

CEO Compensation Approach

Our CEO compensation and performance approach is designed to reward the CEO for delivering the results that matter to the company and its shareholders. It is rigorously evaluated through a set of Key Result Areas (KRAs) that encompass both quantitative and qualitative measurements. These KRAs provide a comprehensive assessment of a CEO's impact on the organization's success.

Key Result Areas

The CEO's performance is evaluated against five key areas: profitability, working capital, digital transformation, climate-related measures, and other KRAs that are specific to the company's unique needs and priorities.

Profitability

Profitability takes center stage in evaluating a CEO's performance. The consistent delivery and improvement of profitability not only reflect a CEO's financial expertise but also their effectiveness in steering sustainable growth, resource allocation, and risk management. It is closely aligned with our mission of creating a viable, investor-confident organization and facilitating strategic investments. This paramount KRA is weighted at 50%, ensuring that the CEO's financial objectives align with the organization's long-term mission and vision.

Working Capital:

Efficient management of working capital is vital for our organization's financial health. The CEO is evaluated on their capacity to optimize working capital, which in turn contributes to our financial stability and resilience. Efficient management of working capital is paramount for ensuring the availability of necessary funds for day-to-day operations, enhancing liquidity and minimizing financial risk. This KRA is a testament to the CEO's strategic acumen, resource allocation skills, and their role in safeguarding the organization's financial stability, enabling it to thrive and adapt in an ever-evolving business landscape. A weightage of 15% is allocated to this KRA.

Digital Transformation:

Digital transformation has emerged as a vital Key Result Area (KRA) for CEOs in today's fast-evolving business landscape. The successful implementation of digital initiatives is not only essential for maintaining competitiveness but also for driving growth and innovation. CEOs play a pivotal role in spearheading this transformation, aligning the organization's strategies with technological advancements, fostering a culture of agility and innovation, and ensuring the effective adoption of digital tools and practices. Their leadership in digital transformation reflects their vision for the future, their ability to navigate disruptive technologies, and their commitment to meeting the evolving needs of customers and stakeholders. With a 15% weightage this KRA recognizes the CEO's capacity to embrace change and position the organization for long-term success in a digital-first world.

Climate-Related Measures:

At Arvind, 'Fundamentally Right' has always been our credo, this reflects in our CEO's performance as it is closely tied to our climate initiatives. This KRA majorly covers areas such as Emission Reduction, Energy Reduction, Efficiency, Sustainable Purchasing, Supply Chain Engagement, Freshwater Reduction and any other areas which align with our ESG related goals. The success of efforts taken in these area influences the CEO's evaluation of performance.

As per our materiality assessment, we have identified multiple material issues and have identified long term targets to be achieved in short term, mid-term and long-term timeframe. The targets for top three material issues which are Fibre, Water and Energy are assigned a higher weightage in comparison to the other material issues. They collectively define the performance of Climate-Related Incentives.

The 10% weightage assigned to climate-related incentives is a reflection of our organization's unwavering focus on sustainability. This is a pivotal KRA, and the CEO's performance in this area has a significant impact

on their overall evaluation. By emphasizing climate incentives, we underline the importance of aligning our business strategies with our ESG goals.

Other KRAs

Recognizing that businesses vary in their journeys and priorities, we assign KRAs based on unique organizational needs. These could relate to business expansion, new product launches, or other specific objectives that differ from CEO to CEO. A 10% weightage has been allocated to this KRA.

The culmination of these KRAs determine the CEO's variable compensation, reflecting our commitment to responsible leadership and ensuring that our executive leadership aligns with our strategic priorities.

Payout

The variable compensation framework at Arvind operates on a quarterly basis, aligning with KRA assessments and being released quarterly based on performance, reinforcing the significance of these KRAs in our organization's growth and success. The CEO's short-term bonus is paid out in full in cash, on a quarterly basis, based on their performance against the KRAs.