



COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT STAFF

Tata Investment Corporation Limited

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Document Change Control

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01-Apr-23	1.0	Manoj Gupta	Amit Dalal	04-Aug-23	Adoption of the policy at the Board Meeting dated 04-Aug-23

1. Policy Statement and Purpose

The Reserve Bank of India (RBI) has issued **Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs** dated 29-Apr-22 (Guidelines). **Tata Investment Corporation Limited** (TICL or the Company), being a systemically important non-deposit taking NBFC, more specifically categorized as NBFC-Middle Layer, has in place a remuneration framework which defines its formal compensation philosophy to build a high-performance culture and one that drives long term commitment to its vision and goals.

In view of the Guidelines, this Policy has been framed to provide a framework to govern compensation of KMPs and SMs and shall apply to them in addition to the existing remuneration framework. This Policy shall supersede and prevail in all circumstances in terms of remuneration of KMPs and SM for both TICL and its subsidiary and is effective from 01-Apr-23.

This Policy will be reviewed and updated from time to time to ensure that it is current. All updates and revisions to the Policy will be approved by the Board of Directors (Board) of the Company or its delegated **Nomination and Remuneration Committee** (henceforth referred to as NRC). All such amendments to the Policy shall be recorded in in the “*Document Change Control*” section.

2. Scope

2.1. Objectives

The objective of this Policy is as follows:

- a) to ensure that the compensation practices are within the regulatory framework stipulated from time to time by RBI or any other relevant regulatory body.
- b) to ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.

2.2. Coverage

This Policy is applicable to:

- a) Key Managerial Personnel
 - Executive Director and equivalent;
 - Chief Financial Officer and Company Secretary; and
 - such other officer(s), not more than one level below the Directors who is in whole-time employment, designated as being a KMP by the Board.
- b) Senior Management Personnel:
 - As per Section 178 of the Companies Act (2013), personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Executive Director, including the functional heads.

3. Governance Structure for Compensation

3.1. The Nomination and Remuneration Committee (NRC)

In accordance with the RBI Guidelines, the NRC shall:

- a) actively oversee the framing, review and implementation of compensation policy to ensure that the mechanism operates as intended and is also consistent with the principles outlined by the RBI.
- b) work in close coordination with the Asset Liability, Risk Management & IT Strategy/ Steering Committee (ALRMC) of the Company to achieve effective alignment between compensation and prudent risk-taking.

- c) ensure that compensation packages/levels are supported by need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).
- d) ensure “fit and proper” status of existing/ proposed Directors and that there is no conflict of interest in appointment of directors on Board of the Company, KMPs and senior management.
- e) review the criteria for Malus and Clawback periodically or as deemed necessary.
- f) define performance parameters and recommend final pay-out for incentives to the Board.

3.2. Principles for determination of Compensation for KMPs and SMs

Compensation to KMPs and SMs shall be determined based on the following principles:

- a) level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Senior Management team of the quality required to run the Company successfully, which means compensation 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 the complexity of operations; and,
 - the Company’s capacity to pay.
- b) linkage of compensation to appropriate performance benchmarks.
- c) compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
- d) compensation structure will have a proper balance between Fixed-Pay and Variable-Pay.

4. Compensation Structure

4.1. Compensation Structure broadly consists of following elements:

- i) **Fixed-Pay (TFP):** all fixed elements of compensation, including perquisites and contributions towards superannuation/retiral benefits, as reflected in the Form-16 of the employee will be treated as part of fixed-pay.
- ii) **Variable-Pay (VP):** shall be a cash payment, based on the assessment of performance of the individual and the Company’s performance during the year. The total variable-pay shall be limited to a maximum of 100% of TFP or as determined by the NRC from time to time.

4.2. Compensation for KMPs and SMs in Control and Assurance Functions

KMPs and SMs engaged in Financial Control, Risk Management, Compliance, and Internal Audit will be compensated in a manner that is independent of the business areas they oversee and commensurate with their role in the Company.

4.3. Guaranteed Bonus

Guaranteed bonus may not be paid KMPs and SMs. The same would be subject to the recommendation of NRC taking into account other factors, as may be deemed fit. In the context of new hiree joining/ sign-on bonus could be considered. Such bonus will neither be considered part of fixed-pay nor of variable-pay.

4.4. Malus and Clawback

Malus arrangement permits the Company to prevent vesting of all or part of the variable pay which has been deferred. It does not reverse vesting after it has already occurred.

Clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested compensation attributable to a given reference year in which the incident has occurred. The return

would be in terms of net amount. Malus and Clawback provisions shall apply regardless of whether the employee is in the employment of the Company or has separated.

4.4.1. Framework to invoke Malus/ Clawback

Relevant factors to be considered:

- a) The NRC may duly take into consideration factors that were within the control of the person, and/ or beyond reasonable control, on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.
- b) Material breach of Tata Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus and/or Clawback provisions.
- c) Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information.
- d) Wilful misinterpretation/misreporting of financial performance of the Company.
- e) Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- f) Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
- g) An act of wilful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the Company.

4.4.2. Guidelines for Implementation

- a) This Policy will be binding on all KMPs and SMs covered under the purview of this Policy and terms of their compensation shall automatically stand revised in accordance with this Policy as amended from time to time.
- b) The NRC shall review the incident/ act of misconduct to ascertain the degree of accountability attributable to the concerned employee and may decide to apply malus and/or clawback on none, part or all the unvested/ vested deferred variable-pay based on the outcome of the evaluation.
- c) The provision relating to malus would entail forfeiture of full or part of the unvested/ unpaid part of the deferred variable-pay, attributable to a given reference year wherein the incident has occurred.
- d) The provision relating to clawback would entail return of full or part of the variable-pay (net of taxes) paid, attributable to a given reference year wherein the incident has occurred. The Company will have a right to set-off the clawback amount against any amount payable to the concerned employee.
