

## IDFC LIMITED

### REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

#### 1. Preamble

IDFC Limited (the “Company” or “IDFC”) will consider gender diversity during its recruitment process.

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of the Directors, Key Managerial Personnel (“KMP”), Senior Management Personnel (“SMP”) and other employees of IDFC Limited (“**the Company**” or “IDFC”).

Major Principles and Objectives of the Company’s Remuneration Policy for Directors are as under:

- a. To ensure that 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. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- c. To ensure that remuneration to directors 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.
- d. Compensate Directors adequately for the efforts put in by them for the growth of Company the Company taking into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment.
- e. Aligning remuneration of Board of Directors with the longer term interests of the Company and its shareholders.

Major Principles and Objectives of the Company’s Remuneration Policy for KMP, SMP and other employees are as under:

- a. **Help attract and retain employees:**
  - i. Pay elements and structure to be market competitive

- ii. Flexibility and agility in approach to design / review structure
  - iii. Differentiate market through benefit programs that build and reinforce organization values and loyalty
  - iv. Reward meritocracy, with differentiation based on performance
- b. Foster a culture of authentic service and prudent risk taking:**
- i. Reward programs to be designed to -
    - incentivize superior and consistent customer service,
    - specifically discourage mis-selling and thereby help build trust and faith of customers
  - ii. Rewards not just based on quantitative (financial) parameters alone; but also on how performance is achieved, including process adopted, prudent judgment and controls exercised
  - iii. Reward good behaviour and organizational stewardship, that conserves franchise reputation
  - iv. Compensation programs to be overlaid with requisite conformity to the RBI guidelines.
- c. Emphasize alignment with the Company's stated Values namely Balance, Collaboration, Drive and Honesty:**
- i. Compensation program design to promote, measure and reward excellence on these key organization values
  - ii. Short term and long term incentives, and staff recognition framework to specifically incorporate metrics on these
- d. Evaluate and Reward Performance over Time**
- i. Program design to ensure balance between short term versus long term financial performance and health of the organization
  - ii. Drive long term commitment and ownership for decisions through LTI and/or equity awards with deferred vesting schedule for securities of the Company and/or other IDFC group companies.
- e. Balance between market competitiveness and internal alignment**
- i. Aspire to stay best-in-class within competitive cost parameters; balance between basic and lifestyle benefits
  - ii. Internal pay parity for roles staffed with employees with similar skills and seasoning

**f. Balance between fixed and variable component**

**2. Remuneration to Non-executive / Independent Directors**

- a) The key elements of remuneration of Non-executive / Independent Directors are commission and sitting fees, subject to overall limit as prescribed in the Companies Act, 2013 & Rules made thereunder, and the Reserve Bank of India (“RBI”) Circulars/Guidelines/Notifications/Directions, issued from time to time and any other regulatory provisions applicable to the Company and/or its’ business.

Commission

- b) In accordance with the provisions of Section 197 of the Companies Act, 2013, the Directors (excluding Managing Director and Whole-time Director) may be paid remuneration by way of commission, either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other, not exceeding 1% of the Net Profits of the Company computed in the manner referred to in Section 198 of the Companies Act, 2013.

The Non-executive/ Independent Directors collectively endeavour to ensure that the Company performs well and is compliant with applicable laws, rules, regulations and guidelines. The commission paid to them, shall be subject to the approval of the Board of Directors and based on the recommendations of the NRC.

- c) The payment of commission to the Non-executive / Independent Directors of the Company will require the approval of the shareholders by way of a Special Resolution.

Sitting Fees and Other Expenses

- d) In addition to the above, Non-executive / Independent Directors will be paid sitting fees, travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings and such other expenses as are incurred by the directors and allowed to be reimbursed as per the provisions of the Companies Act, 2013, RBI Circulars/Guidelines/Notifications/Directions issued from time to time and any other regulatory provisions applicable to the company and/or its’ business.

Stock Options

- e) The Non-Executive Directors (excluding Independent Directors) shall be eligible for stock options of the Company and/or other IDFC group companies as may be decided by the Nomination and Remuneration Committee (“NRC”) of the Company from time to time.

- f) The Independent Directors shall not be eligible for stock options.

D&O Policy

- g) The Non-executive / Independent Directors shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

**3. Remuneration to Whole-time / Executive Directors**

- a) The remuneration paid to Whole-time / Executive Directors includes fixed salary, perquisites, variable pay in the form of performance bonus, certain retiral benefits, allowances and other benefits, within the overall limit as per Section 197 of the Companies Act, 2013 and rules framed thereunder and subject to the approval of the shareholders of the Company and subject to any other regulatory provisions applicable to the company and/or its’ business.
- b) Annual increments to Whole-time / Executive Directors, if any, shall be linked to their overall performance and as decided by the NRC, from time to time and subject to any regulatory approval, if applicable to the company and/or its’ business.

Commission

- c) No commission shall be paid to the Executive Directors of the Company.

Stock Options

- d) The Whole-time / Executive Directors could also be granted stock options, if eligible, as per the scheme of the Company, from time to time.

D&O Policy

- e) The Whole-time / Executive Directors shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

**4. Remuneration of SMP, KMP (other than whole-time directors) and other employees**

SMP shall mean and include the employees identified under the code of conduct for Directors and Senior Management Personnel of the Company.

The key components of remuneration package of the SMPs, KMPs and other employees of the Company shall comprise of fixed salary, perquisites, variable pay in the form of performance bonus, certain retiral benefits, allowances and other benefits. They may also be eligible for

stock options of the Company and/or other IDFC group companies as per their respective schemes, from time to time.

The remuneration, performance appraisal and rewards to SMPs, KMPs and other employees, shall be in line with the stated objectives.

The annual increments for the SMPs, KMPs and other employees shall be linked to their overall performance, performance of the Company and as decided by the CEO in consultation with their reporting managers, if any and Human Resources Department.

Employees must conduct themselves to ensure that no breach of Code of Conduct and applicable Codes is committed. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

## **5. Disclosures in the Board's Report**

The disclosures as required under the relevant provisions of the Companies Act, 2013, the rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be made with regard to the remuneration details of the Directors, KMPs, SMPs and other employees.

## **6. Policy review**

This Policy may be amended, modified or supplemented, from time to time, to ensure compliance with any amendment, modification or supplementation to the Companies Act, 2013 and rules made there under, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Securities and Exchange Board of India Act, 1992 and rules/regulations/guidelines made there under, RBI regulations/guidelines or any other law and any other regulatory provisions applicable to the Company and/or its' business relating to employee/directors' compensation, issued from time to time.

Any such amendment shall be made by the CEO of the Company, which shall be ratified at the next meeting of the NRC of the Company, held after such amendment.

The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.