



## **CREDITACCESS GRAMEEN LIMITED**

### **COMPENSATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL (KMPs) AND SENIOR MANAGEMENT**

## Revision History

Version	Author	Description of Changes	Release Date
1.	CAO	First version (Policy on Remuneration of Directors & Key Management Personnel)	January 12, 2018
2.	CS & CO	The existing policy requires NRC to review Annual disclosures relating to remuneration to be made in the Annual Report. Since the Directors' Report and Corporate Governance Report (where all the disclosures relating to remuneration is made) is reviewed by the Audit Committee, a separate review by NRC may not be required. Hence it is proposed to delete this point from the policy.	May 30, 2020
3.	CS & CO	Independent Director shall not be an employee of the Company and such association shall not constitute a contract of employment. The Company shall pay the Independent Director remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and Commission, as may be approved by the Shareholders from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).	August 01, 2020
4.	CS & CO	Annual Re-adoption	May 06, 2021
5.	CS & CO	Clause 6 - Included reference to payment of 'commission' Clause 6 - Removed reference to [Banking] Companies Regulation Act, 1949 Clause 6(b) Included specific reference to payment of 'commission'	June 25, 2021
6.	CS & CO	Definition of 'Key Managerial Personnel' is aligned with the Companies Act, 2013 Removal of para from Clause 6 as The Banking Regulation Act, 1949 is not applicable	March 23, 2022
7.	CCO	To align as per the RBI Guidelines on 'Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs', dated April 29, 2022 and accordingly renamed the Policy as 'Compensation Policy for Directors, KMPs and Senior Management'	February 07, 2023
8.	CCO	'Definition of Senior Management has been amended to align with the extant provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and RBI Regulations.'	July 21, 2023
9.	CCO	Reference made to RBI Master Direction i.e., Master Direction – Reserve Bank of India (Non-Banking Financial	April 1, 2024

		Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 under “Introduction” Section and few minor changes made to “Policy Review and Updates” Section.	
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<b>Version</b>	<b>Author</b>	<b>Reviewed By</b>	<b>Approved By</b>
1.	Chief Audit Officer	MD & CEO	Board of Directors
2.	Company Secretary & Compliance Officer	MD & CEO	Board of Directors
3.	Company Secretary & Compliance Officer	MD & CEO	Board of Directors
4.	Company Secretary & Compliance Officer	MD & CEO	Board of Directors
5.	Company Secretary & Compliance Officer	MD & CEO	Board of Directors
6	Company Secretary & Compliance Officer	MD & CEO	Board of Directors
7	Chief Compliance Officer	MD & CEO	Board of Directors
8	Chief Compliance Officer	MD & CEO	Board of Directors
9	Chief Compliance Officer	MD	Board of Directors

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# Compensation Policy for Directors, Key Managerial Personnel (KMPs) and Senior Management

## 1. Introduction

CreditAccess Grameen Limited (“Company”) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, regulators, market and other stakeholders. The Company’s activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Company in adopting the remuneration payable to its Directors, Key Managerial Personnel (KMPs) and Senior Management.

The policy shall lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board and Senior Management of the Company as per the criteria formulated by the Nomination and Remuneration Committee of the Board pursuant to Section 178 and other applicable provisions of the Companies Act, 2013, read with applicable Rules and Regulations thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, as amended from time to time.

The policy shall form part of and read in conjunction with the ‘Compensation Policy for employees other than Directors, KMPs and Senior Management’ of the Company.

## 2. Definitions

- a. **Board:** Means the Board of Directors of CreditAccess Grameen Limited.
- b. **Key Managerial Personnel:** Means Key Managerial Personnel as defined under the Companies Act 2013, viz.
  - i) The Managing Director or the Chief Executive Officer
  - ii) The whole-time director;
  - iii) The Chief Financial Officer;
  - iv) The Company Secretary;
  - v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and
  - vi) Such other officer as may be prescribed.
- c. **Senior Management:** means officers of the company who are members of its core management team excluding Board of Directors but comprising all members of management one level below the Managing Director or Whole Time Director including the functional heads.

Further, the term ‘functional heads’ for the purpose of this policy shall mean all direct reportees in management cadre who are one level below to the Executive / Managing Director, including CXOs, Company Secretary and the Chief Financial Officer.

d. **Nomination and Remuneration Committee (NRC):** Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time.

e. **Risk Management Committee (RMC):** Means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and applicable RBI guidelines, as may be amended from time to time.

### 3. Principles

- a. To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Board of Directors, KMPs and Senior Management, of the quality required to run the Company successfully.
- b. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- c. To ensure that remuneration to Board of Directors, KMPs and Senior Management strikes a balance between fixed pay, variable pay and long-term benefits like ESOPs reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- d. Compensate Board of Directors, KMPs and Senior Management adequately for the efforts put in by them for the growth of the Company taking into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment.
- e. Aligning remuneration of Board of Directors, KMPs and Senior Management with the long-term interests of the Company and its shareholders.
- f. To ensure close coordination of NRC with RMC of the Company to achieve effective alignment between compensation and risks.
- g. To ensure that the compensation packages, comprised of fixed and variable pay are aligned effectively with prudent risk taking and the compensation is adjusted for all types of risks, compensation out comes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

### 4. Objectives

The key objectives of this policy are as under:

- a. Ensure compliance with applicable laws, rules and regulations.
- b. Attract, motivate, promote and retain talent and to ensure long term sustainability of talented KMPs, Senior Management and the Board of Directors.
- c. Establish standards on compensation/ remuneration including fixed and variable pay which are in alignment with the applicable rules and regulations and is based on the practices of remuneration

prevailing in the industry.

