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ISSL Settlement & Transaction Services Limited

Remuneration Policy

I **Preamble** :

(1) ISSL Settlement & Transaction Services Limited (ISTSL) is one of the Intermediary in Indian Capital Markets and serves the Markets as a Professional Clearing Member for a Commodity Segment and related services

(2) ISTSL is a subsidiary of IL&FS Securities Services Limited (ISSL) which is in turn, a subsidiary of Infrastructure Leasing & Financial Services Limited (IL&FS), a premier infrastructure institution in India

This Memorandum broadly summarizes the Remuneration Policy of the Company

(3) **Effective Date** :

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

ISSL has devised certain policies and to ensure consistency in HR approach, ISTSL's policy has been largely derived from ISSL's policy

ISTSL is a services oriented organization and deals with various brokers. Considering that it interfaces extensively with financial market participants, People are its most critical resource. The objectives of the Human Resources strategy at ISTSL are :

(a) Attract and retain competent resources

(b) Provide competitive performance based compensation and benefits

(c) To adopt the group HR policies as applicable

(d) Ensure clear communication of vision and business plans

(e) To build people capabilities in order to achieve organisational goals

II Compensation Forums :

(1) Nomination and Remuneration Committee (NRC) :

(a) The NRC has been constituted on February 12, 2015 at the Meeting of the Board of Directors of the Company

(b) NRC oversees the remuneration of the Whole Time & Non Whole Time Directors, Key Managerial Personnel and other employees of the Company; NRC also determines the quantum and distribution of the Performance Related Pay (PRP) to employees of the Company

(2) Role of NRC :

The terms of reference of NRC as prescribed under the Act are asunder:

(a) Identifying the persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down

(b) Recommending the Board for their appointment and removal by carrying out evaluation of their performance

(c) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend Remuneration Policy to the Board for remuneration for the directors, key managerial personnel and other employees

III Statutory Provisions :

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 :

(1) Remuneration for Executive/Non-Executive Directors, Key Managerial Personnel and other employees

(2) Role of the Nomination and Remuneration Committee

(3) Disclosures in the Directors' Report

IV **Objective** :

(1) The key objective of the Remuneration Policy is to enable a framework that allows competitive and fair rewards for the achievement of key deliverables

(2) Key Managerial Personnel (KMPs) are designated with supervision and advice from IL&FS and ISSL as per their respective deputation. Remuneration of KMPs, is based on the various factors such as the expertise and experience of the respective KMP, market scenario, business performance of the Company and the remuneration practices in similar businesses

(3) The remuneration of the employees other than Whole Time Directors and KMPs is based on the compensation philosophy and structure that will reward and retain talent

(4) Rationale for Remuneration Framework: The rationale for remuneration framework which has been articulated by the company is as follows :

(a) Internal Ratios: The Compensation package for Managerial and other Personnel is reviewed annually in the form of performance increments, structural improvements and Cost of Living Adjustments.

(b) Compliance & Risk Parameters: In view of Company law regulations, the compliance roles of KMPs 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 **Whole Time Directors**

Whole Time Director may be paid the Compensation as per the contractual provisions they have with the Company. Currently, the Company has no Whole Time Directors

VI **Key Management Personnel (KMP)**:

(1) KMPs in the Company are the Chief Executive Officer ('CEO'), Chief Financial officer ('CFO') and Company Secretary (CS)

(2) The KMPs have operational responsibilities in addition to the responsibilities specified by the Companies Act, 2013

(3) The Company may engage KMPs directly or avail the IL&FS Group resources, through deputation from various IL&FS Group Companies. The remuneration packages of the deputed KMPs are finalized in consultation with the deputing company/ies. In such cases, the deputing company bears the cost of the deputed resource and the proportionate cost, commensurate with the responsibilities of KMP at ISTSL, is recovered from the deputed company. The decision with respect to the payment of deputation cost to the deputing company/ies is arrived on a case to case basis considering the absorption capacity and overall financial performance of ISTSL

(4) The Company is compliant with the requirements of Section 203 of the Companies Act, 2013. The following are designated as KMPs :

(a) Managing Director, or Chief Executive Officer or Manager and in their absence, a whole-time director;
(b) Company Secretary and
(c) Chief Financial Officer

(5) **KMPs on Deputation**:

Currently the Company has following KMPs on deputation

(a) Chief Executive Officer

(b) Company Secretary

(c) Chief Fiancial Officer

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 **Other Employees :**

The remuneration shall be as decided by the competent authority as per the company's employee handbook (EHB)

Pursuant to the provisions of the Articles of Association of the Company, employees may be also paid a commission on the profits of any particular business or transaction or a share in the general profits of the Company

IX Review and Modification :

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