

Srei Infrastructure Finance Limited

Nomination and Remuneration Policy

Nomination and Remuneration Policy			
Version	Owner	Approved by	Approval Date
1.0	Corporate Compliance & Governance Department	Board of Directors	5th June, 2024

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1. Preamble

- 1.1 Section 178(3) of the Companies Act, 2013 (the “**Act**”) and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October, 2023 states that the Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- 1.2 Srei Infrastructure Finance Limited (‘**SIFL**’ or the ‘**Company**’) shall have a Nomination and Remuneration Committee (the ‘**Committee**’ or ‘**NRC**’) constituted in accordance with the provisions of Section 178 of the Act and Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated 19th October, 2023 constituted by the Board as follows:
 - 1.2.1 The Committee shall comprise of at least three directors;
 - 1.2.2 All Members of the NRC shall be Non-Executive Directors; and
 - 1.2.3 Not less than one half shall be Independent Directors. The Chairperson of the Committee shall be an Independent Director. Further, the Chairperson of the Company (whether Executive or Non-Executive) may be appointed as a member of the Committee but shall not chair such Committee.
- 1.3 The quorum for a meeting of the Nomination and Remuneration Committee shall be one third of the total strength or Two (2) members whichever is higher subject to a minimum of One (1) Independent Director being present.
- 1.4 The Nomination and Remuneration Committee shall meet as and when required by the Committee but it shall meet at least once in a year.
- 1.5 The Chairperson of the Nomination and Remuneration Committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the Chairperson of the Company to decide who shall answer the queries.
- 1.6 This Nomination and Remuneration Policy (“**the Policy**”) has been framed in compliance with the provisions of the Act and Rules made under the Act as well as Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated 19th October, 2023 (‘**Master Directions**’).
- 1.7 The Policy provides a framework for appointment, remuneration to the members of the Board of Directors (“**Board**”), Key Managerial Personnel (“**KMPs**”) and the Senior Management Personnel (“**SMPs**”) of the Company (KMPs and SMPs collectively referred to as “**Executives**”).
- 1.8 This Policy will be called “Nomination and Remuneration Policy” and referred to as “the Policy”.
- 1.9 The Policy will be reviewed at such intervals as the Nomination and Remuneration Committee will deem fit.

2. Definitions

"Applicable Laws" includes Companies Act, 2013, Reserve Bank of India Act, 1934 and Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated 19th October, 2023 issued by the Reserve Bank of India to govern "Fit and proper" criteria for Directors, Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs issued by the Reserve Bank of India dated 29th April, 2022 and such other guidelines, directives, circulars as may be issued by the Reserve Bank of India from time to time.

"Board" shall mean the Board of Directors of the Company.

"Key Managerial Personnel" shall be as defined in Section 2(51) of the Companies Act, 2013.

"Senior Management Personnel" shall mean officers / personnel of the Company who are members of its core management team excluding the Board of Directors. This would include all members of management one level below the Managing Director & CEO and include all functional heads as well as KMPs.

"Executives" collectively refers to Key Managerial Personnel ("**KMP**") and the Senior Management Personnel ("**SMP**") of the Company as defined under the Applicable laws.

3. Objectives

3.1 Objectives of the Policy are as follows:

- 3.1.1 To undertake a process of due diligence to determine the suitability of the person for appointment/continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria as mandated by RBI from time to time;
- 3.1.2 To scrutinize the necessary information and declaration from the proposed / existing directors for the purpose of appointment/re-appointment;
- 3.1.3 To decide on the acceptance or otherwise of the Directors, where considered necessary;
- 3.1.4 To set criteria for determining qualifications, positive attributes and independence of a director, and remuneration of the Executives.
- 3.1.5 To enable the Company to attract, retain and motivate the Board members and Executives to run the Company successfully.
- 3.1.6 To enable the Company to provide a well-balanced and performance-related compensation package for the Executives, taking into account shareholder interests, industry standards and relevant Indian corporate regulations.

- 3.1.7 To ensure that the interests of Executives are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the Company and consistent with the "pay-for-performance" principle.
- 3.1.8 To ensure that remuneration to Executives of the Company 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.

