The IDBI Bank Compensation Policy

(Updated till July 22, 2024)

Contents

1. Objective:

The Bank shall follow a compensation policy that is internally equitable and externally competitive, while complying, at all times, with the guidelines set forth by the Reserve Bank of India (RBI) and the Financial Stability Board (FSB). The compensation levels shall be designed to enable attraction & retention of the most suitable talent for delivering on the Bank's business plans.

2. Compensation Philosophy:

Compensation is one of the many human resource tools that organizations use to remunerate and incentivize their employees. The Bank's corporate vision and mission is to be the most preferred and trusted Bank enhancing value for all stakeholders and encouraging a positive, dynamic and performance-driven work culture, to nurture employees, grow them and build a passionate and committed work force. To enable the Bank to attract, retain, reward and motivate talented individuals for achieving strategic goals and long- term success, the Compensation Policy must be aligned to business strategy, market dynamics, internal characteristics, complexities within the Bank and must align pay with performance by linking a substantial portion of compensation to annual and multi-year organisational outcomes, especially for senior management. The compensation system should also align management and shareholder interests to drive long-term sustainable value creation. The ultimate objective should be to provide a fair and transparent structure that helps to retain and acquire the talent pool critical to building competitive advantage and brand value.

3. Scope of the Compensation Policy:

The policy provides the remuneration guidelines for the following employees:

(i) Managing Director & CEO

(ii) Other Whole Time Directors

(iii) Material Risk Takers (MRTs)

(iv) Employees in Risk Control & Compliance Functions

(v) Other Employees of the Bank

4. <u>RBI Guidelines</u>:

The Bank shall follow the guidelines of RBI with regard to Compensation as applicable from time-to-time. A gist of the prevailing guidelines is given at **Appendix**.

5. <u>Role of Nomination and Remuneration Committee (NRC)</u>:

(i) The NRC will actively oversee the compensation system's design and operations to ensure that the system operates as intended and is also consistent with the principles outlined by the Financial Stability Board.

(ii) The NRC shall oversee framing, review and implementation of compensation policy and make annual remuneration decisions for CEO/WTDs/MRTs plus risk control and compliance staff (for ratification by the Board).

(iii) The NRC shall work in close coordination with Risk Management Committee to achieve effective alignment between compensation and prudent risk-taking.

(iv) The NRC shall ensure that the cost to income ratio of the Bank supports the compensation consistent with maintaining sound capital adequacy ratio.

(v) The NRC shall have supervisory oversight regarding implementation of compensation practices and policies of the Bank and Human Resource Department will administer the compensation policy by following rules and processes that are objective and transparent. The Bank will ensure complete compliance with all disclosure norms as prescribed by the various statutes relevant to the banking sector and industry in general.

(vi) The specific criteria for Malus and Claw back will be reviewed by the NRC annually.

(vii) The performance parameters & final payout for Cash based incentives and share-linked incentives would be fixed by NRC/Board every year.

(viii) The NRC/Board shall identify Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the Bank, and who satisfy the qualitative and quantitative criteria.

6. Performance Management System (PMS):

PMS shall ensure that the Bank-wide business targets are percolated down the line at individual business unit level at the start of the financial year. The said targets are captured in KRAs of field functionaries. The budgetary KRAs cover performance areas such as deposit mobilization, asset growth, recovery targets, control function, risk mitigants, cost control, fee income etc. Similarly controlling offices are given KRAs as per their mandate. The respective target and achievement figures of budgeted KRAs shall be captured from business dashboard and the officers will be able to view their performance regularly against each KRA as also supervisors will be able to give necessary feedback. The KRAs shall therefore align the Bank's objectives with actual performance at individual officer's level.

7. Components of Compensation: The total compensation shall be a mix of Fixed & Variable Pay.

Fixed Pay:

The fixed Pay shall be reasonable considering the components like salary, allowances, retirement benefits and perquisites as decided by the Bank, from time to time.

