



(Board Remuneration Policy and Compensation Policy for KMPs and Senior Management)

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1 Introduction / Background / Purpose of Policy

The Board of Directors (the “**Board**”) of YES BANK Limited (the “**Bank or Company**”) has adopted the following policy with regard to the remuneration of Directors, Key Managerial Personnel (‘KMP’) and Senior Management, in line with the requirements under the provisions of the Companies Act, 2013 read with Rules made thereunder (“the **Act**”), SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“Listing Regulations”), The Banking Regulation Act, 1949 and the Reserve Bank of India’s Circular and Guidelines.

The Board / Nomination & Remuneration Committee will review and may amend this policy from time to time.

2 Scope

The scope of the Policy is to put in place a mechanism for determining the remuneration of Directors, Key Managerial Personnel (‘KMP’) and Senior Management of the Bank in terms of the statutory and business requirements of the Bank.

3 Policy Details

1. Introduction

The Board of Directors (the “**Board**”) of YES Bank Limited (the “**Bank or Company**”) have adopted the following policy with regard to the remuneration of Directors, Key Managerial Personnel (‘KMP’) and Senior Management, in line with the requirements under the provisions of Companies Act, 2013 read with Rules made thereunder (hereinafter referred to as ‘The **Act**’), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘**Listing Regulations**’), the Banking Regulation Act, 1949 and the Reserve Bank of India’s Circular and Guidelines.

The Board / Nomination & Remuneration Committee will review and may amend this policy from time to time.

2. Purpose

The objective of this policy is to put in place a mechanism for determining the remuneration of Directors, KMPs and Senior Management of the Bank in terms of the statutory and business requirements of the Bank.

3. Definition

1. The definition of the Key Managerial Personnel (“KMPs”) as per Section 2(51) of the Companies Act, 2013 is as under:

Key managerial personnel”, in relation to a company, means:

- i. the Chief Executive Officer or the Managing Director or the Manager;
- 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

2. The definition of the Senior Management as per the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 is as under:

- a) As per Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 is as under:

“Senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

- b) As per Explanation in Section 178 of the Companies Act, 2013 is as under:

The expression “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. Remuneration of Executive Directors:

The Bank has a Board approved ‘Compensation & Benefits Policy’ (C&B Policy) of the Bank which deals with the Compensation & Benefits of the Managing Director & CEO and the Whole-time Directors. The remuneration of all the Executive Directors shall be governed by the C&B Policy.

The remuneration of the Executive Directors shall be recommended by the Nomination and Remuneration Committee (**N&RC**) to the Board for approval after considering the factors prescribed under the C&B Policy.

The Board shall consider the recommendations of N&RC and approve the remuneration, with or without modifications, subject to shareholders' and regulatory approvals.

The remuneration payable to Executive Directors is subject to prior approval of the Reserve Bank of India (**RBI**). Therefore, the remuneration or any revision in remuneration to Executive Directors is payable only after receipt of the approval from RBI.

5. Remuneration of Chairperson:

The N&RC shall also recommend remuneration of the Non-Executive Part-time Chairperson to the Board which shall be considered and approved by the Board in the same manner subject to Shareholders' and regulatory approvals. The N&RC, while recommending the remuneration of the Non-Executive Part-time Chairperson shall consider the following factors:

- (a) Function, Role and Responsibilities of the Chairperson,
- (b) Comparison with the peer banks,
- (c) Industry benchmarking,
- (d) Regulatory guidelines as applicable, etc.

The remuneration payable to the Chairperson is subject to prior approval of the RBI. Therefore, the remuneration or any revision in remuneration of the Chairperson is payable only after receipt of the approval from RBI.

The Non-Executive Part-time Chairperson is also eligible for the sitting fees and reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

6. Remuneration of Non-Executive Directors (NEDs):

- (a) *Sitting Fees and reimbursement of expenses for attending the Board and Board Committees*

The NEDs will be paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, Listing Regulations and other regulatory guidelines, as amended from time to time. Any change in sitting fees shall be recommended by N&RC and approved by the Board of Directors of the Bank. The

N&RC shall consider the following factors while recommending the change in the sitting fees to the Board:

- (a) Contribution expected from Directors considering size and complexity of organisation
- (b) Comparison with the peer Banks / Industry benchmarking,
- (c) Regulatory guidelines as applicable, etc

The NEDs are entitled to reimbursement of expenses for participation in the meeting of the Board and Committee thereof.

