

DBS Bank India Limited

Remuneration Policy

Scope: Applicable to all employee and directors of DBS Bank India Limited Regular

Issuer: Navin Chaudhary, Head – Rewards; Human Resources, India

Global ID: DBS_07_G_0020_IN

1 Guiding Principle

DBS Bank India Ltd. (DBIL) is a Wholly Owned Subsidiary (WOS) of DBS Bank Ltd. (DBS) headquartered in Singapore. As a matter of sharing best practices DBIL will draw on experience and expertise of DBS group to ensure that the minimum acceptance criteria of the group are met. Further, DBIL will reckon or consider certain policies and standards prescribed by DBS and adopt to Indian regulations to ensure that the operations meet at all times the stricter of the applicable guidelines.

2 Overall Objectives

The DBIL Remuneration Guidelines are based on DBS Group Remuneration Strategy and Policies which are in accordance with the Principles and Implementation Standards of the Financial Stability Board (FSB), evolving international standards, as well as current statutory and regulatory framework in India. The Principles for Sound Compensation Practices issued by the FSB in April 2009 are incorporated in DBIL Remunerations Policy to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation.

The principles in brief are as under:

- (i) Effective governance of compensation
- (ii) Effective alignment of compensation with prudent risk taking
- (iii) Effective supervisory oversight and engagement by stakeholders

The objective of DBIL' remuneration policy is to provide remuneration in a form which will attract, retain, motivate and reward employees to deliver superior long-term sustainable performance within the risk parameters defined by DBS Group Holdings Ltd (the "DBS Group"). DBIL's remuneration policy is built on a system of meritocracy and is formulated to align the interests of its employees with those of its shareholders and other stakeholders.

This policy is applicable to all employees. For Employees registered as member of Employee Union, their pay and allowance components will be as per the internal settlements signed from time to time.

3 Remuneration Governance

The DBIL Board exercises oversight on the compensation system's design and operations and will actively monitor and review to ensure the system operates as intended and is aligned with prudent risk taking through DBIL's Nomination and Remuneration Committee (NRC). It takes into account regulatory guidelines, performance assessments and DBS Group guidance's.

The DBS Group Board has established a remuneration committee known as the Compensation and Management Development Committee ("CMDC") to oversee compensation policies and management development of the Group (including subsidiaries and branches). The CMDC has direct access to management staff, works closely with the Chief Risk Officer and with the Board Risk Management Committee, and has the power to hire independent advisors as it deems necessary.

The CMDC reviews and approves the overall remuneration principles of DBS Group including the design of the framework of its performance driven compensation plans, as well as the annual aggregate of performance-related cash bonuses and share grants for its employees. It particularly ensures that annual variable compensation funding considers risk adjustments, conduct related matters as well as future revenues whose timing and likelihood remain uncertain. It also provides oversight on the remuneration of senior executives and determines the compensation of each executive director. In addition, it focuses on the progress of management development and succession planning programs of the Group to ensure that there is a robust plan on the management of people risk within DBS.

The NRC of the Board of DBIL shall have supervisory oversight regarding implementation of compensation practices and policies of DBIL while being guided by the compensation framework set at a group level by CMDC and within the Reserve Bank of India Guidelines around compensation. The framing, review and implementation of compensation policy of DBIL falls under the remit of the NRC on behalf of the Board. The Compensation and Benefits unit within the Human Resources function will administer the compensation policy by following rules and processes that are objective and transparent.

The compensation structure and pay revision for Whole Time Directors, CEO & Material Risk Takers (MRT) will be approved by the NRC.

4 Nomination and Remuneration Committee

The Board of Directors will have, as per extant regulations, a separate committee in the form of the Nomination and Remuneration Committee (NRC) to oversee the governance and review of the compensation practices of the Bank. The NRC composition and roles and responsibilities will be in accordance with the RBI & the Ministry of Corporate Affairs (MCA) guidelines.

The NRC will work in close coordination with DBIL Board Risk Management Committee, in order to achieve effective alignment between compensation and risks. The NRC will also ensure that the cost/income ratio of the Bank supports the compensation package consistent with maintenance of sound capital adequacy ratio. Supervisory review of compensation practices will be rigorous and sustained; any deficiencies would be addressed promptly with supervisory action.

