



## REMUNERATION POLICY

## PREFACE

Section 178 of the Companies Act, 2013 and rules framed thereunder requires every listed company and such class or classes of companies, as may be prescribed to adopt a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other Employees.

IndoStar Capital Finance Limited ("ICF" or "Company"), being a listed company as per the provisions of Companies Act, 2013, proposes to formulate a Remuneration Policy ("Policy") for the same.

## POLICY OBJECTIVE

The purpose is to have a Remuneration Policy that is consistent with and promotes sound and effective risk management, and which is aligned with the Company's strategy, values and goals and the interests of stake holders and investors.

The Nomination and Remuneration Committee has developed this Policy keeping in view the following aspects:

- (a) The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate Directors and Employees of the quality required to run the Company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (c) Maintain appropriate balance between fixed and incentive pay in remuneration to Directors, Key Managerial Personnel and Senior Management reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- (d) Align the growth of the Company and development of Employees and accelerate the performance;
- (e) To motivate and retain the quality Employees; and to attract other highly qualified executives to work in ICF, as and when required;
- (f) To give a rational and fair treatment to Employees;
- (g) To create a transparent system of determining the appropriate level of remuneration throughout all levels of the Company;
- (h) Encourage people to perform to their highest level;
- (i) Allow the Company to compete in each relevant employment market;
- (j) Provide consistency in remuneration throughout the Company;
- (k) Align the performance of the business with the performance of key individuals and teams within the Company.

## DEFINITIONS

- (a) "Act" means the Companies Act, 2013 and the Rules framed thereunder;
- (b) "Board" means Board of Directors of the Company for the time in force;
- (c) "Company" or "ICF" means "IndoStar Capital Finance Limited";
- (d) "Committee" or "NRC" means "Nomination and Remuneration Committee" of the Board of the Company, as may be reconstituted by the Board and as may subsist from time to time;
- (e) "Director" means person appointed as Director on the Board of the Company pursuant to the applicable provision of the Act and includes Independent Directors of the Company;
- (f) "Division" or "Business Unit" or "Department" means every division/ department of the Company, and also includes Division as renamed and new Divisions setup from time to time.
- (g) "Department Head" or "Functional Head" or "Business Head" means Employee of the Company who are designated as such or in charge of one or more Department and person who are designated as Head for the time being, by the Managing Director.
- (h) "Executive Director" means person appointed as Whole-Time Director, Executive Director or Managing Director, and holding office as such pursuant to the applicable provision of the Act.
- (i) "Employees" means and includes person who is confirmed for full time employment of the Company from time to time and are on the payroll of the Company.
- (j) "Key Managerial Personnel" or "KMP" means persons as defined in the Act and as appointed in the employment of the Company.
- (k) "Remuneration Policy" or "this Policy" means this Policy for remuneration of Directors, KMP and Employees of the Company as set out hereby, recommended by the Committee and approved by Board as amended from time to time.
- (l) "Senior Management" means personnel in employment of the Company who are members of core management team excluding Directors comprising all members of management one level below the Executive Directors, including the KMP, Functional Head and Business Heads.

## EFFECTIVE DATE OF THE POLICY

The NRC had approved and recommended this policy for approval of Board in its meeting held on 15 May 2015. Subsequently, the Board approved the policy in its meeting held on 15 May 2015.

The effective date of Policy is 1 April 2015.

## NOMINATION AND REMUNERATION COMMITTEE

The Board has re-constituted the existing Compensation & Nomination Committee and changed its nomenclature to Nomination & Remuneration Committee comprising of 3 (three) Non-Executive Directors and 3 (three) Independent Directors pursuant to the provision of the Act and Prudential Norms prescribed by the Reserve Bank of India for Non-Banking Financial Companies. The Composition of the NRC is as per the requirement of the Act and will be maintained so at any given point of time. The NRC is playing statutory and consultative role in building appropriate remuneration structure in the Company. The recognition and appreciation of experience, expertise, advise, efforts and contribution provided by the Directors, KMP, Senior Management and dedication of Employees is to be considered as the foundation to strategize the remuneration structure. The Committee would also consider that composition of remuneration needs to be reasonable and sufficient to attract, retain and motivate directors and senior management of the quality required to run the Company successfully.