The Fixed Pay in case of WTDs shall be as in line with RBI guidelines. In case of MRTs, CFS and other employees, the components of fixed pay shall be as under:

(i) Pay-slip components - Basic Pay including Stagnation Increments, Special Pay, Post Scale Special Pay, Fixed Personal Pay, Professional Qualification Pay, Dearness Allowance, House Rent Allowance (Notional HRA for employees staying in Bank's Accommodation/Lease Accommodation), Special Allowance, Learning Allowance, City Compensatory Allowance/ Location Allowance, Hill & Fuel Allowance, Special Area Allowance, Project Area Allowance, Additional Personal Allowance (including aggregated components), Deputation Allowance, Mid-Academic Year transfer Allowance, Private

Medical Treatment Scheme, Leave Fare Concession (half of the limit for 2 year block period on declaration basis), Transport/ Functional / Washing Allowance (workmen)

(ii) Retirals viz., Bank's Contribution to Provident Fund/Pension/New Pension Scheme, Gratuity.

Any further modifications to the components of FP for the purpose of variable pay will be subject to approval of NRC/ Board.

Variable Pay: It shall be a mix of cash and share-linked instruments with proper balance between cash and share-linked components in keeping with the RBI guidelines. The focus of share-based LTI will be on long-term shareholder value creation. In view of the same, share-based LTI shall be granted as a part of Variable Pay and it shall be fair valued on the date of grant by using the Black-Scholes Model or any other model as may be directed by the Regulator(s). Vesting of the share-based LTI shall be over a period of 3 years or more from the grant date and shall be no faster than on a pro-rata basis and exercise period shall be upto 5 years from the date of vesting. Share-based LTI shall be governed by the terms & conditions of the applicable scheme of the Bank, as amended from time-to-time.

While the RBI guidelines on Variable Pay do not apply to Bank’s staff other than WTDs/CEOs/MRTs/CFS, the Bank may adopt similar principles with suitable modifications as appropriate for other employees of the bank i.e. category (v) under clause 3.

Deferral of Variable Pay:

Payment of variable pay shall be deferred for a minimum period of 3 years from the grant date with a minimum of 60% of the total variable pay & 50% of the cash component of the variable pay coming under the deferred arrangement. In cases where the cash component of variable pay is under Rs.25 Lakh, the requirement of deferment shall not be applicable as per RBI guidelines.

Variable Pay* (Annual Cash Based)				Variable Pay** (Share-based LTI)		
Upfront	**1st Year End**	**2nd Year End**	**3rd Year End**	**1st Year End**	**2nd Year End**	**3rd Year End**
50%	**12.50%**	**12.50%**	**25%**	**25%**	**25%**	**50%**

** The first tranche (50%) of cash based incentive shall be paid immediately after the grant is approved by the Bank and the 2nd, 3rd and 4th tranche of 12.5%, 12.5% and 25% respectively shall be paid after completion of 1 year, 2 years and 3 years respectively from the date of grant.*

*** Vesting of the Share-based LTI shall be over a period of 3 years from the grant date (25%, 25% & 50% at the end of 1st, 2nd & 3rd year from date of grant respectively) which takes into account the mandatory requirement of lock-in period of 1 year from date of grant.*

Bank may vary the deferral period/ vesting schedule from time-to-time as per requirement in terms of RBI guidelines.

8. Malus/ Clawback:

Malus & Clawback provisions on Cash based Incentive and Share-based LTI shall be applicable in case of trigger in certain situations as given below.

Category	Trigger
1.Divergence in Bank's Provisioning for NPAs and/ or asset classification	- Assessed divergence in the Bank's provisioning for NPAs and/or assets classification exceeds the threshold for public disclosure. - In case the Bank's post assessment GNPAs are <2%, malus clause and no increase in variable pay apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.
2.Subdued or Negative Financial Performance	- Deterioration of (>30%) in the year-over-year Profit Before Tax, net of extraordinary items, if any. - Net NPA (>6%).

3.Misconduct	- Detrimental conduct that causes reputational harm to the Bank. - Acts of fraud, gross negligence, or material misrepresentation. - Breach of integrity
4.Other	- Any other factors deemed relevant by the NRC at its discretion.