The compensation structure will be determined by the NRC who will ensure that:

- Compensation is adjusted for all types of prudent risk taking.
- Compensation outcomes are symmetric with risk outcomes.
- Compensation payments are sensitive to the time horizon of risk.
- The mix of cash, equity and other forms of compensation will be consistent with risk alignment.

Roles and responsibilities of NRC:

1. Ensure policies with clear and rigorous procedures on the selection and appointment / reappointment/ removal of directors[^], Key Management Personnel (KMP)* and Regulatory Positions (Chief Risk Officer (CRO), Chief Technology Officer (CTO), Chief Compliance Officer (COO), Chief Information Security Officer (CISO), Chief Vigilance Officer (CVO)
2. Identify, assess and select qualified and experienced individuals for appointment as Board director. Ensure the selected candidate is a fit and proper person for the relevant appointment/reappointment; no conflict of interest with the Bank; and able to commit sufficient time and effort to fulfil the relevant appointment.
3. Conduct appropriate due diligence and scrutinize the declarations made by probable candidates at the time of appointment / re-appointment of directors of the Board and then make suitable recommendations to the Board.
4. Make recommendations to the Board with respect to:
 - a. Selection and nomination of qualified candidates as Directors of the Board
 - b. Appointment of Key Management Personnel (Chief Executive Officer (CEO), Chief Financial Officer (CFO) & Company Secretary (CS)) and Regulatory Positions (CRO, CTO, CISO, CVO, CCO).
 - c. Board composition and size.
 - d. Re-appointment / removal of existing directors
5. Assist in defining the performance evaluation criteria for directors and other key management personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
6. Review and approve the remuneration policy as per the DBS Group Remuneration policies and framework and ensure that such policies are consistent with all applicable legal and regulatory requirements applicable for the Bank.
7. Approve the revision of remuneration for Whole Time Directors (including CEO), Key Management Personnel, Material Risk Takers (MRTs), Regulatory Positions (CRO, CTO, CISO, CVO, CCO) and NEDs (Non-Executive Director). Any benefit if introduced exclusively for CEO, WTD or MRT will need to be approved by NRC and any specific RBI approvals.
8. Ensure effective alignment of compensation with prudent risk taking for Whole Time Directors, Chief Executive Officers and Material Risk Takers (MRTs)
9. Evaluate applicability and extent of application of malus/clawback clauses for CEO/WTD/MRT in case of trigger.

* In line with the Companies Act, 2013

[^] In line with applicable RBI regulations

4 Remuneration Approach

The following shows the three main thrusts of our remuneration strategy and how they are implemented within DBS:

Main thrusts	How
Pay for performance measured against the balanced scorecard	<ul style="list-style-type: none"> • Instil and drive a pay-for-performance culture. • Ensure close linkage between total compensation and our annual and long-term business objectives as measured through the balanced scorecard. • Calibrate mix of fixed and variable pay to drive sustainable performance and alignment to DBS PRIDE! values, taking into account both the “what” and “how” of achieving KPIs.
Provide market competitive pay	<ul style="list-style-type: none"> • Benchmark our total compensation against other organisations of similar size and standing in the markets. • Drive performance differentiation by benchmarking total compensation for top performing employees against the upper quartile or higher in market.
Guard against excessive risk-taking	<ul style="list-style-type: none"> • Focus on achieving risk-adjusted returns that are consistent with our prudent risk and capital management, as well as emphasis on long-term sustainable outcomes. • Design payout structure to align incentive payments with the long-term performance of the company through deferral and clawback arrangements.

4 Structure Of Remuneration

Employees’ individual remuneration is based on a total compensation framework. An employee’s total compensation is determined on the basis of their role and responsibilities, performance and contributions, and the market dynamics. It is benchmarked to the industry and consists of fixed pay* (salary and allowances) and discretionary variable remuneration (typically shares and cash). An annual benchmarking process is conducted by a qualified external HR Consultant and both Total and Guaranteed Compensation comparators are revalidated to establish the fitment of the senior managers of the bank including MD, WTDs, MRTs and KMPs.

