



Compensation and Remuneration Policy

BRANCH INTERNATIONAL FINANCIAL SERVICES PRIVATE LIMITED

Version Control		
Version	Date of Approval/Revision	Approved By
V 1.0	13th June 2025	Board of Directors

1. Preamble

This Nomination and Remuneration Policy have been framed pursuant to the The Reserve Bank of India's ("RBI's") Master Direction – Reserve Bank of India (Non Banking Financial Company – Scale Based Regulation) Directions, 2023 ("SBR") for Non Banking Finance Companies ("NBFCs"), as modified from time to time on the Guidelines of Compensation of Key Managerial Personnel ("KMP") and Senior Management ("SM") in NBFC's and Companies Act, 2013 read with rules made thereunder..

2. Scope

This policy is applicable to all Directors, KMP and Senior Management Personnel:

"Key Managerial Personnel" (KMP) means

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. the Chief Financial Officer;
- v. such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed by the Act or rules made thereunder.

Senior Management (SM) are members of its Core Management Team / Leadership Team excluding the Board, comprising all members of Management one level below the Executive Directors, including the Functional Heads, Company Secretary and the Chief Financial Officer, or such other person as may be included within the meaning of Senior Management from time to time in accordance with the applicable provisions of law.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

3. Objective of the Policy

The Objectives of the policies are:

A. To aim to establish a comprehensive framework that governs the compensation structure of directors, key managerial personnel and senior management employees in alignment with the company's strategic objectives, regulatory mandates, and prudent risk-taking principles.

B. Selection and performance evaluation criteria for the directors, key managerial personnel and senior management personnel of the Company.

C. Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment and on a continuing basis.

4. Nomination and Remuneration Committee

The Board of Directors of the Company shall constitute the Nomination and Remuneration Committee in accordance with the applicable provision of Companies Act 2013. The Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The Company Secretary shall act as Secretary to the Committee Meetings.

5. Role and Responsibility of Nomination and Remuneration Committee

- Identify persons who are qualified to become Directors and who may be appointed in Senior Management and recommend to the Board their appointment and/or removal.
- Formulation of a policy including parameters for determination of fit and proper criteria of directors.
- Ensure 'fit and proper' status of proposed/ existing directors and that there is no conflict of interest in appointment of directors on the Board of the Company, KMPs and Senior Management.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director.
- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the company successfully
- Specify the manner for effective evaluation of the Board, its Committees and individual Directors.
- Carry out evaluation of every Director's performance and formulate the succession plan.
- Recommend a process for determination of the remuneration including any compensation and related payments of the Directors, Key Managerial Personnel and Senior Management.
- To decide whether to extend or continue the term of appointment of the independent director on the basis of a report of performance evaluation of the independent director.
- Ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on the Internal Capital Adequacy Assessment Process (ICAAP).
- Overseeing the implementation of the compensation policy
- Carry out such other activity as may be delegated by the Board from time to time or required by applicable law or considered appropriate in view of the general terms of reference and the functions of the NRC.
- The NRC shall work in close coordination with the Risk Management Committee of the Company to achieve effective alignment between compensation and risks.

6. Guiding Principles

- **Alignment with Business Strategy:** Compensation should support long-term business sustainability, customer value, and prudent risk-taking.
- **Market Competitiveness:** Remuneration should be competitive with industry standards, allowing the Company to attract and retain talent.
- **Fairness & Equity:** Internal equity will be maintained while allowing external competitiveness.
- **Regulatory Compliance:** Follows Master Direction – Reserve Bank of India (Non Banking Financial Company – Scale Based Regulation) Directions, 2023, Companies Act, 2013, and other applicable regulations.
- **Risk Alignment:** Compensation design will discourage excessive risk-taking by incorporating deferrals and clawback/malus clauses.
- **Performance-Based:** *The total pay shall be linked to individual, team, and organizational performance*

7. Role and Functions of the Committee Related to Nomination

- I. **Appointment Criteria and Qualifications:**
 - A. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
 - B. The Committee shall undertake a process of due diligence to determine the suitability of the person for appointment/continuing to hold an appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
 - C. A person should possess the adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
 - D. The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director who is below the age of twenty-one years or has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
 - E. The Company shall obtain necessary information and declaration from the proposed/existing directors as per the format provided under the Companies Act, 2013 and Guidelines issued by the Reserve Bank of India from time to time.

