



**COMPENSATION POLICY**  
**OF**  
**PAYU FINANCE INDIA PRIVATE LIMITED**

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| <b>Authority</b> | <b>Details</b>  |
|------------------|---|
| Scope            | This Compensation Policy of PayU Finance India Private Limited seeks to define the broad guidelines on compensation of Key Managerial Personnel and Senior Management |
| Drafted by       | Human Resources Department<br>Legal and Compliance Department   |
| Approved by      | Board of Directors  |

**Version History**

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## DEFINITIONS AND INTERPRETATION

### 1 DEFINITIONS

- 1.1** “**Applicable Laws**” means all applicable laws, statutes, enactments, acts of central or state legislature, ordinances, rules, regulations, notifications, guidelines, directions, directives, policies, circulars, decisions and any other pronouncements issued in accordance with the Companies Act, the RBI SBR Master Directions or any other law applicable to the jurisdiction of India by any central, state, local, or other governmental, administrative or regulatory authority exercising executive, legislative, judicial, regulatory or administrative functions.
- 1.2** “**Board**” means the board of directors of PayU Finance.
- 1.3** “**Companies Act**” means the Companies Act, 2013, and rules and regulations issued thereunder, as amended from time to time.
- 1.4** “**Compensation Policy**” means this policy in relation to compensation of Key Managerial Personnel and Senior Management, as amended from time to time.
- 1.5** “**Director**” means a director appointed to the board of a company.
- 1.6** “**ESOPs**” has the meaning given to the term in Paragraph 6.3.2(iii) of this Compensation Policy.
- 1.7** “**Key Managerial Personnel**” or “**KMP**” has the meaning as assigned to the term ‘key managerial personnel’ under section 2(51) of the Companies Act.<sup>1</sup>
- 1.8** “**LTIs**” has the meaning given to the term in Paragraph 6.3.2(iii) of this Compensation Policy.
- 1.9** “**NBFC**” means non-banking financial company.
- 1.10** “**NBFC-ML**” means a middle layer NBFC as classified under RBI SBR Master Directions.
- 1.11** “**Nomination and Remuneration Committee**” or “**NRC**” or “**the Committee**” means the nomination and remuneration committee of the Board.
- 1.12** “**PayU Finance**” or “**the Company**” means PayU Finance India Private Limited, a company incorporated under the Companies Act, 1956.
- 1.13** “**PayU Group**” means Prosus N.V.’s subsidiaries engaged in the fintech sector under the ‘PayU’ umbrella.
- 1.14** “**Prosus**” has meaning to the term given in Paragraph 3.2 of this Compensation Policy.
- 1.15** “**RBI**” means the Reserve Bank of India.
- 1.16** “**RBI Act**” means the Reserve Bank of India Act, 1934, as amended from time to time.
- 1.17** “**RBI SBR Master Directions**” means the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 issued by the RBI,

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<sup>1</sup> **Section 2(51) of the Companies Act**

“Key managerial personnel”, in relation to a company, means—  
the Chief Executive Officer or the managing director or the manager;  
the company secretary;  
the whole-time director;  
the Chief Financial Officer;  
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  
such other officer as may be prescribed;

dated 19 October 2023, bearing reference number RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24, as amended from time to time.

- 1.18 “**Remuneration Policy**” means the remuneration policy of PayU Group.
- 1.19 “**RSUs**” has the meaning given to the term in Paragraph 6.3.2(iii) of this Compensation Policy.
- 1.20 “**SARs**” has the meaning given to the term in Paragraph 6.3.2(iii) of this Compensation Policy.
- 1.21 “**Senior Management**” has the meaning as assigned to the term ‘senior management’ under Section 178 of the Companies Act.<sup>2</sup>
- 1.22 “**STIs**” has the meaning given to the term in Paragraph 6.3.2(ii) of this Compensation Policy.

## 2 INTERPRETATION

Unless defined expressly herein, all capitalised terms used in this Compensation Policy shall have the meaning assigned to them under the Companies Act, the RBI SBR Master Directions, RBI Act, any notification, guideline and/or circular issued by the RBI from time to time and/or any other relevant policy or business document of PayU Finance (as the case may be).

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<sup>2</sup> **Explanation to Section 178 of Companies Act**

Explanation.—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.

