



**ADITYA BIRLA LIFESTYLE BRANDS LIMITED**

**EXECUTIVE REMUNERATION PHILOSOPHY/ POLICY**

Version

Adopted on : May 23, 2025

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## **ADITYA BIRLA LIFESTYLE BRANDS LIMITED**

Aditya Birla Lifestyle Brands Limited ("the Company"), an Aditya Birla Group Company has adopted this Executive Remuneration Philosophy/ Policy as applicable across Group Companies. This philosophy/ policy is detailed below.

### **ADITYA BIRLA GROUP: EXECUTIVE REMUNERATION PHILOSOPHY/ POLICY**

At the Aditya Birla Group, we expect our executive team to foster a culture of growth and entrepreneurial risk-taking. Our Executive Remuneration Philosophy/Policy supports the design of programmes that align executive rewards - including incentive programmes, retirement benefit programmes, promotion and advancement opportunities - with the long-term success of our stakeholders.

#### **Our Business and Organisational Model**

Our Group is a conglomerate and organised in a manner such that there is sharing of resources and infrastructure. This results in uniformity of business processes and systems thereby promoting synergies and exemplary customer experiences.

#### **I. Objectives of the Executive Remuneration Programme:**

Our executive remuneration programme is designed to attract, retain, and reward talented executives, who will contribute to our long-term success, and thereby build value for our shareholders.

Our executive remuneration programme is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a holistic basis; and
2. Emphasise "Pay for Performance" by aligning incentives with business strategies to reward executives, who achieve or exceed Group business and individual goals.

#### **II. Executives**

Our Executive Remuneration Philosophy/Policy applies to the following:

1. Directors of the Company;
2. Key Managerial Personnel: Chief Executive Officer and equivalent (e.g., Deputy Managing Director), Chief Financial Officer and Company Secretary; and
3. Senior Management.

#### **III. Business and Talent Competitors**

We benchmark our executive pay practices and levels against peer companies in similar industries, geographies and of similar size. In addition, we look at secondary reference (internal and external) benchmarks in order to ensure that the pay policies and levels across the Group are broadly equitable and support the Group's global mobility objectives for executive talent. Secondary reference points bring to the table, the executive pay practices and pay levels in other markets and industries, to appreciate the differences in levels and medium of pay, and build in as appropriate for decision-making.

#### **IV. Executive Pay Positioning**

We aim to provide competitive remuneration opportunities to our executives by positioning target total remuneration (including perks and benefits, annual incentive pay-outs, long-term incentive pay outs at target performance) and target the total cash compensation (including annual incentive payouts) at target performance directionally between median and top quartile of the primary talent market. We recognise the size and scope of the role and the market standing, skills and experience of incumbents while positioning our executives.

We use secondary market data only as a reference point for determining the types and amount of remuneration while principally believing that the target total remuneration packages should reflect the typical cost of comparable executive talent available in the sector.

#### **V. Executive Pay-Mix**

Our executive pay-mix aims to strike the appropriate balance between key components: (i) Fixed Cash compensation (Basic Salary + Allowances); (ii) Annual Incentive Plan; (iii) Long-Term Incentives; and (iv) Perks and Benefits.

Annual Incentive Plan:

We tie annual incentive plan pay-outs of our executives to the relevant financial and operational metrics achievement, ESG performance and their individual performance. We annually align the financial and operational metrics with priorities/ focus areas for the business.

Long-Term Incentives:

Our long-term incentive plans incentivise stretch performance, link executive remuneration to sustained long-term growth and act as a retention and reward tool.

We use stock options as the primary long-term incentive vehicles for our executives as we believe that they best align executive incentives with stockholder interests.

We grant performance stock units as a secondary long-term incentive vehicle, to motivate and retain our executives.

#### **VII. Performance Goal Setting**

We aim to ensure that, for both annual incentive plans and long-term incentive plans, the target performance goals shall be achievable and realistic.

Threshold performance (the point at which incentive plans are paid out at their minimum, but nonzero, level) shall reflect a base-line level of performance, reflecting an estimated 90% probability of achievement.

Target performance is the expected level of performance at the beginning of the performance cycle, taking into account all known relevant facts likely to impact measured performance.

Maximum performance (the point at which the maximum plan pay-out is made) shall be based on an exceptional level of achievement, reflecting no more than an estimated 10% probability of achievement.

## **VII. Executive Benefits and Perquisites**

Our executives are eligible to participate in our broad-based retirement, health and welfare, and other employee benefits plans. In addition to these broad-based plans, they are eligible for perquisites and benefits plans commensurate with their roles. These benefits are designed to encourage long-term careers with the Group.

### **Other Remuneration Elements:**

Each of our executives is subject to an employment agreement. Each such agreement generally provides for a total remuneration package for our executives, including continuity of service across the Group Companies.

We limit other remuneration elements, for example, Change in Control (CIC) agreements, severance agreements, to instances of compelling business need or competitive rationale, and generally do not provide for any tax gross-ups for our executives.

### **Risk and Compliance:**

We aim to ensure that the Group's remuneration programmes do not encourage excessive risk taking. We review our remuneration programmes for factors, such as remuneration mix overly weighted towards annual incentives, uncapped pay-outs, unreasonable goals or thresholds, steep pay-out cliffs at certain performance levels that may encourage short-term decisions to meet payout thresholds.

### **Clawback Clause:**

In an incident of restatement of financial statements, due to fraud or non-compliance with any requirement of the Companies Act, 2013, and the rules made thereafter, we shall recover from our executives, the remuneration received in excess, of what would be payable to him/her as per restatement of financial statements, pertaining to the relevant performance year.

### **Implementation:**

The Group and Business Centre of Expertise teams will assist the Nomination and Remuneration Committee in adopting, interpreting and implementing the Executive Remuneration Philosophy/Policy. These services will be established through "arm's-length", agreements entered into as needs arise in the normal course of business.