Remuneration Policy

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1. Objective

The objective of Hinduja Leyland Finance Limited's 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 the stakeholders of the Company.

2. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee ("Committee") shall

i. formulate, review, make the necessary amendments and implementation of the Remuneration Policy for the Directors, Key Managerial Personnel (KMP) and Senior Management of the Company from time to time. KMP is defined under Section 2(51) of the Companies Act, 2013 ('the Act') and Senior Management is defined under Section 178 of the Act.

ii. NRC may also ensure 'fit and proper' status of proposed/ existing directors and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and Senior Management.

3. Remuneration for Executive Directors, Key Managerial Personnel (KMP) and Senior Management

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

- The remuneration policy reflects a balance amongst the interests of the companys main stakeholders as well as a balance between the Companys short term and long term performance objectives. As a result the structure of the remuneration package for the Executive Directors, KMP and Senior Management is designed to balance short term and 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. The Company 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 Management can be attracted and retained, the Company aims for a total remuneration level that is comparable to levels provided by other companies that are similar to the Company in terms of size and complexity.

- In designing and setting the levels of remuneration for the Executive Directors, KMP and Senior Management, the Committee also takes into account the relevant statutory provisions and provisions of corporate governance regulations, societal and market trends and the interests of stakeholders.
- The Company's policy is to offer the Directors, KMP and Senior Management a total compensation comparable to the peer group.

Total Compensation (TC)

The total compensation of the Director, KMP and SMP consists of the following components:

1. Fixed Salary
2. Variable income –
   - Annual Performance Pay (APP)
   - Long-Term Incentive Plan (LTIP) and / or ESOPs

In addition to the above, they are also eligible for Insurance benefits and any other benefits / perquisites as may be periodically determined by relevant by HR policies of the Company.

Fixed Pay is largely linked to the following factors

1. Quality of Talent from a performance and potential standpoint
2. Criticality of Role to the organization
3. Prevailing Market conditions
4. Competition Remuneration
5. Availability of talent & Retention related issues

Fixed salary

- On joining the Company, the Executive Director, KMP and Senior Management receive a - Fixed salary comparable to the peer group. Every year, Fixed salary levels are reviewed by the Committee.
- The Fixed Pay should typically consist of elements like Basic Salary, Allowances, Perquisites, contribution towards retirals. etc.
- In addition to the various cash components (salary, allowances etc.) it will may also include certain reimbursable perquisites with monetary ceiling and certain non-monetary perquisites.

Variable income

The variable income part of remuneration consists of Annual Performance Pay – Cash (APP) and LTIP's and or ESOPs. The distribution between APP and LTIP 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.

The targets are determined each year by the Committee in consultation with the respective Director/ KMP/ Senior Management, 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 up to 50% of the total compensation.

Deferrable of Variable Income

Variable Pay in form of Annual Performance Pay or Long-Term Incentive or ESOP will be deferred. The quantum of the deferment may be decided by the Nomination and Remuneration Committee and Board, shall be deferred to the appropriate time horizon of the risk. The deferral quantum and deferral period for ESOPs will be governed by the relevant Rules which will be approved by the Board and Shareholders.

The Variable Pay - Cash portion in form of Annual Performance Pay (APP)/ LTI shall be deferred over 3 (Three) years. Further, Nomination and Remuneration Committee may specify a different threshold below which it will not be deferred.

NRC may change the deferral quantum and period basis industry and regulatory context, company risk context and emerging best practices from time to time

Sign on Bonus or Joining Bonus

In the context of new hiring, joining/sign-on bonus may be considered and such payouts will neither be considered part of fixed pay nor of variable pay for the purposes of this policy.

Compensation for KMP's and Senior Management in Control and Assurance functions

KMP's and Senior Management engaged in financial control, Compliance, Risk and Internal Audit will be compensated in a manner that is independent of the business areas they oversee and commensurate with the role in the Company. Accordingly, such employees may have a higher proportion of fixed compensation.

4. Remuneration for other Employees

Remuneration of all employees of the Company consists of fixed pay and Annual Performance 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 function and the Company.

5. Employee Stock Options

Employees are rewarded with stock options in order to encourage harmonious efforts to improve enterprise value. The quantum of stock options is determined by the Board on the recommendations of the Nomination and Remuneration Committee, taking into account the potential of the Executive and his / her criticality to the Company's growth and performance. Value of ESOPs may be determined basis fair value on the date of grant using Black-Scholes model or any other model permissible by RBI. It shall be

ensured that the share-linked instruments are in conformity with relevant statutory provisions. An Independent Director shall not be entitled to any stock option of the Company.

6. Alignment of Remunerations

The Committee strives to achieve that the remunerations of the Directors, Senior Management, employees in Middle and Junior of the Company are consistent with risk alignment.

7. Term of Appointment

The Term of office of Executive Director shall be as per the provisions of the Companies Act, 2013 and Rules made thereunder and be renewed from time to time as may be determined by the Board / Members, as the case may be. The term of office of Senior executive such as Chief Risk Officer, Head Internal Audit, Chief Compliance Officer etc. which are regulated under the RBI Guidelines shall be as per the respective applicable regulations and as approved by the Board of Directors. The term of the other employees, generally is up to the age of superannuation. However, Company also employs contractual employees as 'consultants' for shorter periods on need basis.

