

Policy: Selection Criteria for Directors at Energy Group**(I) The following Selection Criteria are proposed for appointing a Member of the Board / Director****(1) Experience / Know how :**

For IEDCL and IEDCL Group Companies (Energy Group) : The candidate must meet at least two of the below mentioned four criteria :

- (a) Must have served as a CEO in a related organisation
- (b) Must have preferably served on other Boards
- (c) Business Head role for last 5 years with an existing network to tap into
- (d) Could be an independent specialist

(2) Behavioral Competencies (as per the prevailing Group Competency Framework) both for IEDCL and Group Companies :

- (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”)

Managerial Remuneration Policy

(I) **Preamble** :

- (1) IL&FS Energy Development Company Limited (IEDCL), a subsidiary of Infrastructure Leasing & Financial Services Limited, is engaged in the power sector as a sponsor, developer and advisor. The power projects developed by IEDCL are diverse in geographic location, fuel type, fuel source and off-take, and each project is planned to be strategically located near an available fuel supply or load centre

- (2) IEDCL has its functional expertise in power sector areas with special focus on finance, policy, regulation, risk management, contracting, environment & social management and project management

- (3) The organisation 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

- (4) 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 IEDCL level (consistent with IL&FS group level) which brings consistency and transparency in our approach
 - (e) Ensure clear communication of vision and business plans

(II) Compensation Forums :

Nomination and Remuneration Committee : In terms of provisions of Section 178 of the Companies Act, 2013, IEDCL has constituted Nomination and Remuneration Committee (NRC) consisting of four Non-Executive Directors of which two are Independent Directors. This Committee is in place of Compensation Committee constituted earlier. The NRC has been mandated to shall deal with the matters as are prescribed under the Companies Act, 2013 and review and approve Human Resources, personnel related policies/matters of the Company as well as other matters as may be requested by the Board of Directors of the Company from time to time. This, inter-alia, includes following:

- (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 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 Directors, 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 Directors 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 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

(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 IEDCL:

- (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 Whole-time Directors' various factors such as the market scenario, business performance of IEDCL and the remuneration practices in power sector are considered
- (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"> • Reflects the Directors' experience, criticality of the role with the Group and the 	<ul style="list-style-type: none"> • Consolidated Salary fixed for each financial year • This 	Normally positioned as the highest as compared to the Group

Components	Item	Description	Policy
	risk factor involved	component is also used for paying retiral benefits <ul style="list-style-type: none"> • Paid on a monthly basis 	
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
Long-term incentive	<ul style="list-style-type: none"> • Drive and reward delivery of sustained long-term performance 	<ul style="list-style-type: none"> • Variable long-term remuneration component, paid in shares 	Determined by the Compensation Committee and distributed on the basis of time, level and performance
Retiral Benefits	<ul style="list-style-type: none"> • Provide for sustained contribution 	<ul style="list-style-type: none"> • Accrues depending on length on service. It is 33.33% of Consolidated Pay 	Paid post separation from the Company as per the Rules of the Provident Fund and Gratuity Acts and the IL&FS 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 IEDCL are the Managing Director, Chief Financial Officer - Energy Vertical, Chief Financial Officer - IEDCL 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-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, 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:

Under the provisions of Companies Act, 2013, the Board of Directors would have to disclose the details of the managerial remuneration in the Director's Report to the Shareholders

(X) Review and Modification :

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