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# Remuneration Policy

Tata Communications Limited

**Strictly Confidential**

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## **INTENT**

The philosophy for remuneration of directors, Key Managerial Personnel (“KMP”) and employees of Tata Communications Limited (“Company”) is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

This remuneration policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013 (“**Act**”) and SEBI (Listing Obligations & Disclosure Requirements), Regulation 2015 (“**LODR**”). In case of any inconsistency between the provisions of law and this remuneration policy, the provisions of the law shall prevail and the Company shall abide by the applicable law.

While formulating this policy, the Nomination and Remuneration Committee (“**NRC**”) has considered the factors laid down under Section 178(4) of the Act, which are as under:

- 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; and*
- c) *Remuneration to directors, key managerial personnel and senior management 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.*

## **GUIDING PRINCIPLES**

Key principles governing this remuneration policy in respect of Directors is given in Schedule A, in respect of KMPs in Schedule B and in respect of employees in Schedule C.

## SCHEDULE A

### Remuneration of Directors

The remuneration payable to the Directors shall be inclusive of any remuneration payable for services rendered by such director in any capacity unless:

- a) The services rendered are of a professional nature; and
- b) The NRC is of the opinion that the director possesses requisite qualification for the practice of the profession.

#### **(I) Remuneration for independent directors and non-independent non-executive directors.**

- Independent directors (“ID”) and non-independent non-executive directors (“NED”) will be paid fee for attending meetings of the Board or Committee thereof as may be decided by the Board and for meetings convened for any other purpose in the interest of business, all within regulatory limits.
- In addition to the sitting fees and commission, the Company may pay to any director such fair and reasonable expenditure, as may have been incurred by the director while performing his/ her role as a director of the company. This could include reasonable expenditure incurred by the director for attending Board/ Board committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/ management, site visits, induction, briefing meetings convened for the Company’s cause and in the interest of business and training (organized by the company for directors) and in obtaining professional advice from independent advisors in the furtherance of his/ her duties as a director.
- Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.
- Overall remuneration (sitting fees and commission) should be reasonable and sufficient to attract, retain and motivate directors aligned to the requirements of the company (taking into consideration the challenges faced by the company and its future growth imperatives).
- Overall remuneration would be reflective of size of the company, complexity of the sector/industry/company’s operations and the company’s capacity to pay the remuneration.
- Overall remuneration practices are consistent with recognized best practices.

- The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

### Sitting Fees

Presently, the Company pays sitting fees to Non-Executive Directors of Tata Communications Limited with effect from 1 April 2015 within permissible limits under the Companies Act, 2013 as follows:

1. Rs.50000/- per meeting for the Board/Audit Committee (AC)/Nomination and Remuneration Committee (NRC) meeting, to those Non-Executive Directors (NEDs) who are not employees of any Tata Company;
2. Rs.25000/- per meeting for the meetings of the other committees to NEDs who are not employees of any Tata Company,
3. Rs.25000/- per meeting convened for any other purpose in the interest of business
4. Rs.20000/- per meeting of the Board, any Committee or meeting convened for any other purpose in the interest of business to those NEDs who are employees of any Tata Company excluding the employees of TCL or its subsidiaries and
5. Quantum of sitting fees may be subject to review on a periodic basis, as required.

### Commission

- The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board.
- The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and committee meetings, individual contributions at the meetings and contributions made by directors other than in meetings.
- The Company shall follow the following criteria for calculating the Commission payable to individual non-whole time directors :-
  - i. Aggregate Commission –  
The aggregate Commission payable to all the eligible Non-whole time directors is to be determined based on Company performance, profits, returns to investors, shareholder value creation etc;
  - ii. Distribution Basis :  
This would be segregated into –

- Part related to attendance at Board and Committee meetings -
- This would be based on the actual attendance at the meetings of the Board/Committees of the Board which would be prorated to the weightage for different Board/committees as also the different weightages for the Chairman of the Board/different committees.
- Part related to additional time spent for company's work beyond meeting of Board/Committees and the individual contributions (value add) at the Meetings or otherwise, - In general, a Weightage factor of '1' would be considered for all the Directors, and the factor would be increased upto '2' to recognize consistent significant contributions (value add) to the deliberations at the Meetings.

iii. The attendance criteria and individual contribution criteria is explained below:

- Attendance Criteria:
  - The weightage for the actual attendance at the meetings of the Board, Audit committee and other committees would be based on the responsibility undertaken, and business direction provided at the different meetings;
  - The part of the aggregate Commission payable to all the non-whole time directors would be distributed pro-rata to the weighted attendance to each of the individual non- whole time directors.
  - The weightage to be given for the attendance at the meetings will be as follows:-

	Weightage	
Chairman of the Board	2.5	For all meetings of the Board attended
Chairman of the Audit Committee	2.0	For all meetings of the AC attended
Members of the Board, AC	1.0	For all Board and AC meetings attended
Attendance at Other Committees	0.5	For all the other Committee meetings attended.

- Individual Contribution Criteria:
  - Normally equal weightage will be given to all Directors, in view of the collective decisions/responsibility of the Board;
  - However, in order to recognize consistent and significantly greater contribution by any of the Directors and the additional time spent, the weightage factor may be higher in such cases which can be increased upto '2'. Nominations & Remuneration Committee may consult with Managing Director while deciding any such higher weightage.

iv. Distributable profits for payment of commission:

As per the provisions of Section 197 (1) of the Companies Act, 2013, non-whole time directors may be paid remuneration subject to an

overall limit of one percent of the profits of the company by way of commission.