4. Principles of remuneration

- 4.1 Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, and supports and reinforces the achievement of the Company's vision and strategy.
- 4.2 Transparency: The process of remuneration shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 4.3 Internal equity: The Company shall remunerate the Executives in terms of their roles responsibilities and risk within the organisation.
- 4.4 External equity: The Company strives to pay an equitable and competitive remuneration, capable of attracting and retaining high quality personnel. Therefore the Company will remain logically mindful of the on-going need to attract and retain resources and the influence of external remuneration pressures. Reference to external market norms will be made using appropriate market sources, including relevant and comparative survey data, as determined to have meaning to the Company's remuneration practices at that time.
- 4.5 Flexibility: Remuneration and reward shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other laws.
- 4.6 Performance-Driven Remuneration: The Company shall establish a culture of performance-driven remuneration through the implementation of the Performance Incentive System.
- 4.7 Affordability and Sustainability: The Company shall ensure that remuneration is affordable on a sustainable basis.

5. Terms of Reference and Role of the Committee

- 5.1 The scope and Terms of Reference of the Committee as set by the Board of Directors of the Company are as under:
 - 5.1.1 Evaluate the current composition and organization of the Board and its Committees in light of requirements established by any Regulatory Body or any other applicable statute, rule or regulation which the Committee deems relevant and to make recommendations to the Board in respect to the appointment, re-appointment and resignation of Independent, Executive and Non – Executive Directors of the

- Company;
- 5.1.2 Review the composition and size of the Board in order to ensure that the Board is comprised of members reflecting the proper expertise, skills, attributes, and personal and professional backgrounds for service as a Director of the Company, as determined by the Committee;
 - 5.1.3 Review and recommend to the Board an appropriate course of action upon the resignation of current Board members, or any planned expansion of the Board, and review the qualifications, experience and fitness for service on the Board of any potential new members of the Board;
 - 5.1.4 Identify persons who are qualified to become directors and who may be appointed in accordance with the criteria laid down;
 - 5.1.5 Specify the manner for effective evaluation of performance of Board, its Committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
 - 5.1.6 Recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
 - 5.1.7 Ensure that while formulating the policy that:
 - level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - Remuneration to directors, KMPs and SMPs 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.
 - 5.1.8 Review all stakeholders' proposals submitted to the Company (including any proposal relating to the nomination of a member of the Board) and the timeliness of the submission thereof and recommend to the Board appropriate action on each such proposal;
 - 5.1.9 Ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and SMPs;
 - 5.1.10 Formulate, administer and supervise the Company's Stock Option schemes, if any, in accordance with relevant laws;
 - 5.1.11 Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the directors, Key Managerial Personnel (KMPs) and other employees of the Company;
 - 5.1.12 Formulate the criteria for evaluation of Independent Directors and the Board;
 - 5.1.13 Devise a policy on Board diversity;
 - 5.1.14 Review/recommendation/approval of Succession Plan for the Key Managerial Personnel (KMPs) and SMPs of the Company;
 - 5.1.15 To work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks;
 - 5.1.16 Ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP);
 - 5.1.17 Undertake any other responsibility as laid down by RBI from time to time;
 - 5.1.18 Performing such other activities as may be delegated / referred to by the Board of

- Directors and/or are statutorily prescribed under any law is to be attended to by the Nomination and Remuneration Committee; and
- 5.1.19 To delegate any of the above matters to any executive of the Company / sub-committee except those not allowed to be delegated under law.

5.2 The Committee shall:

- 5.1.1 review the on-going appropriateness and relevance of the Policy;
- 5.1.2 ensure that all provisions regarding disclosure of remuneration, including pensions, leave encashment, gratuity, etc. are fulfilled;
- 5.1.3 obtain reliable, up-to-date information about remuneration in other companies;
- 5.1.4 Ensure that no director or executive is involved in any decisions as to their own remuneration.

5.2 Without prejudice to the generality of the terms of reference as set out above, the Committee shall:

- 5.2.1 Operate the Company's share option schemes (ESOP), if any or other incentives schemes, if any. It shall recommend to the Board the total aggregate amount of any grants to the Executives including individual limit and make amendments to the terms of such schemes, as the case may be;
- 5.2.2 Liaise with the trustee / custodian of any employee share scheme which is created by the Company for the benefit of employees and/or Directors.
- 5.2.3 Review the terms of Executives service contracts from time to time.

