

NIIF INFRASTRUCTURE FINANCE LIMITED**REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR
MANAGEMENT PERSONNEL AND OTHER EMPLOYEES**

Reviewing & Approving Authority

Authority	Designation
Prepared By	Human Resources
Reviewed By	Chief Executive Officer
Approved By	Board of Directors
Month/Year	November 2023

Version History

Version	Issue Date	Brief Description
V.1	May-2022	Amended to include the reference to the provisions of the Companies Act, 2013 and certain factual changes
V.2	March-2023	Addendum to the policy added, to include clauses of RBI Circular on "Guidelines on Compensation", dated April 29, 2022
V.3	November-2023	Policy Review - No Change

Remuneration policy for directors, key managerial personnel, senior management personnel and other employees

1. Preamble

The remuneration policy provides a framework for the remuneration of the Directors, Key Managerial Personnel ("**KMP**"), Senior Management Personnel ("**SMP**"), and other employees of NIIF Infrastructure Finance Limited ("**NIIF IFL**" or "**the Company**").

This Remuneration Policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 ("Act") and Master Directions – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as may be amended and updated from time to time. ("**Master Directions**")

Categories of Employees covered under this policy:

- a) Directors which includes Whole Time or Executive Directors and Non-Executive or Nominee Directors or Independent Directors
- b) Key Managerial Personnel as defined under Section 2 (51) of the Act
- c) Senior Management

As per the Companies Act 2013:

"Key Managerial Personnel"(KMP), in relation to a company, means-

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed.

***"Senior Management" (SMP)** includes officers or personnel of the Company who are members of the core management team of the Company excluding the Directors and normally comprising of all the members of management one level below the Chief Executive Officer/Managing Director/Whole-Time Director.

The major principles and objectives of the Company's Remuneration Policy for Directors are as under:

- a. To ensure that remuneration is competitive, enabling the Company to attract and retain Whole Time Directors capable of meeting the Company's needs and service delivery obligations;
- b. All Whole Time Directors, of the Company are recognized and rewarded for their performance in a fair and equitable manner;
- c. To ensure that relationship of remuneration to performance is clear and meets organization's performance goals while creating shareholder value;
- d. Compensate Whole Time Directors adequately for the efforts put in by them for the growth of 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.

The 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. Company recognizes that the industry landscape is competitive and therefore, the Company requires to provide competitive remuneration to ensure that high caliber key managerial personnel and employees are hired and retained to run the company in meeting its performance objectives.
- ii. The remuneration policy to have differentiated benefit programs that build and reinforce organization values and loyalty.

B. Foster a culture of meritocracy

- i. Reward meritocracy, where differentiation is based on superior and consistent performance.
- ii. Rewards not just based on quantitative (financial) parameters but also on how performance is achieved, including processes adopted, prudent judgment, and controls exercised.

C. Evaluate and Reward Performance over Time

- i. The remuneration plan ensures a balance between short-term and long-term financial performance and the health of the organization.
- ii. Drive long-term commitment and ownership through Long Term Incentive Plan (LTIP) and/or equity awards with deferred vesting schedules.

D. Market competitive and mix of Fixed and Variable component

- i. The compensation structure comprises of fixed and variable pay. Fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience.
- ii. The variable pay comprises of short term incentives (STI) and long term incentives(LTI) Short-term incentives in the form of annual incentives/bonus and long-term Incentives/equity-based plan/deferred incentives ensure the achievement of both short- and long-term company performance.

The remuneration shall be market competitive.

2. Remuneration to Nominee Directors/ Independent Directors

The Nominee Directors shall not be entitled to any remuneration in their capacity as Directors of the company (except any remuneration payable under his/her employment of service contract, if any).

The remuneration of Independent Directors will be by way of sitting fees, subject to the overall limit as prescribed in the Companies Act, 2013 & Rules made there, and any regulatory provisions applicable to the Company and/or its business.

In addition to the Sitting Fees, Independent Directors(not appointed as a Nominee Director) will be paid 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 and any regulatory provisions applicable to the Company and/or its business.

D&O Policy

All Directors shall be covered under the Directors and Officers Liability Insurance (“D&O”) Policy.