In the 1st category, when the assessed divergence in Bank's provisioning for Non-Performing Assets (NPAs) or asset classification exceeds the prescribed threshold for public disclosure as detailed below, the unvested portion of the variable compensation for the assessment year under malus clause shall not be payable i.e. it shall not vest and shall expire. Further, in such situations, increase in variable pay may be considered subject to approval of RBI.

In case the Bank's post assessment GNPAs are <2%, malus clause and no increase in variable pay apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

In case of trigger in other categories, malus clause will apply and it would enable the Bank to reduce or cancel partial or full deferred annual cash incentive and/or unvested share-based LTI awards as on the date of discovery of the applicable trigger.

As per RBI Circular of October 11, 2022 on RBI (Financial Statements-Presentation and Disclosures) Directions, 2021 – Disclosure of Divergence in Asset Classification and Provisioning, for the year ending March 31, 2023, Banks shall make suitable disclosures in the manner specified in the directions, if either or both of the following conditions are satisfied:

(a) The additional provisioning for non-performing assets (NPAs) assessed by the RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period; and

(b) The additional Gross NPAs identified by the RBI exceed 10 per cent of the reported incremental Gross NPAs for the reference period.

Further, for the year ending March 31, 2024, and onwards, the said thresholds shall be 5% for both the categories.

The clawback clause will not apply to the 1st & 2nd category. It will apply in case of trigger in the 3rd or 4th categories and would imply recovery of annual cash incentives paid and LTI awards vested over the last five years from the date of discovery of the applicable trigger. In case of cash based variable pay, the employee shall be required to return previously paid amount, net of taxes, to the Bank. In case of share-based LTI, as a general rule clawback would be applicable only to vested but un-exercised share-based LTI awards, however, in exceptional cases, Bank may decide to extend the clawback clause to exercised share-based LTI awards as well. In such cases where the vested share-based LTI awards have already been exercised, the employee shall return fair value of share-based LTI awards as at the time of grant, which was derived using Black-Scholes model.

Malus and / or Clawback, as applicable, shall be invoked in case of (i) detrimental conduct that causes reputational harm to the Bank (ii) acts of fraud, gross negligence, or material misrepresentation and (iii) breach of integrity, on part of one or a group of employees comes to light in the subsequent period.

9. **Guaranteed Bonus:** Guaranteed bonus will not be awarded by the Bank other than for new hires as joining/sign-on bonus only in the first year. Any such guaranteed bonus, if required, shall be in the form of share-linked instruments only (i.e. not in cash) and shall be excluded from RBI's fixed pay and variable pay calculations.

10. **Treatment of Variable Pay in different scenarios:**

Death, Disability (due to which employee cannot continue in service) and Retirement/ Voluntary Retirement:

In case of death & disability, the unvested cash based incentive shall accelerate in full and will be payable upto the date of death & disability on pro-rata basis and the share-based LTI shall vest as defined in the respective scheme. In case of retirement/voluntary retirement, cash based incentive (Cash & Cash in lieu of ESOPs) shall vest at target date only and shall be payable on pro-rata basis; and the share-based LTI shall vest as defined in the respective scheme. The exercise period of share-based LTI shall be as defined in the respective scheme.

In case of death, disability, retirement/voluntary retirement, cash-based Variable Pay shall be granted for the pro-rata period upto the date of death, disability, retirement/voluntary retirement, subject to meeting the eligibility criteria, as defined by the Bank for the respective year.

The share-based LTI may however not be granted after death, disability, retirement/ voluntary retirement as defined in the respective scheme.

Resignation: In case the employee has served the full financial year and resigned thereafter, cash based incentive shall be payable, however, cash in lieu of ESOPs shall not be payable. In case of variable pay granted for previous year (s), both the deferred component (cash and cash in lieu of ESOP) shall be payable as per deferral schedule.

In case of share-based LTI, the provisions of the respective scheme of the Bank, as amended from time-to-time, shall apply and prevail.

Whole Time Director(s) of the Bank, demitting office after completion of term, shall be eligible for payment of Variable Pay (Cash & Cash in lieu of ESOPs) along with consequent entitlement. Cash based incentive (Cash & Cash in lieu of ESOPs) for the period spent in service would continue to vest in accordance with the respective deferral schedules.