6 Procedure for selection and appointment of the Board Members

6.1 Board membership & Selection criteria:

- 6.1.1 The Committee, along with the Board, shall review on an annual basis, appropriate skills, characteristics and experience required of a Board Member. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's global operations.
- 6.1.2 In evaluating the suitability of individual Board members, the Committee shall take into account many factors, including general understanding of the Company's business dynamics, global business and social perspective, educational and professional background and personal achievements. Directors must possess experience at policy-making and operational levels in large organizations with relevant work experience that will indicate their ability to make meaningful contributions to the Board's discussion and decision-making in the array of complex issues facing the Company.
- 6.1.3 Director should possess the highest personal and professional ethics, integrity and values. They should be able to balance the legitimate interest and concerns of all the Company's stakeholders in arriving at decisions, rather than advancing the interests of a particular constituency.
- 6.1.4 Committee shall verify whether the candidate being assessed for holding the position

of a Director has been allotted a Director Identification Number (DIN) and whether the candidate has submitted e-form DIR-3-KYC to the Central Government within stipulated timelines.

- 6.1.5 Committee shall review whether that the candidate possesses more than one DIN and in such cases, require the candidate to surrender the additional DIN.
- 6.1.6 The Committee shall verify the maximum number of directorships, including any alternate directorships held by the candidate as per the provisions of Companies Act, 2013 and continue to verify this even after appointment as a Director.
- 6.1.7 While filling up the positions for Managing Director, Whole Time Directors or Independent Directors, the specific qualifications as prescribed under Companies Act, 2013 shall be taken into account.
- 6.1.8 The Committee shall ensure that the Chairperson of the Board shall-
 - a) be a non-executive Director;
 - b) not be related to the Managing Director or the Chief Executive Officer [as per the definition of the term "relative" defined under the Companies Act, 2013].
- 6.1.9 Directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.
- 6.1.10 The Committee shall evaluate each Director with the objective of having a group that best enables the success of the Company's business.
- 6.2 Selection of Board Members/ extending invitation to a potential director to join the Board:
 - 6.2.1 One of the roles of the Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the criteria laid above, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Company's Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Committee also identifies suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board evaluates the candidate(s) and decides on the selection of the appropriate member.
 - 6.2.2 The Board then shall make an invitation (verbal / written) to the new member to join the Board as a Director. On acceptance of the same, the new Director may be appointed by the Board.

7 Procedure for selection of KMP and SMPs

The Head of Human Resource (HR) Department in consultation with the Managing Director & CEO shall identify suitable candidates for appointing them as KMPs or SMPs of the Company on the basis of their academic, professional qualifications, relevant work

experience, skill and other capabilities suitable to the position of concerning KMP or SMP and ensure that the KMPs and SMPs possess personal and professional ethics, integrity and values.

The shortlisting of KMPs is to be done in consultation with two or more members of the Committee and the shortlisting of SMPs to be done by the Managing Director & CEO taking into account job features, experience and qualification.

Further, in case of KMP appointment, approval of the Board of Directors / concerned Committee shall be taken in accordance with provisions of relevant Act, statutes, regulations etc. existing as on that date. The appointment and/or removal of KMPs shall be placed before the NRC at regular intervals.

Further, in case of appointment of SMPs the appointment as approved by Managing Director & CEO shall be placed before the NRC at regular intervals.

8 Compensation Structure

8.1 Remuneration to Non-Executive Directors:

The Non-executive Directors of the Company are paid remuneration by way of fees for attending the meetings of the Board of Directors and its Committees. The fees paid to the Non-executive Directors for attending meetings of Board of Directors and of the Committees of the Board shall be such as may be determined by the Board within the limit prescribed under the Companies Act, 2013. However, fees for attending other Committee meetings, if member i.e. Risk Management Committee, Asset Liability Management Committee, IT Steering Committee, Information Security Committee, Credit Committee etc, shall be as decided by the Board of Directors from time to time. Beside the sitting fees, they are also entitled to reimbursement of expenses incidental to attending Board/Committee meetings and allied expenses and payment of commission or other benefits pursuant to Section 197 of the Companies Act, 2013 read with rules made thereunder and subject to the approval of the Board of Directors of the Company.

The fees of the Non-executive Directors for attending meetings of Board of Directors and the Committees thereof may be modified from time to time only with the approval of the Board in due compliance of the provisions of Companies Act, 2013 as may be amended from time to time.

