



NOMINATION AND REMUNERATION POLICY

CITICORP FINANCE (INDIA) LIMITED

REVIEWED BY: SECRETARIAL
AND HUMAN RESOURCES

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1. INTRODUCTION

The Company considers the human resources as its valuable assets. This Nomination and Remuneration Policy (hereinafter referred to as “Policy”) on nomination and remuneration of Directors, Key Managerial Personnel (KPM), Senior Management and other employees has been formulated in line with the provisions of Company Act, 2013, RBI Regulations and any other statute as applicable to the company from time to time in order to pay the equitable remuneration to the Directors, KMPs, Senior Management Personnel and employees of the Company.

2. OBJECTIVE

There is a board approved Nomination and Remuneration Committee and it has the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013.

The Nomination and Remuneration Policy and the Nomination and Remuneration Committee (hereinafter referred to as “NRC”) are in compliance with Section 178 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015 (“SEBI regulation”); and should be read in conjunction with the applicable rules thereto. The objective of this policy is to lay down a framework for remuneration of Directors, Key Management Personnel, Senior Management and other Employees.

3. APPLICABILITY

- a) Directors
- b) Key Managerial Personnel
- c) Senior Management Personnel.
- d) Other Employees

4. DEFINITIONS

4.1. “Act” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

4.2. “Board” means Board of Directors of the Company.

4.3. “Key Managerial Personnel” means

- (a) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director
- (b) Chief Financial Officer
- (c) Company Secretary

4.4. “Senior Management” means the personnel of the Company who are members of its core management team, excluding Board of Directors, and shall comprise of the following:

A. Function Heads

1. Company Secretary
2. Chief Financial Officer,
3. Chief Compliance Officer,
4. Chief Risk Officer,

5. Chief Technology/ Chief Information Officer,
6. Head – Strategy and Governance
7. Treasury Head – Corporate
8. Head – Operations

B. Business Heads

1. Head – Corporate Segment
2. Head – Commercial Segment
3. Head – Trading
4. Head – Equities
5. Head – Treasury Markets

4.5. “Other employees” mean all employees other than the Directors, KMPs and the Senior Management Personnel.

4.6. “Policy” means “Nomination and Remuneration Policy.”

5. The Key Objectives of the NRC:

- a) To ensure that the persons appointed as director or in senior management positions of the company possess requisite qualifications, expertise, proven track record and integrity. The committee ascertains the “fit and proper” status of the existing as well as the proposed directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- b) To achieve effective alignment between compensation and risks, the NRC may work in close coordination with Risk Management Committee (RMC) of the company
- c) To ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP)
- d) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal and to guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel. and Senior Management.
- e) To decide whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- f) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the nomination and remuneration of Directors, key managerial personnel, and other employees.
- g) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.
- h) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- i) Remuneration to Directors, KMP and senior management involves a balance between fixed

and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

- j) To formulate criteria and to evaluate the performance of the members of the Board of Directors including Independent Directors and provide necessary report to the NRC and for further evaluation by the Board.
- k) To recommend to the Board on Remuneration payable, in whatever form, to the Directors, Key Managerial Personnel and Senior Management.
- l) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial person and create competitive advantage.
- m) To ensure that self-declaration is obtained from every director (existing or proposed) in the prescribed format.
- n) To assist the Board in fulfilling responsibilities.

6. APPOINTMENT CRITERIA AND QUALIFICATIONS

6.1 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.

6.2 A person should possess 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.

6.3 As per company's policy employee retirement age is fixed at 60 years however, owing to business exigencies extension can be granted with necessary approvals.

7. TERM / TENURE

7.1 Managing Director:

The Company shall appoint any person as its Managing Director for a term not exceeding five years at a time. However, the company may re-appointment them for next term before expiry of their current term but not earlier than one year before expiry of the term.

7.2 Independent Director:

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. No Independent Director shall hold office for more than two consecutive terms of up to 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.

8. EVALUATION

The Committee shall carry out performance evaluation of every Director, KMP and Senior Management Personnel at regular interval prescribed under the Companies Act, 2013 and any other rules and regulations as may be applicable to the Company from time to time.

