

REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

REMUNERATION POLICY

1. INTRODUCTION AND PHILOSOPHY

Axis Finance's (AFL) remuneration practices are underpinned by principles of meritocracy and fairness. The remuneration system strives to maintain the ability to attract, retain, reward and motivate employees in order to enable to attain its strategic objectives within the increasingly competitive context in which it operates. AFL's pay-for-performance approach strives to ensure both internal and external equity in line with emerging market trends. However, the business model and affordability form the overarching boundary conditions.

The Company has historically followed prudent compensation practices under the guidance of the Board of Directors and the Nomination and Remuneration Committee ("NRC"). AFL strives to maintain strong focus in the areas of compensation governance and ensures the compensation systems are in line with emerging compensation regulations as applicable. To this effect, the Remuneration Policy provides the overarching governance framework for all employees of AFL including Key Managerial Personnel and Senior Management of the AFL.

This remuneration policy ("Policy") has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 ("Act") 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 ("Listing Regulations"). In case of any inconsistency between the provisions of law and this remuneration policy, the provisions of the law shall prevail and the company shall abide by the applicable law. While formulating this policy, the NRC has considered the factors laid down under Section 178(4) of the Act.

The Remuneration Policy also adheres to principles and guidelines as prescribed by the RBI in terms of the circular on Compensation of Senior Management and Key Managerial Personnel, dated 29 April 2022.

This Policy seeks to:

- Ensure the linkage of compensation with individual performance as established against a set of balanced parameters as well as alignment with the corporate objectives of the AFL.
- Maintain the ability to attract, retain and reward employees to enable AFL to attain its strategic objectives within the increasingly competitive context in which it operates.
- Reinforce a culture of meritocracy and differentiate and reward performance.
- Balance the mix of Fixed, Variable and Long Term Pay to appropriately reflect the value and responsibility of the role performed day to day, and to influence appropriate behaviours and actions in the long term.
- Ensure policy is consistent with, and promotes, effective risk management practices and the company's commitment to compliance and controls.
- Ensure reasonable and fair rewards administration, having regard to best governance practices.
- Align compensation programs, structures and decisions with shareholder interests and regulatory guidelines.

2. DEFINITIONS

Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961.

“Key Managerial Personnel/ KMPs” means:

- (a) Managing Director;
- (b) Whole-time Director
- (c) Chief Financial Officer;
- (d) Company Secretary; and
- (e) such other officer as may be prescribed;

“Senior Management” shall include personnel of the Company who are members of its core management team excluding the Board comprising of all members of management one level below the executive directors, including the functional heads as per the explanation to Section 178 of the Companies Act.

“Total Pay” shall mean sum of Fixed Pay and Total Variable Pay.

PART A-REMUNERATION GUIDELINES FOR EXECUTIVE DIRECTORS, KMPs and SENIOR MANAGEMENT

1. APPLICABILITY

This Policy provides the remuneration guidelines for:

- 1. Executive Directors and Key Managerial Personnel
- 2. Senior Management
- 3. Other employees of Axis Finance

2. REMUNERATION

The terms and conditions relating to the appointment and remuneration of the Executive Directors, KMPs and Senior Management of the Company are governed in terms of the Companies Act 2013, the rules made thereunder, the Listing Regulations and as per the extant RBI Guidelines.

2.1. Fixed Pay

The fixed portion of compensation for Executive Directors, KMPs and Senior Management shall be reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.

All the fixed items of compensation, including the perquisites constitute ‘Fixed Pay’.

- a) Monthly fixed salary
 - Basic salary
 - All cash allowances
 - Other allowances and perquisites as may be decided by the Board of Directors of the AFL, from time to time.
- b) Retirals – As per AFL's Policy
- c) Perquisites

- Entitlement or monetary equivalent of the perquisite as best as it is possible to determine shall be included in Fixed Pay.
- Perquisites which are reimbursable and have monetary ceilings shall be included in Fixed Pay.
- Perquisites which are reimbursable without any monetary ceilings, shall be excluded from Fixed Pay.

Refer Annexure I for detailed definition of Fixed Pay.

2.2. Total Variable Pay

Composition of Variable Pay

The variable pay for the Executive Directors, KMPs and Senior Management shall consists of:

- a) Cash; and
- b) ESOPs of Axis Bank granted as per Axis Bank Employee Stock Option Scheme (ESOS) or any other policy as applicable from time to time.

