

Managerial Remuneration Policy

I Preamble :

- (1) IL&FS Investment Managers Limited (IIML) is a professional institution with its own cadre of personnel and distinctive business practices. It has its functional expertise in areas of fund management and advisory services. IIML endeavours to follow best practices
- (2) Since our business is people centric, Human Resource Development (HRD) assumes great significance in facilitating the organisation to meet this objective. The HRD strategy is to :
 - (a) Attract and retain competent resources
 - (b) Provide competitive performance based compensation and benefits
 - (c) Inculcate a common culture at the Group level which brings consistency and transparency in our approach
 - (d) Ensure clear communication of vision and business plans
- (3) Effective Date : This policy shall be effective from the Financial Year 2014-15 onwards

II Compensation Forums :

- (1) Nomination Committee & Remuneration Committee :
 - (a) The Committee was constituted in September, 1998 for recruitment of key management employees, to determine the criteria and quantum of compensation for Whole-time Directors and Key management employees and to determine the annual increments and performance related pay of the employees and for administration of the various Employee Stock Option Plans of the Company
 - (b) The terms of reference of Nomination and Remuneration Committee (NRC) shall be governed by provisions of the Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“LODR”), and any amendment thereunder Presently the terms of reference of NRC includes the following :

- (i) The Committee shall identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance
- (ii) Formulation of the Policy/criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to, the remuneration of the directors, key managerial personnel and other employees
- (iii) For every appointment of an independent director, the NRC Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the NRC may :
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates
- (iv) The NRC shall, while formulating the policy/criteria shall ensure that
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals

- (v) Formulation of criteria for evaluation of performance of Independent Directors and the Board
- (vi) Devise a policy on Board Diversity
- (vii) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal
- (viii) Approve criteria and quantum of compensation for Whole-time Directors
- (ix) Recruitment of key management employees and their compensation
- (x) Determination of the annual increments and performance related pay of the employees
- (xi) Administration of the various Employee Stock Option Plans of the Company
- (xii) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors
- (xiii) To recommend to the Board, all remuneration, in whatever form, payable to senior management
- (xiv) Such other matters as the Board may from time to time request the Committee to examine, recommend and approve

III Statutory Provisions : Pursuant to the notification of the Companies Act, 2013 the following provisions thereof have been considered while formulating the Remuneration Policy at IIML :

- (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

IV 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 employees including the Whole-time Directors’ various factors such as the market scenario, business performance of IIML and the remuneration practices in the financial sector are considered
- (3) The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate. The Relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration to employees should have a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals

V Remuneration Pattern :

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

| Components | Item | Description | Policy |
|-------------------|---|---|---|
| Base Salary | Reflects the Directors’ experience, criticality of the role with the Group and the risk factor involved | 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 | Normally positioned as the highest as compared to the Group |

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| Incentives | Based totally on the performance of the Director Drive and reward delivery of sustained long-term performance | Variable component of the remuneration package Paid on an annually basis Variable long-term remuneration component, paid in shares in the form of ESOPs | Determined by the Compensation Committee after year-end based on performance against the pre-determined financial and non-financial metrics Determined by the Compensation Committee and distributed on the basis of time, level and performance |
| Retiral Benefits | Provide for sustained contribution | Accrues depending on length on service. It is percentage of Consolidated Pay | Paid post separation from the Company as per the Rules of the Company and Statutory Provisions |

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

VI Key Management Personnel :

- (1) The Key Management Personnel (KMP) in IIML are the Chief Executive Officer, Chief Financial Officer and the Company Secretary or such other person authorized by Board to act as a Key Managerial Personnel of the Company
- (2) The KMPs have operational responsibilities in addition to the responsibilities specified by the Companies Act, 2013. In view of Company law regulations, the compliance roles of Whole-time Directors and the Key Managerial Personnel far outweigh that of any other level, and consequently the risk parameters associated with these jobs are of a significantly higher level as compared to the junior levels

- (3) The remuneration package of the Key Management comprises of :
- (a) Fixed Remuneration : This includes a Monthly Salary such as Consolidated Pay, Special Allowance and Allowances as per the Rules of the Company
 - (b) Variable Remuneration : This is based on the Company's and the individual's performance
 - (c) Retirals : This includes contribution to the Provident Fund, Gratuity and Superannuation

VII Senior Management :

- (1) The expression “Senior Management” means the officers and personnel of the company who are members of its core management team, excluding the Board of Directors, comprising all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer and Manager, in case they are not part of the board) and shall specifically include the functional head, by whatever name called and the Company Secretary and the Chief Financial Officer
- (2) The Senior Management have operational responsibilities
- (3) The remuneration package of the Senior Management comprises of :
- (a) Fixed Remuneration : This includes a Monthly Salary such as Consolidated Pay, Special Allowance and Allowances as per the Rules of the Company
 - (b) Variable Remuneration : This is based on the Company's and the individual's performance
 - (c) Retirals : This includes contribution to the Provident Fund, Gratuity and Superannuation

VIII Non-Executive Directors :

- (1) Non-Executive Directors are paid Sitting Fees for attending the Board/Board Committee/s Meetings in accordance with the Companies Act, 2013 and Commission based on the profits of the Company. The Commission is distributed to reinforce the principle of collective responsibility of Directors

- (2) The Board is responsible for setting policy in relation to the remuneration of the Non-Executive Directors

IX 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 but without encouraging excessive risk taking

X Succession Planning :

- (1) Succession Plan ensures continuity in operation and services, in the event of exit of key members of the organisation, by supply of suitably qualified and motivated employees who can take up such higher roles and responsibility
- (2) The Company is committed in creating a system of identifying, monitoring, assessing and developing a pipeline of talent. The Company shall continuously engage in the process of developing career path of employees, to recruit and retain top-performing or high talent employees; and gearing them up for the future organisational requirements
- (3) If the Company is unable to fill a key position through internal promotions, the Company shall close the position by recruiting an external candidate whose experience and expertise best matches with its predecessor, in a time bound manner

XI Disclosures : IIML being a listed entity, the Board of Directors would have to disclose the details of the managerial remuneration in the Director's Report to the Shareholders

XII Review and Modification :

- (1) As the Policy is derived from the provisions of LODR read with Companies Act, 2013, provisions of this policy shall stand revised to emulate any amendment to the LODR or the Companies Act, 2013
- (2) The Board of Directors of IIML may also amend or modify this Policy in whole or in part at any time for increasing the effectiveness of the Managerial Remuneration Policy