

Managerial Remuneration Policy

I Preamble :

- (1) IL&FS Technologies Limited (ITL) is a professionally managed Company with its own cadre of personnel and distinctive business practices. It has its functional expertise in areas of Technology, Software, Project Management, E-governance business. ITL adopts international industry best practices and complies with globally accepted project development methodology
- (2) The Company is structured to meet various businesses through subsidiaries, domestic and International and act as a Group
- (3) Since our businesses are 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) Facilitate and provide growth opportunities within the Group by encouraging movement of personnel across businesses/subsidiaries
 - (d) Inculcate a common culture at the Group level(domestic subsidiaries only) which brings consistency and transparency in our approach
 - (e) Ensure clear communication of vision and business plans

(4) Nomination and Remuneration Committee :

The Nomination and Remuneration Committee (NR Committee) would also be mandated to oversee talent management and mobility of all personnel across the ITL Group, above the managerial grade of each Practise/Domestic Subsidiary of the Group, duly recommended by HR council consisting of CEO, CFO and Sr. Vice President- Operations. If the people engaged in a Subsidiary Company, the recommendation of CEO of the said subsidiary may also be considered

(5) **Human Resource Council** :

- The objective of the HR Council is to ensure consistency in HR approach across the Company and its domestic subsidiaries and harmonize HR policies and processes
- With the help of the HR Council, the Group has arrived at a vision statement as under :

‘An inspiring team working as a strategic business partner to align HR practices towards realising the ITL Vision’

(6) **Effective Date:**

This policy shall be effective from **financial year 2015-16**

II **Compensation Forums** :

Nomination and Remuneration Committee : In terms of provisions of Section 178 of the Companies Act, 2013, ITL has constituted Nomination and Remuneration Committee (NRC) consisting of four Directors, of which three are non-executive(two are Independent Directors) and one is Executive (Chairman and Whole-time Director). This Committee is in place of Human Resource Committee constituted earlier. Mr. R. Ganapathi, Independent Director is Chairman of NRC. The terms of reference of NRC are as follows:

- (1) To 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/or removal and shall carry out evaluation of every Director’s/senior managements performance
- (2) To formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Director(s), Key Managerial Personnel and other employees
- (3) To endorse the methodology and distribution of Performance Related Pay to the employees of the Company

- (4) While formulating the policy, NRC needs to ensure that :
- (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Director(s)/ Sr. Management of the quality required to run the Company successfully
 - (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks
 - (c) Remuneration to Director(s), 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

III **Statutory Provisions :**

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

- (a) Remuneration for Whole-time, Non-Executive Directors, Key Management Personnel and Senior Management
- (b) Role of the Nomination and Remuneration Committee
- (c) 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 Whole-time Directors'/ Senior Management various factors such as the market scenario, business performance of ITL and the remuneration practices in the Industry

(3) Rationale for Remuneration Framework :

- (a) Internal Ratios : The Compensation package for Managerial Personnel is revised annually in the form of performance increments, structural improvements and/or Cost of Living Adjustments. This has led to a compressing of the compensation differential between the lowest and highest levels of executive management

- (b) Compliance & Risk Parameters : In view of Company law regulations, the compliance roles of Whole-time Directors and 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 others

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	<ul style="list-style-type: none"> Reflects the Directors' experience, criticality of the role with the Group and the risk factor involved 	<ul style="list-style-type: none"> Consolidated Salary fixed for each financial year This component is also used for paying retiral benefits Paid on a monthly basis 	Normally positioned as the highest as compared to the Group
Short-term incentive	<ul style="list-style-type: none"> Based totally on the performance of the Director 	<ul style="list-style-type: none"> Variable component of the remuneration package Paid on an annually basis 	Determined by the Compensation Committee after year-end based on performance against the pre-determined financial and non-financial metrics
Retiral Benefits	<ul style="list-style-type: none"> Provide for sustained contribution 	<ul style="list-style-type: none"> Accrues depending on length on service. 	Paid post separation from the Company as per the Rules of the Provident Fund and Gratuity Acts and the IL&FS Technologies Superannuation Fund as applicable

- (2) **Base Salary** : The Shareholders of the Company, while approving the appointment of the Whole-time Directors approve the scale within which the salary of the Whole-time Directors could be fixed