The proportion variable pay to Total Pay shall be higher at higher levels of responsibility and subject to the following principles:

- a) It shall be commensurate with the role and prudent risk-taking profile of the Executive Directors, KMPs and Senior Management employees;
- b) The variable pay should be truly effectively variable and can be reduced to zero based on performance at an individual, business-unit and Companywide level; and
- c) The performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.
- d) In case variable pay includes share linked instruments, there should be proper balance between the cash and the share linked instruments.

2.3. Other Terms

- a) **Deferral of Variable Pay:** Variable pay may be deferred for such portion and period as recommended by the NRC and as approved by the Board. Further, not all the variable pay awarded after performance assessment must be paid immediately. Certain portion of variable pay, as decided by the NRC, may be deferred to time horizon of the risks. [The Schedule on deferral pay is annexed as Annexure II.] Further in case where the cash variable pay is below INR 25,00,000, the deferral requirement will not be applicable.
- b) **Guaranteed Bonus:** Guaranteed bonus may not be paid to the Executive Directors, KMPs and Senior Management. However, in the context of new hiring, joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay
- c) **Total Compensation:** The total compensation includes fixed and variable pay. '
- d) No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.
- e) No sitting fees will be paid to Managing Director & CEO/ Whole-time Directors of AFL for attending the meetings of the Board/ Committees thereof
- f) **Treatment of deferred cash variable pay in case of separation from the Axis Finance**
 - Resignation/ Retirement/ Early retirement – Deferred cash variable pay shall be paid as per original deferral schedule.
 - Death/ Permanent Incapacitation – Entire cash variable pay, deferred but unvested, shall be paid along with the full and final settlement.
 - Discharge/ Dismissal/ Severance of employment due to any other reasons – Unvested cash variable pay shall lapse.

- Authorised long leave/ Sabbatical – Deferred but unvested cash variable pay shall be paid 6 months after the employee resumes his duties after completion of long leave/ sabbatical leave.
- In case of an eligible employee who has been suspended or who has been issued a Show Cause Notice, the unvested cash variable pay shall stand suspended. Such variable pay shall not be paid unless the suspension is revoked or disciplinary proceedings initiated against the employee are completed and the concerned employee has been absolved of all the allegations.

2.4. Remuneration Guidelines for Risk and Control [and Assurance Function] Personnel

To ensure a robust risk management and control mechanism, it is intended that Executive Directors, KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, the Company shall ensure that the mix of fixed to variable compensation for control function is weighted in favour of fixed compensation and in line with the Guidelines. However, a reasonable proportion of the compensation may be in the form of variable pay, so that exercising the options of malus/ or clawback, when warranted is not rendered infructuous.

2.5. Compensation revision cycle

The KMPs and Senior Management will be eligible for annual revision in compensation, subject to regulatory and other approvals. The compensation cycle of AFL is from 1st April to 31st March every year.

3. REMUNERATION GUIDELINES OTHER EMPLOYEES OF AXIS FINANCE LIMITED

3.1. Remuneration

3.1.1. Fixed Pay

All the fixed items of compensation, including the perquisites constitute 'Fixed Pay'.

a) Monthly fixed salary

- Basic salary
- All cash allowances
- Other allowances and perquisites as may be decided by the Board of Directors of AFL, from time to time.

b) Retirals – As per AFL's Policy

c) Perquisites

- Entitlement or monetary equivalent of the perquisite as best as it is possible to determine shall be included in Fixed Pay.
- Perquisites which are reimbursable and have monetary ceilings shall be included in Fixed Pay.
- Perquisites which are reimbursable without any monetary ceilings, shall be excluded from Fixed Pay.

Refer Annexure I for detailed definition of Fixed Pay.

3.1.2. Total variable pay

Composition of Variable Pay

The variable pay for other employees shall consists of:

- a) cash; and
- b) ESOPs of Axis Bank (subject to eligibility) granted as per Axis Bank Employee Stock Option Scheme (ESOS) or any other policy as applicable from time to time.

