

REMUNERATION POLICY

(A) Preamble :

IL&FS Financial Services Limited (IFIN) is an independent professional institution with its own cadre of personnel and distinctive business practices. IFIN specializes in infrastructure financing transactions, with a combination of Investment Banking skill sets comprising of Debt Syndication, Corporate advisory and lending capabilities

- (1) Since the businesses of the Company are people centric, Human Resource Development (HRD) assumes great significance in facilitating the organization to meet this objective. The HRD strategy is to :
 - (a) Attract and retain competent resources
 - (b) Provide competitive performance based compensation and benefits
 - (c) Facilitate and provide growth opportunities within the Group by encouraging movement of personnel across geographies
 - (d) Ensure clear communication of vision and business plans

(B) Managerial Remuneration:

(I) Compensation Forums:

(1) Nomination and Remuneration Committee :

Remuneration Committee was constituted on October 26, 2006 for determining the Company's policy on compensation for employees of the Company, reviewing the performance of the employees, approving the annual remuneration and performance related pay to Whole-time Directors and the employees of the Company.

In accordance with the provisions of the Companies Act, 2013 the nomenclature of the Committee was changed to Nomination & Remuneration Committee on May 8, 2014. At present Mr Surinder Singh Kohli, an Independent Director chairs the Committee

(II) Statutory Provisions:

Pursuant to the notification of the Companies Act 2013, effective April 01, 2014, the following provisions thereof have been considered while formulating the Remuneration Policy at IFIN:

- (1) Remuneration for Whole-time, Non-Executive Directors, Key Management Personnel and Senior Management
- (2) Role of the Nomination and Remuneration Committee
- (3) Disclosures in the Directors' Report

(III) Objective:

- (1) The key objective of the Managerial Remuneration Policy is to enable a framework that allows competitive and fair rewards for the achievement of key deliverables
- (2) While deciding remuneration for the Whole-time Directors various factors such as the market scenario, business performance of IFIN and the remuneration practices in the Financial Sector are considered
- (3) The composition of remuneration of the Company consists of fixed and incentive pay to meet performance benchmarks in alignment with the Company's objectives and goals

(IV) Remuneration Pattern:

- (1) **Structure** : A summary of the current structure set for the Whole-time Directors is as mentioned below :

Components	Criteria	Description
Base Salary	<ul style="list-style-type: none"> • Reflects the Directors' experience, and criticality of the roles and responsibilities 	<ul style="list-style-type: none"> • Consolidated Salary fixed for each financial year within the scale approved by the shareholders • This component is also used for paying retiral benefits • Paid on a monthly basis
Incentives	<ul style="list-style-type: none"> • Based totally on the performance of the Director • Drive and reward delivery of sustained long-term performance 	<ul style="list-style-type: none"> • Variable component of the remuneration package • Paid on an annually basis • Variable long-term remuneration component, paid in shares
Retiral Benefits	Provide for sustained contribution	Accrues depending on length of service in accordance with the applicable laws and Company's Policy

- (2) **Perquisites and benefits:** All other benefits including perquisites are as per the rules of the Company

(V) **Key Managerial Personnel:**

The Key Managerial Personnel (KMP) in the Company are the Executive / Whole-time Directors, Chief Financial Officer and Company Secretary

(1) The KMPs have operational responsibilities in addition to the responsibilities specified by the Companies Act, 2013

(2) The remuneration package of the KMP comprises of :

(a) **Fixed Remuneration** :

This includes a Monthly Salary such as Consolidated Pay, and other Allowances as per Rules of the Company

(b) **Incentives:**

It is based on the Company's and individual's performance

(c) **Retirals:**

This includes Provident Fund, Gratuity and Superannuation payable as per the rules of the Company

(VI) **Senior Management:**

(1) 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

(2) The senior management have functional and operational responsibilities

(3) The remuneration package of the Senior Management comprises of:

(a) **Fixed Remuneration** :

This includes a Monthly Salary such as Consolidated Pay and other Allowances as per Rules of the Company

(b) **Incentives:**

It is based on the Company's and individual's performance

(c) **Retirals:**

This includes Provident Fund, Gratuity and Superannuation payable as per the rules of the Company

(VII) Non-Executive Directors/ Independent Directors:

The Non-Executive Directors are paid remuneration by way of sitting fees for attending the Board / Board Committee/s Meetings in accordance with the Companies Act, 2013 and also by way of a Commission. The payment of commission would be recommended by Nomination & Remuneration Committee and the Board of Directors. The commission would be distributed in consideration of the roles and responsibilities of the Directors.

(VIII) Remuneration Mix:

The total remuneration package of Directors and KMPs is designed to provide an appropriate balance between fixed and variable components with focus on Performance Related Pay so that outstanding performance is incentivized accordingly.

(IX) Disclosures:

In accordance with the provisions of Companies Act 2013, details of the managerial remuneration would be disclosed in the Directors' Report to the Shareholders.

(C) Selection Criteria for appointment of Directors:

Pursuant to the provisions of the Companies Act, 2013, the Company is required to formulate the Selection Criteria for appointment of a Director. Accordingly, the following are indicative selection criteria which may be considered while appointing a Director:

(I) Experience / Know how :

The candidate must meet at least two of the below mentioned four criteria:

- (1) CEO in a related organisation
- (2) Served on other Companies' Boards
- (3) Business Head for atleast 5 years
- (4) An independent expert in industry related field

(II) Behavioural Competencies:

- (1) Results and Achievement Oriented
- (2) Strategy Oriented
- (3) Ability to Influence and Inspire
- (4) Effective Decision Maker
- (5) Integrity (“Fit & Proper”)

(D) Review and Modification:

Effectiveness of the Managerial Remuneration Policy is ensured through periodic review. The Board of Directors of the Company may amend or modify this Policy in whole or in part at any time as may be deemed appropriate
