

IL&FS ENGINEERING AND CONSTRUCTION COMPANY LIMITED

MANAGERIAL REMUNERATION POLICY

I Preamble :

- (1) IL&FS Engineering and Construction Company Limited (IECCL) is an independent professionally managed Company with its own cadre of personnel and distinctive business practices. It has its functional expertise in areas of Infrastructure Development. IECCL 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:
 - (a) Independent Business Entities that optimally utilise synergies
 - (b) Dedicated Project Development and Sectoral companies
 - (c) Establishment of Technical Support & Service groups
- (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
 - (d) Inculcate a common culture at the Group level which brings consistency and transparency in our approach
 - (e) Ensure clear communication of vision and business plans
- (4) **Effective Date:**

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

II Compensation Forums :

(1) Nomination and Remuneration Committee :

Remuneration Committee was constituted way back in February 2007 to oversee the remuneration of the Whole-time Directors of the Company, determine the quantum and distribution of Performance Related Pay to employees including the Whole-time Directors of the Company.

In accordance with the provisions of the Companies Act, 2013 and revised Listing Agreement of the Stock Exchanges, the nomenclature of the Committee was changed to Nomination and Remuneration Committee. At present Mr Anil Kumar Agarwal, Non-Executive Independent Director, chairs the Committee

(2) Role of the Nomination and Remuneration Committee (NRC) :

Pursuant to the Companies Act, 2013 (CA 2013) and revised clause 49 of the Listing Agreement, the existing Nomination and Remuneration Committees would play a pivotal role in ensuring the governance as follows:

- (i) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of directors a policy relating to for remuneration for the directors, key managerial personnel and other employees;
- (ii) Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- (iii) Devising a policy on diversity of board of directors;
- (iv) Identifying persons who are qualified to become of directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal;
- (v) 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;
- (vi) To formulate detailed terms and conditions of employee stock option scheme which shall include the provisions as specified by SEBI from time to time;

- (vii) Determine the number of stock options to be granted under the Company's Employees Stock Option Schemes and administer any stock option plan.

III **Statutory Provisions :**

- (1) Pursuant to the notification of the Companies Act, 2013 effective April 01, 2014 and the revised clause 49 of the Listing Agreement, the following provisions thereof have been considered while formulating the Managerial Remuneration Policy at IECCL :
- (a) Remuneration for Managing/Whole-time Director, 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 Managing / Whole-time Directors' various factors such as the market scenario, business performance of IECCL and the remuneration practices in construction industry are considered
- (3) **Rationale for Remuneration Framework :**
- (a) **Internal Ratios** : The Compensation package for Managerial Personnel at level/s lower than Managing 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 Managing Director is as mentioned below :

Components	Item	Description	Policy
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 and shall be approved by the shareholders of the Company
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

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

VI **Key Management Personnel :**

- (1) The Key Management Personnel (KMP) in IECCL are the Managing 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, House Rent Allowance etc

- (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 and Gratuity @ 8.33% of Consolidated Pay

VII **Non-Whole Time Directors :**

Non Whole-Time Directors are paid Sitting Fees for attending the Board / Board Committee Meetings in accordance with the Companies Act, 2013. 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

IX **Disclosures:**

The Board of Directors would disclose the details of managerial remuneration in the Directors' Report to the Shareholders.

X **Review and Modification :**

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

Selection Criteria for Directors at IECCL :

The following Selection Criteria 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

(2) **Behavioral Competencies (as per the prevailing Group Competency Framework) :**

- (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”)