

## AVAYA INC.

### COMPENSATION COMMITTEE CHARTER

*Adopted April 22, 2004*

*Amended April 21, 2005*

#### **1. Purpose**

- 1.1 The Compensation Committee (the "Committee") of the Board of Directors of Avaya Inc. (the "Company") is responsible for matters relating to the Company's compensation and benefit programs.

#### **2. Composition and Term of Office**

- 2.1 The Committee will consist of at least three members all of whom:
- are non-employee directors of the Company who meet the independence requirements of the New York Stock Exchange;
  - are "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended; and
  - would qualify as "outside directors" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").
- 2.2 The members of the Committee shall serve one-year terms, and shall be elected annually by the Board on such date as the Board shall determine. Committee members may be replaced at any time by the Board at its sole discretion.
- 2.3 One member of the Committee shall serve as Chairman of the Committee.

#### **3. Committee Meetings - Operating Principles**

- 3.1 The Committee shall meet at least three times each year, either telephonically or in person.
- 3.2 Regularly scheduled Committee meetings will occur in conjunction with meetings of the full Board.
- 3.3 Special meetings of the Committee may be called as needed by the Committee Chairman or the Chairman of the Board and Chief Executive Officer.
- 3.4 The Committee may request that members of management or outside consultants be present at Committee meetings to assist the Committee in performing its duties.
- 3.5 Minutes of each meeting will be kept and distributed to the entire Board.

#### **4. Compensation/Employee Benefits Responsibilities**

The Committee shall perform the following functions:

- 4.1 Establish a philosophy and strategy for the Company's compensation and benefits programs.
- 4.2 Provide oversight and guidance in the development and implementation of compensation and benefit programs for all employees of the Company, including recommendations to the Board with respect to incentive-compensation and equity-based plans.
- 4.3 Discharge the Board's responsibilities relating to compensation of executives, including with respect to the approval of compensation and benefit plans for officers (individuals holding positions classified as Vice President or higher). This includes salary, annual incentive and long term incentive plans, whether in the form of stock, stock options, or cash, and determinations relating to the deductibility of compensation under Section 162(m) of the Code.
- 4.4 Assess the Company's compensation and benefits programs in light of prevailing market practices.
- 4.5 Confer, as needed, with the Senior Vice President, Human Resources, on compensation and benefit matters.
- 4.6 Review the individual goals and objectives of, and evaluate the performance of, the CEO, and set CEO compensation based on that evaluation.
- 4.7 Review the individual performance of the officers reporting directly to the CEO.
- 4.8 Review management's development and implementation of long-range planning for executive development and succession.
- 4.9 Review and make recommendations to the Board on matters concerning the Directors' annual retainer, committee chair fees, and any other compensation programs relating to the Board of Directors.
- 4.10 Prepare the annual Report on Executive Compensation for inclusion in the Company's Proxy Statement.
- 4.11 Exercise any functions assigned to the Committee under any of the Company's benefit or welfare plans.
- 4.12 Have sole authority to retain, at the Company's expense, and terminate any compensation consultant and have sole authority to approve the consultant's fees and other retention terms.

- 4.13 Have the authority to oversee the Company's response to regulatory developments affecting compensation and benefits plans and programs.
- 4.14 Review and approve separation package and severance benefits for the CEO and the CEO's direct reports, including, but not limited to, packages and benefits that are outside of the Company's plan provisions.

The Committee may delegate (where legally permissible) authority to perform any of the foregoing responsibilities where desirable to facilitate the operation or administration of any of the Company's compensation and benefits plans or programs.

## **5. Responsibilities – Administrative**

The Committee shall perform the following functions:

- 5.1 Report at the next meeting of the full Board of Directors all significant items discussed at any Committee meeting.
- 5.2 Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board.
- 5.3 Take such further actions or provide such further advice as the full Board of Directors may from time to time delegate to the Committee.
- 5.4 Conduct an annual assessment of the Committee.