



APAC FINANCIAL SERVICES PRIVATE LIMITED
(“APAC” or ‘the Company’)

Compensation Policy

Review Calendar:

Scheduled Board review in May of each year, unless in the opinion of the Managing Director or Policy Owner a review of the policy is needed sooner.

Approval Date: January 23, 2026

Owner: Chief People Officer

Owner:			
Name	Designation	Date	Signature
Sanjay Sharma	Chief People Officer		

Reviewer:			
Name	Designation	Date	Signature
K Selvaraj	Chief Compliance Officer and General Counsel		

Approved by the Board of Directors on _____

Name	Designation	Date	Signature
Gunit Chadha	Managing Director		

I. Objective

The Compensation Policy of APAC Financial Services Private Limited ('APAC' or the 'Company') should be both internally equitable and externally competitive, and it must always adhere to the rules established by the Reserve Bank of India (RBI). Remuneration levels should enable us to attract and retain the best talent for achieving the business plans of the Company.

II. Compensation Philosophy

Organizations use a variety of human resource strategies, including compensation, to pay and motivate their personnel. The corporate goal of APAC is to become a highly respected and admired company that meets the needs of underserved MSMEs. To nurture people, help them grow, and create a passionate and loyal talent pool, the Company should constantly promote a positive, dynamic, and performance-driven work culture. The compensation policy must be in line with business strategy, market dynamics, and internal characteristics, and must align pay with performance by linking a significant portion of compensation to annual and multiyear organizational outcomes, especially for KMP and Senior Management. This is to enable the Company to attract, retain, reward, and motivate talented individuals for achieving strategic goals and long-term success. To promote the creation of long-term sustainable value, the remuneration system should also align with the management and shareholder interests. The ultimate goal should be to offer a just and transparent system that aids in attracting and retaining the talent pool necessary to increase competitive advantage and brand value.

III. Scope

The Compensation Policy provides the remuneration guidelines for the following employees:

1. Directors
2. Key Management Personnel (KMP)
3. Senior Management (SM)

IV. Nomination and Remuneration Committee

The Nomination and Remuneration ("NRC") committee will be overseeing and governing the compensation practices of the organization. Further, the NRC and Risk Management Committee (RMC) will work in close coordination to achieve effective alignment between compensation and risks.

V. Compensation of KMP and Senior Management

The selection for the position of KMP and Senior Management shall be formalized by the NRC as per the requirements of the position in the Company.

The remuneration of the KMPs and Senior Management including the fixed and variable pay, ESOPs, and other benefits shall be fixed by the NRC.

VI. Components of Compensation

The total compensation shall be a mix of Fixed & Variable Pay.

VII. Fixed Pay

The Fixed Pay of the Company would typically consist of elements like Base Salary, Allowances, Perquisites, Insurance, Benefits, and Retirement benefits. Keeping in mind the Company's belief in providing post-retirement benefits as well as meeting its statutory obligations as an employer, APAC will provide the following benefits

- a. Provident Fund
- b. ESIC
- c. Gratuity

The above shall be maintained and managed as per the prevailing statutory rules governing them.

VIII. Variable Pay

Variable Pay shall consist of cash and / or share-linked instruments. The split of fixed and variable pay will depend on the roles, responsibilities and performance of the employees. These will be decided by the Chief People Officer (CPO) and the MD / Founder for all the roles except roles and functions defined in section III above.

Employee Stock Option ("ESOP") provide the balance in being dependent on the longer-term outcomes of the Company. ESOPs are given depending on seniority, performance, functional criticality, and joining benefits.

The NRC will determine and approve ESOP grants to employees based on the recommendations of the MD and CPO, taking into account the performance of the company, the function, and the individual employee. The board-approved ESOP Plan 2018 and ESOP Plan 2024 govern all ESOP-related matters including the number of ESOPs and principle governing, grant prices, clawbacks, vesting schedules, exercise period, etc. Non-cash components of the variable pay (ESOPs) is automatically deferred as vesting is a minimum of one year from grant date.

The cash part of variable pay may be paid after the completion of performance appraisal process for all employees, and for joining employees or as a retention tool where applicable.