In its consultative role and guiding force, the Committee will provide its recommendations to the Board in respect to matter and tasks as may be assigned by the Board from time to time. The Committee may recommend to the Board as how to effectively structure and facilitate a remuneration strategy, which will meet the needs of the Company.

## MONITORING AND IMPLEMENTATION OF THIS POLICY

The Committee shall for effective implementation and monitoring of this Policy:

- take assistance of Human Resource Department whenever required;
- seek attendance of Department Heads/ Functional Head and obtain relevant data, details and analysis as the Committee may think necessary;
- seek advice of external experts, advisors or consultant(s), if required.

## REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of the Non-Executive Director ("NED") including Non-Executive Independent Director ("NEID") includes remuneration by way of commission and sitting fees within the overall statutory limit as prescribed in the Act and as may be decided by the Board of Directors from time to time.

The distribution of commission to the NEIDs is to be based on their attendance and contribution at the Board and certain Committee Meetings, as well as time spent on operational matters other than at the meetings.

- Sitting fees

The NED's and NEID's will be paid sitting fee for attending meeting of the Board of Directors and for Committee(s) of which he is member, as may be decided by the Board of Directors with the overall limits in the Act.

- Remuneration

The NED may be paid remuneration by way of commission as a percentage of profits on annual basis, pursuant to the applicable provision the Act subject to approval of Members of the Company.

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The distribution of commission amongst the NEDs will be placed before the Board. The commission will be distributed on the basis of their attendance and contribution at the Board and certain Committee Meetings as well as time spent on operational matters of the Company.

On recommendation of the Committee, the Board may consider appropriate additional remuneration to such NED who has devoted considerable time and efforts in relation to business and matters of the Company. Said remuneration would be within overall limit of commission or remuneration to NED and to the extent permitted under the Act. If there will be any proposal from the Board, the Committee may recommend different remuneration / fees for different Directors, keeping in view the requirement of the Company and statutory provisions. However, in no case, the sitting fees paid to NEDs or shall not be less than fees payable to other directors.

- Reimbursement of expenses

The Company also bear / reimburse travelling and other expenses to outstation Directors for attending meetings and expenses in relation to attending to matters or business of the Company.

- In case of no profit or inadequate profit

In case of no profit or inadequate profit in any financial year, the remuneration, if any to be paid to the NEDs will be as per the provision of the Act and rules thereunder.

### REMUNERATION OF EXECUTIVE DIRECTORS

The remuneration of the Executive Directors ("ED") shall include salary, perquisites and allowances (fixed component) and commission and/or performance incentives (variable component). The remuneration to ED will be as recommended by the Nomination & Remuneration Committee to the Board and finally approved by Members of the Company on the recommendation of the Board. The Board proposes to the shareholders the remuneration including appropriate mix of fixed and variable components and other terms for appointment of the ED, considering qualifications, experience, technical skills, requirement of the Company and prevailing market conditions. While determining the remuneration proposal, the Board also considers the recommendation of the NRC.

- Fixed Component

The EDs to be paid remuneration by way of monthly salary / fixed component, as per preapproved terms.

- Variable Component

The ED may also be paid performance incentives and / or remuneration by way of commission as percentage of profit of the Company as per audited financial statement, within range as approved by the Members. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the NRC, subject to overall ceilings and applicable statutory provision stipulated in the Act and other applicable provisions as may be applicable from time to time.

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Amount payable to ED is determined based on appointment terms, performance criteria as the Board may consider appropriate keeping in view the performance of the Company for relevant financial year in terms of the turnover and net profits, cash profit, performance and contribution by particular Executive Director, achievements, critical projects performance, remuneration paid in previous year, industry standard, and other factors as the Board may think appropriate. The Board also considers the recommendation from NRC.

### - Facilities

The Company provides to the Executive Directors all facilities and office support, as may be necessary in relation to execution of his office duties and to attend operation and business commitments of the Company.

Remuneration paid to the Directors shall be disclosed in the Annual Report of the Company.

### - Variable Pay and Increment(s) in Remuneration of Executive Directors

The NRC can consider and approve payment of Variable Pay and Increment in Remuneration of Executive Directors within the overall statutory limit as prescribed in the Act and as may be decided by the Board of Directors from time to time.

### - Remuneration in case of no profit or inadequate profit

In case, there will be no profit or inadequate profit in any financial year, remuneration to ED will be as per the appointment terms determined by the Board, subject to applicable provision of the Act / applicable law.

