

## **Policy for alignment of interest for Key Employees**

### **Purpose**

The objective of this framework is to develop fair, transparent and sound compensation policy that is aligned with risks and responsibilities of financial intermediation. Through implementation of this policy, we intend to make senior management more accountable for their governance, performance determination and payment of compensation. The primary goal of this Policy is to establish an equitable and well-structured compensation system that accentuates accountability and encourages sustainable growth.

This Policy outlines a compensation framework strategically tailored to align the interests of key employees, as defined in the revised Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations"), with NBP Funds with those of the unit holders of the Collective Investment Schemes managed by the AMC, enduring prosperity, principled performance, and ethical practices.

This Policy shall comply with all applicable laws, regulations, and corporate governance best practices.

### **Scope**

This Policy applies to following employees who hold the roles of Key Employees as defined in NBFC Regulations.

- Chief Executive Officer
- Chief Investment Officer
- Head of Investment Committee

### **Variable Remuneration Strategy for Key Employees:**

#### **Bonus Withholding and Lock-In Provision:**

- a. For the purpose of this Policy, a portion of the bonus, equal to 10% of the total bonus amount, shall be subject to a withholding and lock-in provision.
- b. The Withheld Bonus shall be held by the Company in the form of units of Mutual Fund schemes for a lock-in period of one year from the date of disbursement.
- c. During the lock-in period, key employees will not have access to the Withheld Bonus.

#### **Payment in CIS Units:**

- a. At the end of the one-year lock-in period, the Withheld Bonus shall be paid to key employees in the form of Collective Investment Scheme (CIS) Units managed by the Company.
- b. The number of CIS Units to be allocated shall be determined based on the fair market value of the Withheld Bonus at the time of release.
- c. The Eligible employees may redeem the allocated units prior to expiry of lock-in period only in case of retirement on attaining the superannuation age.
- d. Withheld bonus will be forfeited in case of dismissal from service on grounds of fraud, theft, misappropriation, mis-selling, deceptive conduct or breach of code of conduct. Process for determining fraud, theft, misappropriation, mis-selling or deceptive conduct, breach of code of conduct will be handled in accordance with the company's disciplinary action policy and code of

conduct. Prevention in implementation of moral hazard will be dealt in accordance with the company policy. The Withheld Bonus will be released in the form of CIS Units after the completion of one-year lock-in period only if staff is not involved in any fraud, theft, misappropriation, mis-selling, deceptive conduct or breach of code of conduct.

- e. If staff resigns during the lock in period, withheld bonus will be released in the form of CIS units after the completion of one-year lock-in period only if there is no involvement in fraudulent activities, Engaging in theft, Misappropriation, Mis-selling, Deceptive Conduct or Breach of Code of Conduct.
- f. The performance of the key employee shall be evaluated in accordance with the Company's performance evaluation criteria.
- g. Manner and handling of performance bonus units will be dealt in accordance with the standard operating procedure including but not limited to treatment in case of resignation of key employees, tax-related matters, dividend distribution etc.

**Guidelines, Mechanism and Management of withheld amount:**

- The amount withheld in terms of deferred payment will be invested in the form of CIS Units to which Key employees will have the access to check the units and their value.
- The deferred benefit will be Invested in our Money Market Fund. A separate folio will be opened for every covered individual covered under this policy on which the company will create lien.
- The management and oversight of the this policy will be the responsibility of the Compliance Department with the assistance of HR.

**Disclosure and Communication:**

- The Company will disclose such bonus paid to the Key Employees in the form of units of each scheme in aggregate along with the scheme return in respective annual accounts.
- The Management will organize a Training session for all Key employees once for their better understanding of this Policy and their roles for compliance. Key employees shall be provided with clear communication regarding the provisions of this Policy upon their eligibility for bonuses.
- All new Key Employees will receive training on this Policy as part of their orientation process.
- Audit trail and record will be maintained to verify compliance with applicable requirements.
- NBP Funds will publish the formulated policy along with summary of any exemption to the policy on its website and annual report.

**Review and Amendment:**

The Compensation Committee of the Board of Directors shall oversee the implementation of this Policy and may periodically review and, if necessary, amend the Policy to ensure its continued effectiveness and alignment with the Company's goals.

**Applicability:**

The provisions of this Policy shall be applicable for the financial year 2023-24 and onwards with effect from July 01, 2023.