Remuneration of SMP, KMP (including whole-time directors) and other employees

The key components of the remuneration package of the KMPs, SMPs and other employees of the Company shall comprise of fixed salary, perquisites, allowances, retinals and variable pay in the form of annual performance bonus, and long-term performance bonus/equity-based plans/deferred bonus as may applicable.

The remuneration, performance appraisal, and rewards to KMPs, SMPs, 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, the performance of the Company, and as decided by the CEO in consultation with their reporting managers, if any, and the Human Resources Department.

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

3. Disclosures in the Board’s Report

The disclosures as required under the relevant provisions of the Companies Act, 2013, and the rules made thereunder, to the extent applicable, shall be made with regards to the remuneration details of the Directors, KMPs, SMPs, and other employees.

4. 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, RBI regulations/guidelines or any other law and any 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 recommended by the Nomination and Remuneration Committee (NRC) and approved by the Board of Directors.

Addendum to the Remuneration Policy applicable to Key Management Personnel (KMPs) and Senior Management Personnel (SMPs) issued by RBI vide Master Directions

1. Compensation Package:

- i. The Compensation of KMP and SMPs should be reasonable, in accordance with statutory requirements and market practices. Compensation packages may include both fixed and variable pay components that are effectively aligned with prudent risk taking. The payouts for variable pay should be as per appropriate time horizons.
- ii. The proportion of variable pay in total compensation must be commensurate with the role of KMPs/ SMPs and their prudent risk-taking profile. The proportion of variable pay needs to be higher at higher levels of responsibility. Variable pay should be truly and effectively variable and could be reduced to zero, based on individual, departmental, and company-wide performance. The performance parameters need to be clearly defined at the beginning of the performance measurement period, to provide clarity to the employees.
- iii. In the case of control and assurance functions, personnel engaged in control, risk management, compliance, and internal audit etc. may be compensated in a manner that is independent of the business areas they oversee and commensurate with their critical role in the company. Accordingly, such employees may have a higher proportion of fixed compensation.
- iv. Certain portion of the variable pay may be deferred and can be appropriately apportioned to the time horizon of the risk. Deferred variable pay shall enable the Company to exercise the option of malus and/or claw-back when warranted.

2. Guaranteed bonus

KMPs and SMPs are not eligible for guaranteed bonus. However, joining/sign-on bonuses could be considered in the context of new hires. Such a bonus will not be considered part of either fixed or variable pay.

3. Malus/Clawback

The Company believes in long-term business performance and prudent risk-taking. As a result, the Company has devised an appropriate mechanism and adequate deterrents to institutionalize the goal.

Malus Arrangement: The Company intends to implement Malus and Clawback Arrangements for all KMPs and SMPs. A Malus arrangement would result in the partial or complete cancellation of all deferred compensation, including STIP /vested and unvested long-term incentive (LTI), as of the date of discovery of the applicable trigger.

Clawback Arrangement: The provision of the Clawback arrangement would entail partial or full return/cancellation of the deferred compensation including the Long-Term Incentive (LTI) vested and settled or unsettled.

The malus/clawback clauses apply in the event of any of the below trigger events:

Illustrative list of conditions/incidents which would trigger a Malus or Clawback:

- a. The commission of fraud, misappropriation, misuse and misconduct
- b. Willful misrepresentation, embezzlement.
- c. Material financial restatement due to fraud.
- d. Reputational harm.
- e. Subdued or negative financial performance of the company in any year, attributable to willful neglect of employee(s).

However, genuine error of judgment will not be interpreted as Malus/Clawback trigger.

4. Prior to implementing the Malus or Clawback arrangement, the Nomination and Remuneration Committee (NRC) shall review the act of misconduct/incident to determine the degree of accountability attributable to a KMP/SMP. Before deciding to use Malus/Clawback, the NRC will consider the environment, industry, and context of the incidents.
5. Prior to reaching a decision based on the above conditions/incidents, due process, including inquiries or investigations as needed, and adherence to natural justice principles, will be ensured.
6. The NRC will oversee the development, review, and implementation of the company's remuneration policy. The NRC may work closely with the company's Risk Management Committee (RMC) to ensure that compensation and risks are aligned. Furthermore, based on the Internal Capital Adequacy Assessment Process (ICAAP), the NRC may ensure that pay levels are supported by the need to retain the company's earnings as well as the need to maintain adequate capital.