

NSDL Payments Bank Limited

NSDL Payments Bank Limited

Remuneration and Compensation Policy

Version 1.0

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

REVISION HISTORY

SR. NO.	DATE OF REVISION	VER	SECTION NUMBER	DESCRIPTION OF CHANGE	CHANGE REQUEST	CHANGE MADE BY
1	May 03, 2018	V.1.0	-	Initial Adoption	Secretarial	Board
2	May 18, 2021	V.1.0	-	Change made in the Policy as per RBI Compensation Circular dated November 04, 2019	Secretarial	Board
3	May 17, 2022	V.1.0	-	Annual Review of Policy with no change	-	-
4	October 24, 2024	V.1.0	-	Aligned the language of Policy in line with Companies Act, 2013 and RBI Compensation Guidelines dated November 04, 2019	Secretarial	Board

NSDL Payments Bank Limited

TABLE OF CONTENTS

1. Preamble
2. General Principles for remuneration of Directors, KMP and other Employees
3. Remuneration to Non-executive / Independent Directors
4. Remuneration to Managing Director (MD) / Whole-time Director (WTD) / Chief Executive Officer (CEO)
5. Remuneration of risk control / compliance and other staff
6. Disclosures
7. Attendance of Chairperson of NRC at General Meetings
8. Policy review

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

1. PREAMBLE

- 1.1 Pursuant to section 178(3) of the Companies Act, 2013, it is required that the Nomination and Remuneration Committee (“NRC”) shall formulate and recommend to the Board a policy relating to the remuneration for Directors, Key Managerial Personnel (“KMP”) and other employees of NSDL Payments Bank Limited (the “Bank” or “NPBL”).

This Remuneration and Compensation policy has been formulated pursuant to section 178 (3) of the Companies Act, 2013, Banking Regulation Act, 1949 and as amended in line with RBI guidelines on compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff issued as on November 4, 2019 DOR.Appt.BC.No.23/29.67.001/2019-20 and related guidelines.

2. GENERAL PRINCIPLES FOR REMUNERATION OF DIRECTORS, KMP AND OTHER EMPLOYEES

- 2.1 The NRC shall work in close coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between remuneration and risks. The NRC shall also ensure that the cost/income ratio of the bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.
- 2.2 Pursuant to section 178(4) of Companies Act, 2013, the following principles shall be ensured:
- 2.2.1 the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs, MRT’s and other employees of the quality required to run the Bank successfully.
- 2.2.2 relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 2.2.3 remuneration to Directors, KMPs, MRT’s and other employees involves a balance between fixed and incentive pay reflecting short and long-term

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

performance objectives appropriate to the working of the Bank and its goals.

- 2.2.4 Directors, KMPs, MRT's and other employees are compensated adequately for the efforts put in by them for the growth and profitability of the Bank taking into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment.
- 2.2.5 The remuneration of Directors, KMPs, MRT's and other employees are aligned with the long-term interests of the Bank and its shareholders.
- 2.2.6 Staff engaged in financial and risk control shall be independent, have appropriate authority, and be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank.
- 2.2.7 There shall be effective alignment of remuneration with prudent risk taking:
 - 2.2.7.1 Remuneration shall be adjusted for all types of risk, wherever applicable.
 - 2.2.7.2 Remuneration outcomes shall be symmetric with risk outcomes.
 - 2.2.7.3 Remuneration payout schedules must be sensitive to the time horizon of risks.
 - 2.2.7.4 The mix of cash, equity and other forms of remuneration shall be consistent with risk alignment.

3. REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

- 3.1 Non-executive / Independent Directors shall be paid sitting fees, travelling expenses including airfare, hotel stay and such other expenses as are incurred by them and allowed to be reimbursed as per the provisions of the Companies Act,

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

2013, the Banking Regulation Act, 1949 (B.R. Act) and RBI Circulars / Guidelines / Notifications / Directions issued from time to time and Corporate Governance Policy of the Bank.

3.2 The Non-executive / Independent Directors shall be covered under the Directors and Officers Liability Insurance (“**D&O**”) Policy of the Bank.

4. REMUNERATION TO MANAGING DIRECTOR (MD) / WHOLE-TIME DIRECTOR (WTD) / CHIEF EXECUTIVE OFFICER (CEO)/ MATERIAL RISK TAKERS (MRTs)

4.1 The Bank shall ensure that for the MD / WTD/ CEO/MRT's:

- (a) remuneration is adjusted for all types of risk,
- (b) remuneration outcomes are symmetric with risk outcomes, and
- (c) remuneration payouts are sensitive to the time horizon of the risk.
- (d) The mix of cash, equity and other forms of compensation must be consistent with risk alignment.

The Bank shall evaluate the entire spectrum of risks inherent in the payments bank model while determining the remuneration as mentioned in 4.1. above compensation structure for the WTDs/CEOs/MRTs of the bank shall be as under:

4.2 The remuneration payable to MD / WTD / CEO/MRT's may include fixed salary, perquisites, variable pay¹ as per the applicable provisions of the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by RBI, subject to the approval of the shareholders of the Bank.

