ABCL - Executive Remuneration Policy

Aditya Birla Capital Limited

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Document Owner, Version Control & Review Process

Particulars	Details
Version Control	This version dated January 1, 2025 is the Executive Remuneration Policy of Aditya Birla Capital Ltd. The Policy may be reviewed/modified if warranted by changing regulatory requirements.
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Introduction

Aditya Birla Group Company adopts this Executive Remuneration Philosophy/ Policy in accordance with the applicable regulations from time to time including the Companies Act 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) and the RBI guidelines on compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs vide circular no. RBI/2022-23/36 DOR.GOV.REC.No.29/18.10.002/2022-23 dated 29th April, 2022 (‘Applicable Law’). This philosophy/ policy is detailed below.

At Aditya Birla Capital Limited, we expect our executive team to foster a culture of growth and prudent risk-taking. Our Executive Remuneration Philosophy / Policy supports the design of programs that align executive rewards (including fixed pay, variable pay and perquisites and benefits) with the long-term success of our stakeholders.

Objective

Our executive remuneration program is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a holistic basis.

2. To ensure effective governance of compensation practices and alignment with prudent risk taking.

3. To ensure that the compensation practices take on board the regulatory framework stipulated from time to time by RBI or any other relevant regulatory body.

Coverage

This Policy shall be applicable to the following Executives: 1. Executive Director of the Company 2. Key Managerial Personnel (KMP) a) CEO / Managing Director / Whole Time Director / Manager b) Chief Financial Officer c) Company Secretary 3. Senior Management Personnel: i.e., Officers / Personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Managing Director /Whole Time Director / CEO or Manager.

Governance Structure for Compensation

1. The Nomination, Remuneration and Compensation Committee (“NRC”) is responsible for framing, review and implementation of the Company’s compensation policy on behalf of the Board and its role is as set out in the

NRC Charter / Terms of Reference.

2. The NRC may also co-ordinate with the Risk Management Committee with the objective of suitably aligning compensation with prudent risk taking as applicable.

3. This Policy is subject to review by the NRC on an annual basis or more frequently as required and approved by the Board.

Principles for Determination of Compensation for Executives

Compensation to Executives shall be determined based on the following principles:

We aim to provide competitive remuneration opportunities to our executives by positioning target total remuneration (including fixed pay, variable pay and perquisites and benefits) directionally between median and top quartile of the primary talent market.

1. The level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Executives of the quality required to run the Company successfully, which means compensation takes on board:
   - Market competitiveness for the role ('market' for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent).
   - The size and scope of the role (including those in control functions) and the market standing, skills and experience of incumbents while positioning our executives.
   - The size of the Company, complexity of the sector / industry / Company's operations and the Company's capacity to pay.
2. Linkage of compensation to appropriate performance benchmarks.
3. Compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
4. Compensation structure will have a proper balance between Fixed Pay and Variable Pay.

Executive Pay-Mix

Our executive pay-mix aims to strike the appropriate balance between key components:

i. Fixed Pay: Comprising of Basic Salary, Allowances, Retirals and other benefits and will include imputed value of benefits like Housing and Car. It also includes cost of retirals such as Company's contribution to PF, Gratuity, superannuation and pension [Including National Pension System (NPS)].

ii. Variable Pay: Includes Performance bonus/Annual Incentive, Long Term Incentive Pay in form of cash bonuses, all share-linked instruments (e.g. ESOP, SARS, etc.). (The deterioration in the financial performance of the Company / business segment/ function/ individual can lead to a contraction in the total amount of variable pay, which can even be reduced to zero for a particular year depending on the performance outcome of the year.)

iii. Perquisite & Benefits: Perquisite Pay / Benefits are over and above Fixed Pay and include Medical Benefit; Life Insurance Benefit; Personal Accident Benefit; etc. These broad-based plans may be applicable to all employees or select group of employees. In addition to these broad-based plans, Executives are eligible for perquisites and benefits plans commensurate with their roles. These benefits are designed to encourage long-term careers with the Company / Group.

iv. Other Elements: Which includes Joining/ Sign on Bonus, Severance package, Deferred Incentive Plans, etc.

Salient features of the compensation structure

- The proportion of variable pay to fixed pay is higher at senior levels and varies across roles based on levels of responsibility.

- Variable Pay payable is subject to Group, Company, Business / Function and Individual performance. Part of variable pay is deferred over a time horizon of 3 to 4 years in the manner determined by NRC / Board. This may be in the form of cash and non-cash components of the variable pay.

- We aim that the remuneration programs do not encourage excessive risk taking. We review our remuneration programs keeping in mind the balance between risk and payout and material portion of the variable pay is deferred spread over three to four years in line with the risk involved.

Malus and Clawback

The Company believes in sustained business performance in tandem with prudent risk taking.

Malus arrangement permits the Company to prevent vesting of all or part of the variable pay which has been deferre It 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 retur previously paid or vested compensation attributable to a given reference year.

Malus and clawback is applicable to employees even after their separation from the organisation.

Malus and clawback may be applied for circumstances like gross and/ or willful negligence in performance of their dut or has committed fraud or has performed an act with malafide intent or obstructs the functioning of an organisatior misconduct; Material breach of Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rule and regulations and any other additional circumstances as determined by NRC.

In deciding the application of malus / clawback to any part or all of variable pay or incentives (whether paid, vested c unvested), the NRC will follow due process and adhere to the principles of natural justice and proportionality. Furthe in assessing the quantum of cancellation / withdrawal, the NRC will take into consideration all relevant factors including inter alia, internal factors such as role and responsibilities of the employee, culpability and proximity to th misconduct as well as any external factors, including but not restricted to situations, that may have been beyond th control of the concerned employee

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