## REMUNERATION OF SENIOR MANAGEMENT

### - Review of Remuneration of Senior Management/ Variable Pay and increment in Remuneration of Senior Management

Considering the outcome of performance appraisal as per prevailing process and practice of the Company, and market variables / inputs, the Committee will review the remuneration of the Senior Management annually or at such other intervals as appropriate at the time of performance appraisal. The Committee may recommend about increase, restructure and/or other suggestion in respect to variable and increment in remuneration of all or few members of Senior Management as it thinks appropriate considering the following aspects:

- a) Performance of the Company for relevant financial year in terms of turnover, net profit, cash profit vis-à-vis performance of relevant Division / Business Unit of the Company;
- b) Individual rating as per performance appraisal, achievements, challenging initiatives, key role played in achieving the Business Plan of the Company etc;
- c) Critical responsibility handled and successful completion of task assigned by the Board/ Management of the Company;
- d) Qualification, experience, skills and tenure of services in the Company;

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- e) Individual KRA rating and opinion of the Management Committee;
  - f) Skill, nuance, knowledge and practical competency in areas of works or functions where employee is employed in the Company;
  - g) Overall industry standard, future prospect of the Division and the Company and present market scenario of similarly based professionals;
- Variable Pay and Increment(s) in Remuneration of Senior Management

While considering payment of Variable Pay and Increment in Remuneration of the Senior Management, the Committee, inter alia, considers the following focal criteria with appropriate weightage:

- a) Performance of the Company during relevant financial year in terms of turnover and cash profit;
- b) Performance achieved by the Division where the performance is quantifiable and part of profit center. In other cases, overall performance of the Department and quality of information flow;
- c) Individual KRA rating and opinion of Management Committee;
- d) Skill, nuance, knowledge and practical competency in areas of works or functions where employee is employed in the Company;
- e) Prospects of the Division and business plan of the Company in medium to long run objectives.

REMUNERATION OF OTHER EMPLOYEES

The Company believes that composition of remuneration of the Employees should be reasonable and sufficient to attract, retain and motivate Employees. The Company follows salary structure comprising fixed and variable components. The following are overview about the remuneration structure being generally followed in the Company.

- a) Fixed Components: The Company follows a simple structure for the fixed pay which is in accordance to the prevailing Tax rules:

Components/ Particulars	Amount (in Rs.)/ Percentage of Component
Basic	25% or 30% or 35% of Cost-to-Company (CTC)
House Rent Allowance (HRA)	60% of Basic
Travel Allowance	19,200
Special Allowance	Balance amount

Reimbursements:	
Leave Travel Allowance	One- month Basic or Rs. 50,000 (whichever is lower)
Medical Allowance	15,000
Car Operating Reimbursement (Eligible to AVP and above levels)	32,400
Retirals:	
Provident Fund (employee may choose to opt out as per prevailing rules)	12% of Basic
Gratuity	4.81% of Basic
Other Benefits:	
Company Leased Car	As per policy
Insurance (as per slabs)	Rs. 10,000 or Rs. 6,000 or Rs. 3,000

b) Variable Components:

The variable component is the performance bonus which is paid out annually based on the performance of the employee and Company. Each employee is rated on the achievement of their goals vis-à-vis Key Result Areas (KRAs) set at the start of the Financial Year. This rating is given by the Reporting Manager and rationalized by the Management Committee.

STOCK OPTIONS TO EMPLOYEES / DIRECTORS

As and when desirable or requested by the Board, the Committee will perform function in respect to devising / monitoring Employees Stock Option Schemes and give its recommendation / allot sweat equity shares, grant, vest and exercise of stock options and/or similar rewards to the eligible Directors and Employees, as may be permitted under the applicable law or approved Schemes.

EMPLOYEES' GROWTH AND WELL-BEING

At the sole discretion of the Board, the Company may sponsor Employees for further education / training to enhance managerial skills for middle and senior level employees.

CLARIFICATION AND REVIEW OF THE POLICY



## ICF Remuneration Policy

As per instruction and in consultation with the Committee, the Management Committee or any KMP may issue clarification and procedural alteration for effective and smooth implementation of the Policy.

### AMENDMENTS IN THE POLICY

This Policy may be amended or substituted by the Committee as circumstances warrant.

The Policy has been adopted by the Board of Directors on 15 May 2015, and shall come into force with immediate effect.