

Compensation Policy of ICICI Home Finance Company Limited (Company)

Part A- Compensation Policy for wholetime Directors & employees

The Company has in place a comprehensive compensation policy covering all employees. The policy covers all aspects of the compensation structure such as fixed pay, variable pay, perquisites, performance bonus, joining amount, severance package, share-linked instruments e.g. Employee Stock Option Plan (ESOPs), pension plan, gratuity, etc.

This amended policy is applicable from April 1, 2024, and for such period/s as specified in the Policy from time to time.

The Company has historically followed prudent compensation practices under the guidance of the Board of Directors and the Board Governance Nomination & Remuneration Committee (the BGNRC or the Committee). The Company's approach to compensation is intended to drive meritocracy within the framework of prudent risk management. Compensation is linked to corporate performance, business performance and individual performance. The current variable pay scheme is designed to reward employees based on holistic assessment of performance.

The principles for sound compensation practices will continue to be practised by the Company.

These principles are:

1. Effective governance of compensation
2. Effective alignment of compensation with prudent risk taking
3. Effective supervisory oversight and engagement by stakeholders

1. Effective Governance of Compensation

- 1.1 The BGNRC has the oversight over framing, review, and implementation of the Company's compensation policy on behalf of the Board.
- 1.2 The BGNRC will be composed of at least three non-executive directors out of which not less than one half will be independent directors. The BGNRC will be chaired by an Independent Director.
- 1.3 The management team will present annually the financial and strategic plans for the Company to the Board of Directors. The financial plan/ targets will be formulated in conjunction/alignment with a risk framework within which the Company should operate to achieve the financial plan. The BGNRC shall work in close coordination with the Risk Committee to achieve effective alignment between compensation and risks.
- 1.4 The BGNRC will define Key Performance Indicators (KPIs) for the Managing Director & CEO and other wholetime Directors & equivalent positions based on the financial and strategic plans approved by the Board. For other employees, para 1.7 below shall apply. Compensation will be aligned to organizational performance norms.
- 1.5 The BGNRC will recommend to the Board for approval of the fixed pay, concessional staff home loan or an interest subsidy on actual staff home loan, perquisites, retireals,

variable pay that includes cash bonus, long-term incentive (LTI) and share-linked instruments (stock options granted by ICICI Bank Limited) for the Managing Director & CEO and other Wholtime Directors & equivalent positions in line with ICICI Group norms. This will be subject to necessary approvals, wherever applicable. Grant of ICICI Bank's employee stock options to certain key employees of the Company will be approved by the Board Governance, Remuneration and Nomination Committee (BGRNC) and the Board of ICICI Bank. Upon receiving such approvals, the details will be tabled for noting at the Company's BGNRC and the Board for records, as applicable.

- 1.6 The BGNRC will approve the organisational performance norms for variable pay (cash bonus & LTI) and assess the achievement against such norms. The compensation shall be in compliance with all statutory requirements. Based on such assessment, the BGNRC will recommend the variable pay to the Board for approval. The BGNRC may also recommend 'nil' variable pay based on its assessment.
- 1.7 The MD & CEO and Chief Human Resource Officer will be responsible for the execution of the compensation strategy, practices, and plan (covering both fixed pay and variable pay) for the Company in line with the compensation policy. The Chief Financial Officer will provide the necessary performance achievement and input for various businesses.
- 1.8 The MD & CEO and Chief Human Resource Officer will ensure that staff engaged in audit, compliance and risk control functions are compensated independent of business areas they oversee, and the compensation of such employees is in line with rest of the Company. Employees engaged in audit, compliance and risk control functions must be independent and have appropriate authority, which is necessary to preserve the integrity of respective functions.
- 1.9 The Chief Human Resource Officer will present the compensation policy for review to the BGNRC annually or the timeline set by the BGNRC.

2. Effective alignment of Compensation with prudent risk taking

Fixed Pay and Variable Pay

- 2.1. To ensure effective alignment of compensation with prudent risk taking, the BGRNC will take into account adherence to the risk framework in conjunction with which the financial plan/ targets have been formulated. The variable pay payout schedules will be sensitive to the time horizon of risks. The compensation budget of the Company will be based on projected levels of business and staffing requirements, revenue generation and the desired level of cost-to-income ratios.
- 2.2. The Company will have a judicious and prudent approach to compensation and will not use compensation as the sole lever to attract and retain employees. Employee compensation will consider a mix of external market pay and internal equity.

- 2.3. The total compensation will be a prudent mix of fixed pay and variable pay. Fixed pay will include basic pay, allowances, perquisites, contribution towards superannuation/ retirals and any other form of benefits including reimbursable perquisites with monetary ceilings.
- 2.4. The variable compensation will be in the form of a cash bonus, cash-based long-term incentives (LTI), coverage under ICICI Bank's share-linked instruments, as applicable. The share-linked instruments include 'Employee stock options' governed by ICICI Bank Employees Stock Option Scheme- 2000 ("Scheme 2000").