3.1.3. Periodic Variable Pay

- a. Employees in certain sales / relationship management / other roles who are not covered under variable pay (mentioned in 3.1.2) plan may be covered under the periodic variable plan as approved list of roles.
- b. Employees in roles eligible for periodic variable pay will qualify for payout subject to achievement of minimum threshold / gating criteria set on scorecards linked to KPIs. The KPIs will be set as per the business plan and budget approved by the board.
- c. Each of the periodic variable pay plan shall include
 - a. Minimum threshold for payout/ gating criteria
 - b. There shall be independent computation of the quantum of periodic variable pay
 - c. In order to drive a strong risk and compliance culture at Axis Finance, similar to annual variable pay, the periodic variable pay amounts may be held back/reduced/cancelled in case of compliance/disciplinary issues. Further, given the higher frequency of payout, certain control-based checks shall form part of the payout process, including checks before performance attribution
 - d. A capping on maximum earning of periodic variable pay. The final payout shall be basis individual and business performance and usually paid at a higher frequency than the annual variable pay.
 - e. Employees covered under periodic variable pay shall not be eligible for variable pay mentioned under 3. 1.2 for the duration that they are covered under periodic variable pay.

3.2. Compensation revision cycle

Other employees will be eligible for annual revision in their compensation. The compensation cycle of the Company is from 1st April to 31st March every year.

4. MALUS / CLAWBACK

4.1. Definition

A malus arrangement permits the Company 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 is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

4.2. Scope

In line with the Guidelines, the Malus/ Clawback arrangements are only applicable for Executive Directors, KMP and Senior Management.

- a) Framework to invoke Malus/Clawback Clauses
- b) In the event of a reasonable evidence of deterioration in financial performance in form of drop in the Profit After Tax (PAT) from one financial year to the next by 25% or more, the NRC

may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic social or other conditions whether in or outside the control of the Company or any person and other relevant factors. Any material gains from sale of investment which are higher than that budgeted/planned would not be included while computing movement in PAT for this purpose. In deciding to apply or not apply malus/clawback on none, part or all of the variable compensation of the previous year, NRC shall in its evaluation shall have due regard to principles of proportionality and of reasonable nexus between matters of ability, capability and expertise of the individual/s versus matters or events outside the control or even nexus of the individual/s to the events or situations.

- c) The malus /clawback clauses shall be applicable in the following conditions:
- i. act of willful or gross misconduct or neglect;
 - ii. the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity;
 - iii. gross or willful insubordination; or
 - iv. any other act detrimental to the interest of the Company including and not restricted to violation of code of business conduct and ethics, violation of framework for dealing with conflict of interest, violation of rules and regulations of the Company, failure to discharge fiduciary and regulatory duties – and in respect of which the Company would reserve the right to institute appropriate civil, criminal or other proceedings at the risks, costs and consequences of such individual's (including employees who were transferred or deputed or resigned to join a subsidiary/associate company/holding company).

4.3 Process

Due process including inquiries or investigations as required and/or adherence to principles of natural justice are ensured prior to conclusion on the events of above breaches and which would form the basis of decisions. Error of judgment shall not be construed to be a breach under this Policy. NRC may undertake an investigation/inquiry on its own or set up a separate committee to undertake such an investigation/inquiry. The NRC will recommend to the Board for invoking malus and/or clawback and the final decision to invoke malus and/or clawback shall be approved by the Board.

4.4 Others

The Executive Directors, KMPs and Senior Management shall be required to formally accept the malus/ clawback clauses as part of the overall Policy.

In the event where the clawback clause is invoked, the employee will agree to return the previously received total variable pay back to the Company, taking into account relevant regulatory/ statutory stipulations.

4.5. Period

Malus/ clawback clause can be applied for a period of 3 year after the date of grant of Total Variable Pay.

4.6. Effective period

Malus/ clawback clause can be applied for Executive directors, KMPs and Senior Management who are in active employment of AFL as well as those who have since separated from AFL, due to any of the following reasons:

- Resignation
- Discharge/ Dismissal from services
- Retirement / Early Retirement
- Authorised long leave/ Sabbatical
- Transfer to group company
- Severance of employment due to any other reasons, except death

5. GUARANTEED BONUSES

5.1. Guaranteed bonuses are not part of compensation plan. Joining/ sign on bonus may be granted only in the context of hiring and will be limited to the first year. Such bonus will neither be considered part of fixed pay nor part of variable pay.

5.2. No severance pay to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.

Part-B COMPENSATION POLICY FOR NON-EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS OF AXIS FINANCE LIMITED

1. COVERAGE

The compensation Policy for Non-Executive/Independent Directors of the Company (the Policy) provides the overarching governance framework and criteria for determining and payment of remuneration to the Non-Executive/Independent Directors of the Company, in terms of the Companies Act, 2013 and the rules made thereunder and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulation) and any other applicable regulatory guidelines.

