

IndusInd Bank Limited

POLICY ON REMUNERATION PAYABLE TO:

- (i) Non-Executive Chairperson; and**
- (ii) Non-Executive Directors**

APRIL 2022

1. Introduction

The Bank's remuneration practices are underpinned by principles of meritocracy and fairness. The Bank strives to maintain strong focus in the areas of compensation governance and ensures that the compensation system is in line with compensation regulations, as applicable.

This Policy provides the governance framework for the remuneration to the Part-Time Non-Executive Chairman and to the Non-Executive Directors of the Bank.

The Remuneration Policy also adheres to principles and guidelines as prescribed by the Reserve Bank of India (RBI), in terms of the following Circulars:

- i) Part-Time Non-Executive Chairman of a Private Sector Bank (in terms of Section 10B (1A) of the Banking Regulation Act, 1949); and
- ii) Non-Executive Directors (NEDs) (other than Non-Executive Chairman) (vide Circular RBI/2021-22/24DOR.GOV.REC.8/29.67.001/2021-22 dated 26th April 2021).

2. Coverage

This Policy provides Remuneration Guidelines for:

1. Non-Executive (Part-time) Chairperson (Non-Executive Chairperson); and
2. Non-Executive Directors

3. Remuneration Guidelines

3.1 Part-Time Non-Executive Chairman

The Non-Executive Chairperson of the Board shall be an Independent Director, in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations)

However, in case the Non-Executive Chairperson of the Board, is not an Independent Director, as on the date of issue of the RBI circular dated April 26, 2021, he shall be allowed to complete his current term as Non-Executive Chairperson of the Board, in terms of the approval granted by the RBI.

The upper age limit for the Non-Executive Chairperson of the Board, shall be 75 years, after which, no person shall continue in these positions.

The terms and conditions relating to the appointment and remuneration of the Non-Executive Chairman of the Board shall be governed by terms of Sections 10B (1A) and 35B of the Banking Regulation Act, 1949, the Guidelines issued by the RBI in this regard, the relevant applicable provisions of the Companies Act, 2013, the relevant Rules made thereunder and the relevant provisions of Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), relating to corporate governance, as amended, from time to time.

The terms and conditions relating to the appointment and remuneration payable to the Non-Executive Chairperson of the Bank shall be subject to the prior approval of RBI, and the approval of the Shareholders of the Bank, as detailed hereunder:

- a. The Non-Executive Chairperson of the Bank shall be entitled to such remuneration, which shall be paid at such frequency and in such manner, as may be approved by the Board of Directors of the Bank, as recommended by the Compensation and Nomination & Remuneration Committee, subject to the prior approval of the Reserve Bank of India and the Shareholders of the Bank.
- b. The Non-Executive Chairperson of the Bank shall be entitled to Sitting Fees for meetings of the Board/ Committees, attended by him, as approved by the Board and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.
- c. The Non-Executive Chairperson of the Bank shall be entitled to reimbursement of expenses for maintenance of his / her office, travel, lodging and boarding expenses for official work relating to the affairs of the Bank.
- d. The Non-Executive Chairperson of the Bank shall not be entitled to any grant of Stock Options.

3.2 Non-Executive Directors (NED)

The total tenure of a Non-Executive Director (NED) of the Bank, continuously or otherwise, shall not exceed a period of 8 years.

On completion of the tenure of 8 years, the NED may be considered for re-appointment as a Director of the Bank, after a minimum gap of 3 years, in terms of the Policy on Appointment and Selection of Directors of the Bank.

The upper age limit for NEDs, including the Chairperson of the Board of the Bank, shall be 75 years, after which, no person shall continue in these positions. The NED shall step down from his office upon attaining the age of 75 years.

The terms and conditions relating to the appointment and remuneration payable to the Non-Executive Directors of the Bank are governed by the terms of Section 10A (2A) of the Banking Regulation Act, 1949, guidelines issued by the RBI and subject to compliance with Section 197 of the Companies Act, 2013, the Rules made thereunder and Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

Remuneration

- a. The NEDs of the Bank shall be entitled to fixed remuneration for an amount not exceeding Rs.20 lakhs per annum commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals, in terms of the RBI Circular RBI/2021-22/24.DOR.GOV.REC.8/29.67.001/2021-22 dated April 26, 2021, as approved by the Shareholders at their 27th Annual General Meeting held on August 26, 2021.

- b. The NED of the Bank shall be entitled to Sitting Fees shall be entitled to Sitting Fees for meetings of the Board/ Committees, attended by him, as approved by the Board and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.
- c. The NED of the Bank shall be entitled to reimbursement of expenses for attending meetings of the Board and of its Committees, and such other expenses as may be incurred by them in discharging their duties towards the Bank
- d. The NED of the Bank, nominated by the Board of the Bank on the Board of any subsidiary company of the Bank or an associate company of the Bank, shall be eligible for remuneration as may be payable to the Directors of the concerned subsidiary or associate company, as the case may be.
- e. In case of NED who are Independent Directors, the terms and conditions relating to their appointment including their remuneration shall be set out in the Letter of Appointment, to be issued to them, in terms of Schedule IV to the Companies Act, 2013.
- f. The NED of the Bank shall not be entitled to any grant of Stock Options.

4. Parameters while recommending remuneration:

As per Rule 6 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, the Compensation and Nomination & Remuneration Committee is required to consider the following parameters while recommending remuneration to be paid to Directors:

- (i) Financial and Operating performance of the company during the preceding three financial years.
- (ii) Relationship between Remuneration and Performance.
- (iii) Principle of proportionality of remuneration within the company, ideally by a rating methodology which compares the remuneration of Directors to that of other Directors in the Board who receive remuneration and employees of the company.
- (iv) Securities held by the Director, including Options and details of the shares pledged as at the end of the preceding financial year.

A Non-Executive Director or the Part Time Non-Executive Chairman of the Bank who resigns or retires during the financial year, would be paid fixed remuneration pro-rata to the number of days of being a director during the said financial year

5. Disclosure of Remuneration:

Details of remuneration paid by the Bank to the NEDs, including to the Non-Executive Chairperson of the Bank, in terms of this Policy, shall be disclosed in the Annual Report of the Bank, in accordance with the aforesaid laws.

6. Malus / Clawback:

Malus/Clawback of the remuneration paid shall be applicable in case of any act of gross negligence and breach of integrity by the Director and as may be determined by the Compensation and Nomination & Remuneration Committee/ Audit Committee of Board.

Errors of judgment shall not be construed as breaches as may be determined by the Compensation and Nomination & Remuneration Committee/ Audit Committee of the Board.

(7) Review of the Policy:

The Policy which has been reviewed and approved by the Committee on May 6, 2022, was reviewed and approved by the Board at its meeting held on May 10, 2022.

The Policy shall be reviewed once in every three years, unless there is any change in applicable laws.

The Board may review and approve amendments proposed to the Policy, as recommended by the Compensation and Nomination & Remuneration Committee or necessitated due to change in applicable laws.

In the event of change in the applicable laws, amendments to the Policy may be carried out, subject to approval by the Managing Director & CEO of the Bank. The revised Policy shall be effective from the date of said approval and placed at the ensuing meeting of the Compensation and Nomination & Remuneration Committee / Board, for its noting.