In case of any external circumstance, viz., change in management control etc. leading to cessation of service/resignation of WTDs prior to the end of term in office, the same shall be treated as deemed retirement with consequent entitlements and the Variable Pay (Cash & Cash in lieu of ESOPs) for the period spent in service would continue to vest in accordance with the respective deferral schedules even after retirement.

In case of share-based LTI, the provisions of the respective scheme of the Bank, as amended from time-to-time, shall apply and prevail.

Compulsory Retirement, Dismissal and Removal from Service and Termination: The unvested cash based incentive and share-based LTI shall lapse on the date of compulsory retirement, dismissal, removal from the service of the Bank or termination on account of employee misconduct (including Voluntary Cessation of Service).

The clawback provisions may also be invoked with the approval of NRC in case of WTDs/ MRTs and CFS and Competent Authority approved by the Board in case of other employees.

Change-in-control: It shall be continued at hitherto unless otherwise modified or terminated by the acquirer.

Minimum Service Period for being eligible for Variable Pay: The employee should be in service of the Bank for minimum 6 months in the financial year for which variable pay is being considered. In case of new joinees, employees joined before 1st October during the financial year shall be considered for variable pay. Pro-rata payment shall be made based on number of days worked in the financial year, subject to minimum of 6 months presence in the financial year. However, in case of death, disability and retirement/voluntary retirement, no minimum service shall be required and pro-rata payment shall be made for the period worked during the financial year. For employees on deputation to other organizations having performance linked variable pay, they shall be eligible for pro–rata payout of variable pay for the period served in the Bank, in the event, the role performed by the officer for the pro-rata period is considered for assessment in terms of applicable i-PACE guidelines.

Leave Without Pay/Long Leave/Excessive Leave: Pro-rata payout based on number of days worked in the financial year, subject to minimum of 6 months presence in the financial year. In case of Long Leave/Excessive leave, variable pay may be considered for such employees at the sole and absolute discretion of the Bank.

In case of share-based LTI, the provisions of the respective scheme of the Bank, as amended from time-to-time, shall apply and prevail.

Employees under Suspension: The period of Suspension shall not be considered for Variable Pay.

11. Exclusions from Variable Pay:

1. Employees on contract – if variable pay is not part of their total compensation in the contract.
2. Any other employees as may be decided by the Bank from time-to-time.

12. Other Employee Benefits:

Employees' wellbeing is an integral part of the Bank's policy. Apart from the cash compensation and perquisites, the Bank is committed to assist employees and their dependents to meet unforeseen and adverse life events both from the perspective of employee health and financial difficulty. To tide over such life events, the Bank would provide assistance via medical insurance/medical reimbursement and loans like Housing Loans, Clean Overdraft, Vehicle Loans, Education Loan and Festival Advance at concessional rates as may be defined by the Bank. The Bank also believes that such policies are key to building goodwill for the Bank among the employees.

13. Severance Pay: The Bank will not grant severance pay other than Superannuation benefits (Gratuity, Pension & PF) and Leave Encashment except in cases where it is mandatory under any statute.

14. Hedging:

(i) Employees shall be prohibited from insuring or hedging their compensation structure that may offset the downside risk embedded in their variable pay (e.g. no short-selling or put derivatives allowed on the Bank's stock after listing, etc)

(ii) If this policy is breached, the Board may direct the concerned employee to cancel any outstanding insurance/hedging transactions and also impose an appropriate monetary or non-monetary penalty as per its discretion.

15. Reporting & Disclosures:

The Bank believes in balancing transparency and compliance with confidentiality. The Bank will ensure complete compliance with all disclosure norms as prescribed by the various statutes relevant to the banking sector and industry in general.

Disclosure will also be made specifically basis Appendix 3 of the RBI circular dated November 4, 2019. Disclosure details elaborated at **Annexure**.