If any such director draws or receives, directly or indirectly, by way of fee/remuneration any such sums in excess of the limit as prescribed under Companies Act, 2013 or without the prior sanction, where it is required, under the Applicable law such remuneration shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

8.2 Remuneration to Executive Directors

While recommending the remuneration for Executive Directors, the Committee shall review the provisions of Section 196, Section 197 and Section 198 read with Schedule V of Companies Act, 2013 and ensure compliance of these provisions.

As a policy, the Executive Directors are not paid any fees for attending the Board and/or Committee meetings.

If any Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit as prescribed under Companies Act, 2013 or without the prior sanction, where it is required, under the Applicable Laws, such remuneration shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

8.3 Remuneration to Key Managerial Personnel(s) (KMPs) & Senior Management Personnel(s) (SMPs)

The Committee shall recommend to the Board, all remuneration, in whatever form, payable to KMPs and SMPs. The Company has a credible and transparent framework in determining and accounting for the remuneration of Key Managerial Personnel(s) (KMPs) and Senior Management Personnel(s) (SMPs). Their remuneration shall be reasonable governed by the external competitive environment, track record, potential, individual performance and performance of the company as well as industry standards.

The remuneration (including revision) of KMPs and SMPs shall be determined in accordance to the regulatory requirements in consultation with the Managing Director & CEO after taking into consideration the academic, professional qualifications, work experience, skill, other capabilities and industry standards.

The NRC shall work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks. Further, the NRC shall ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).

The compensation of KMPs and SMPs shall be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment. The variable part of the compensation of KMPs and SMPs should be linked to individual and Company's performance which may be linked against achievement of desired business objectives. The NRC will have the power to allow deviation as it deems fit based on circumstances.

8.3.1 Composition of Fixed Pay:

All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of Company car, etc.) may also be part of fixed pay.

8.3.2 Principles for Variable Pay

The variable pay may be in the form of ESOP (share linked instruments), or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

The proportion of variable pay in total compensation (includes fixed and variable pay) needs to be commensurate with the role and prudent risk taking profile of KMPs/ SMPs.

At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments.

The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and organisation wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

8.3.2.1 Deferral of variable pay:

Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as recommended by the NRC and decided by the Board of Directors of the Company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement shall be as recommended by the NRC and as decided by the Board of Directors of the Company.

8.3.2.2 Control and assurance function personnel:

KMPs and SMPs engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

8.4 Guaranteed bonus

Guaranteed bonus may not be paid to KMPs and SMPs. However, in the context of new hiring joining/sign-on bonus may be considered if recommended by the NRC and approved by the Board. Such bonus will neither be considered part of fixed pay nor of variable pay.

8.5 Malus/Clawback

The deferred compensation may be subject to malus*/clawback** arrangements in the event of subdued or negative financial performance of the Company and/or the relevant line of business or employee misconduct in any year.

A representative set of situations shall be identified by the NRC to invoke the malus and clawback clauses that may be applicable on entire variable pay.

While setting criteria for the application of malus and clawback, NRC shall also specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods***.

**A malus arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.*

***A clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances*

****Retention period is a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.*

8.6 Incentive/Retention bonus however may be considered for KMPs and SMPs if recommended by the NRC and approved by the Board.

8.7 Further, the remuneration (including revision) of KMPs shall also be subject to approval of the Board of Directors/concerned Committees, if stipulated by any Act, statute, regulations etc.

9 Approval and publication

9.1 This Policy as framed by the Committee shall be recommended to the Board of Directors for its approval and adoption.

9.2 The Company shall disclose this Policy on its website and the salient features of the policy and changes therein, if any, along with the web address of the policy, shall be disclosed in the Board's report.

10 Supplementary provisions

10.1 Any matters not provided for in this Policy shall be handled in accordance with relevant laws and regulations and the Company's Articles of Association.

10.2 The NRC has the necessary powers to approve/recommend any deviation to this policy as it deems fit.

10.3 The right to interpret this Policy vests in the Board of Directors of the Company.

11 Review

The policy shall be reviewed by the NRC at least once in a year. However, reviews and modifications at shorter intervals may be carried out, if deemed necessary by the organization, based on changes in the guidelines issues by RBI from time to time. Such changes shall be carried out through an inter-office memo after obtaining views from relevant stakeholders and approval from the Managing Director & CEO. A summary of all such changes shall be tabled to the Board of Directors on a quarterly basis.