The distributable profits for the purpose of payment of commission to the non-whole time directors may be arrived at by following the following methodology.

Upto 1% of the Net Profits of the Company as calculated as per section 198 of the Act, would be the amount available for distribution. This distributable profit is to be adjusted to reflect the general trends in profits, profitability and the industry practice in this regard while arriving at the final amount for distribution as commission.

Such distributable profits would be distributed amongst the directors based on the distribution basis as explained above. The net amount so arrived would be payable to the directors subject to deduction of tax at source and shall be paid after the Annual General Meeting of the Company for the relevant financial year.

**(II) Remuneration for managing director (“MD”)/ executive directors (“ED”)**

The extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for every role. Hence remuneration should be:

- Market competitive (market for every role is defined as companies from which the company attracts talent or companies to which the company loses talent)
- Driven by the role played by the individual,
- Reflective of size of the company, complexity of the sector/ industry/ company’s operations and the company’s capacity to pay,
- Consistent with recognized best practices and
- Aligned to any regulatory requirements.

Provided that the fees or compensation payable to executive directors who are promoters or members of the promoter group shall be subject to approval of shareholders in general meeting by special resolution if –

- a) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the Company, whichever is higher; or
- b) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the Company

Approval of shareholders will only be valid until expiry of the term of directors. For the purpose of (a) and (b) above, net profit will be calculated as per Section 198 of the Companies Act, 2013.

In terms of remuneration mix or composition,

- The remuneration mix for the MD/ EDs is as per the contract approved by the shareholders. In case of any change, the same would require the approval of the shareholders.
- Basic/ fixed salary is provided to all employees to ensure that there is a steady income in line with their skills and experience.
- In addition to the basic/ fixed salary, the company provides employees with certain perquisites, allowances and benefits to enable a certain level of lifestyle and to offer scope for savings and tax optimization, where possible. The company also provides all employees with a social security net (subject to limits) by covering medical expenses and hospitalization through re-imburements or insurance cover and accidental death and dismemberment through personal accident insurance.
- The company provides retirement benefits as applicable.
- In addition to the basic/fixed salary, benefits, perquisites and allowances as provided above, the company provides MD/ EDs such remuneration by way of commission, calculated with reference to the net profits of the company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/ EDs would be based on performance as evaluated by the Board or the NRC and approved by the Board.

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## **SCHEDULE B**

### **Remuneration of KMP**

The MD, shall:

- i) Shortlist and recommend names of candidates for appointment as KMP.
- ii) Recommend to the Board the remuneration payable to KMPs.
- iii) Oversee the goals set up for KMPs with a view to ensure appropriate cascading across the company.
- iv) Oversee the performance of KMPs for the relevant year.

The MD may periodically brief the NRC on the goals and achievements of the KMPs, the progress of cascading, their performance review and methodology of remuneration computation at time of annual appraisal.

#### **a. Recruitment Strategy and process for KMPs:**

The job description is first put together based on the role the earlier incumbent is performing, as well as the future course of the company. The Company engages reputed global search firms and seeks candidates from other companies within the Tata Group depending on the level in the hierarchy.

The shortlisting of candidates is then done by the Managing Director & Group CEO and the Chief of Human Resources in case of KMPs. The potential candidates are interviewed by five other members of the internal Global Management Committee (GMC). The final selection is based on the overall feedback from the GMC.

Then offer is made to the selected candidate in line with the compensation/remuneration policy of the company – both in terms of the compensation offered as well as the Level (and Designation). The latter is based on the 'Global Work Levels' policy of the company through which all roles are evaluated and candidates are selected at the evaluated level. A periodic benchmarking of compensation with the industry is conducted.

#### **b. Remuneration Strategy**

The details of the remuneration policy for KMPs is explained in this section. The compensation philosophy at TCL is closely aligned with the company's strategic objectives and aims at attracting and retaining the high performers. The philosophy is based on the underlying key principle of providing an attractive, flexible, and market-based compensation program that is tied to the role of the employee and also linked to performance of the organization and employee.

- Market & business considerations - TCL periodically benchmarks with the companies into similar businesses and of comparable size, by participating in or by commissioning Compensation Benchmarking Surveys.

- Performance Oriented - The salary increase drives Pay for Performance philosophy i.e. higher increases for higher performance and no increase for low performance.
- Flexibility - The flexibility is provided within the compensation framework to enable managers differentiate among the employees, considering the relative performance and potential levels within same classifications.
- Job Description – All the roles at TCL has a job description with expectations from the position. Based on market considerations, there would be a maximum salary that the company would be willing to pay for a job. If an employee reaches the end of the salary range, he/she would receive no increase at all.

**c. Annual Compensation Review Process**

The annual compensation review process is linked with the performance review process to compensate employees based on their performance, ability, contributions and recognition for short-term results.

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## **SCHEDULE C**

The policy relating to employees would be as per the remuneration policy of the company as approved by the Managing Director in consultation with the Head of HR.

### **POLICY IMPLEMENTATION**

The NRC is responsible for recommending the remuneration policy to the Board. The Board is responsible for approving and overseeing implementation of the remuneration policy.

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