For employees in business teams, a substantial portion of compensation will be variable and paid based on individual, business unit, and organization performance. This will be in line with the principle that, at higher levels of responsibility, the proportion of variable pay may be higher. This split will be determined by the CPO and the MD / Founder for all the roles except roles defined in section III. Incentives for the sales and collections teams as well as annual performance bonuses for all eligible employees are cash-based components. Sales and collection incentives are essentially a form of short-term performance-linked bonus.

Directors, KMPs and Senior Management engaged in financial control, risk management, compliance, and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company.

Accordingly, such personnel may have a higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising malus and/or clawback, when warranted, is not rendered pointless.

IX. Treatment of variable pay in different scenarios:**a. Death, Disability (due to which employee cannot continue in service)**

In case of death & disability, the acceleration of the ESOPs shall be as defined in the ESOP - 2018 and ESOP - 2024.

b. Resignation / Termination

The deferred variable pay in cash, if any shall lapse on the date of resignation from the Company. The ESOPs shall be governed as per the ESOP - 2018 and ESOP - 2024.

c. Minimum Service Period for being eligible for Variable Pay

The employee should be in the service of the Company for a minimum of 6 months in the Financial Year for which variable pay is being considered. In the case of new joiners or retention, some may be granted cash bonus, upfront or deferred and ESOPs. The CPO and the MD / Founder's approval is required for any deviations to the above norm with the NRC approval needed for ESOP grant.

X. Definition of KMP and Senior Management KMP

Key Management Personnel for the Company are:

1. MD / Promoter
2. Executive Director
3. Company Secretary
4. Compliance officer
5. Chief Financial Officer

XI. Senior Management

Senior Management are personnel of the Company who are members of its core management team, excluding the Board of Directors and comprising all members of management one level below the Managing Director or part of the Management Committee (MANCOM).

XII. Linking Risk Parameters with Performance Measurement:

- The NRC shall ensure that the performance measurement criteria for KMP and Senior Management include risk-related parameters, as applicable.
- The variable component of compensation for KMP and Senior Management shall be linked to the achievement of risk management objectives and targets / KRAs.

The NRC shall regularly review the alignment of the performance measurement criteria and the compensation structure with the risk management objectives of the Company.

XIII. Guaranteed Bonus

A guaranteed bonus may not be paid to KMPs and Senior Management. However, in the context of new hires joining a sign-on / joining bonus may be considered. Such a bonus will neither be considered part of fixed pay nor variable pay.

XIV. Malus / Clawback

At APAC, the Compensation Policy is anchored in the foundational principles of Growth, Quality, and Profitability (G.Q.P). We believe that sustainable business performance is achieved through a balanced approach of expansion and prudent risk management. Our commitment to these principles ensures that we not only grow our branch network and assets under management (AUM) but also continuously improve key financial parameters. Central to our strategy is maintaining a pristine portfolio quality and ensuring consistent profitability. To support these goals, APAC has implemented a robust performance management system, along with strict adherence to non-solicitation and non-compete clauses within our HR policies. These measures are designed to foster a high-performance culture, safeguard our competitive advantage, and drive long-term value for our stakeholders.

Malus & Clawback provisions on Cash-based bonus and Share-based long-term incentives (ESOPs) may be applicable in case of trigger in certain situations as given below.

- a. Subdued or Negative Financial Performance
- b. Misconduct
- c. fraud or material non-compliance with regulatory requirement

The provision of a Malus arrangement may entail cancellation of payout for the deferred portion of reward (variable pay/cash bonus/long-term incentive (ESOPs))

XV. Clawback Arrangement

The provision of the Clawback arrangement may entail the return of payout of reward (variable pay /cash bonus/LTI) made in the previous year(s) as determined by the NRC.

The Nomination and Remuneration Committee shall review the act of misconduct/incident to ascertain the degree of accountability before applying the Malus or Clawback arrangement.

XVI. Compensation of employees other than Mancom and KMP

In the case of other employees of the Company, the Board/NRC shall delegate hiring and compensation to the Chief People Officer.

XVII. Reporting & Disclosures

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