8. Post-Retirement Benefits

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

9. Severance Arrangements

Contracts of employment with Executive Directors and regular employees, provide for compensation of up to 3 months' pay or advance notice of similar period for cessation from services of the Company.

10. Risks and linkage to Performance

The company faces various kinds of risks like Regulatory Risks, Financial Risks, Interest Rate risk, Client concentration risk, People & Leadership Risk, Performance Risk, Compliance Risk etc. These risks are aligned to the respective KMP's / Senior Management in the organization. NRC may work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks.

11. Performance Management

Risks are captured as one of the key parameters in KRA's of KMP's/ Senior Management, Executive Director are governed basis these KRA's and business plans. Performance ratings are given against achievement against the KRA's set. The ratings are directly linked to the performance of the organization and the function.

12. Malus / Clawback - Payout of Variable Pay

Malus refers to those arrangements which permits the Company to withhold cash bonus or prevent vesting of all or a part of the amount of ESOPs/ LTIPs to be vested (to the extent of unvested portion of options or LTIPs)

Clawback refers to those scenarios where there is agreement between the Company and the employees to return previously paid or vested variable income under certain circumstances.

The Company recognizes that the variable pay should not be paid if there is a deficiency in the performance. Accordingly, our compensation structure proactively withholds between 10 to 20% of the Senior Management/ KMP's total salary as a performance-based variable pay. The Variable Pay is paid out at the end of the performance year after the audited financial results are declared by the Company. 100% payout will happen on achieving stated performance targets. In case of lack of performance, the employee will be paid NIL amount and in case of partial performance, the payout is reduced by 50%.

Scenarios to invoke Malus/Clawback- some of the factors to be considered are as follows:

1. Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee, whether directly or indirectly.
2. Willful misrepresentation / misreporting of information about the Company.
3. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
4. Commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity, gross or willful insubordination, or any other act detrimental to the interest of the Company.
5. Subdued or negative financial performance of the Company, provided that such subdued or negative performance as evaluated by the NRC, is not on account of changes in regulations, force majeure, market conditions, industry performance, economic, social or other conditions outside the control of the Company or any person. Any material gains/losses from one-time transactions that are not in ordinary course of business would not be included while computing movement in PAT for this purpose.
6. Material breach of Company's Code of Conduct, regulatory requirements, Company's policies or such other instance for which the NRC, in its discretion, deems it necessary to apply malus or / and clawback provisions.

In deciding to apply malus/clawback, the NRC, in its evaluation, shall take into account the 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. Prior to taking action the Management and the NRC shall ensure due regard to the Principles of Natural Justice.

Process of applying Malus / Claw back provisions:

(a) Prior to the invocation of Malus & Claw back to any part or all of variable pay or incentives including ESOPs, the NRC shall order an independent enquiry through the Nomination & Remuneration Committee (NRC) about the facts of the event(s) in detail.

(b) The NRC shall also take into consideration all relevant factors, including inter alia, roles and responsibilities of the Key Employee, culpability, and proximity to the Misconduct as well as any external factors as may be relevant.

(c) The NRC shall also review the act of Misconduct or any of the aforesaid events to ascertain the degree of accountability, prior to applying the Malus or Clawback arrangement.

(d) The NRC shall follow due process and adhere to the principles of natural justice and proportionality and shall provide an opportunity of being heard to the employee.

(e) The NRC will provide a independent report to the Chairman of the NRC and Chairman of RMC. Post review of the matter objectively along with the MD&CEO. NRC Chairman will submit the recommendation report to the MD&CEO.

13. Malus/Clawback Period

This will be for a period of 3 year and the risk needs to be mitigated.

14. Guidelines for Implementation:

This Policy will be binding on Executive Directors, KMPs and Senior Management covered under the purview of this Policy and terms of their compensation shall automatically stand revised in accordance with this Policy as amended from time to time.

The NRC shall review the incident/act of misconduct to ascertain the degree of accountability attributable to the concerned employee and may decide to apply malus and/or clawback on none, part or all the unvested/vested deferred variable compensation based on the outcome of the evaluation.

The provision relating to malus would entail forfeiture of full or part of the unvested/unpaid part of the deferred variable pay, attributable to a given reference year wherein the incident has occurred. In case the stock options are unvested or have vested but not been exercised, upto 100% of such stock options can be forfeited.

The provision relating to clawback would entail return of full or part of the variable pay (net of taxes) paid, attributable to a given reference year wherein the incident has occurred. Such return would always be in cash. The Company will have a right to set off the clawback amount against any amount payable to the concerned employee. In case of ESOPs, where the vested stock options have already been exercised, the employee shall return in cash the benefit value employee has earned on exercise of Options,

The revised terms and conditions shall be communicated to all the concerned employees and the Company shall keep on record their acceptance thereof.

This policy was last reviewed and approved by the Board on 2nd June,2026.