



TATA SKY LIMITED

**NOMINATION & REMUNERATION
POLICY**

Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees

1. Introduction:

The Policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMPs) and other employees has been formulated in terms of the provisions of the Companies Act 2013 and rules thereunder and the Governance Guidelines for Board Effectiveness for Tata Companies.

2. Objectives of this Policy:

The objectives and purpose of this Policy are:

- a) Recommend to the Board the setup and composition of the Board and its Committees. This shall include “*Formulation of the criteria for determining qualifications, positive attributes and independence of a director*”. This also includes periodically reviewing the composition of the Board with the objective of achieving an optimum balance of size, skills, independence, knowledge, age, gender and experience.
- b) Recommend to the Board the appointment or reappointment of Directors.
- c) Recommend to the Board appointment of Key Managerial Personnel and Executive Team members of the Company.
- d) Lay down the remuneration policy for Directors, Executive Team members and KMPs as well as the rest of the employees and on an annual basis, recommend to the Board, the remuneration payable to Directors and Executive Team members and KMPs of the Company.

3. Constitution of the Nomination and Remuneration Committee:

The Board of the Company had constituted the Nomination and Remuneration Committee, in line with the provisions of Sec 178 of the Companies Act 2013. The Board has authority to reconstitute this Committee from time to time.

4. Definitions:

- a) ‘Board’ means the Board of Directors of the Company
- b) ‘Directors’ means Directors of the Company
- c) ‘NRC’ means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the provisions of the Companies Act 2013

- d) 'Company' means Tata Sky Limited
- e) 'Key Managerial Personnel' or 'KMP' means Managing Director & CEO, Whole-time/Executive Director (if any), Chief Financial Officer and Company Secretary
- f) 'Executive Team Members' means the core leadership team of the Company which includes the functional heads reporting directly to the Managing Director & CEO

5. Policy Framework and details:

This policy is divided into three parts:-

Part A- Matters to be dealt with and recommended by the NRC to the Board

Part B- Appointment and Nomination of Directors, KPMs and Executive Team members

Part C- Remuneration for Directors, KMPs and other employees

PART A

Matters to be dealt with and recommended by the NRC to the Board

i) Size and Composition of the Board and Board Committees:

Periodically review the size and composition of the Board and Board Committees to ensure that it is structured to make appropriate decisions with a variety of perspectives and skills, in the best interest of the Company.

ii) Directors:

Recommend appointment of new Directors in the Board having regard to the range of skills, experience, expertise and who will best compliment the Board.

iii) Succession Plans:

Establishing and reviewing succession plans for the Managing Director and CEO and Executive Team members in order to ensure and maintain an appropriate balance of skills, experience and expertise in the senior management (leadership level).

iv) Performance Evaluation:

Formulate the criteria and framework for evaluation of performance of Directors and recommend their reappointment and remuneration based on evaluation outcome.

v) Board Diversity:

The NRC is to assist the Board in ensuring Board nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board.

vi) Remuneration framework and policies:

The NRC is responsible for reviewing and making recommendations to the Board on the remuneration of the Managing Director & CEO, Non-Executive Directors, Independent Directors and formulating remuneration policies for all employees including KMPs and Executive Team members.

Part B

Appointment and Nomination of Directors, KPMs and Executive Team members

- The NRC shall ascertain the integrity, qualification, expertise and experience of the person for appointment as Director (Executive and Non-Executive), KMPs and Executive Team member of the Company and recommend to the Board his/her appointment
- The Company shall not appoint or continue employment of any person as Managing Director/Executive Director who has attained the age of sixty-five years and shall not appoint or reappoint Non-Executive Non-Independent Directors who has attained age of seventy years and Independent Directors who has attended age of seventy-five years.
- A whole-time KMP of the Company shall not hold office in more than one Company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as Non-Executive Director in any Company with the permission of the Board of Directors.
- At the time of appointment of Directors, it should be ensured that the number of Boards in which such Director serves as member/chairman is within the restriction limit as provided under the Companies Act 2013.
- **Directors Terms and Tenure:**
 - The Boards are encouraged to seek a balance between change and continuity.
 - In case of Non-Executive Non-Independent Directors, each term should not exceed a period of 3 years. They can be reappointed for subsequent terms until the applicable retirement age.
 - In case of Independent Directors, each term should not exceed a period of 5 years or until the applicable retirement age, whichever is earlier, extendable for up to a total of two terms.

- Each term of a Managing/ Executive Director should not exceed a period of 5 years or until the applicable retirement age, whichever is earlier.
 - Employees of a Tata company should post-employment immediately resign from the Boards of all Tata companies where they are functioning as Non-Executive Directors. The Board of the Company, based on recommendation of the NRC, may specifically, through a resolution, approve continuance of the Director on the Board.
- Due to reasons for any disqualification mentioned under Companies Act 2013 or any other applicable laws, or due to non-performance or any other reason, the NRC may recommend to the Board, with reasons recorded in writing, removal of a Director or KMP or Executive Team member, subject to the compliance of the applicable laws.

PART C

Remuneration for Directors, KMPs and other employees

The philosophy for remuneration of Directors, Key Managerial Personnel (“KMPs”) and all other employees of the Company is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

While formulating Part C of this policy, the 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-Executive Non-Independent Directors**

- Independent Directors (“ID”) and Non-Executive Directors Non-Independent (“NED”) may be paid sitting fees (for attending the meetings of the Board and of Board 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 Board 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 employees¹**

- 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 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.
 - 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:

¹Excludes 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.

- 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.

6. Review of the Policy:

This policy will be reviewed and reassessed by the NRC as and when required and appropriate recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise.