

Policy for alignment of interest for Key Employees

Contents

Purpose.....	2
Scope.....	2
Variable Remuneration Strategy for Key Employees:.....	2
Bonus Withholding and Lock-In Provision:.....	2
Payment in CIS Units:	2
Rules, Mechanism, and Management of Withheld Amount:.....	3
Disclosure and Announcement:.....	3
Review and Modification:.....	4
Applicability:.....	4

Purpose

The aim of this framework is to create a fair and transparent compensation policy that reflects the risks and responsibilities associated with financial intermediation. By implementing this policy, we seek to enhance the accountability of senior management in terms of governance, performance evaluation, and compensation distribution. The primary objective of this Policy is to establish a well-structured compensation system that emphasizes accountability and promotes sustainable growth.

This Policy delineates a compensation framework designed to align the interests of key employees, as defined in the revised Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("NBFC Regulations"), with **786 Smart Fund**, and the unit holders of Collective Investment Schemes managed by the AMC. It aims to foster enduring prosperity, principled performance, and ethical practices.

Furthermore, this Policy will adhere to all applicable laws, regulations, and corporate governance best practices.

Scope

The following employees, defined as Key Employees in NBFC Regulations, are subject to the provisions of this Policy:

- Chief Executive Officer
- Chief Investment Officer
- Head of Investment Committee

Variable Remuneration Strategy for Key Employees:

Bonus Withholding and Lock-In Provision:

1. As per this Policy, a portion of the bonus will be subjected to a withholding and lock-in provision.
2. The Company will retain the Withheld Bonus in the form of units of Mutual Fund schemes for a period of one year from the date of disbursement.
3. Key employees will not have access to the Withheld Bonus during the lock-in period.

Payment in CIS Units:

- Upon the end of the one-year lock-in period, the disbursement of the Withheld Bonus will take the form of Collective Investment Scheme (CIS) Units managed by the Company. The allocation of these CIS Units will be determined based on the fair market value of the Withheld Bonus at the time of release.
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- Eligible employees are granted the option to redeem their allocated units solely upon reaching the superannuation age in the event that such a milestone is achieved before the lock-in period's expiration.
- It's crucial to note that any instance of dismissal from service due to activities like fraud, theft, misappropriation, mis-selling, deceptive conduct, or a breach of the code of conduct will lead to the forfeiture of the Withheld Bonus. The process for identifying and addressing such misconduct will strictly adhere to the company's disciplinary action policy and code of conduct, with a focus on implementing measures to mitigate moral hazards as per company policy.
- The release of the Withheld Bonus in the form of CIS Units after the one-year lock-in period is contingent upon staff members not being implicated in any fraudulent activities, theft, misappropriation, mis-selling, deceptive conduct, or code of conduct violations if they decide to resign during this period.
- The performance assessment of key employees will be conducted in accordance with the Company's established performance evaluation criteria.
- The procedures governing performance bonus units, including aspects such as key employee resignations, tax-related matters, dividend distribution, and more, will be meticulously outlined in accordance with the company's standard operating procedures.

Rules, Mechanism, and Management of Withheld Amount:

- The amount withheld as part of the deferred payment arrangement will be invested in the form of CIS Units, providing Key employees with access to monitor the units and their corresponding value.
- The deferred benefit will be invested in our Money Market Fund. A dedicated folio will be established for each individual covered under this policy, and the company will create a lien accordingly.
- The management and supervision of this policy will fall under the purview of the Compliance Department, with support from the HR department.

Disclosure and Announcement:

The Company will include a disclosure of the bonuses paid to Key Employees in the form of units for each scheme in aggregate, along with the scheme returns, in the respective annual accounts.

Management will arrange a training session for all Key Employees to enhance their understanding of this Policy and their roles in compliance. Key Employees will receive clear communication about the provisions of this Policy upon becoming eligible for bonuses.

As part of their orientation process, all new Key Employees will undergo training on this Policy.

An audit trail and record-keeping system will be maintained to verify compliance with applicable requirements.

786 Smart Fund will publish the formulated policy, along with a summary of any exemptions to the policy, on its website and in the annual report.

Review and Modification:

The Compensation Committee of the Board of Directors will be responsible for supervising the implementation of this Policy. Periodically, the Committee will conduct reviews and, if deemed necessary, make adjustments to the Policy to maintain its effectiveness and alignment with the Company's objectives.

Applicability:

The provisions outlined in this Policy shall be applicable from September 27, 2023, onward and will extend into the financial year 2023-24