Quantum of overall LTI and bonus shall be as per the prevailing policy of the Company, which will be within regulatory/statutory guidelines, if any. The same shall be approved by the BGNRC from time to time.

The quantum of variable pay for an employee will not exceed 300% of the total fixed pay in a year. The proportion of variable pay to total compensation will be higher at senior levels and lower at junior levels. Atleast 50% of the compensation shall be variable for MD & CEO/ WTDs as a design. However, they can earn less variable pay based on various performance criteria.

For certain key employees of the Company, who are covered under ICICI Bank's stock option scheme, if the quantum of variable pay is up to 200% of the fixed pay, atleast 50% of the variable pay will be via non-cash instruments and if it is above 200% (max up to 300%) of the fixed pay, atleast 67% of the variable pay will be via non-cash instruments.

A minimum of 60% of the total variable pay will be under deferral arrangement (deferment). Additionally, atleast 50% of the performance bonus will be deferred. If the performance bonus is under ₹25 lacs, the deferment shall not be applicable.

- 2.5. The deferral period would be spread over a minimum period of three (3) years (deferment period). The frequency of vesting will be on an annual basis and the first vesting shall not be before one year from the commencement of deferral period. The vesting shall be no faster than on a pro rata basis. Additionally, vesting will not be more frequent than on a yearly basis. In case of employee's retirement or resignation, the variable pay (Cash) shall follow the deferment schedule of respective cash grant and the variable pay (LTI and/or share-linked instruments) shall be treated as defined in the respective Schemes .In case of employee's death or permanent disability, whole of the deferred variable pay (Cash, LTI and share-linked instruments) shall immediately vest in the employee's successors, or the employee, as the case maybe.

Employee Stock Options

- 2.6. ICICI bank's Employee Stock Options (ESOPs/ Options) are and will be a part of the total compensation structure for certain employees of the Company.
- 2.7. ESOPs, currently governed by the Employee Stock Option Scheme- 2000 as amended from time to time of the Bank and in line with Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and other

applicable regulations, aim at achieving twin objectives of aligning senior management compensation to long term shareholders' interests and retention.

- 2.8. The Company shall account for such costs as per the applicable cost sharing arrangement with the Bank within the framework of related party transactions.

Malus and Claw back

- 2.9. In the event of a reasonable evidence of deterioration in financial performance in form of drop in the Profit After Tax (PAT) from one financial year to the next by 25% or more, the BGNRC may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic social or other conditions whether in or outside the control of the Company or any person and other relevant factors. In deciding to apply or not apply malus/clawback on none, part, or all of the variable compensation of the previous year, BGNRC shall in its evaluation shall have due regard to principles of proportionality and of 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.
- 2.10. In the event of the assessed divergence in the Company's provisioning for NPAs or asset classification exceeds the prescribed threshold as per the guidelines applicable, the BGNRC may decide to apply Malus on none, part, or all of the unvested deferred variable compensation for the assessment year based on the outcome of the evaluation. BGNRC shall in its evaluation have due regard to principles of proportionality and of 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 case the Company's post assessment Gross NPAs are less than 2.0%, these restrictions will apply only if criteria are triggered either on account of divergence in provisioning or both provisioning and asset classification. Additionally, there will be no increase in the variable pay for the said assessment year.
- 2.11. Further, in the event of:
- act of wilful or gross misconduct or neglect,
 - the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity,
 - gross or wilful insubordination, or
 - any other act detrimental to the interest of the Company including and not restricted to violation of ICICI Group Code of Business Conduct & Ethics, violation of Framework for dealing with Conflict of Interest, violation of rules and regulations of the Company, failure to discharge fiduciary and regulatory duties – and in respect of which the Company would reserve the right to institute appropriate civil, criminal or other proceedings at the risks, costs and consequences of such individuals (including employees who were transferred or deputed or resigned to join the Holding Company),

the BGNRC (*in case of MD&CEO/ Wholetime Directors/KMPs/ SMPs*) and Committee of Executives (COE) in case of employees receiving/ received both types of variable pay – *cash bonus (beyond ₹25 lacs) or share-linked instruments/ cash based LTI*, may decide

to apply Malus and /or Clawback on part or all of the variable pay including unvested/vested/paid deferred variable pay. Due process including inquiries or investigations as required and/or adherence to principles of natural justice are ensured prior to conclusion on the above events of breaches and which would form the basis of decisions. Error of judgment shall not be construed to be a breach under this policy. In case the provisions of malus and clawback is applied on employees who are also recipient of ICICI Bank Stock options, the details would be presented to the Bank's BGNRC and the Board for suitable noting.