Process of Performance evaluation:

- On yearly basis, Secretarial department shall prepare a template for such evaluation, basis information/instruction given in the Companies Act / SEBI Regulation.
- The performance evaluation template is specific to each director which encompasses the name of the director evaluating the performance of other directors (including Managing Director and Independent Director), name of the director being evaluated and the performance evaluation criteria/parameters.
- On finalization of the template, the secretarial team will circulate it to the individual Board Members giving instruction to fill in the template and address it/send it to the identified Board member to whom he/she has to submit the performance evaluation comments.
- The identified Board Member will thereafter present the feedback in the subsequent Nomination and Remuneration Committee ('NRC') meeting.
- On receiving the feedback from the Board Members, the NRC shall discuss and disclose the outcome in its meeting. After deliberation in the NRC meeting, the outcome shall be tabled before the Board for noting.

9. REMOVAL

Due to reasons of any disqualifications 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 compliance of the said Act, rules and regulations.

Matters of misconduct or employee wrong doing should also be reported to the Citi Disciplinary Committee for review and necessary disciplinary sanction.

10. RETIREMENT

The Directors, 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 in 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.

11. DIVERSITY

At Citi, having a workforce as diverse as the clients and communities we serve is a key business imperative for us. Striving towards this vision, as a Company we believe that a diverse Board is necessary to ensure highest standards of Corporate Governance and to enhance the quality of

deliberations and decision making. It shall be our endeavor that the Directors on the Board of the Company shall come from diverse experiences & backgrounds, possess expertise, skills and experience required to manage and guide the management team and protect the interests of various stakeholders while delivering on our business objectives. The Board shall also have an optimum combination of Executive and Non-Executive Directors with at least 1 woman director in accordance with the requirements of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time to time.

12. BOARD DIVERSITY

The Board shall consist of such number of Directors, including at least one women Director and such number of Independent Director as prescribed under the Act and any other statute as applicable to the Company and as is necessary to effectively manage the Company of its size.

The Committee will lead the process for Board appointments. All Board appointments will be based on the skills, diverse experience, independence, and knowledge which the Board as a whole requires to be effective.

Additionally, the Board may consider appointment of experts from various specialized fields such as finance, law, information technology, corporate strategy, operations management etc. so as to bring diversified skill sets on board or succeed any outgoing director with the same expertise.

13. Remuneration to Director including Managing Director, KMP and Senior Management Personnel:

The Company has a credible and transparent framework in determining and accounting for the remuneration of the Managing Director / Whole Time Directors (MD/WTDs), Key Managerial Personnel(s) (KMPs) and Senior Management Personnel(s) (SMPs). The Remuneration / Compensation / Commission etc. to be paid to Director / Managing Director / KMP etc. shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

13.1 Principles of Compensation : The Company follows the principal of total compensation approach, based on two components: fixed compensation and variable compensation(including the portion of variable compensation that may be deferred). The objective is to have an appropriate balance between these elements. The ratio of fixed to variable compensation varies based on the grade, role and responsibilities.

The **Fixed Pay** typically consist of elements like base salary, allowances, perquisites, and retirement benefits. In addition to the various cash components (salary, allowances etc.) the company may also offer certain perquisites. The perquisites extended may be in the nature of company car, company

leased accommodation, club memberships and such other benefits.

Other Benefits : Apart from the cash compensation and perquisites, Citi is committed to providing benefits that support our values and help to attract, motivate and retain employees while maximizing value to them. Citi will provide such assistance via various insurance covers and other programs as defined by the Human Resources function.

Variable Pay : Variable Pay may be awarded for one or more of the following purposes: to motivate employees to achieve specific goals while effectively managing risk and engaging in ethical conduct, to recognize and reward performance exceeding expectations while not incentivizing imprudent or excessive risk-taking, to promote the retention of valued employees, and to attract new employees to Citi.

Variable Pay is generally delivered via a “variable incentive compensation plan” or “discretionary incentive and retention award(DIRA) plan”. Generally, under a variable incentive compensation plan, an award value is determined or earned primarily based upon a specified formula. Under a DIRA plan, managers select participants and determine the value to award at their discretion based on overall risk-balanced performance against quantitative and qualitative goals appropriate for participants’ roles.

