

**REMUNERATION POLICY  
FOR DIRECTORS, KEY MANAGERIAL  
PERSONNEL, SENIOR MANAGEMENT AND  
OTHER EMPLOYEES**

Version 1.2

## Version Control

Version	Date of Revision	Description
1.0	02.01.19	Document reviewed
1.1	21.08.23	Document created
	25.08.23	Document Reviewed
1.2	11.10.2024	Document revised

Description	Name	Designation	Date
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Reviewed by	Prakash Sankaran	Managing Director & CEO	23.09.2024
Put up to the Board for approval	N.A.	N.A.	11.10.2024
Document maintained by	Human Resources Team		

## Contents

Paragraph	Particulars	Page No.
1	Introduction & Philosophy	4
2	Role of the Nomination & Remuneration Committee	5
3	Appointment of Directors, KMPs and Senior Management	5
4	Definitions	5
5	Applicability of the Policy	6
6	Remuneration Guidelines for Executive Directors, KMPs and SMPs	6-7
7	Remuneration Guidelines for all A.Treds employees	8
8	Malus/Clawback	9-11
9	Remuneration Guidelines for Non Executive Directors & Independent Directors	11-12
10	Review cycle of Policy	12
11	Annexure of Fixed Pay	13

## **REMUNERATION POLICY**

### **INTRODUCTION AND PHILOSOPHY**

A. Treds Limited's 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. A. Treds 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"). A.Treds strives to maintain a 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 A.Treds including Key Managerial Personnel and Senior Management of the A.Treds.

This remuneration policy ("Policy") has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 ("Act"). 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. 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 A.Treds.
- Maintain the ability to attract, retain, and reward employees to enable A.Treds 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 and Variable 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, if any.

## **1. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE**

The role of the Nomination and Remuneration Committee shall be as follows:

- To review the remuneration policy of the company
- To decide the remuneration package for Directors, Key Managerial Personnels and Senior Managerial Personnels which includes salary, bonuses, other benefits (as applicable) and employee stock options.
- To review termination packages for directors, Key Managerial Personnels, Senior Managerial Personnels
- To undertake a process of due diligence to determine the suitability of any person for appointment/continuing to hold appointment based upon qualification, expertise, track record, integrity and any other criteria specified by the Board.
- To review in identifying persons who are qualified to become Directors and may be appointed in Key Managerial and Senior Management in accordance with the criteria laid down, recommend to the Board for their appointment or removal.
- To carry out evaluation of Director's performance
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial and Senior Management.

## **2. APPOINTMENT OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

- The Nomination and Remuneration Committee shall review in identifying individuals who are qualified to become Directors and who may be appointment as Key Managerial Personnel and Senior Managerial Personnels.
- The Committee shall ascertain the qualifications, experience and expertise of the individuals to be appointment as Directors, Key Managerial Personnels and Senior Managerial Personnels and recommend their appointment to the Board of Directors
- The decision of the Board of Director on the recommendation of the Committee shall be considered final.
- The appointment including tenure of the Directors and Key Managerial Personnels shall be as per the provisions of Company's Act, 2013 and other relevant laws.

## **3. 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) CEO or the Managing Director or the Manager.
- b) Whole-time Director
- c) Chief Financial Officer
- d) Company Secretary
- e) such other officer as may be prescribed.

“Senior Management” shall include senior managerial 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.

### 3. APPLICABILITY :

The policy shall be applicable to :

- Executive Directors
- Key Managerial Personnel
- Senior Managerial Personnel
- Other employees of A.Treds

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

### 1. REMUNERATION

The terms and conditions relating to the appointment and remuneration of the Executive Directors, Key Managerial Personnels and Senior Management of the Company are governed in terms of the Companies Act 2013, the rules made thereunder.

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

#### 1.1. 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
  - Any cash allowances (if applicable)
  - Other allowances and perquisites as may be decided by the Board of Directors of the A.Treds from time to time
- b) Retirals – As per A.Treds Limited Policy in line with applicable regulatory Acts
- 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 to Annexure I for a detailed definition of Fixed Pay.

## 1.2. Total Variable Pay

### Composition of Variable Pay

The variable pays for the Executive Directors, KMPs, and Senior Management shall consist of:

- a) Performance-linked bonus pay.
- b) ESOPs/ESUs 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 of 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.
- 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 a proper balance between the cash and the share-linked instruments. (as applicable)

## 1.3. 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, as needed.
- b) Further in case where the variable pay is below INR 25,00,000 the deferral requirement will not be applicable.
- c) Guaranteed Bonus: Guaranteed bonus may not be paid to the Executive Directors, KMPs, and Senior Management. However, in the context of new hiring, a joining/sign-on bonus could be considered. Such a bonus will neither be considered part of fixed pay nor of variable pay and would be considered as one time payout. This would be assessed and approved on case to case basis by the MD & CEO, depending on business requirement. Clawback provision shall be applicable. In case an employee is exiting the organization before 1 year of receiving the joining bonus, the full amount shall be recovered in the Full & Final settlement.
- d) Total Compensation: The total compensation includes fixed and variable pay.
- e) No severance pays to be granted other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute.

- f) No sitting fees will be paid to the Managing Director & CEO/ Whole-time Directors of A.Treds for attending the meetings of the Board/ Committees thereof
- g) The deferral period would be spread over a period of three (3) years (deferment period). The frequency of vesting will be on an annual basis. In the event of a separation of an employee due to death, permanent incapacity, resignation, or retirement, the whole of the deferred pay shall immediately vest in the employee's successors, or the employee as the case may be.