## INTRODUCTION

### 3 BACKGROUND

- 3.1** PayU Finance operates as a non-deposit taking NBFC and has been categorised as NBFC-ML in terms of the RBI SBR Master Direction. It is engaged *inter alia* in the business of providing products, enterprise lending and specific lending, apart from providing certain technology related services, financial services or a combination of both.
- 3.2** Although this Compensation Policy is drafted to read as a stand-alone compensation policy for PayU Finance, it was drafted in line with the standards that are set by the 'Remuneration Policy', of Prosus N.V. ("**Prosus**"); the parent company of PayU Finance.
- 3.3** PayU Finance is committed to conduct its business in accordance with the laws applicable to its activities. To aid the recruitment and retention of vital skills in highly competitive global market, and to address the risk arising out of excessive risk taking caused by misaligned compensation packages, PayU Finance has implemented and put in place a compensation policy.
- 3.4** In view of the above, the Board has approved and adopted this document as the Compensation Policy of PayU Finance. This Compensation Policy must be read in conjunction with the Remuneration Policy of PayU Group.

### 4 OBJECTIVE

- 4.1** PayU Finance is committed to conduct its business in accordance with Applicable Laws and with proper alignment of risk taking by the KMPs and Senior Managements. Accordingly, the objectives of this Compensation Policy as framed by the Board are to:
- 4.1.1 provide an overarching framework and guidance on how compensation of the KMPs and Senior Management may be designed;
  - 4.1.2 constitution of Nomination and Remuneration Committee;
  - 4.1.3 define principles for fixed and variable pay structures; and
  - 4.1.4 define malus/ clawback provisions.

### 5 OVERVIEW

This Compensation Policy is divided into the following parts:

- 5.1 Part 1 (Compensation Philosophy)** provides a brief description of PayU Finance's philosophy towards compensation of its KMPs and Senior Management;
- 5.2 Part 2 (Nomination and Remuneration Committee)** provides a brief description of the Nomination and Remuneration Committee and its role;
- 5.3 Part 3 (Fixed and Variable Pay)** provides a brief description of fixed and variable pay of the KMPs and Senior Management;
- 5.4 Part 4 (Malus and Claw Back)** sets out the framework for malus and claw back of compensation from KMPs and Senior Management personnels;
- 5.5 Part 5 (Service Contracts)** lays out the key provisions to be covered in the service contract of KMPs and Senior Management personnels; and

**5.6 Part 6 (Review and Oversight)** describes the procedural aspects for implementing this Compensation Policy (such as the manner and periodicity in which this Compensation Policy will be reviewed and, if necessary, updated).

## PART 1 COMPENSATION PHILOSOPHY

### 6 COMPENSATION PHILOSOPHY

**6.1** In line with the standards set by the PayU Group, PayU Finance is committed to achieving its strategic goals while conducting business in a lawful, compliant and ethical manner and taking reasonable risk, as failure to do so may result in significant fines and penalties, liability of Board and Senior Management, and ultimately loss of customers and business.

**6.2** Risk Based Approach: The risk varies from business to business and product to product within PayU Finance resulting in different needs and at different stages of maturity. Therefore, a one-size-fits-all approach is not appropriate for PayU Finance and its businesses/ products. This means that fit-for-purpose compensation policy will be risk-based.

**6.3** To safeguard PayU Finance from excessive risk and to aid the recruitment and retention by PayU Finance of vital skills in a highly competitive global market, PayU Finance has established a three-tier compensation structure as detailed below:

6.3.1 The three-tier remuneration structure provides an appropriate balance between fixed and variable remuneration over the short- and longer-term, which is directly linked to business performance and shareholder value-creation. This Compensation Policy supports the Company's strategy, its long-term interests and its sustainability. When determining the levels and structure of the KMPs and Senior Management personnel remuneration, the Nomination and Remuneration Committee takes into account scenario analyses.

6.3.2 The remuneration of the KMP and Senior Management personnel comprises the following components:

- (i) Annual base pay and other benefits that are additional to base pay;
- (ii) Short-term incentives ("**STIs**"): annual performance-related incentives or short-term bonus; and
- (iii) Longer-term incentives ("**LTIs**"), which may include Employee Stock Option Plans ("**ESOPs**"), Restricted Stock Units ("**RSUs**"), and Share Appreciation Rights ("**SARs**") in the underlying businesses.

#### **6.4 Annual Base Pay**

6.4.1 KMPs and Senior Management personnel are entitled to an annual fixed base salary, including any local statutory requirements, paid in cash, that is determined by the Nomination and Remuneration Committee, in line with the Compensation Policy read with PayU group's Remuneration Policy.