4.3 Fixed Pay

¹ Variable pay is defined as pay in the form of performance bonus, guaranteed Bonus (joining/sign-on Bonus), severance package, share linked instruments e.g. Employee Stock option Plan (ESOPs), pension plan, gratuity certain retiral benefits, allowances and other benefits, as per the applicable provisions of the Companies Act, 2013 and rules framed thereunder and within the limits as may be approved by RBI subject to the approval of the shareholders of the Bank.

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

The Bank shall ensure that the fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. It may be noted that all perquisites that are reimbursable should also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will be treated as part of fixed pay.

4.4 Variable pay composition and deferral

As per Section 62(iii)(b) of Companies Act, 2013, a company other than a listed company which is not required to comply with the SEBI regulations, cannot issue further shares under employees stock option scheme for consideration other than cash unless the issue is authorised by a special resolution passed by the company in a general meeting and confirm to other prescribed conditions under the Companies Act, 2013.

Limit on Variable Pay:

The Bank shall ensure that there is a proper balance between fixed pay and variable pay. A substantial proportion of compensation i.e., at least 50%, should be variable and paid on the basis of individual, business-unit and firm-wide measures that adequately measure performance, except in cases mentioned in the RBI Compensation Guidelines. At higher levels of responsibility, the proportion of variable pay should be higher. The variable pay, will be capped at 200% of the fixed pay, but shall not be less than 50% of the fixed pay.

For WTDs, CEO and MRTs, if the quantum of variable pay is upto 200% of the fixed pay, atleast 50% of the variable pay will be via non-cash instruments and if it is above 200% (max upto 300%) of the fixed pay, atleast 67% of the variable pay will be via non-cash instruments.

The deterioration in the financial performance of the bank should generally lead to a contraction in the total amount of variable compensation, which can even be

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

reduced to zero.

Deferral of Variable Pay: (i) For senior executives, including WTDs, and other employees who are MRTs, deferral arrangements for the variable pay, regardless of the quantum of pay as per the policy shall be applicable. For such executives of the bank, a minimum of 60% of the total variable pay would be - deferred over 3 years. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred over 3 years. However, in cases where the cash component of variable pay is under Rs. 25 lakh, deferral requirements would not be necessary.

Treatment of deferred components in case of separation from the Bank

Treatment of Employee stock options in case of resignation, retirement, suspension, dismissal, discharge, termination or death shall be as per the Employee Stock Option Scheme (ESOS) for the respective grant.

3.1.2.2. Treatment of deferred cash variable pay in case of separation from the Bank shall be decided by the NRC from time to time.

(d) Period of Deferral Arrangement:

The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.

(e) Vesting:

Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The vesting shall be no faster than on a prorata basis. Additionally, vesting will not be more frequent than on a yearly basis. In case of MRT the deferral shall be on a quarterly basis to ensure a proper assessment of risks before the application of *ex post* adjustments.

4.5 Malus / Clawback

In the event of negative contribution to the Bank and/or the relevant line of business in any year, the deferred compensation shall be subject to malus/clawback arrangements.

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

The Banks shall put in place appropriate modalities to incorporate malus/ clawback mechanism in respect of variable pay, to address misconduct risk, and all relevant statutory and regulatory stipulations, as applicable.

The 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. In case the Bank's post assessment Gross revenue of the Bank are less than the percentage agreed in the annual budget. these restrictions will apply only if criteria for public disclosure are triggered either on account of regulatory requirements. Additionally, there will be no increase in the variable pay for the said assessment year.

Further, in the event of:

- act of wilful or gross misconduct or neglect
- the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity,
- gross or wilful insubordination, or
- any other act detrimental to the interest of the Bank including and not restricted to violation of NSDL Payments Bank Group Code of Business Conduct & Ethics, violation of Framework for dealing with Conflict of Interest, violation of rules and regulations of the Bank, failure to discharge fiduciary and regulatory duties – and in respect of which the Bank would reserve the right to institute appropriate civil, criminal or other proceedings at the risks, costs and consequences of such individual/s,

The NRC (in case of Wholetime Directors/ Chief executive officers/ Material risk takers) or the Disciplinary Authority/ Appellate Authority (for other employees receiving/ received both types of variable pay i.e. performance bonus and ESOPs) may decide to apply Malus and /or Clawback on part or all of the variable pay including unvested/vested/paid deferred variable pay. Due process including inquiries or investigations as required and/or adherence to principles of natural justice are ensured prior to conclusion on the above events of breaches and which would form the basis of decisions. Error of judgment shall not be construed to be a breach under this policy.

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

Reporting of application of Malus and/or Clawback by the relevant authority will be made to the NRC from time to time.