Annexure

Disclosure requirements for remuneration/compensation*	
	Qualitative Disclosures
(a)	Information relating to the composition and mandate of the Nomination and 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 the 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 and types of share-linked instruments) that the Bank utilizes and the rationale for using these different forms.
	Quantitative Disclosures (It should only cover Whole Time Directors/Chief Executive Officer/Material Risk Takers)
(g)	Number of meeting held by the Nomination and Remuneration Committee during the financial year and remuneration paid to its members.
(h)	• Number of employees having received a variable remuneration award during the financial year. • Number and total amount of sign-on/joining bonus made during the financial year. • Details of severance pay, in addition to accrued benefits, if any.
(i)	• Total amount of outstanding deferred remuneration, split into cash, types of share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year.
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.
(k)	• 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.
(l)	Number of MRTs identified.
(m)	• 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.

	General Quantitative Disclosure
(n)	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.

* As per Appendix 3 of RBI Circular dated November 4, 2019. The Bank shall also make disclosures as per RBI circular DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 as also details of share-linked grants based on grant date fair value using Black-Scholes model.

Appendix

RBI Guidelines:

1. RBI vide circular dated November 4, 2019 addressed to all Private Sector Banks (including Local Area Banks, Small Finance Banks, Payment Banks) and Foreign Banks operating in India issued guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff. The RBI circular mandates that Banks should formulate a Compensation Policy covering all aspects of compensation viz., Fixed Pay & Perquisites, Variable Pay (Cash & Shares Linked), Superannuation/ Retirement Benefits (PF, Pension & Gratuity), etc., taking into account the RBI guidelines.

2. The guidelines to be followed by Banks with regard to Compensation Practices include Principles of Sound Compensation Practices issued by The Financial Stability Board in April 2009. The said principles focus on three broad areas as under:

(i) **Effective Governance**

(a) The Board of Directors must actively oversee the compensation system's design and operation,

(b) The Board of Directors must monitor and review the compensation system to ensure the system operates as intended,

(c) Staff engaged in financial and risk control must be independent, have appropriate authority, and 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

(a) Compensation must be adjusted for all types of risk,

(b) Compensation outcomes must be symmetric with risk outcomes,

(c) Compensation payout schedules must be sensitive to the time horizon of risks,

(d) The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

(iii) <u>Effective supervisory oversight and engagement by stakeholders</u>

(a) Supervisory review of compensation practices must be rigorous and sustained, and deficiencies must be addressed promptly with supervisory action,

(b) The Bank must disclose clear, comprehensive and timely information about compensation practices to facilitate constructive engagement by all stakeholders.

3. <u>Identification of Material Risk Takers (MRTs)</u>

The RBI guidelines also mandate that Bank's shall identify 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 given below:

Standard Qualitative Criteria

- Relate to the role and decision making power of staff members (e.g. senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

Standard Quantitative Criteria

- Their total remuneration exceeds a certain threshold; the determination of which may be done prudently by the Bank, or
- They are included among the 0.3% of staff with the highest remuneration in the Bank, or
- Their remuneration is equal to or greater than the lowest remuneration of senior management and other risk-takers.

4. <u>Broad principles underlying the compensation structure</u>

The broad principles underlying the compensation structure as mandated by RBI in the guidelines are as under:

(i) Fixed Pay & Perquisites: The fixed component of compensation needs to be reasonable and should factor all the relevant elements including adherence to statutory and industry practice. All the fixed items of compensation, including the perquisites, reimbursements (with monetary ceilings) and contribution towards superannuation/retirement benefits will be treated as part of fixed pay.

(ii) Variable Pay: A substantial portion of the compensation i.e. at least 50% should be variable with a maximum limit of 300% of fixed pay and should be linked to parameters that adequately measure performance, either individual, business unit wide and/or Bank wide. The variable pay component can be in the form of share-linked instruments or a mix of cash and share-linked instruments with proper balance between cash and share-linked components. Non-cash instruments as a part of variable pay should be at least 50% in case the variable pay is up to 200% of fixed pay and 67% if the variable pay is more than 200% of fixed pay. In case an Executive is barred by any statute or regulation from grant of share-linked variable pay then his variable pay should be in the range of minimum 50% to maximum 150%. The amount of variable pay can even be reduced to zero depending on the financial performance of the Bank.

The payment of variable pay should be under deferred arrangement for a minimum period of 3 years from the grant date with a minimum of 60% of the total variable pay & if cash component is part of variable pay, atleast 50% of the cash component of the variable pay coming under the deferred arrangement. However, in cases where the cash component of variable pay is under Rs.25 Lakh, the requirement of deferment would not be applicable.

