

REMUNERATION POLICY

1. COMPENSATION PHILOSOPHY

TFSL Limited (“Company”) has a defined, formal Compensation Philosophy for itself and its subsidiary companies. In order to build a high-performance culture aligned with the Company’s Vision and Goals, the Compensation Philosophy aims at:

- Providing a significant differential to superior performers.
- Segregating increments and performance payouts based on the actual performance of various business verticals.

The aforementioned Compensation Philosophy aims to:

- Build capability by attracting the right talent.
- Recognize performance and nurture talent.
- Remain in sync with industry practices while managing overall manpower cost.

The performance of the Company and its Business Units / Functions is measured against annual budgets/targets set as per the Balanced Scorecard (BSC). Performance of individuals is measured against Key Result Areas (KRAs) set at the beginning of the year, and after considering any revision of targets during the year.

The Annual Performance Rating will be considered for calculating the Performance Pay. Ratings will be on a **5-point scale**.

Consistent with the principle of differential influence that an employee may have on the overall performance of the Company, different weightages are assigned for:

- The Company’s performance,
- Business Unit/Function performance, and
- Individual performance.

Employees in entry-level/junior management have greater weightage for individual performance, while employees in senior leadership roles have maximum weightage for Company and Business Unit performance.

2. REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The philosophy for remuneration of Directors, Senior Leadership Team, Key Managerial Personnel (KMP), and all other employees of the Company is based on the commitment to fostering a culture of leadership with trust. The Remuneration Policy is aligned with this philosophy.

This Remuneration Policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 (“Act”). In case of any inconsistency between the provisions of law and this Policy, the provisions of law shall prevail and the Company shall abide by the applicable law. If there are any changes in the law, the Company shall comply with the amended provisions.

While formulating this Policy, the Nomination and Remuneration Committee (NRC) has considered the factors laid down under Section 178(4) of the Act, which include:

- (a) 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) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- (c) Remuneration to directors, KMP, and senior management involves a balance between fixed and incentive pay, reflecting short- and long-term performance objectives appropriate to the Company's working and goals.

A. Remuneration for Independent Directors (ID) and Non-Independent Non-Executive Directors (NED)

- (i) IDs and NEDs may be paid **Sitting Fees** (for attending Board and Committee meetings) and **Commission**, within regulatory limits.
- (ii) Within the parameters prescribed by law, the NRC will recommend the payment of Sitting Fees and Commission for approval by the Board.
- (iii) Overall remuneration (Sitting Fees and Commission) should be reasonable and sufficient to attract, retain, and motivate directors aligned with the requirements of the Company, taking into account the challenges faced and future growth imperatives.
- (iv) Remuneration should reflect the size of the Company, the complexity of the sector/industry/operations, and the Company's capacity to pay.
- (v) Practices should be consistent with recognized best practices.
- (vi) Sitting Fees may be reviewed periodically as required.
- (vii) The aggregate Commission payable to all NEDs and IDs will be recommended by the NRC to the Board, based on Company performance, profits, return to investors, shareholder value creation, and other significant qualitative parameters.
- (viii) The NRC will recommend the quantum of Commission for each director, based on the evaluation process considering factors such as attendance, time spent, individual contribution, and involvement in both Board and Committee activities.
- (ix) In addition to Sitting Fees and Commission, the Company may reimburse any fair and reasonable expenditure incurred by directors in performing their role, such as attending meetings, site visits, induction/training, or obtaining professional advice.

B. Remuneration for Managing Director (MD) / Executive Directors (ED) / KMP / Other Employees

- (i) The overall remuneration to MD/ED/KMP/other employees should be sufficient to attract and retain talented and qualified individuals, suitable for their roles.

Hence, remuneration should be:

- Market competitive (defined as companies from which the Company attracts or loses talent).
- Driven by the role and responsibilities of the individual.
- Reflective of the size of the Company, complexity of operations, and ability to pay.
- Consistent with recognized best practices.
- Aligned with regulatory requirements.

(ii) In terms of remuneration mix or composition:

- The remuneration mix for MD/EDs should follow the contract approved by Shareholders. Any change beyond the approved limit requires fresh Shareholder approval.
- Basic/fixed salary is provided to all employees to ensure steady income in line with their skills and experience.
- In addition, the Company provides perquisites, allowances, and benefits to support a reasonable lifestyle, savings, and tax optimization.
- Employees are covered by medical and hospitalization insurance, as well as personal accident insurance.
- Key roles impacting long-term growth and sustainability may receive Long Term Incentive Plans (LTIP), such as ESOPs or equivalent instruments.
- The Company provides retirement benefits, as applicable.
- MD/EDs may also receive Commission (linked to Net Profits) or an annual performance-linked bonus, subject to achievement of defined performance criteria and parameters such as:
 - Company's performance on qualitative and quantitative measures.
 - Industry remuneration benchmarks.
 - Individual performance.
- Other employees will receive performance-linked incentive pay, driven by the performance appraisal process and Company performance.

C. Remuneration Payable to Directors for Services Rendered in Other Capacity

No remuneration will be payable to a Director for services rendered in any other capacity unless:

- (a) The services are of a professional nature.
- (b) The NRC is of the opinion that the Director possesses the requisite qualification to practice the profession.
- (c) Approval of the Central Government has been obtained, if required.

3. POLICY IMPLEMENTATION

The NRC is responsible for recommending the Remuneration Policy to the Board. The Board is responsible for approving and overseeing its implementation.

Note 1: This Policy excludes employees covered by long-term settlements or specific term contracts. Remuneration for such employees will be governed by their respective settlements or contracts.