The Board while approving the revision in the sitting fees payable to Directors for attending the meeting of the Board and Committee thereof shall consider the recommendation of the N&RC.

The Bank also does not grant any Stock Options to any Non-Executive Directors.

(b) Profit based Commission

➤ **Companies Act, 2013**

In terms of the provisions of Section 197 of the Companies Act, 2013 (the 'Act'), the remuneration payable to Directors who are neither Managing Directors nor Whole-time Directors shall not exceed –

- (a) One per cent. (1%) of the net profits of the company, if there is a Managing or Whole-time Director or Manager;
- (b) Three per cent. (3%) of the net profits in any other case.

The percentages aforesaid shall be exclusive of any fees payable to NEDs under para 5(a) above.

Net profits of that Bank for that financial year is required to be computed in the manner laid down in section 198 of the Act.

➤ **RBI Guidelines**

RBI vide Circular No.DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 issued Guidelines on Compensation of Non-executive Directors of Private Sector Banks (the 'Guidelines') in order to enable banks to attract and retain professional directors, allowing the Boards of Private Banks, at its discretion, payment of compensation in the form of profit related commission to the Non-Executive Directors (other than the Part-time Chairman), subject to the Bank making profits. Provided that such compensation, however, shall not exceed Rs.1 million per annum for each director.

Further, their compensation are in addition to fees payable to NEDs under para 5(a) above, subject to compliance with the provisions of the Companies Act, 2013.

➤ **Limits and criteria for payment of payment of Profit based Commission**

In line with the above provisions, the Non-Executive Directors of the Bank other than Non-Executive Chairman, may be paid compensation in the form of profit related commission, in addition to the fees payable under para 5(a) of this Policy.

Such compensation in form of profit related commission shall be lower of the following two limits:

- (i) Total remuneration, for all the NEDs except Non-Executive Chairperson, shall not exceed one per cent (1%) of the net profits of the Bank for each financial year, as computed in the manner laid down in section 198 of the Act; or
- (ii) Maximum of Rs. 10 Lakh per annual for each of such Non-Executive Directors except Non-Executive Chairperson.

The payment of profit based commission to Non-Executive Directors other than Non-Executive Chairperson shall be recommended by the Board basis the following criteria:

- A. The outcome of the annual performance evaluation of each of the Non-Executive Directors as conducted by the Board / peer Directors at the end of every financial year in as much as the performance of the concerned director is rated as "2 or above, 1 being the highest" and the director is approved by the Board, based on performance evaluation, for continuation as a member of the Board;
- B. The attendance and participation of such Non-Executive Director at the Board / Board Committee Meetings during the financial year for which the compensation is being paid basis the percentage of number of Board/ Committee attended by an NEDs during the financial year as per the C&B Policy of the Bank.
- C. Comparison with the peer banks;
- D. Industry benchmarking;
- E. Regulatory guidelines as applicable, etc

➤ **Process for payment of Profit based Commission**

The N&RC shall recommend the compensation in form of profit based commission for each of the Non-Executive Director other than Non-Executive Part-time Chairperson to the Board, basis the Limits and criteria for payment of Profit based Commission as set out above. The Board, thereafter considering the recommendations of N&RC, may approve the same subject to Shareholders' approval.

The compensation in the form of profit based commission can be paid only after the approval of the Shareholders of the Bank.

7. Remuneration of KMPs and Senior Management

The Remuneration components applicable to KMPs (other than MD & CEO and WTD) and Senior Management shall comprise of the following and shall be in line with C&B Policy of the Bank:

- Fixed Compensation
- Variable compensation in the form of Performance Bonus
- Executive Stock Options Plans

The remuneration for KMPs and Senior Management is framed basis provisions of Section 178 of the Companies Act, 2013 read with rules made there under, if any, as amended from time to time, and Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations and the same is well in line with our Compensation policy applicable to all other Executives of the Bank. The same shall be reviewed by the Nomination & Remuneration Committee as well as by the Board in line with our Compensation policy for respective KMPs and Senior Management before approving their remuneration.

8. Review of the Policy:

The Policy shall be reviewed on a yearly basis, after the end of financial year. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity at the Board Meeting. However, the amended regulatory requirements will supersede the Policy till the time the Policy is suitably amended.

4 Policy Exception

Not Applicable

5 Reporting of Policy Violation / Reporting of Compliance

Not Applicable

6 Change History

Already covered under the head Document Control.