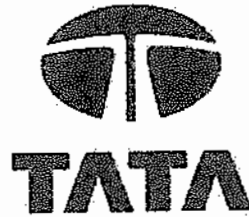


**For Indian Companies**



# Remuneration Policy

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Remuneration policy for Directors, Key Managerial Personnel and other employees

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**Strictly Confidential**

**March/2015**

The philosophy for remuneration of directors, Key Managerial Personnel ("KMP") and all other employees of Tata Industries 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 Clause 49(IV)(B)(1) of the Equity Listing Agreement ("Listing Agreement"). 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"*

Key principles governing this remuneration policy are as follows:

- **Remuneration for independent directors and non-independent non-executive directors**
  - Independent directors ("ID") and non-independent non-executive directors ("NED") may be paid sitting fees (for attending the meetings of the Board and of committees of which they may be members) and commission within regulatory limits.
  - 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 should 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 should be consistent with recognized best practices.
  - Quantum of sitting fees may be subject to review on a periodic basis, as required.
  - 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.
- 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 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.

- **Remuneration for managing director (“MD”)/ executive directors (“ED”)/ KMP/ rest of the employees<sup>1</sup>**

- 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.
- 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-imbursments or insurance cover and

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<sup>1</sup> Excludes employees covered by any long term settlements or specific term contracts. The remuneration for these employees would be driven by the respective long term settlements or contracts.

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.]<sup>2</sup>
  - [In addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the company provides MD/ EDs such remuneration by way of an annual incentive remuneration/ performance linked bonus subject to the achievement of certain performance criteria and such other parameters as may be considered appropriate from time to time by the Board. An indicative list of factors that may be considered for determination of the extent of this component are:
    - Company performance on certain defined qualitative and quantitative parameters as may be decided by the Board from time to time,
    - Industry benchmarks of remuneration,
    - Performance of the individual.]<sup>3</sup>
  - The company provides the rest of the employees a performance linked bonus. The performance linked bonus would be driven by the outcome of the performance appraisal process and the performance of the company.
- **Remuneration payable to Director for services rendered in other capacity**

The remuneration payable to the Directors shall be inclusive of any remuneration payable for services rendered by such director in any other 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.
  - **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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<sup>2</sup> To be retained if Commission is provided to MD/ EDs

<sup>3</sup> To be retained only if Commission is not provided to MD/ EDs

**For Indian Companies**



# Advisory Note: Non-Executive Director Remuneration

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Advisory for sitting fees and commission for Non-Executive Directors

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**Strictly Confidential**

**March/2015**

## **1. Introduction**

This document ("Advisory Note") serves as an advisory for payment of sitting fees and commission to directors based on current and emerging best practices from both within and outside Tata companies<sup>1</sup>. The document has been written from an Indian perspective and prepared keeping in view the provisions of the Companies Act, 2013 ("Act") and the corporate governance requirements as prescribed by Securities and Exchange Board of India ("SEBI") under Clause 49 of the Equity Listing Agreement ("Clause 49"). In case of any inconsistency between the provisions of law and this Advisory Note, the provisions of the law shall prevail and the company shall abide by the applicable law. In case there are any changes in the law, companies will have to comply with the applicable amended provisions.

## **2. Principles**

The principles governing sitting fees and commission are as follows:

- 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 should be reflective of size of the company, complexity of the sector/ industry/ company's operations and the company's capacity to pay.
- Overall remuneration practices should be consistent with recognized best practices.
- The extent of remuneration should be as per the prescribed law.
- Quantum of sitting fees may be subject to review on a periodic basis, as required.

## **3. Sitting Fees**

- The quantum of sitting fees payable per meeting is to be approved by the Board of directors ("Board"), based on the recommendation of the Nomination and Remuneration Committee ("NRC"), and shall remain applicable unless modified in the future by the Board based on the recommendation of the NRC.
- As per the Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, "*A company may pay sitting fee to a director for attending meetings of the Board or committees thereof, of such*

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<sup>1</sup> For the purpose of this document, a "Tata company" shall mean Tata Sons Limited and every company of which Tata Sons Limited or Tata Industries Limited or any company promoted by Tata Sons Limited or Tata Industries Limited is the promoter or in which such companies whether singly or collectively hold directly or indirectly 26% or more of the paid-up equity share capital or in which the shareholding of such companies represents the largest Indian holding apart from holdings of financial institutions/ mutual funds or a company which is permitted by Tata Sons Limited to use the Tata brand/ name.

*sum per meeting as may be decided by the Board but **which shall not exceed Rupees one lakh per meeting of the Board or committee thereof:** Provided that for independent directors and women directors, the sitting fee shall not be less than the sitting fee payable to other directors."*

- While determining the quantum of sitting fees payable, the Board may consider the quantum of such fees paid in the past and follow a staggered approach for increasing the quantum upto the prescribed limit.
- In case of Tata companies that currently and in the foreseeable future do not have adequate profits to pay commission (in the judgment of their respective Boards), it is suggested that quantum of sitting fees balance the need to attract the right caliber of directors and the company's capacity to pay. The Board of such a company (supported by the NRC) may determine sitting fees such that the total annual remuneration payable to each director (eligible for sitting fees) amounts to at least Rupees six lakhs and does not exceed Rupees twelve lakhs. In case the Board (supported by the NRC) is of the view that the total annual remuneration payable to each director must exceed Rupees twelve lakhs, the matter would be referred to the NRC of the parent/ holding company for consideration/ approval. The range of annual remuneration provided herein are subject to review at least once in every 3 years by the Board (supported by the NRC).
- However, it is recommended that the per meeting sitting fees payable to current employees of Tata companies who are non-executive directors ("NED") other than woman directors on Boards of Indian Tata companies not exceed Rs.20,000.
- Sitting fees may vary for Board meetings and various committee meetings. Same amount of sitting fees per meeting may be considered for Board meetings, Audit Committee meetings and NRC meetings.
- The Board and committees should meet as often as it is necessary in the best interest of the company. Normally, we have observed that the frequency of meetings are typically as follows:
  - Board meetings: 4-8 in a year
  - Audit Committee: 6-8 in a year
  - Nomination and Remuneration Committee: 3-4 in a year
  - Committee of the Board: 6-8 in a year
  - Other Committees: 1-3 in a year

However, it is the Board/ committee's discretion to have more frequent meetings, if so required.

- If any Board / committee meeting is held solely for approving a procedural matter, the directors present may, at their entire discretion, resolve not to take any sitting fee for that meeting.

#### **4. Commission**

- The payment and computation of commission will be governed by guidelines issued in the past in this regard.