

# HINDUJA FINANCE LIMITED

(CIN: U65993MH2006PLC166340)

Regd. Office: Hinduja House, 171, Dr. Annie Besant Road, Worli, Mumbai 400018

## REMUNERATION POLICY

### 1. Objective

The objective of Hinduja Finance Ltd. (HFL) Remuneration Policy is to attract, motivate and retain qualified and expert individuals that the Company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognizing the interests of HFL stakeholders.

### 2. The Nomination & Remuneration Committee

The Nomination & Remuneration Committee (“Committee”) is responsible for formulating and making the necessary amendments to the Remuneration Policy for the Directors, Key Managerial Personnel (KMP) and Senior Executives of HFL from time to time.

### 3. Remuneration for Non-Executive Directors

Non-Executive Directors (“NED”) may be remunerated by way of Sitting Fee for each meeting of the Board/ Committees of the Board attended by them and an annual commission on the profits of the Company. Commission to respective NED, if any, will be determined on the basis of an objective criteria discussed and agreed upon by the Committee Members unanimously. NED’s may be reimbursed of any out of pocket expenses incurred by them for the purpose of the Company.

### 4. Remuneration for Executive Directors, Key Managerial Personnel (KMP) and Senior Executives

The following elements are taken into consideration for determining the Remuneration of Executive Directors, KMP and Senior Executives:

- The remuneration policy reflects a balance between the interests of HFL’s main stakeholders as well as a balance between the Company’s short-term and long-term strategy. As a result, the structure of the remuneration package for the Directors, KMP and Senior Executives is designed to balance short-term operational performance with the medium and long-term objective of creating sustainable value within the Company, while taking into account the interests of its stakeholders. HFL strives for a high performance in the field of sustainability and aims to maintain a good balance between economic gain, respect for people and concern for the environment.
- To ensure that highly skilled and qualified KMP/Senior Executives can be attracted and retained, HFL aims for a total remuneration level that is comparable to levels provided by other companies that are similar to HFL in terms of size and complexity.

- In designing and setting the levels of remuneration for the Directors, KMP and Senior Executives, the Committee also takes into account the relevant statutory provisions and provisions of the corporate governance regulations, market trends and the interests of stakeholders.

#### TOTAL COMPENSATION (TC)

The total compensation of the Managing Director and Senior Executives may consist of the following components:

1. Base salary
2. Variable income –
  - Annual Performance Pay (APP)
  - Performance-related Long-Term Incentive Plan (LTIP)

#### BASE SALARY

On joining the Company, the Managing Director, KMP and Senior Executives receive a base salary. Every year, base salary levels are reviewed by the Committee.

#### VARIABLE INCOME

The variable income part of remuneration consists of APP and LTIP. The distribution between APP and LTIP for (on target) performance aims to achieve a proper balance between short-term result and long-term value creation. The parameters relating to the various elements of the variable income part of the remuneration are established and where necessary adjusted by and at the discretion of the Committee, taking into account the general rules and principles of the remuneration policy itself.

The targets are determined each year by the Committee in consultation with the respective Director/KMP / Executive, based on historical performance, the operational and strategic outlook of the Company in the short term and expectations of the Company's management and stakeholders, among other things. The targets contribute to the realization of the objective of long-term value creation.

It is one of the long term objectives to reach the proportion of variable compensation upto 50% of the total compensation.

#### **5. Remuneration for other Employees.**

Remuneration of middle and lower level employees of the Company may consist of fixed and variable pay which is reviewed on an annual basis. Increase in the remuneration of employees is effected based on an annual review taking into account performance of the employee and the performance of the Company also.

#### **6. Employee Stock Options**

It is a long term objective of the Company to introduce employee stock options to inculcate a sense of ownership among the employees of the Company.

#### **7. Alignment of Remunerations**

The Committee strives to achieve that the remunerations of the Directors, Senior Executives, Middle and lower level employees of HFL are aligned to each other.

#### **8. Term of Appointment**

Term of Managing Director and other Executive Directors is generally for a period of 3 years and renewed for similar periods from time to time. Whereas, term of the other employees, generally is upto the age of superannuation. However, Company also employs contractual employees as 'consultants' for shorter periods on need basis.

#### **10. Post-Retirement Benefits**

All the executive directors and employees are entitled for retirement benefits such as provident fund, superannuation fund and gratuity.

#### **11. Severance Arrangements**

Contracts of employment with executive directors and regular employees, provide for compensation of upto 3 months' pay or advance notice of similar period.

#### **12. Loans**

There is no system of granting of loans to Directors, KMP and employees of the Company.