

Reliance Industries Holding Private Limited
Policy for Selection and Remuneration of Directors & KMPs

Reliance Industries Holding Private Limited

**Policy for Selection and Remuneration of Directors, Key Managerial Personnel and
Other Employees and Determining Directors' Independence**

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1. Introduction

- 1.1. Reliance Industries Holding Private Limited ('the Company/ RIHPL') believes that an enlightened Board consciously creates a culture of leadership to provide a long-term policy approach to improve the quality of governance. Towards this, the Company ensures constitution of a Board of Directors with an appropriate composition, size, diversified expertise and experience and commitment to discharge their responsibilities and duties effectively.
- 1.2. The Company recognizes the importance of Independent Directors in achieving the effectiveness of the Board. It aims to have an optimum combination of Executive, Non-Executive and Independent Directors.
- 1.3. This Remuneration Policy (Policy) of the Company has been formulated for its directors, key managerial personnel and other employees keeping in view the following objectives:
 - i. Ensuring that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate, to run the Company successfully.
 - ii. Ensuring that relationship of remuneration to performance is clear and meets the performance benchmarks.
 - iii. Ensuring that remuneration 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.
 - iv. The Policy is in compliance with Section 178(3) and Section 178(4) of the Companies Act, 2013 and RBI Guidelines.

The Board of Directors of RIHPL approved this policy at its meeting held on January 13, 2021 and further reviewed and revised the same at its meeting held on January 6, 2023.

2. Scope and purpose

- 2.1. This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified to become Directors, as per policy on Internal Guidelines on Corporate Governance and to determine the independence of Directors, in case of their appointment as independent directors of the Company.
- 2.2. The Policy applies to all directors, key managerial personnel and other employees.

3. Terms and References

In this Policy, the following terms shall have the following meanings:

- 3.1. "Director" means a director appointed to the Board of the Company.
- 3.2. "Key Managerial Personnel" means
 - (i) the Chief Executive Officer or the Managing Director or the Manager;

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- (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 under the Companies Act, 2013.
- 3.3. "Nomination and Remuneration Committee" means the committee constituted by the Company's Board in accordance with the provisions of Section 178 of the Companies Act, 2013.
- 3.4. "Independent Director" means a director referred to in sub-section (6) of Section 149 of the Companies Act, 2013.
- 3.5. "Senior Management" means 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 executive Directors, including the functional heads.

4. Policy

4.1. Qualifications and criteria

- 4.1.1. The Nomination and Remuneration Committee (NRC) and the Board, shall review on an annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its individual members. The objective is to have a Board with diverse background and experience that are relevant for the Company's operations.
- 4.1.2. In evaluating the suitability of individual Board members, the NRC may take into account factors, such as:
- General understanding of the Company's business dynamics, business and social perspective;
 - Educational and professional background;
 - Standing in the profession;
 - Personal and professional ethics, integrity and values;
 - Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.
- 4.1.3. The proposed appointee shall also fulfill the following requirements:
- Shall possess a Director Identification Number;
 - Shall not be disqualified under the Companies Act, 2013;
 - Shall give his written consent to act as a Director;
 - Shall endeavour to attend all Board Meetings and wherever he is appointed as a Committee Member, the Committee Meetings;
 - Shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including his shareholding at the first meeting in which he participates as a Director and thereafter at the first meeting of the Board in every financial year and thereafter whenever there is a change in the disclosures already made;

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- Such other requirements as may be prescribed, from time to time, under the Companies Act, 2013 and other relevant laws.

4.1.4. The NRC shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance with the objective of having a group that best enables the success of the Company's business.

4.2. Criteria of Independence

4.2.1. The NRC shall assess the independence of Directors at the time of appointment / reappointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

4.2.2. The criteria of independence shall be as laid down in the Companies Act, 2013 and other relevant laws, if any, as amended from time to time.

4.2.3. The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013.

4.3. Other directorships / committee memberships

4.3.1. The Board members are expected to have adequate time and expertise and experience to contribute to effective Board performance. Accordingly, members should voluntarily limit their directorships in other listed public limited companies in such a way that it does not interfere with their role as directors of the Company. The NRC shall take into account the nature of, and the time involved in a Director's service on other Boards, in evaluating the suitability of the individual Director and making its recommendations to the Board.

4.3.2. A Director shall not serve as Director in more than 20 companies of which not more than 10 shall be Public Limited Companies.

4.3.3. A Director shall not serve as an Independent Director in more than 7 Listed Companies and not more than 3 Listed Companies in case he is serving as a Whole-time Director in any Listed Company.

4.3.4. A Director shall not be a member in more than 10 Committees or act as Chairman of more than 5 Committees across all companies in which he holds directorships.

For the purpose of considering the above limit of the Committees, Audit Committee and Stakeholders' Relationship Committee of all Public Limited Companies, whether listed or not, shall be included and all other companies including Private Limited Companies, Foreign Companies, High Value Debt Listed Entities and Companies under Section 8 of the Companies Act, 2013 shall be excluded.

4.3.5. Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-Middle Layer or NBFC-Upper Layer) at the same time. The Board of RIHPL will ensure

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that there is no conflict arising out of the independent directors being on the Board of another NBFC at the same time.