Deferred remuneration should 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 should be not before one year from the commencement of the deferral period. The vesting should be no faster than on a pro-rata basis i.e. vesting should not be frontloaded. In addition, vesting should not take place more frequently than on a yearly basis.

The Compensation Policy of the Bank should provide for appropriate malus/clawback mechanism for variable pay in the event of subdued or negative financial performance. The provision should clearly specify the period during which malus and/or clawback can be applied and should cover atleast the deferred and retention period.

5. **Guidelines for Risk Control and Compliance Staff:** The RBI guidelines provide that, members of staff engaged in financial and risk control function, including internal audit should be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank. Effective independence and appropriate authority of such staff are necessary to preserve the integrity of financial and risk management's influence on incentive compensation. Back office and risk control employees play a key role in ensuring the integrity of risk measures. If their own compensation is significantly affected by short-term measures, their independence may be compromised. If their compensation is too low, the quality of such employees may be insufficient for their task and their authority may be undermined. The mix of fixed and variable compensation for control function personnel should 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 will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay so that exercising the option of malus and/or clawback, when warranted, is not rendered infructuous. Subject to the above, while devising compensation structure for such staff, Bank's should adopt principles similar to principles enunciated for WTDs/CEOs, as appropriate.

6. **Guidelines for Other Categories of Staff:** While the aforesaid RBI guidelines do not apply to Bank's staff other than WTDs/CEOs/MRTs and Control Function Staff, the RBI encourages Bank's to adopt similar principles, with suitable modifications, as appropriate for them as well.

7. **Disclosure, Regulatory and Supervisory Approval/Oversight:** As per the RBI guidelines:

(i) Banks are required to make disclosure on remuneration of WTDs/CEOs/MRTs on an annual basis at the minimum, in their Annual Financial Statements.

(ii) In terms of Section 10(1)(b)(iii) of the Banking Regulations Act, 1949, no banking company shall employ or continue the employment of any person whose remuneration is, in the opinion of the RBI, excessive.

(iii) Private Sector Banks and Foreign Banks operating in India are required to obtain regulatory approval for grant of remuneration to WTDs/CEOs in terms of Section 35B of the Banking Regulations Act, 1949.

(iv) Banks' compensation policies will also be subject to supervisory oversight including review under Basel framework. Deficiencies observed in this regard would have the effect of increasing the risk profile of the Bank with attendant consequences, including a requirement of additional capital if the deficiencies are very significant.

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Part-B

Compensation Policy for Non-Executive Directors including Independent Directors and Chairperson

The remuneration payable to non-executive/independent directors would be governed by the provisions of Banking Regulation Act, 1949, SEBI Listing Regulations, RBI guidelines issued from time to time and the provisions of Companies Act, 2013 & related rules to the extent it is not inconsistent with the provisions of the Banking Regulation Act, 1949/RBI guidelines.

Considering the above, the remuneration being paid to the Non-Executive Directors including Independent Directors and Chairperson is as under:

Sitting Fees

- Sitting fee for attending each meeting of the Committees and the Board would be paid to the Non-Executive Directors including Independent Directors and Chairperson (other than Government Nominee Directors) as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.

Reimbursement of Expenses

- All the Non-Executive Directors would be entitled to reimbursement of expenditure towards travelling, local conveyance, hotel bills and all related & incidental expenses as under:
  - (i) for attending Board/Committee meetings;
  - (ii) for attending trainings imparted to Directors as per the mandatory requirements of RBI guidelines, Listing Regulations and Companies Act including internal & external venues;
  - (iii) for attending official visits; and
  - (iv) participation in various forums on behalf of the Bank.

Regulatory Approval

In line with RBI guidelines, prior approval of RBI would be obtained for granting remuneration to the Part-Time Non-executive Chairman under Section

10B(1A)(i) and 35B of the Banking Regulation Act, 1949.

Review of the Policy

The Policy shall be reviewed annually by the Board of Directors. Any subsequent amendment / modification to the applicable laws in this regard shall automatically apply to this Policy.

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