While situations may arise requiring applying malus and/or clawback to employees who may have resigned, retired or taken early retirement or been terminated, the same shall be done basis the given facts and circumstances, and through due legal process for recovery of amounts adjudged for clawback or as damages suffered or as recoverable by the Bank.

Malus/ clawback clause can be applied for all Material Risk Takers who are in active employment of the Bank as well as those who have since separated from the Bank, due to any of the following reasons: .

- a. Resignation
- b. Discharge/ Dismissal from services Retirement / Early Retirement Authorised long leave/ Sabbatical Transfer to group company
- c. Severance of employment due to any other reasons, except death

Period of Malus/ clawback

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

4.6 Guaranteed bonus

Any joining / sign on bonus shall only occur in the context of hiring new staff and will be limited to first year. The Bank shall not grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory by any statute. Further, joining/sign-on bonus should be in the form of share-linked instruments only, since upfront payments in cash would create perverse incentives. Such bonus will neither be considered part of fixed pay nor part of variable pay. Further, banks should not grant severance pay other than accrued benefits (gratuity, pension, etc.) except in cases where it is mandatory under any statute.

4.7 Hedging

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

The Bank shall not provide any facility or funds or permit employees to insure or hedge their remuneration structure to offset the risk alignment effects embedded in their remuneration arrangement. To enforce the same, the Bank shall establish appropriate compliance arrangements.

5. REMUNERATION OF RISK CONTROL / COMPLIANCE / MRT's AND OTHER STAFF

5.1 Members of staff engaged in finance, risk control, including internal audit and other control function staff shall be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Bank. The mix of fixed and variable remuneration for control function personnel shall be weighed in favour of fixed remuneration. Therefore, the requirement of minimum 50% of total compensation to be paid in the form of variable pay will not be applicable for this category of staff. However, a reasonable proportion of compensation has to be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous. Subject to the above, while devising compensation structure for such staff, banks should adopt principles similar to principles enunciated for WTDs/CEOs, as appropriate.

5.2 The Bank may adopt all / any of the principles similar to the principles enunciated for MD/WTD/CEO/MRTs as appropriate while designing their remuneration structure.

Identification of Material Risk Takers of the bank

The Bank should identify their Material Risk Takers (MRTs) whose actions have a material impact on the risk exposure of the bank, and who satisfy the qualitative and any one of the quantitative criteria given below:

Standard Qualitative criteria

- Relate to the role and decision-making power of staff members (e.g., senior manager, member of management body) having jointly or individually, the authority to commit significantly to risk exposures, etc.

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

Standard Quantitative Criteria:

- Their total remuneration exceeds a certain threshold; the determination of which may be done prudently by the bank, or
- They are included among the 0.3% of staff with the highest remuneration in the bank, or
- Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers.

The Bank shall also make disclosure on remuneration of WTDs/CEOs/MRTs on an annual basis at the minimum, in their Annual Financial Statements.

In accordance with the aforesaid criteria laid down by RBI in the guidelines dated November 4, 2019 the Bank has identified the MD & CEO as the material risk taker at the Bank.

Designation	Criteria for classification
Managing Director and Chief Executive Officer	<ul style="list-style-type: none">• Decision-making power• Total remuneration exceeds a certain threshold• The authority to commit significantly to risk exposures• Their remuneration is equal to or greater than the lowest total remuneration of senior management and other risk-takers

5.3 All Employees shall conduct themselves to ensure that no breach of applicable Codes is committed. Any such breach shall have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

6. DISCLOSURES

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19

NSDL Payments Bank Limited

6.1 The applicable disclosures as required under the relevant provisions of the Companies Act, 2013, the rules made thereunder and RBI Circulars / Guidelines / Notifications / Directions including DBOD No.BC. 72/29.67.001/2011-12, issued from time to time, shall be made with regard to the remuneration details of the Directors and other employees in the annual financial statements / Board's report.

7. ATTENDANCE OF CHAIRPERSON OF NRC AT GENERAL MEETINGS

7.1 Pursuant to section 178(7) of the Companies Act, 2013, the Chairperson or in his/her absence, any other member of the NRC (who will be deemed to be authorised by the Chairperson) shall attend the general meetings of the Bank.

8. POLICY REVIEW

8.1 This Policy may be amended, modified or supplemented, from time to time, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013 and rules made there under, RBI regulations / guidelines or any other law relating to employee / Directors' compensation, issued from time to time. At a minimum the policy shall be subject to annual review.

8.2 The Board of Directors shall actively oversee the remuneration system's design and operation and shall monitor and review the same at least on an annual basis to ensure that the system operates as intended.

8.3 Pursuant to Section 10(1)(b)(iii) of the Banking Regulation Act, 1949 (B.R. Act, 1949), the Bank shall neither employ nor continue the employment of any person whose remuneration is, in the opinion of the RBI, excessive.

Document No.	NSDLPB/REM/POL	Classification	Internal
Version No.	1.0	Page	2 of 19