2. REMUNERATION GUIDELINES

2.1. NON-EXECUTIVE DIRECTORS (NEDs) / INDEPENDENT DIRECTORS

The terms and conditions relating to the appointment, including remuneration payable to the Non-Executive Directors / Independent Directors of the Company, is governed by relevant provisions of the Companies Act, 2013, the Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), RBI guidelines, Master Directions (issued from time to time) and any other applicable regulatory guidelines.

2.2. Remuneration including the criteria for determining and payment of remuneration

2.2.1. Sitting Fees:

- a. The Non-Executive Directors / Independent Directors of the Company shall be entitled to sittings fees for attending meetings of the Board and Committees as approved by the Board of Directors of the Company and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time. The Board has the flexibility to enhance the sitting fees within the parameters prescribed by law.
- b. The Non- Executive Directors who are currently in employment with Axis Bank Limited or in any of the group companies shall not be entitled to the sitting fees for attending the meetings of the Board or any committee of the Board.

2.2.2. Remuneration by way of Commission:

- a. The remuneration to be paid to Directors shall be as per the provisions of Companies Act, 2013 including any rules framed thereunder read with schedule V of the Companies Act, 2013, the Listing Regulations and other applicable provisions, guidelines and circulars issued by various statutory / regulatory authorities.
- b. The Non-executive / Independent Directors in addition to the sitting fees and reimbursement of expenses for attending the meetings of the Board & Committees and such other expenses, as may be incurred by them in discharge of their duties for the company, the Company may provide for payment of compensation to its Non-Executive Directors / Independent Directors [other than the officials mentioned in 2.2.1] in the form of fixed remuneration commensurate with the individual Non- Executive Directors / Independent Directors responsibilities and demands on his time and which are considered sufficient to attract qualified competent individuals.

- c. However, the fixed remuneration for an amount of Rs. 10,00,000/- (Rupees Ten lakh only) shall be payable such that the aggregate commission to be capped to 1% of the net profit of the Company in the preceding year and in case the net profits are lower in any year, then the fixed commission shall be adjusted to the capped (limit). In case of inadequacy or absence of profits of the Company, in any financial year, the remuneration shall be payable as per the relevant provisions of Companies Act, 2013 read with rules framed thereunder and Schedule V of the Companies Act, 2013 and other applicable guidelines and circulars.
- d. The payment of said compensation, shall be effective from 1st April 2024 and paid on an annual basis subject to deduction of tax at source and such other charges, as per extant income tax laws.
- e. The payment of the said compensation in terms of this Policy, shall be subject to the approval of the shareholders of the Company, under the extant norms.
- f. In case any Non-Executive Director of the Company, who is appointed or resigns or retires during the financial year, he/she would be paid remuneration on a pro-rata basis for the tenor served during the financial year, subject to the compliance with the conditions as aforesaid.

2.2.3 Stock Options:

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

AUTHORIZATION SCHEDULE

The Managing Director & CEO and Head of Human Resource will be responsible for execution of the compensation strategy, practices and plan including both fixed and variable pay in line with the remuneration policy.

REVIEW

This Policy shall be reviewed annually by the NRC in line with the company strategy and changing market dynamics and prevalent regulatory requirements.

Any amendment to this Policy would be subject to its review by the NRC and the approval of the Board of Directors of AFL.

DISCLOSURES

The details of remuneration paid to the Directors and other employees of AFL, in terms of this Policy shall be made in the Annual Financial Statements of AFL, in terms of the guidelines issued by the RBI, the relevant provisions of the Companies Act, 2013, the Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

ANNEXURE I
DEFINITION OF FIXED PAY

Details of Fixed Remuneration	Particulars
Monthly Cash Components	<ul style="list-style-type: none"> • Basic Pay • Leave Travel Allowance • House Rent Allowance • Basket of Allowances • Other Fixed Allowances as may be decided by the Board of Directors of AFL, from time to time
Retiral Benefits	<ul style="list-style-type: none"> • Provident Fund • Gratuity
Perquisites/ Reimbursements (as per entitlement unless specified otherwise)	<ul style="list-style-type: none"> • Use of AFL's car for official purposes • Driver's salary • Club membership(s) – cost as per actuals • Staff Loan Benefit • Insurance benefits (Term Life and Mediclaim) • Other perquisites as may be decided by the Board of Directors of AFL, from time to time

ANNEXURE II**SCHEDULE ON DEFERRAL OF VARIABLE PAY**

Year of Payout	Payout Schedule for Variable Pay
Year 1	50%
Year 2	25%
Year 3	25%