6.4.2 Personal and Company performance is the primary driver for any pay increase and pay is set at a level to ensure the Company can attract and retain executive talent of the required calibre. In making its decision, the Nomination and Remuneration Committee takes into account local and relevant industry practice as well as an individual's contribution and affordability for the Company.

6.4.3 Base salary is paid monthly in cash on a gross basis, that is, all tax and social security contributions are deducted from this sum. Benefits include a mix of cash and non-cash benefits, including pension, medical and other benefits that are locally relevant.

- 6.4.4 The Nomination and Remuneration Committee reviews the annual base pay every year and may increase the base salary levels for the KMPs and Senior Management personnels on an annual basis, typically effective from 1 April each year. A number of factors are taken into account during the review process, including personal performance, the scope and nature of the role, relevant companies in the financial-technology sector and local economic indicators such as inflation, cost-of-living changes and the relevant labour market, to ensure remuneration is fair, responsible and market competitive.
- 6.4.5 In preparation of the annual review process, the data from comparator companies is considered, bearing in mind the size of the business, its complexity and its geographic footprint. The data is sourced from several benchmarking providers, reviewing benchmarks associated with general industry, Financial Technology, Hi-Tech, as well as publicly disclosed data for similar companies.
- 6.4.6 In making its determination, however, the Nomination and Remuneration Committee may apply its judgment and considers a number of factors, principally the performance of KMPs and Senior Management personnels, the results achieved and the affordability of packages and external benchmarks. Pay increases are not granted in the absence of a satisfactory level of performance.
- 6.4.7 To ensure a fair and responsible approach to the remuneration of KMPs and Senior Management personnels in the context of the wider Company, the Nomination and Remuneration Committee takes the same approach as for the wider workforce. A number of factors are taken into account including:
- (i) individual performance;
  - (ii) business performance;
  - (iii) company affordability and trading environment, including return on invested capital and;
  - (iv) the total target compensation mix for each individual.

## **6.5 Short-term Incentive (STI): Annual Performance-related Incentive**

- 6.5.1 The KMPs and Senior Management personnels are eligible to participate in standard annual performance related short-term incentives as set out in this Compensation Policy to incentivize and recognize the achievement of annual financial and operational objectives and personal performance.
- 6.5.2 The purpose of the annual performance related incentive plan is to ensure executive alignment with and focus on the annual business plans. The achievement of these annual plans will cumulatively drive long- term shareholder value. The annual bonus opportunity for each KMPs and Senior Management personnels is agreed annually in advance of the financial year, and any payout is based on targets that are verifiable and aligned to the business plan, risk management policy and strategy. Any awards are made fully in cash. The short-term incentives are based on a number of financial, strategic, operational and ESG (environmental, social, and governance) performance measures.
- 6.5.3 Financial goals account for 30% to 50% of the short-term incentives for the KMPs and Senior Management personnel. Measurements for the KMPs and Senior Management

personnel include relevant financial KPIs like for example trading profits, free cash flow and revenue.

- 6.5.4 Other performance metrics related to business may include new product, technology or market development, the relative competitive position of the business and/or key customer metrics such as growth in customer numbers. Any payment of annual performance related short-term incentives is made only after the publication of the results of the relevant performance year.

## **6.6 Longer-term Incentives (LTIs)**

- 6.6.1 The long-term incentives are designed to incentivize the delivery of sustainable long-term growth and provide alignment with shareholders as set out in this remuneration policy, reflecting the commitment to pay-for-performance and an alignment with shareholder value-creation.
- 6.6.2 A blend of longer-term incentives may be awarded, which may include any combination of ESOPs, RSUs and SARs.

## PART 2 NOMINATION AND REMUNERATION COMMITTEE

### 7 NOMINATION AND REMUNERATION COMMITTEE

**7.1** The Board vide resolution passed on 27 February 2023 has formed a 'Nomination and Remuneration Committee'.

**7.2** Key features for the composition, quorum, invitees, frequency, etc. of the Nomination and Remuneration Committee meetings are as under:

7.2.1 Members: Three or more non-executive Directors.<sup>3</sup>

7.2.2 Quorum: 2 members.

7.2.3 Permanent Invitees - representatives of human resource (HR) function.

7.2.4 Meetings: Minimum 1 meeting to be held every year.

7.2.5 Frequency: As often as necessary subject to the minimum number and frequency stipulated by the Board or as prescribed by any law or authority.