For Whole Time Directors, CEO and MRT’s, we strive to achieve a proper balance between fixed pay and variable pay where we target to have 50% of the compensation being variable with the actual variable pay being determined based on the performance of the country, the unit and individual performance that is also aligned to our values. Therefore, an employee’s total compensation will be determined based on their role and responsibilities, performance and contributions, and market dynamics. Variable pay for WTD, CEO, MRT’s and control functions would include mix of cash & non-cash instruments. The maximum of level of Variable Pay to Fixed Pay ratio will be 3:1 per extant guidelines for WTD, CEO & MRT.

The mix of cash & non-cash instruments for WTD, CEO & MRT will depend on the variable pay to fixed pay ratio. In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay will be via non-cash instruments. The non-cash instrument is typically shares.

60% of total variable pay for WTD, CEO & MRT will be under deferral arrangements. The deferred remuneration is typically in the form of shares and cash.

50% of the cash bonus for WTD, CEO & MRT will be deferred.

A certain percentage of shares post meeting the total deferral requirements of 60% will vest immediately. This % of shares will be 30% of total shares in case variable bonus is less than 200% of fixed pay and 35% of total shares if variable bonus is equal to or greater than 200%.

The mix of instruments and deferral under different scenario's according to above has been tabulated in Appendix 2B.

The vesting period for shares is according to the DBSH Share Plan which is currently over a four-year period. Deferred Cash follows the same vesting schedule as share plan.

DBS Bank India Limited is not listed and is a wholly owned subsidiary of DBS Bank Ltd which in turn is subsidiary of DBS Group which is the only listed entity in the group. Hence, the deferral policy is guided by the eligibility of employees of DBS Group and its subsidiaries. Deferral of variable pay for all staff apart from CEO/Whole Time Directors/MRTs will follow the grid given in Appendix 2C through the restricted share plan.

**Fixed Pay for CEO/WTD/MRT would follow the RBI definition and include retiral & perquisites.*

DBIL does not practice accelerated payment of deferred remuneration for departing employees other than in exceptional cases, such as death in service or where legally required. In addition, DBIL does not practise provision of contractual payment relating to termination other than the usual notice period found in all standard employment contracts. There is also no provision for special executive retirement plans, golden parachutes or special severance packages for senior executives.

Guaranteed Bonus / Sign on Bonus

DBIL provides the sign-on bonus only in case of new hire in their first year of joining to cover the loss of their bonuses (Cash & Non-Cash). This sign-on bonus will be in form of DBS share linked instrument and will vest over a 4-year period.

Hedging of Equity-linked Deferred Variable Remuneration

The Bank's Code of Conduct prohibits employee, who is granted any award of DBSH shares through the DBSH Share Plan, to engage in any personal hedging strategies or remuneration and liability related insurance or other measures to hedge any exposures in respect of the unvested portion of such awards.

Remuneration of Employees within Control Functions

Performance of employees within control functions such as Risk, Audit, Compliance and Financial Control are assessed and remunerated based on the achievement of their respective KPIs which are independent of the performance of the business units which they support.

The Bank shall ensure that the mix of fixed to variable compensation for control function is weighted in favour of fixed compensation and that compensation is market competitive.

5 Determination of Variable Pay Pool and Individual Award

Measurement of Performance for Variable Remuneration and the Variable Remuneration Pool

The variable pay pool is derived from a combination of a bottom-up and top-down approach. It is underpinned by our aim to drive a pay-for-performance culture which is aligned to our risk framework.

a) Determining total variable pool

It is a function of net profit before tax benchmark against market and calibrated against the following prisms:

- Risk adjustment through review of Returns on Risk-Adjusted Capital (RoRAC)

- Distribution of earnings between employees and shareholders

This is further modulated by our performance against our balanced scorecard, comprises financial and non-financial metrics encompassing employees, customers, shareholders, risks and compliance objectives. In reviewing and approving our total variable pool, consideration is given to conduct-related matters, reflecting the focus on linking conduct with compensation. Performance against our balanced scorecard is evaluated by the NRC in country and endorsed by both group and country board. Sample of the current structure of the Balanced Scorecard is enclosed in Appendix 3

b) Allocating Pool to Business/Support Units

Pool allocation takes into account the relative performance of each unit, which is measured through each unit's balanced scorecard and evaluated by the CEO, Group Business Heads and approved by the NRC.