- (3) **Perquisites and benefits** : All other benefits are as per the rules of the Company. In addition to the above remuneration, the Whole-time Director are also entitled to perquisites as per the Rules of the Company

- (4) **Short-Term Incentive Plan ('STIP')**:
 - (a) The Company operates variable pay scheme called as "Performance Related Pay" [PRP]. Amendments to the PRP scheme is made to suit the organisation's business and performance

 - (b) In determining the actual PRP payments, the factors which are usually considered are Performance related to the Group's financial KPIs, Operational performance against budget

VI **Key Management Personnel** :

- (1) The Key Management Personnel (KMP) in IL&FS are the Executive Chairman, Chief Executive Officer, Chief Financial Officer and senior Vice President

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

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

- (a) **Fixed Remuneration** : This includes a Monthly Salary such as Basic Pay, House Rent Allowance, Special Allowance, Interest Subsidy on Housing Loans
- (b) **Annual Allowances**: This consists of Leave Travel Allowance and Medical Reimbursement
- (c) **Retirals**: This includes Provident Fund @ 12% of Consolidated Pay, Gratuity @ 8.33% of Consolidated Pay and Superannuation @ 13% of Consolidated Pay

VII **Non-Whole Time Directors** :

Non Whole-Time Directors are paid Sitting Fees for attending the Board / Board Committee/s Meetings in accordance with the Companies Act, 201. The Board is responsible for setting policy in relation to the remuneration of the Non-Whole Time 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 but without encouraging excessive risk taking

XI **Review and Modification** :

Effectiveness of the Managerial Remuneration Policy is ensured through periodical review. The Board of Directors/ NR Committee of ITL may amend or modify this Policy in whole or in part at any time

(4) **Selection Criteria for Directors at IL&FS Technologies Limited**

I **The following Selection Criteria are proposed for hiring of a Member of the Board / Director**

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

- (i) Must have served as a CEO in a related organisation
- (ii) Must have preferably served on other Boards
- (iii) Business Head role for last 5 years with an existing network to tap into
- (iv) Could be an independent specialist
- (v) Must have experience of over 20 years

(II) **Behavioral Competencies:**

- (a) Results and Achievement Orientation
- (b) Strategic Orientation
- (c) Ability to Influence and Inspire
- (d) Effective Decision Making
- (e) Champions Change
- (f) Intra-Group Coordination
- (g) Integrity (“Fit & Proper”)

(5) **Performance Evaluation of the Board of Directors**

I **Objective:**

The objective is to facilitate the individual Directors and the Board as a whole to review the efficacy of the directives with respect to the Group performance. The Board will undertake the following activities annually :

- (1) The Chairperson will meet with each Non-Executive Director separately to discuss individual performance and ideas for improvement
- (2) The Board as a whole will discuss and analyse its own performance during the year including suggestions for improvement

II **Performance Evaluation Areas :**

(1) **Review Strategy and Performance :**

- (a) Review Company Strategy annually
- (b) Following strategy review above, the Board will set the organization performance objectives based on qualitative and quantitative measures
- (c) Review the strategic objectives and ensure that they are in line with the Company's priorities and the changing nature of the Company's business
- (d) Review performance of Executive Director(s) and Sr. Management annually and have it reflect in the remuneration review
- (e) Review performance of Independent Director(s) annually

(2) Performance of the Committees constituted under the Board :

- (a) Review the necessity of establishing any Committees and delegating certain of its responsibilities to the Committee
- (b) Review the Committees achievements during the year based on their duties
- (c) Review the charters of the Committees once a year to ensure that they are up to date

(3) Financial Controls and Reporting :

Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards

(4) Corporate Governance :

Ensure that all the corporate governance policies are drafted and followed in spirit

III Evaluation of Independent Directors :

Schedule IV of the Companies Act, 2013 prescribes the Code for Independent Directors (Code). The Companies are required to formally adopt the Code. Going forward role, responsibilities, appointment and evaluation of the Independent Directors will be governed by the Code

IV Review and Modifications:

Based on the discussion on the foregoing evaluation areas, parameters and regulatory provisions, it is proposed to evolve a suitable matrix for evaluation of Whole Time, Non Whole Time and Independent Directors which will be placed before the Board in its next Meeting