7.2.6 Mode of Meetings: Meetings may be held via audio-visual means.

**7.3** The powers and functions of the Nomination and Remuneration Committee shall be in accordance with Section 178 of the Companies Act, and *inter-alia*, include followings:

7.3.1 identify persons who are qualified to become Directors and recommend their appointment (or removal) as part of the Senior Management, to the Board;

7.3.2 formulate the criteria for determining qualifications, of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees;

7.3.3 evaluation performance of the Directors and Senior Management personnel;

7.3.4 consider, review, recommend and approve the remuneration of the Directors and Senior Management personnel;

7.3.5 such other power or functions as may be required under the applicable laws/ regulations to be undertaken by the Nomination and Remuneration Committee, from time to time; and

7.3.6 such other functions as may be delegated to the Nomination and Remuneration Committee by the Board, from time to time or as such other functions may be deemed appropriate by the Nomination and Remuneration Committee, from time to time.

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<sup>3</sup> Section 178(1) of the Companies Act.

**PART 3**  
**FIXED AND VARIABLE PAY**

**8 FIXED AND VARIABLE PAY**

- 8.1** The remuneration package of the KMPs and Senior Management personnels is designed to be heavily weighted towards variable pay and is principally focused on long-term remuneration, which only pays out subject to value being delivered in both the underlying business units and the company as a whole.
- 8.2** The remuneration packages of the KMPs and Senior Management personnels are structured so that on target variable pay is 30% to 50% of base pay. In some cases, the Nomination and Remuneration Committee may decide to higher than 50% variable pay. The philosophy being, higher the roles and responsibility, the higher is the on-target remuneration.

**PART 4**  
**MALUS AND CLAW BACK**

**9 MALUS AND CLAW BACK**

**9.1** Malus and claw-back provisions apply to the STI and LTI awarded to Key Managerial Personnel and Senior Management, such that:

9.1.1 all or part of the unpaid STI may be modified or cancelled and all or part of the paid STI may be claimed back; and

9.1.2 all or part of the unvested LTI may be modified or cancelled and all or part of the vested LTI may be claimed back.

**9.2** Malus and claw back provisions may be effected in case of certain material events, including cases of material financial misstatement or gross misconduct on the part of the Key Managerial Personnel or Senior Management member. Clawback may apply for two (2) years after LTI vesting and after bonus is paid.

**PART 5**  
**SERVICE CONTRACTS**

**10 SERVICE CONTRACTS**

- 10.1** Key Managerial Personnel or Senior Management contracts are of an indefinite duration and comply with the laws in the relevant jurisdictions.
- 10.2** Key Managerial Personnel or Senior Management contracts do not contain golden parachute clauses, and none automatically trigger a restraint payment.
- 10.3** Payments in lieu of notice may be made to Key Managerial Personnel or Senior Management comprised of salary for the unexpired portion of the notice period. Such payments may be phased.
- 10.4** On cessation, there is no automatic entitlement to an annual performance-related incentive (STI). The Nomination and Remuneration Committee, however, retains the discretion to award a bonus to a leaver during the fiscal year taking into account the circumstances of their departure.

## **PART 6 REVIEW AND OVERSIGHT**

### **11 BOARD APPROVAL**

The Board has reviewed, approved and adopted this document as the Compensation Policy of PayU Finance.

### **12 PERIODICITY OF REVIEW**

This Compensation Policy will be reviewed by the Board and/ or the Nomination and Remuneration Committee on a periodical basis, as may be deemed appropriate by the Board and/or the Nomination and Remuneration Committee to ensure compliance with modification, amendment or supplementation to Applicable Laws.

### **13 AMENDMENTS**

**13.1** Any amendments to this Compensation Policy will be reviewed and approved by the Board and/or the Nomination and Remuneration Committee, as appropriate.

**13.2** Provisions of this Compensation Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time. In case any provisions of this Compensation Policy are inconsistent with Applicable Laws (including any subsequent amendment(s), clarification(s), circular(s), etc.) then such provisions of Applicable Laws shall prevail over the provisions hereunder and this Compensation Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

### **14 PUBLICATION**

This Compensation Policy shall be made available on the website of PayU Finance and the salient features of this Compensation Policy and changes therein, along with the web address (if any) shall be disclosed in the Board's report.<sup>4</sup>

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<sup>4</sup> Proviso to Section 178(4) of the Companies Act.