#### 1.4. 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 the 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.

#### 1.5. Compensation revision cycle

The KMPs and Senior Management will be eligible for annual revision in compensation, subject to approvals as may be required. The compensation cycle of A.Treds Limited is from 1st April to 31st March every year.

## 2. REMUNERATION GUIDELINES- OTHER EMPLOYEES OF A.Treds Limited

### Remuneration

"Total Pay" shall mean the sum of Fixed Pay and Total Variable Pay.

#### 2.1 Fixed Pay

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

- a) Monthly fixed salary
  - Basic salary
  - Any cash allowances (if applicable)
  - Other allowances and perquisites as may be decided by the Board of Directors of A.Treds from time to time.
- b) Retirals – As per A.Treds Policy in line with the applicable regulatory Acts
- 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 to Annexure I for a detailed definition of Fixed Pay.

#### 2.1.1. Total variable pay.

##### Composition of Variable Pay

The variable pay for other employees shall consist of:

- a) Performance linked Bonus
- 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.

#### 2.1.2. Sales Incentives

Employees in certain sales/ relationship management roles may be covered under the sales incentive schemes run occasionally, which are paid on basis the of individual and business performance. This would be assessed and approved by the MD & CEO and Head - HR, depending on business requirement. Sales incentive amounts may be held back or even clawed back in case of compliance/disciplinary issues.

#### 2.2. 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.

### 3. MALUS / CLAWBACK

#### 3.1. Definition

A malus arrangement permits the Company to prevent the 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.

#### 3.2. Scope

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

- a) Framework to invoke Malus/Clawback Clauses
- b) In the event of reasonable evidence of deterioration in financial performance in the form of a 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 the 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 wilful or gross misconduct or neglect
  - ii. The commission of a felony, fraud, misappropriation, embezzlement, breach of trust, or an offense involving moral turpitude or breach of integrity
  - iii. gross or wilful insubordination; or
  - iv. any other act detrimental to the interest of the Company including and not restricted to violation of the 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).

3.3 Due process including inquiries or investigations as required and/or adherence to principles of natural justice are ensured prior to the conclusion of the events of the above breaches and which would form the basis of decisions. The 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.

### 3.4 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 that 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.

### 3.5. Period

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

### 3.6. Effective period

Malus/ clawback clause can be applied for Executive directors, KMPs, and Senior Management who are in active employment of A.Treds as well as those who have since separated from A.Treds, 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

### 3.7 GUARANTEED BONUSES

3.7.1 Guaranteed bonuses are not part of the compensation plan. Joining/sign-on bonuses may be granted only in the context of hiring and will be limited to the first year. Such a bonus will neither be considered part of fixed pay nor part of variable pay. This would be assessed and approved on case-to-case basis by the MD & CEO, depending on business requirement.

In case an employee is exiting the organization before 1 year of receiving the joining bonus, the full amount shall be recovered in the Full & Final settlement.

3.7.2 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 A.TREDS 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.

### 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, are governed by relevant provisions of the Companies Act, 2013.

##### 2.1.1. Remuneration

2.1.1.1. The Independent Directors of the Company shall be entitled to sitting 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.

2.1.1.2. The Independent Directors will also be eligible to receive remuneration by way of annual commission with effect from financial year 2024-2025 as per the grid below:

<b>Proposed Commission Structure</b>			
Net Profit for the preceding year	Rs. 10 - 50 Crore	Rs. 50 - 500 Crore	Rs. >500 Crore
Amount of commission per ID p.a.*	Rs. 5 Lakh	Rs. 7.5 Lakh	Rs. 10 Lakh
* 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 would need to be adjusted to the cap (limit) as per applicable regulations.			

The Independent Directors appointed at any time during the financial year shall be payable on a pro-rata basis.

2.1.1.3. Subject to above section 2.1.1.1 and 2.1.1.2, no other director shall be entitled to the sitting fees or commission for attending the meetings of the Board or any committee of the Board.

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

2.1.1.5. The Independent Directors shall be entitled to reimbursement of expenses for attending the meetings of the Board & Committees and such other expenses, incurred by them in discharge of their duties for the company.

2.1.1.6. Subject to section 2.1.1.5 above directors or the joint venture companies which have nominated them, shall bear all other expenses incurred by them for the purpose of such Directors' service on the Board including travel expenses, if any.

#### AUTHORIZATION SCHEDULE

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

#### REVIEW

This Policy shall be reviewed annually by the MD & CEO AND Head HR in line with the company strategy, 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 A.Treds.

The details of remuneration paid to the Directors and KMPs of A.Treds in terms of this Policy, shall be made in the Board's report and Annual return, in terms of the relevant provisions of the Companies Act, 2013, and the Rules made thereunder.

#### ANNEXURE I DEFINITION OF FIXED PAY

Details of Fixed Remuneration	Particulars
Monthly Cash Components	<ul style="list-style-type: none"><li>• Basic Pay</li><li>• Leave Travel Allowance</li><li>• House Rent Allowance</li><li>• Basket of Allowances</li><li>• Other Fixed Allowances as may be decided by the Board of Directors of A.Treds from time to time</li></ul>
Retiral Benefits	<ul style="list-style-type: none"><li>• Provident Fund</li><li>• Gratuity</li><li>• ESI (AS applicable)</li></ul>
Perquisites/ Reimbursements (as per entitlement unless specified otherwise)	<ul style="list-style-type: none"><li>• Medclaim Insurance benefits</li><li>• Term life benefits</li><li>• Other perquisites as may be decided by the Board of Directors of A.Treds, from time to time</li></ul>

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