Performance Assessment Process and Parameters

Self-Assessment

Assessment Process

The Director will conduct annual self-assessment and submit the filled assessment form to Board of Directors. The self-assessment shall be conducted on the below mentioned evaluation parameters

Assessment Criteria for Member of Board of Directors

Sr. No.	Evaluation Criteria	Performance Rating 1 – 5 (5 being the highest.)
1	Achievement of business goals under purview	
2	Rating on Behavioural Competencies a. Strategic Orientation b. Effective Decision Making	
3	Quality of financial controls and reporting	
4	Key Talent Management	
5	Contribution in furthering business for other group companies	

Assessment Criteria for Independent Directors

Sr. No.	Evaluation Criteria	Performance Rating 1 – 5 (5 being the highest.)
1	Contribution / Guidance on business strategy	
2	Validating Management performance reported	
3	Upholding of the statutory compliance /corporate governance	
4	Exercising independent Judgement	
5	Ensuring integrity of financial controls / risk management measures	
6	Management of committees (of which he / she is member)	
7	Effective deployment of expertise in furthering business	

Assessment of Committee's performance

Assessment Process

Each Director on the board will conduct annual performance evaluation for various committees by filling up the assessment formally. This assessment will be filed for record and future reference. The performance evaluation parameters are as mentioned below:

Assessment Criteria for Committee

Sr. No.	Evaluation Criteria	Performance Rating 1 – 5 (5 being the highest.)
1	Meetings, attendance	
2	Executing Terms of Reference in an efficient manner	
3	Initiatives	
4	Processes followed	
5	Resolving Audit Queries	

Assessment of Individual Director’s Performance

Assessment Process:

Performance Rating for Independent and Executive Directors is done by peer group resulting in n-1 directors. Each assessment will be formally recorded.

Assessment Criteria for Member of Board of Directors

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1	Achievement of business goals under purview	
2	Rating on Behavioural Competencies a. Strategic Orientation b. Effective Decision Making	
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1	Contribution / Guidance on business strategy	
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3	Upholding of the statutory compliance /corporate governance	
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5	Ensuring integrity of financial controls / risk management measures	
6	Management of committees (of which he / she is member)	
7	Effective deployment of expertise in furthering business	

The Nomination and Remuneration Committee (NRC) has in its meeting held on 02.09.2015 formulated a Nomination and Remuneration Policy in terms of the requirements mentioned under section 178 (3) and (4) of the Companies Act, 2013, to be followed by your company for the FY 15-16 onwards

The aforesaid Policy constitutes the following primary features:-

1. Criteria for determining qualifications, positive attributes and Independence of a Director;
2. Criteria for determining level and composition of remuneration for the Directors, Key Managerial Personnel and other employees, which inter-alia includes the power to review such criteria from time to time to enable the company to attract, retain and motivate the concerned Directors, KMP and other employees;
3. Criteria for identification of Persons who are qualified to become directors and who may be appointed in senior management, which inter-alia includes the right of the NRC to carry out evaluation of every Directors/senior management performance and also recommend their appointment and removal to the Board;

The policy also requires the NRC to ensure to meet the requirements mentioned under section 178 (4) of the Companies Act, 2013

The policy proposed by the Nomination and Remuneration Committee was approved by the Board in its meeting held on September 02, 2015

In terms of the aforesaid Policy the Board shall make annual evaluation of its own performance and that of its Committees. Further it shall also consider the recommendation of Nomination and Remuneration Committee in respect of annual evaluation of every director's performance as per the approved criteria

The paid-up share capital of your company as on March 31, 2015 is below the specified limit of Rs. 25.00 Crores. Further, your company as on date is not a listed company. In view of the foregoing, the Nomination and Remuneration Committee and/or the Board has not carried out evaluation of its own performance or the performance of its Directors for the FY 14-15, as per the requirements mentioned under section 178(2) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014

The annual evaluation of the Board, Committees and Directors for the financial year 2015-16 would be carried by the Board and the annual evaluation report shall be placed before the Board in the upcoming Board Meetings of the Company, but not later than 31.07.2016 along with adoption of accounts

Further the annual evaluation Report for the financial year 2015-16 onwards shall be placed before the Board by the end of July 31 every year, for the relevant preceding financial year along with adoption of accounts each year