- f. The Company shall obtain annually as on 31st March a simple declaration from the Directors the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- g. The Company shall ensure in public interest that the nominated/elected directors execute the deeds of covenants in the Format provided under the Guidelines issued by Reserve Bank of India from time to time.
- h. To have Directors (minimum one at least, on the Board) with relevant experience of having worked within a Bank / NBFC, in view of the need for professional experience in managing the affairs of the Company.

II. Term / Tenure:

A. Executive Directors:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time subject to Board Approval. No re-appointment shall be made earlier than one year before the expiry of term.

B. Independent Director:

- a. An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- Within the permissible limits in terms of the Companies Act, 2013, an Independent Director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the NRC and in turn the Board of the Company shall ensure that there is no conflict arising out of its Independent Directors being on the Board of another NBFC at the same time. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

I. Evaluation:

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (yearly).

i. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

i. Retirement:

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

8. Structure of Compensation

The total compensation of the employees covered under this policy shall comprise the following components:

a. Fixed Pay

- Comprises base salary, house rent allowance, special allowance, and other allowances.
- Reviewed annually and aligned to market benchmarks and inflation indices.

b. Deferred Compensation (Applicable to MD/KMP/SM)

- For each level, as per the grade matrix at Branch, the deferred component shall be in the form of ESOPs that are vested over a period of 4 years.
- ESOPs are granted at the time of joining or can be awarded as a performance incentive at the time of promotions, milestone anniversaries or at the time of annual performance review process. The quantum of ESOPs granted depends on the level and the performance of the employee.
- Discretionary bonus, subject to Managing Director's approval.
- Aligned with long-term value creation, employee retention and sustaining a performance driven culture

c. Non-Monetary Benefits

- Provident Fund, Gratuity
- D&O insurance, Medical Insurance, Accident Coverages

d. Remuneration of Risk, Compliance, and Audit Staff

To preserve independence and objectivity:

- Compensation is not directly linked to business outcomes
- Performance metrics include regulatory compliance, control effectiveness, and governance quality
- Separate evaluation process led by the Board or NRC

9. Independent Director Compensation

a. The key elements of remuneration of Non-executive / Independent Directors are Professional fees and sitting fees, subject to overall limit as prescribed in the Companies Act, 2013 & Rules made thereunder, as may be applicable and the Reserve Bank of India ("RBI") Circulars /Guidelines / Notifications/Directions, issued from time to time.

b. Professional Fees: The Independent Directors shall be entitled to receive Professional fees as may be agreed between the Company and the Independent Director, with the approval of Nomination and Remuneration Committee and the Board.

d. Sitting Fees : The independent directors shall be paid sitting fees for the meetings that they attend as part of Board or committees.

e. D&O Policy The Non-executive / Independent Directors shall be covered under the Directors and Officers Liability Insurance ("D&O") Policy.

10. Performance Management Framework

Performance evaluations are conducted annually and form the basis for deciding the total compensation. The following framework is used for evaluation of the KMP and SMP and shall be carried out by their respective reporting managers.

- **Individual OKRs:** Role-specific goals aligned to the department and business unit
- **Organizational OKRs:** Profitability, growth, risk mitigation, compliance, customer satisfaction
- **360-Degree Feedback:** For senior roles, incorporating peer and team feedback

11. Evaluation of Directors

The NRC / Board shall carry out evaluation of performance of every Director on a yearly basis. The Committee shall advise the process to carry out evaluation of performance of every Director yearly.

12. Governance and Oversight

The **Nomination and Remuneration Committee (NRC)** is responsible::

- To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the company successfully
- Reviewing and approving compensation structure for MD/KMP
- Overseeing the implementation of the compensation policy.
- Reviewing deferred payouts and Malus triggers
- Formation of succession plan as detailed in the Nomination and Remuneration Policy

The NRC shall work in close coordination with the Risk Management Committee of the Company to achieve effective alignment between compensation and risks.

13. Malus Provisions

Malus Definition: Malus arrangement permits the Company to prevent vesting of all or part of the deferred remuneration. It does not reverse vesting after it has already occurred.

Criteria to invoke Malus clause: In the event of the commission of felony, fraud, misappropriation, embezzlement or an offence involving moral turpitude that has a direct or indirect impact on Branch International and its business the Malus clause can be considered. The deferred compensation shall not vest in such situations.

Employees have to be given a fair chance to represent their side. It is NRC's responsibility to ensure that such clauses are invoked in a fair and reasonable manner.

14. Review and Amendments

- This policy shall be reviewed annually by the NRC and updated as required.
- Any amendments to this policy shall be recommended by the Committee to the Board for their final approval
- Updates shall be aligned to regulatory changes, business needs, and compensation best practices.