Deferral of variable pay: Depending on variable pay awarded after the performance assessment of the employee, the variable pay may be delivered in the form of cash or a mix of cash and share-linked instruments of Citi common stock, which may be immediately vested or deferred over several years, subject to continued employment and/or to the fulfillment of other vesting conditions, including the achievement of specified performance criteria or other predefined criteria. The vesting schedule for the deferred award is decided and reviewed annually globally by Citigroup Inc.

Malus / Clawback : The deferred variable award will be subject to the general vesting conditions and to the performance vesting condition. This performance vesting condition will be based on the financial performance of the reference business(es) indicated on the Stock Award Summary of the award agreement (“Reference Business”) for the calendar year immediately preceding a vesting date (the “Performance Year”). If the employee’s Reference Business experiences a pre-tax loss for the Performance Year, the installment of his/her deferred variable award that is scheduled to vest will be reduced or canceled as agreed in the stock award agreement. The deferred variable award is subject to a clawback provision, under which the unvested award will be canceled if the employee:

- Received the award based on materially inaccurate publicly reported financial statements;
- Provided materially inaccurate information relating to publicly reported financial statements;
- Materially violated any risk limits established or revised by senior management and/or risk management; or
- Engaged in gross misconduct

13.2 Compensation to MD/WTDs:

The remuneration determined for MD/WTDs shall be approved by the NRC and Board of Directors at a meeting which shall be subject to the approval of members at the next general meeting of the Company.

13.3 Compensation to Independent Director:

The Independent Director may receive compensation as per the provisions of the Companies Act, 2013. The amount of sitting fees shall be subject to limits as provided under the Companies Act,

2013 and rules made there under or any other enactment for the time being in force.

13.4 Remuneration to other Employees:

- a) Apart from the Directors, KMPs and Senior Management Personnel, the remuneration for rest of the employees is determined based on the role and position of the individual employee, including professional experience, responsibility, job complexity and market conditions.
- b) The various remuneration components, basic salary, allowances, perquisites etc. may be combined to ensure an appropriate and balanced remuneration package.
- c) The annual increments to the remuneration paid to the employees shall be determined based on the annual performance appraisal carried out by the Company according to Company's Policy.

13.5 Compensation to KMP and Senior Management Personnel,

The compensation determined for Key Managerial Personnel (KMPs) and senior management may recognize all relevant factors including adherence to statutory requirements and industry practices and it may follow the principles of compensation outlined above. Guaranteed bonus may be avoided while hiring KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered.

14. DUTIES OF NOMINATION & REMUNERATION COMMITTEE

(a) The duties of the Committee in relation to Nomination matters include:

- ✓ Ensuring that there is an appropriate induction & training program in place for new Directors, KMP and members of Senior Management and reviewing its effectiveness.
- ✓ Ensuring that on appointment to the Board, Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013.
- ✓ Determining the appropriate size, diversity and composition of the Board.
- ✓ Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective.
- ✓ Delegating any of its powers to one or more of its members or the Secretary of the Committee.
- ✓ Recommend any necessary changes to the Board
- ✓ Considering any other matters as may be requested by the Board.

(b) The duties of the Committee in relation to remuneration matters include:

- ✓ to consider and determine the remuneration, based on the performance and bearing in mind that the remuneration is reasonable and sufficient to attract, retain and motivate members of the Board and such other factors as the Committee shall deem appropriate.
- ✓ to approve the remuneration of the Senior Management including KMP of the Company.
- ✓ to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- ✓ to consider any other matters as may be requested by the Board.

15. REVIEW AND AMENDMENT

15.1 Matters not provided for in this Policy shall be handled in accordance with the relevant laws and regulations, the Company's Articles of Association.

15.2 The NRC or the Board may review the Policy as and when it deems necessary.

15.3 This Policy may be amended or substituted by the NRC or by the Board as and when required. However, no such amendment or modification will be binding on the directors and employees unless the same is communicated to the respective persons.