Inputs from Control Functions such as Audit, Compliance and Risk are sought to ensure qualitative inputs on relative risks taken by underlying businesses are factored into the results evaluation processes.

c) Determining Individual Award

Unit heads cascade their allocated pool to their teams and individuals based on their performance measured against their balanced scorecard. The individual's variable pay is determined based on individual performance linked to achievement of quantitative as well as qualitative objectives as set out in individual's KPIs. Qualitative objectives include demonstration of individual behaviours in line with our values and risk culture.

Individual awards are also subject to adjustments in cases of disciplinary action in accordance with the Disciplinary Action Framework.

6 DBSH Share Plan

As DBS Group seeks to foster a culture that aligns the interests of employees with those of shareholders, it has put in place share-based plan for employees. This plan allows employees to share in DBS' growth and success. As all its subsidiaries are unlisted the share plan is made available on a uniform basis on an equitable basis.

Rewards made under the Share Plan form part of an employee's annual variable remuneration. The portion of the variable remuneration paid in shares increases with the amount of the total variable remuneration. The allocation of such awards will be linked to performance metrics designed to deliver shareholder value.

There are vesting periods for the Share Plan, currently 4 years from date of grant. The awards made under the Share Plan are time based. The time-vested Share Plan operates like restricted shares awards. It comprises two elements, namely, the main award and the retention award. The retention award acts as a further retention tool which "cliff" vest on the 4th year from grant. The shares comprised in the retention award currently constitute 15% of the shares comprised in the main award. The shares will vest in equal amounts of 25% at the end of the first, second, third and fourth year. The retention award of 15% will vest along with the 25% of the main award at the end of the fourth year.

Separately, employees holding the corporate rank of Analysts to Vice President may also be awarded shares under the Share Plan. The allocation of such awards is made selectively linking to the contributions of an individual. The awards made are time based. The shares will vest at thirty-three percent one year after the date of grant, a further thirty-three percent two years after the date of grant and the remainder thirty-four percent three years after the date of grant.

The percentage of shares deferral and vesting schedule are subject to the review of DBS Group's overall compensation philosophy which is based on FSB Principles. Annexure 2C outlines how the shares are awarded based on the level of the variable compensation.

7 Malus and Clawback

All share & cash awards, including the retention awards, are subject to clawback/malus which will be triggered by events such as:

- a) material violation of risk limits,
- b) material restatement of the Group's financials or any other materially inaccurate performance metrics,
- c) material losses for the Group due to reckless, negligent or wilful risk taking or other inappropriate individual action or behaviour,
- d) misconduct or fraud.
- e) significant deterioration in financial performance in the form of a drop in Profit Before Tax (PBT) from one financial year to the next, the NRC shall evaluate and decide if malus needs to be applied on part or all of the unvested deferred variable compensation.
- f) assessed divergence in the Bank's provisioning for NPA or Asset classification exceeding the prescribed threshold for public disclosures.

The divergence in excess of either or both of the following:

- the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
- the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period; subject to such incremental Gross NPA being above the 10% of previous fiscal year.

The bank may not pay part or whole of the unvested portion of the variable compensation for the assessment year under 'malus' clause subject to the evaluation of NRC.

Further, in such situations, no proposal for increase in variable pay (for the assessment year) will be entertained.

In case the bank's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria for public disclosure are triggered either on account of divergence in provisioning or both provisioning and asset classification.

While Malus is broadly applicable, the specific Malus clauses e) and f) are applicable only for CEO/WTD/MRT

For the evaluation, the NRC may take into consideration 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.

In addition, starting from Performance Year 2016, all variable remuneration including vested shares as well as paid cash bonus have been subject to claw back or recovery which will be triggered by the same events above. DBIL shall continue to have this right to claw back or recover the Cash Bonus paid and any vested or unvested Awards after employee has left the employment of DBS Bank. The right to claw back shall end on the 7th anniversary of the date on which the cash bonus was paid or the date of grant of the deferred cash or share award (as the case may be).

8 Remuneration of Sales Force

Business units have implemented a portfolio of quarterly bonus plans (QBP) for its sales and business development employees. Each QBP is based on a balanced scorecard with emphasis not only on financial metrics but also on non-financial components such as customer metrics, risk culture and conduct.

