

## Managerial Remuneration Policy

### I Preamble :

- (1) IL&FS Transportation Networks Limited (ITNL) is an independent professional institution with its own cadre of personnel and distinctive business practices. It has its functional expertise in areas of engineering, contracting, project development, project management and environment & social management. ITNL adopts international industry best practices and complies with globally accepted project development methodology
- (2) The organization is structured to meet requirements of its business through Project SPVs incorporated to undertake development of various road / allied infrastructure projects
- (3) Since our businesses 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

#### (4) Human Resource Committee:

The Human Resource Committee (HRC) is established to oversee talent management and mobility of all personnel across the Group above the managerial grade

#### (5) Effective Date:

This policy shall be effective from **April 1, 2014**

### II Compensation Forums:

#### (1) Nomination and Remuneration Committee :

Remuneration Committee was constituted on January 6, 2001 for determining the Company's policy on specific remuneration packages including pension rights and other 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 and the revised Listing Agreement of the Stock Exchanges, the nomenclature of the Committee was changed to Nomination & Remuneration Committee on May 13, 2014. At present Mr. Deepak Satwalekar, an Independent Director, chairs the Committee

### III **Statutory Provisions:**

- (1) 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 ITNL :
  - (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' various factors such as the market scenario, business performance of ITNL and the remuneration practices in the Industry Sector
- (3) **Rationale for Remuneration Framework:**
  - (a) **Internal Ratios:** The Compensation package for Managerial Personnel at level/s lower than Whole-time Director is revised annually in the form of performance increments, structural improvements and 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 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

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"> <li>Reflects the Directors' experience, criticality of the role with the Group and the risk factor involved</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Salary fixed for each financial year</li> <li>This component is also used for paying retiral benefits</li> <li>Paid on a monthly basis</li> </ul>	Normally positioned as the highest as compared to the Group
Short-term incentive	<ul style="list-style-type: none"> <li>Based totally on the performance of the Director</li> </ul>	<ul style="list-style-type: none"> <li>Variable component of the remuneration package</li> <li>Paid on an annually basis</li> </ul>	Determined by the Compensation Committee after year-end based on performance against the pre-determined financial and non-financial metrics
Long-term incentive	<ul style="list-style-type: none"> <li>Drive and reward delivery of sustained long-term performance</li> </ul>	<ul style="list-style-type: none"> <li>Variable long-term remuneration component, paid in shares</li> </ul>	Determined by the Compensation Committee and distributed on the basis of time, level and performance
Retiral Benefits	<ul style="list-style-type: none"> <li>Provide for sustained contribution</li> </ul>	<ul style="list-style-type: none"> <li>Accrues depending on length on service. It is 33.33% of Consolidated Pay</li> </ul>	Paid post separation from the Company as per the Rules of the Provident Fund and Gratuity Acts and the ITNL Superannuation Fund

- (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 Directors 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

(5) **Long-Term Incentive Plan ('LTIP'):**

IL&FS EWT (EWT) was set up in August 1990 to provide for the welfare of employees of IL&FS and its Subsidiary/Affiliate Companies. EWT fund is utilized by the Trustees towards employee welfare viz. promoting quality education, critical medical treatment etc

VI **Key Management Personnel:**

(1) The Key Management Personnel (KMP) in ITNL are the Managing Director, Executive Director, Chief Financial Officer and Company Secretary (CS)

(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 Consolidated Pay, Variable House Rent Allowance, Compensatory Allowance, Utility Allowance, Interest Subsidy on Housing Loans
  - (b) **Annual Allowances**: This consists of Leave Travel Allowance, Medical Reimbursement and House Maintenance Allowance
  - (c) **Retirals**: This includes Provident Fund @ 12% of Consolidated Pay, Gratuity @ 8.33% of Consolidated Pay and Superannuation @ 13% of Consolidated Pay

#### VII **Non-Executive 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 is recommended by Nomination & Remuneration Committee each year. The commission is distributed on uniform basis to reinforce the principle of collective responsibility of Directors. However, an additional amount is also paid to the Chairman of the Board and Chairman/Members of the Audit and Remuneration Committees for the responsibility and time spent by them

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

#### IX **Terms of Reference of the Nomination and Remuneration Committee (NRC):**

The terms of the reference of the Nomination and Remuneration Committee will be as follows:

- (1) Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a Policy relating to the remuneration of the directors, key managerial personnel and other employees
- (2) Formulating the criteria for evaluation of Independent Directors and other members of the Board
- (3) Devising a policy on Board Diversity
- (4) Identifying persons who are qualified to become directors and those to be appointed in Senior Management Cadre in accordance with the criteria laid down and recommend to the Board their appointment / removal

X **Disclosures:**

Under the provisions of CA 2013, ITNL 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

XI **Review and Modification:**

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

## Selection Criteria for Directors

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

#### **(1) Experience / Know how :**

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 who can bring a different dimension to the Board due to the area of work or expertise (Legal, Technical, Financial, etc.)
- (v) In case of Independent Directors, apart from the above, should also satisfy the criteria specified in the Code for Independent Directors

#### **(2) Behavioral Competencies:**

- (i) Results and Achievement Orientation
- (ii) Strategic Orientation
- (iii) Ability to Influence and Inspire
- (iv) Effective Decision Making
- (v) Champions Change
- (vi) Intra-Group Coordination
- (vii) Integrity (“Fit & Proper”)

## Performance Evaluation of the Board of Directors

### I Objective:

The objective is to facilitate the individual Directors to help improve Board governance in the Company and enhance personal effectiveness of Directors by - Improving Board Composition and Enhancing Competencies

### II Performance Evaluation Areas:

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

- (a) Review Company Strategy annually and set the organization performance objectives based on qualitative and quantitative measures
- (b) 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
- (c) Review performance of Executive Directors annually and have it reflect in the remuneration review
- (d) Review performance of Independent Directors 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 **Manner of Evaluation of Directors:**

The performance evaluation of:

- (i) Independent Directors shall be done by the entire Board of Directors, excluding the Director being evaluated in terms of the criteria and the Code of Conduct for Independent Directors
- (ii) Non-Independent Directors and the Board as a whole shall be done by the Independent Directors
- (iii) the Chairperson shall be done by the Independent Directors taking into account the views of Executive Directors and Non-Executive Directors
- (iv) 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 foregoing evaluation areas, parameters and regulatory provisions, a draft of the suitable matrix for evaluation of Whole Time, Non Whole Time and Independent Directors is enclosed