

Comprehensive Compensation Policy for NED/Independent Directors

(Other Than Part Time Chairman)



COMPENSATION POLICY FOR NON-EXECUTIVE DIRECTORS/ INDEPENDENT DIRECTORS

1. Objective of the Policy

The objectives of this Policy are:

- i. to build a comprehensive framework for compensating the Non-Executive Directors/ Independent Directors of the Federal Bank Ltd (the Bank),
- ii. to adequately remunerate the Directors for their professional services and contribution to the functioning of the Bank and
- iii. to attract and retain the experienced professionals, talented personalities and thought leaders of banking/ financial world and other fields relevant to banking.

2. The scope of the Policy

This Policy is applicable only to the compensation of Non-Executive Directors/ Independent Directors of the Bank and is not applicable to the compensation of the Part-time Chairman, Managing Director and Wholetime/ Executive Directors.

The Policy may be called as the Compensation Policy for Non- Executive Directors/ Independent Directors. The reference to “Independent Director/s” or “Director/s” in this Policy means Non- Executive Directors and Independent Directors and excludes Part-time Chairman, Managing Director, and Wholetime/ Executive Directors.

3. Statutes referred under the Policy:

- Section 197 of the Companies Act, 2013. This has to be read along with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- RBI/2014-15/617 DBR.No.BC.97/29.67.001/2014-15 dated June 1, 2015 - Guidelines on Compensation of Non-executive Directors of Private Sector Banks.
- RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated April 26, 2021 - Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board.
- RBI/2023-24/121 DoR.HGG.GOV.REC.75/29.67.001/2023-24 dated February 9, 2024 - Review of Fixed Remuneration granted to Non-Executive Directors (NEDs)

4. Sitting Fee and Travel Expense

The Board may fix sitting fees to Non-Executive Directors/ Independent Directors for attending meetings of the Board or Committee(s) of Board from time to time.

Over and above, the Bank meets the travelling expenses as well as the boarding and lodging expenses of the Non- Executive Directors/ Independent Directors for attending the meetings of Board /Committees of Board.

5. Other Forms of Compensation

- (i) In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the Bank may provide for payment of compensation to NEDs in the form of a fixed remuneration commensurate with an individual director’s responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for an NED, other than the Chair of the Board, shall not exceed Rs. 30 lakh per annum.

If any Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of Rs. 30 lakh per annum, the same shall be refunded to the Bank, within two years or such lesser period as may be allowed by the Bank, and until such sum is refunded, hold it in trust for the company.

- (ii) Following are the criteria while recommending remuneration to be paid to Non-Executive Directors:
 - a. Financial and Operating performance of the Bank during the preceding 3 financial years.

- b. Whether the directors are actively refreshing their knowledge and skill with the latest developments in the Banking Industry, market conditions and other applicable legal provisions relating to the banking industry.
- c. Whether directors are showing willingness to devote sufficient time, value addition and attention for the Company and its business and execute their responsibilities.
- d. Whether directors are bringing independent judgments to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments, and standards of conduct.

Non-Executive Director of the Bank who resigns or retires during the financial year, would be paid fixed remuneration pro-rata to the number of days of being a director during the said financial year.

6. Stock Options

The Non-Executive Directors (including Independent Directors) shall not be eligible for any stock options of the Bank.

7. Disclosure

Banks should disclose the remuneration paid to the directors on an annual basis, in the Annual Financial Statements.

The Bank shall also disclose in the Board's report,

- (i) the ratio of the remuneration of each director to the median employee's remuneration and such other details as may be prescribed and
- (ii) the percentage of increase in remuneration of each Director among other things required under Section 5 of the Companies (Appointment and remuneration of Managerial Personnel) Rules, 2014.

RACI MATRIX

The RACI matrix given below provides a broad overview of the responsibilities/roles of various verticals during disclosure:

R - Responsible	Refers to those who do the work to complete the task.
A - Accountable	Designates the person who ultimately answer for the results of an activity, and also who delegates the work to the people who will execute it.
C - Consulted	Refers to those who sought be heard on the related activity, and with whom there is two-way communication.
I - Informed	Designates those who sought to be kept up-to-date on the progress of the activity, and with whom there is just one-way communication.

Comprehensive Compensation Policy for Non-Executive Directors/ Independent Directors (other than Part Time Non-Executive Chairman)	Secretarial Dept	NRC	Board	HR Dept	Compliance Dept	Financial Reporting Dept
Payment of sitting fees for Non- Executive Directors/ independent Directors and meeting of travelling expenses as well as the boarding and lodging expenses of the members of Board/Committee(s) of Board	C/I /R/A	R/A	R/A	-	C	-
Compensation in the form of profit related commission	I	R/A	R/A	-	-	R
Regulatory Approval	R/A	-	I	-	C	-
Disclosure	C	-	R	C	-	R/A
Remuneration of NEDs under SEBI (LoDR) Regulations	R	A	A	-	-	I
