to give any sign-on/joining bonus (limited to the first year), which should be in the form of share-linked instruments, its details (such as number of shares, grant date and price, monetary value, vesting schedule) should be furnished separately.
d. Banks should exclude only such perquisites from fixed pay, which are reimbursables without any monetary ceilings, e.g. hospitalization expenses, etc. Details of such perquisites should be annexed separately and need not be added while computing total fixed pay. Such exclusions are provided solely for such benefits/perquisites which are not quantifiable in advance. These exclusions would be subject to supervisory review.

Sr. No.	Particulars	Existing (₹)	Proposed (₹)	Reasons for change
	(1)	(2)	(3)	(4)
	Part-B:			
	Variable Pay:			
	For FY/Performance Period _______			
1.	Cash component			
	➢ Upfront payment (with %)			
	➢ Deferred payment (with %)			
	Total cash component			
	Vesting period (in years)			
	Deferral arrangement			
	i. First Year			
	ii. Second Year			
	iii. Third Year			
	iv. _______			
2.	Non-cash Components (Share-linked instruments):			
	i. ESOP/ESOS a. Number of share/ share-linked instruments b. Monetary value c. Deferral (with %) d. Vesting schedule details			
	ii. _________ (Any other share-linked instruments)			
	a. Number of share/ share-linked instruments b. Monetary value c. Deferral (with %) d. Vesting schedule details			
	iii. Any other non-cash component (please			

Sr. No.	Particulars	Existing (₹)	Proposed (₹)	Reasons for change
	(1)	(2)	(3)	(4)
	specify) and mention its monetary value, deferral, vesting schedule, etc.			
Total monetary value of non-cash component(s)				
Total monetary value of Variable Pay (Cash and non-cash components)				
% of Cash Component in Total Variable Pay				
% of Non-cash component in Total Variable Pay				
% of Variable Pay to Fixed Pay and % of Variable Pay in Total Compensation (for the same FY/Performance Period)				
Total Compensation (Fixed Pay + Variable Pay)				

Note:

a. Both parts- A and B have to be filled and submitted at the time of appointment/re-appointment or seeking approval for the remuneration/revision of remuneration. The target variable pay, along with various sub- components, deferral and vesting period, etc., should be submitted in PART-B.

b. (b)Whenever the bank approaches RBI for approval of variable pay for a particular performance measurement period, after the end of the period, only part-B has to be suitably filled and submitted.

Annexure III

Malus & Clawback Arrangement Criteria for Material Risk Takers (MRTs)

Criteria for Malus & Clawback Arrangement	Application Trigger	% to be applied
Qualitative factors		
Misconduct Risk: • Non adherence to Systems and Procedures, Internal guidelines/ Policies • Breach of Contract / violation of non-disclosure agreement • Gross negligence and: Integrity breach • Misuse of official powers • Unjust enrichment • Non-disclosure in case of conflict of interest • Failure / lapses in Regulatory Compliance. • Assessed Divergence in Bank's provisioning for NPA exceeds prescribed threshold.	NRC shall apply the principles of materiality & its impact while deciding on the quantum of Malus and clawback.	
Quantitative factors		
1. Event of deterioration in financial performance • Subdued financial performance	No Malus & Clawback	
• negative financial performance of the bank and / or the relevant line of business, during his tenure in the Bank, for the period of deferral. *(reference year would be the year for which variable pay was proposed)*	is 25% of profit (PAT) or more of the assessed period.	Maximum of 10% of Variable Pay

Criteria for Malus & Clawback Arrangement	Application Trigger	% to be applied
2. Non Performing Asset NPA's shall pertain to the assessed period. In case the bank's Gross NPAs, post assessment, are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered, either on account of divergence in provisioning or both provisioning and asset classification (i.e. not for divergence on account for asset classification alone).	In case of divergence in provisioning or Gross NPAs as follows, i.e. (i) The additional provisioning for NPAs assessed by RBI exceeds 10% of the reported profit before provisions and contingencies for the reference period, and (ii) The additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period.	Maximum of 10% of Variable Pay
3. Penalties Penalities levied by the regulator on actions pertaining to the assessed period.	Material penalties *(Penalty amount of 10 Cr or 1% of previous year's Net Profits, whichever is higher)*	Maximum of 10% of Variable Pay

Application Band for Malus & Clawback	
% of Impact	**% of application**
0% to 25 %	2.5 % of Variable Pay
> 25 % to 50 %	5 % of Variable Pay
> 50% to 75%	7.5 % of Variable Pay
> 75 % to 100%	10% of Variable Pay

Application Methodology:

- *Malus & clawback shall be applied based on the criteria specified above such as Qualitative & Quantitative factors. The same shall be applied on all the factors specified under the criteria individually.*
- *For Qualitative parameters, there will be an element of assessment / judgment by NRC, based on the same % of impact shall be determined.*
- *For Quantitative parameters, the application trigger shall be the gating condition to apply the Malus & Clawback.*

- *The impact over and above the gating condition shall be measured on a scale of "0% to 100%" and Based on the application band the % of Malus & Clawback would be applied.*
- *Eg: In case of penalties: In a year if penalty is 15 crs, the impact over and above gating condition shall be 50% on a scale of 0% to 100%, the impact shall be looked on application band and 5% of variable pay falling under > 25 % to 50 % category shall be applied as a malus and clawaback.*