- d. Define internal guidelines for payment of perquisites to the Board of Directors, KMPs and Senior Management.

## 5. Applicability

All existing and any new appointments made on the Board of Directors, KMPs and Senior Management will be covered under this policy.

The policy shall be applicable to the following:

- a. Board of Directors,
- b. Key Managerial Personnel,
- c. Senior Management, and
- d. Other Employees as may be specified by the Board of Directors or the Nomination and Remuneration Committee from time to time.

## 6. Remuneration

The Nomination and Remuneration Committee (NRC) of the Company shall specify the manner for effective evaluation of the performance and recommend to the Board, all fees, compensation/remuneration including fixed and variable pay and perquisites, if any, along with other long-term benefits like ESOPs, payable to Directors (including non-executive Directors and independent directors, wherever applicable), the KMPs and Senior Management of the Company, subject to compliance with applicable laws.

### 6. a. Remuneration to Board of Directors:

The Remuneration/ Compensation/ Commission etc. to be paid to the Board of Directors, including the Managing Director shall be governed by the applicable provisions of the Companies Act, 2013, the Rules made thereunder, including applicable SEBI & RBI Regulations / Guidelines, as may be made applicable from time to time.

The Company shall effectively align its compensation to business achievement, the risk parameters and ethics of the Company.

The Company shall not give loans and advances to an entity (company, firm, individual etc.) in which the Director is associated either as a director, partner, manager, guarantor, etc. Further, granting of loans and advances to Directors and their relatives, the KMPs & Senior Management shall be guided by the provisions prescribed under the provisions of Companies Act, 2013, Rules made thereunder and applicable RBI & SEBI Regulations / guidelines, as may be made applicable from time to time.

### 6. b. Remuneration to Independent Directors and Non-Executive Directors:

Independent Director shall not be an employee of the Company and such association shall not constitute a contract of employment. The Company shall pay the Independent Director remuneration by way of sitting fees for attending meetings of the Board and its Committees, as may be decided

by the Board, and Commission, as may be approved by the Shareholders from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

The Company shall pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

The Company, shall make necessary disclosures in its Directors' Report forming part of the Annual Report of the Company.

### **6. c. Remuneration to Key Managerial Personnel and Senior Management**

Compensation to KMPs and Senior Management shall be made reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The Compensation Packages shall comprise of fixed and variable pay components, aligned effectively with prudent risk taking, ensuring that compensation is adjusted for all types of risks, its outcomes are symmetric with risk outcomes, its pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

- i. **Fixed Pay:** All the fixed items of compensation, including perquisites that are reimbursable and are subject to monetary ceilings on these reimbursements, and contributions towards superannuation/retiral benefits, shall be treated as fixed pay. Monetary equivalent of benefits of non-monetary nature such as free furnished house, use of company car etc. also be part of fixed pay.
- ii. **Variable Pay:**
  - a. Composition: The Variable Pay shall be in the form of share linked instruments or a mix of cash and share-linked instruments.
  - b. Proportion: The proportion of variable pay in total compensation shall be commensurate with the role and prudent risk taking profile of KMPs / Senior Management. At higher levels of responsibility, the proportion of variable pay needs to be higher and there should be proper balance between the cash and share linked instruments. The variable pay should be based on performance at an individual, business-unit and at Company level.
  - c. Deferral of Variable Pay: Certain portion of variable pay (both cash and non-cash components) awarded after performance assessment, shall be deferred to time horizon of risks. Quantum of variable pay which shall be deferred and the deferral period shall be decided by the NRC / the Board of Directors of the Company from time to time.
  - d. Control and assurance function personnel: KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. As such, compensation to such personnel may have higher proportion of fixed pay. However, a reasonable proportion of variable pay can form part of



their total compensation, to exercise the options of malus and/or clawback, when warranted.

## 7. Malus and/or Clawback

The deferred compensation shall be subject to malus and/or clawback arrangements in the event of subdued / negative financial performance of the Company and/or the relevant line of business or employee misconduct in any year.

An indicative list of situations where malus and clawback arrangements can be invoked are as follows:

- a. Gross willful negligence in performing the duties and exercising the vested power(s);
- b. Willful misrepresentation of the figures, facts, data, situations etc. pertaining to the Company, before any statutory, regulatory, judicial, quasi-judicial bodies and any other such authorities;
- c. Breach of trust, integrity and/or agreement;
- d. Misuse of material information including un-published price sensitive information etc.

*Provided*, errors of judgement shall not be construed to be negligence.

## 8. Reporting Requirement

The Company shall place this policy on its website at [www.creditaccessgrameen.in](http://www.creditaccessgrameen.in) and the salient features of this policy along with web address of the policy shall be disclosed in the Board's report.

## 9. Disclosures relating to Remuneration

**9 a.** Reporting to the Nomination and Remuneration Committee:

The following matters shall be reported to the Nomination and Remuneration Committee:

- a. Annual remuneration proposed for Directors, Key Managerial Personnel and Senior Management.
- b. Employee benefit plans including deferred benefit plans and retirement plans, if any.

**9 b.** Reporting in the Annual Report:

The Company shall make necessary disclosures in its Annual Report and the Annual Financial Statements, as are applicable, which inter-alia shall include the following:

- a. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company, shall be disclosed in the Annual Report.
- b. Criteria of making any payments to Non-executive directors
- c. All elements of remuneration package of individual directors, including severance pay if any.

**9 c. Other Disclosure:**

Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Company in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.

The Senior Management of the Company shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

**10. Policy Review and Updates**

The Board approved policy shall be reviewed as and when required or at least annually for incorporating any applicable regulatory and/or statutory amendment(s), clarification(s), circular(s), etc., from time to time.

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