- 4.3.6. Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer.

4.4. Sitting fees and Remuneration to Directors and Key Managerial Personnel

- 4.4.1. The Board, on the recommendation of the NRC, shall review and approve sitting fees and remuneration payable to the Directors of the Company within the overall limits permissible under the Companies Act, 2013.

- 4.4.2. The Board, on the recommendation of the NRC, shall also review and approve the remuneration payable to the other Key Managerial Personnel of the Company.

- 4.4.3. The remuneration structure of the Executive Directors and other Key Managerial Personnel may include the following components:

- a. Total Fixed Cost: This includes base salary, other allowances, perquisites and retirement benefits.
- b. Variable Cost: This includes incentives / performance bonus linked to Company and individual performance.
- c. The sum total of the Total Fixed Cost and Variable Cost is called the Cost to Company in the remuneration package.

- 4.4.4. The Nomination and Remuneration Committee shall ensure that the remuneration payable to managerial personnel is in accordance with the provisions of Chapter XIII (Sections 196 to 203) read with Schedule V to the Companies Act, 2013 and Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

5. Remuneration to other employees

Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

6. Principles prescribed by RBI for Remuneration Policy

The following Principles shall be considered by the Company for determining the Compensation of Managing / Whole-time / Executive Director, Key Managerial Personnel (KMPs) and Senior Management and by taking into account the RBI Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs, vide circular DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022:

- 6.1. Components and Risk Alignment: The compensation of Key Managerial Personnel (KMPs) and Senior Management shall be reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices.

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The compensation packages may comprise of fixed and variable pay (including bonus) components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

- 6.2. Composition of Fixed Pay: All the fixed items of compensation, including the perquisites, reimbursable perquisites having monetary ceilings and contributions towards superannuation/retiral benefits, shall be treated as part of fixed pay.

Non-Monetary benefits such as free furnished house, use of Company car, etc. being equivalent to monetary benefits shall also be part of fixed pay.

The remuneration and reward structure for employees shall comprise two broad components, such as annual remuneration and long-term rewards.

- 6.3. Principles for Variable Pay

- 6.3.1. Composition of Variable Pay: The variable pay shall be in the form of share-linked instruments, or a mix of cash (including bonus) and share-linked instruments. The Committee shall ensure that the share-linked instruments are in conformity with relevant statutory provisions. The cash component could be in the nature of performance linked variable component or a bonus based on the performance of the entity and the contribution of the individual towards the same.

- 6.3.2. Proportion: The proportion of variable pay in total compensation shall be commensurate with the role and prudent risk taking profile of KMPs & Senior Management. At higher levels of responsibility, the proportion of variable pay shall be higher.

The Committee shall ensure that there is a proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments.

The variable pay shall be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and Company-wide level.

Performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

- 6.3.3. Deferral of variable pay: Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of Directors of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Committee / Board of the Company by taking into account the RBI Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs, vide circular dated April 29, 2022.

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- 6.3.4. Control and assurance function personnel: KMPs and Senior Management engaged in financial control, risk management, compliance and internal audit may at the discretion of the Committee be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

7. Key Components of Remuneration

The objective is to set the total remuneration at levels to attract, motivate, and retain high-caliber and high potential personnel in a competitive market. The total remuneration level is to be reset annually based on a comparison with the relevant peer group.

8. Guaranteed bonus

Guaranteed bonus may not be paid to KMPs and Senior Management. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

9. Malus / Claw back

- 9.1. The deferred compensation may be subject to malus/claw back arrangements in the event of subdued or negative financial performance of the Company and/or the relevant line of business or employee misconduct in any year.
- 9.2. The Committee shall invoke malus and claw back clauses that may be applicable on entire variable pay and any other deferred benefit in the following circumstances:

Breach or Misuse of confidentiality information- Any act of mishandling, misappropriation, or misuse of confidential information will lead to disciplinary action including and not restricted to termination of employment. When a person misappropriates confidential information that has been entrusted to him or her, without authorization, such act amounts to a criminal breach of trust and hence the organization reserves the right to recover any damages as deemed appropriate after considering the implication and severity of such breach.

- 9.3. Non- completion of minimum period in case the employee has received a joining bonus.

The Committee may also set other criteria to invoke malus and claw back clauses, as may be necessary in the other circumstances. The Committee may also specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods.

For the purpose of this Section 9, Malus means an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred and a Clawback is a contractual agreement between the employee

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and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

10. Succession planning for Managing / Whole-time / Executive Director, Key Managerial Personnel (KMPs) and Senior Management

The Company recognizes that Succession Planning is a continuous process rather than a onetime event and hence, intends to put in place this Policy that aligns talent management with the said objective and endeavours to mitigate the critical risks such as Vacancy, Readiness and Transition risk. The Company shall prepare succession plan for the critical roles which shall include Departmental Heads, product heads, regional heads.

11. Permission to KMPs to become directors/ KMPs in group companies and other companies.

The KMPs are permitted to become directors/ KMPs in group companies and other companies.

12. Review of the Policy

This Policy will be reviewed as and when required but at least once in year.