ICICI Bank would continue to have oversight on applicability of malus and clawback with respect to ICICI Bank Stock Options granted to employees of the Company. Such decisions would be presented to BGNRC and the Board of the Company for suitable noting.

Annual reporting of application of Malus and/or Clawback will be made to the BGNRC for being noted.

Clawback in relation to share-linked instruments and/or LTI applies on grants made with effect from April 1, 2020, for the balance length of service/employment of the concerned person with the Company, shall survive the resignation, retirement, early retirement, or termination of the concerned person and be applied for the Deferment Period as applicable to Deferred Variable Pay in terms of this Compensation Policy. Similarly, malus in relation to share-linked instruments and/or LTI will apply on grants made with effect from April 1, 2020. For share-linked instruments this is in addition to and without contradicting the existing clause in the Bank's Scheme 2000 that specifies lapsing of grants including vested stock options for terminated (including terminated for cause) or exiting employees applicable for grants made in terms of the Bank's Scheme 2000 from time to time.

In respect of Clawback for performance bonus paid, the same shall continue to be applicable from April 2012 for employees who have signed the Malus Clawback letter in 2012. For other employees, it shall be effective April 1, 2021. However, in relation to bonus grants effective April 1, 2021, clawback shall be applied for the Deferment Period as applicable to Deferred Variable Pay in terms of this Compensation Policy for the balance length of service/employment of the concerned person with the Company and shall survive the resignation, retirement, early retirement, or termination of the concerned person.

The MD & CEO/ Wholetime Directors/ KMPs/ SMPs and other eligible employees will be required to sign revised terms governing compensation (including Malus/Clawback on Variable Pay/Deferred Variable Pay). In such revised terms, the employees will agree to forfeit existing deferred cash bonus/ LTI or unvested share-linked instruments with respect to grants made on/after April 1 2020 and/or return all or part of the cash bonus paid since 2012/ 2021 and/or cancelling of vested share-linked instruments and/or if the

Options have been exercised, return of the amount as decided by the appropriate authority as defined above with respect to grants made on/after April 1, 2020.

For employees receiving Bank's share-linked instruments, the malus/ Clawback shall also be governed the terms set forth in the Compensation Policy of the Bank with respect to malus and/or Clawback or ICICI Bank Employees Stock Option Scheme- 2000 as applicable.

While situations may arise requiring applying malus and/or clawback to employees who may have resigned, retired, or taken early retirement or been terminated, the same shall be done basis the given facts and circumstances, and through due legal process for recovery of amounts adjudged for clawback or as damages suffered or as recoverable by the Company.

Guaranteed bonuses

2.12. Guaranteed bonuses are not consistent with the principles of meritocracy and the Company will not encourage any kind of guaranteed bonus. Joining amount or LTI will occur in the context of hiring new staff and such amounts will not be considered part of fixed or variable pay.

2.13. Further, other than accrued retirement benefits (such as provident fund, super-annuation and gratuity payable on retirement) or any benefits arising under the employee early retirement scheme or any payments or benefits mandated by applicable law, no severance pay will be paid to MD & CEO/ wholtime Directors/ KMPs/ SMPs.

Hedging

2.14. The Company will neither permit nor provide any facility or funds to the employees (including MD & CEO/ Directors/ KMPs/ SMPs) to insure or hedge their compensation structure including share-linked instruments to offset risk alignment effects embedded in their compensation. Due compliance measures will be instituted (including obtaining periodic affirmations and disclosures from the employees).

Risk Control and Compliance

2.15. The compensation of staff engaged in all control functions including Risk, Compliance and Internal Audit will depend on their performance, which is based on achievement of key results of the respective functions and independent of the business areas they oversee. The Company follows a consistent rewards practice across business and control groups where the mix of fixed and variable compensation is weighed in favour of fixed for the junior grades. The same principle will be applied for the control functions.

Disclosure and engagement by stakeholders

2.16. The Company will be compliant with the disclosure requirements as may be required by the Companies Act or any other regulatory guidelines.

PART – B - Compensation policy for non-executive Directors

The remuneration payable to non-executive independent directors would be governed by the regulatory guidelines issued from time to time and the provisions of Companies Act, 2013 & related rules.

Considering the above, the permitted modes of remuneration for the Non-Executive Independent Directors would be:

- Sitting fee for attending each meeting of the committees and the Board as approved by the Board from time to time within the limits as provided under Companies Act, 2013 and related rules.
- Profit related commission as may be recommended by the Board and approved by the Shareholders from time to time, subject to availability of requisite profits and compliance with applicable statutes/regulations.
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All the Non-Executive/Independent Directors would be entitled to reimbursement of expenses for attending Board/Committee meetings, official visits, and participation in various forums on behalf of the Company.