The financial performance criteria built into these plans are integral to the business' strategy and objectives and focused primarily on profitability drivers rather than volume sold. Payments also depend on a product's time horizon of risk. In addition, non-financial performance components (particularly risk and compliance) are included in the assessment.

The target mix of fixed and variable pay in the sales QBP are also calibrated to ensure that it encourages the right sales behaviour.

9 Identification of Material Risk Takers (MRT)

The 'Material Risk Takers' of the Bank shall be defined to include the employees in DBIL whose role and decision-making power (jointly or individually) and have the authority to commit significantly to risk exposures; etc. Both Qualitative and Quantitative criteria are assessed in line with regulatory guidelines to identify the Material Risk Takers for the bank. Accordingly, below roles, individuals will be categorised as Material Risk Takers for Bank.

- Whole Time Directors
- Chief Executive Officer
- All MDs
- All other employees with bonus equal to or exceeding 500K SGD
- Direct manager of employee whose equal to or exceeding 500K SGD

10 Supervision and Monitoring

For ongoing compliance monitoring, Human Resources (HR) maintains a DBIL Delegation of Authority (in alignment with the DBS Group Approving Authority policy) specifying the approving authority of staff appointments, resignations, dismissals, as well as compensation and development. To ensure adherence to the remuneration policies, approval should be jointly made by HR and respective business/support units at local level and DBS Group level depending on the seniority of the employee involved. In addition, we also leverage on the bi-annual Risk & Control Self-Assessment to ensure adequacy and effectiveness of controls.

11 Disclosure

While DBIL' disclosure policy is formulated in strict compliance with the relevant national requirements, DBIL strives to substantially increase the amount of information disclosed. In particular, this will include the remuneration policy and its governance, the design of the remuneration system including criteria used for performance measurement and risk adjustment, compensation practices as well as deferral features.

The Bank believes in balancing transparency and compliance with confidentiality. The Bank will ensure complete compliance with all disclosure norms as prescribed by the various statutes relevant to the banking sector and industry in general.

Disclosure will also be made as required by RBI.

Appendix 1 Glossary

Malus: A malus arrangement permits the bank 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.

Claw back: A claw back, on the other hand, is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances.

Appendix 2 Related Policies and Standards

2B: Deferral Matrix for CEO/Whole Time Director/MRTs

2C Deferral Grid for all staff not covered by appendix 2B.



Appendix 3 Any Additional Information or Materials



DBIL Balance
Scorecard Template

Appendix 4 Deviations

NIL

Effective Date	Section	Endorsed by & Endorsement date	Approved by & Approval date	Deviation Description	Reason for deviation
dd mmm yyyy	Section in this document where deviation occurs	Endorsement by Group/Country Head of the Unit/Function that applied for the deviation. Endorsement date: dd mmm yyyy	Approval by document owner for the deviation Approval date: dd mmm yyyy	This describes the deviation applied to the section	This explains the reasons for the deviation

Appendix 5 Version History

Version	Date of Issue	Summary of Key Changes
1	29 Jan 2020	DBIL Remuneration policy in line with RBI Guidelines on Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc. dated: 13 th Jan 2012 RBI/2011-12/349 DBOD No.BC. 72 /29.67.001/2011-12
2	01 Oct 2020	Amendment to DBIL Remuneration policy further to the RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff; dated 04 th Nov 2019 RBI/2019-20/89; DOR.Appt.BC.No.23/29.67.001/2019-20
3	01 May 2021	Mention of application of bipartite settlement/ internal settlement/joint note for unionised staff Approval of MRT remuneration called out explicitly under NRC responsibilities.
4	01 Oct 2021	Amendment to DBIL remuneration policy further to RBI Guidelines on board composition and governance dated 26 th April 2021 Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board RBI/2021-22/24; DOR.GOV.REC.8/29.67.001/2021-22
5	03 Feb 2023	Amendment to MRT definition following CMDC Dec'22 decision. Amendment to minimum deferral rate and vesting schedule of share plan/ deferred cash
6	30 Aug 2023	Amendment to the pay instrument mix in variable pay and deferral rate for Whole Time Director, CEO and MRT
7	08 Feb 2024	No Amendments
8	03 Feb 2025	No Amendments
9	03 Feb 2026	Minor edits in terminolgy and calling out roles under section 4 specifically.