



## IDFC FIRST Bank Limited

### **Remuneration Policy for Employees (Including Risk-Takers)**

(Except for the Whole Time / Executive Directors, Non-Executive / Independent Directors, Key Managerial Personnel and Senior Management Personnel)

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## A. Objectives of Remuneration Policy

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of all employees (including risk-takers) except for the Whole Time / Executive Directors, Non-executive / Independent Directors, Key Managerial Personnel and Senior Management Personnel of IDFC FIRST Bank.

## B. Principles for Remuneration

The principles for remuneration at IDFC FIRST Bank are guided by the organisation's philosophy for driving employee performance to achieve the organisations short term and long term objectives, balanced with prudent risk taking and are in compliance with the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and \*Control function staff, etc. dated January 13, 2012.

The principles are as follows:

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate talent, maintaining the balance between market competitiveness and internal alignment
- To ensure that the remuneration is balanced between fixed pay, variable pay and ESOPs, with adequate focus on prudent risk taking and the short-term as well as the long-term objectives of the Bank and its shareholders
- To ensure a clear relationship between remuneration and performance with adequate focus on achievement of performance objectives incorporating elements of risk, compliance and service measures
- To respect employee needs basis relevant market anchors and to compensate adequately for the effort towards the Bank's growth
- To ensure that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio

*\* Risk controllers include roles in departments such as Risk, Operations, Compliance, Legal and Audit*

## C. Components of Remuneration

For categories of staff other than WTD/CEO, the RBI's Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated January 13, 2012 allows Banks to devise appropriate compensation structure and states that, in doing so Banks may adopt principles similar to the principles enunciated for WTD/CEO as appropriate.

### 1. Fixed Pay

The fixed pay will be benchmarked primarily to the Indian Private Sector Banks. The CHRO along with Head Rewards, will determine the competitive position that the Bank must be placed at, in terms of

compensation from time to time, under the guidance of the Nomination & Remuneration Committee (NRC). This should be done bearing in mind the need to attract, retain and motivate good talent and the fact that the Bank largely hires from the major Indian Private Sector Banks.

Any annual increments will be linked to Bank's performance and their individual performance, as decided by the Managing Director & Chief Executive Officer (MD & CEO) and the Executive Committee members. While deciding the annual increment, regulatory penalties and show cause notices, will also be considered.

The annual increments as decided by the MD & CEO and the Executive Committee members will be reviewed by the NRC.

## **2. Variable Pay**

The Bank will follow a total compensation philosophy comprising of fixed pay and variable pay, as approved by the NRC of the Bank. The variable pay will be in the form of annual performance bonus or incentive plans linked to the achievement of performance.

Any annual performance bonus will be determined based on Bank, Business unit and individual performance and other evaluation criteria and is not an entitlement. The Annual Performance bonus will also consider Indian Private Sector Bank benchmarks when determining the total compensation of the individual. However, to ensure no conflict of interest and to enable effective independence and appropriate authority of members of staff engaged in financial and risk control functions, their performance bonus will be independent of the business areas they oversee. The mix of fixed and variable compensation for control function personnel will be in the favour of a higher fixed compensation component.

Certain roles may adopt a score card/point approach on incentive plan linked to the performance of the employee and/or unit. This may encompass relevant parameters for the role which are in compliance with the regulatory guidelines. To ensure no conflict of interest, effective independence and appropriate authority of staff engaged in financial and risk control functions, none of these staff will be covered under such incentive plans.

The organization has a robust policy around performance management which has a direct bearing on Variable Pay. The organization applies the malus model through the performance management framework.

In the event of significant negative contributions of the bank and/ or the relevant line of business in any year, the deferred compensation (if any) would be subjected to clawback arrangement.

### **3. Statutory Bonus**

The requisite Statutory Bonus will be paid, as mandated by Law, to employees who are covered under this Act.

### **4. Other components of remuneration**

Other components of remuneration may include Joining/Sign-on and /or indicative Target bonus for the first financial year of joining. These components can be in the form of ESOPs and/or cash, would become applicable only in the context of hiring new staff and would be limited to the first financial year of the employment. All ESOPs will be governed by the IDFC FIRST Bank Employee Stock Option scheme, in compliance with SEBI guidelines and / or any other applicable regulations.

- Joining/Sign-on bonus (paid at the time of joining) is offered for resettlement of dues with the previous employer and may be committed to a new hire to compensate for a one-time loss in income. This may include the loss of performance bonus for the year completed, ESOP loss and/or buyout of clawbacks with the previous employer. Joining/Sign-on bonus, if paid in cash, may be subject to a one year clawback clause.
- To attract the right talent, it would be required to give a comparative view of the compensation earned with the previous employer and the earning potential at IDFC in the first year. To meet this requirement, indicative Target bonus for the first financial year (which depends on the performance delivered and is paid at the end of the current financial year) may be communicated to the new hire in the form of total compensation comprising of the fixed pay offered and the performance bonus applicable for the role and grade. This would be subject to the delivery against a minimum level of performance objectives agreed and continued employment of the new hire as on the date of payment/grant.

### **5. Employee Stock Options**

ESOPs may be awarded to ensure a long-term commitment and prudent decision making aligning employee's interests with the shareholder's interests.

All ESOPs will be governed basis the Employee Stock Option Scheme in compliance with SEBI guidelines and / or any other applicable regulations. ESOP grants are not an entitlement and are granted based on management discretion and other criteria such as performance of the Bank, Business Unit and the Individual.

### **6. Severance Pay**

The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity, NPS or Superannuation) except in cases where it is mandated by any statute.

#### **D. Disclosures in the Board's Report**

The disclosures as required under the relevant provisions of the Companies Act, 2013, the rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI Circulars / Guidelines / Notifications / Directions, issued from time to time, shall be made with regard to the employee remuneration.

#### **E. Policy Review**

This Policy would be reviewed on an annual basis.

This Policy may be amended, modified or supplemented, from time to time, to ensure relevance to organization priorities, industry practices, market conditions and compliance with any amendment, modification or supplementation to the Companies Act, 2013 and rules thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Securities and Exchange Board of India Act, 1992 and rules / regulations / guidelines thereunder, RBI regulations / guidelines or any other law relating to employee / directors' compensation issues from time to time or change in organization priorities. Any such amendment shall be proposed by the Managing Director & CEO of the Bank, which shall be confirmed at the next NRC meeting of the Bank held after such amendment.

The NRC may issue / implement such guidelines, procedures, formats and / or reporting mechanisms to enforce this Policy as it may deem fit.