

IL&FS Tamil Nadu Power Company Limited

Managerial Remuneration Policy

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I. Preamble:

The remuneration policy provides a framework for remuneration paid to the members of the Board of Directors (“Board”), Key Managerial Personnel (“KMP”) and the Senior Management Personnel (“SMP”) of the Company (collectively referred to as “Executives”). The expression “Senior Management” means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Executive Directors, including the functional heads.

II. Aims & Objectives :

The aims and objectives of this remuneration policy may be summarized as follows:

- (1) The remuneration policy aims to enable the company to attract, retain and motivate highly qualified members for the Board and Executive level.
- (2) The remuneration policy seeks to enable the company to provide a well balanced and performance-related compensation package, taking into account Shareholder’s interests, industry standards and relevant Indian corporate regulations.
- (3) The remuneration policy will ensure that the interests of Board members & Executives are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the company and will be consistent with the "pay-for-performance" principle.
- (4) The remuneration policy will ensure that remuneration to Directors and Executives 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.

Effective Date:

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

III. Compensation Forums:

Nomination & Remuneration Committee:

Nomination & Remuneration Committee was constituted in March 2014 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.

IV. 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 ITPCL :
 - (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

V. 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 ITPCL 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

VI. 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 / PRP	<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 annual 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. It is 20.33% of Consolidated Pay 	Paid post separation from the Company as per the Rules of the Provident Fund and Gratuity Acts

- (2) **Base Salary** : The Shareholders of the Company, while approving the appointment of the Whole-time Directors approve the gross salary of the Whole-time Directors
- (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 Organization’s business and performance
- (b) In determining the actual PRP payments, the factors which are usually considered are Operational performance against budget / target.

VII. Key Management Personnel:

- (1) The Key Management Personnel (KMP) in ITPCL are Chairman, 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, Variable House Rent Allowance, Compensatory Allowance, Utility Allowance, Special allowance and Children Education Allowance
 - (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

VIII. 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.

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

The role of the Nomination and Remuneration Committee (NRC) will inter alia be the following:

- (i) Identifying persons who are qualified to become Directors and who may be appointed in Senior Management
- (ii) Recommending to the Board their appointment and removal
- (iii) Carrying out evaluation of every Director's performance
- (iv) To determine and recommend to the Board the remuneration payable to the Directors
- (v) To review and approve the HR Policies of the Company and to oversee the Human resources strategy

NRC would play a pivotal role in ensuring the governance as follows:

- (1) Identification, appointment of Directors, Key Managerial Personnel and Senior Management
- (2) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend Managerial Remuneration Policy to the Board for remuneration for the directors, key managerial personnel and senior other employees

XI. Disclosures:

Under the provisions of CA 2013, 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 :

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