

TATA SIA AIRLINES LIMITED
Nomination and Remuneration Policy

The Board of Directors of TATA SIA Airlines Limited (“the Company”) constituted the “Nomination and Remuneration Committee (‘NRC’)” at the Meeting held on April 15, 2014.

1. DEFINITIONS

- 1.1 **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 1.2 **Board** means Board of Directors of the Company.
- 1.3 **Directors** mean Directors of the Company.
- 1.4 **Key Managerial Personnel (“KMP”)** means
 - 1.4.1 Chief Executive Officer or the Managing Director (“MD”) or the Manager;
 - 1.4.2 Whole-time director;
 - 1.4.3 Chief Financial Officer;
 - 1.4.4 Company Secretary; and
 - 1.4.5 such other officer as may be prescribed.
- 1.5 **Senior Management / Executive Team (“senior management”)** means 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 directors, including the direct reports of the MD at the level of VPs/ SVPs/ Divisional heads.

2. ROLE OF COMMITTEE

2.1 Policy for appointment and removal of Director, KMP and Senior Management

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment, on the basis of “best person for the job” principle. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- The procedures of the appointment and removal of the CEO, CFO and CCO are set forth in Articles 20 and 21 of the Articles of Association.

As far as possible for the purposes of the recommendation of candidates for the position of CEO, CFO and COO, shall be recommended to the Board on the basis of the 'best person for the job' principle, with due weightage being given to the views of Singapore Airlines Limited (SIA) and Tata Sons Limited (TATA) and recommendation to the Board should as far as possible be by consensus.

- It is the responsibility of the NRC to develop competency requirements to recommend to the Board for its approval based on the industry and strategy of the company. Board composition analysis should ideally reflect in-depth understanding of the company, including its strategies, environment, operations, financial condition and compliance requirements.
- It is recommended that the NRC conduct a gap analysis and refresh the Board on a periodic basis, including every time a director's appointment or reappointment is required.
- Shareholders shall recommend nominees for director in accordance with the Company's Articles of Association, and the Committee will consider such nominees. The Committee may also consider identification through a search process of potential Independent Directors. The nominees should have a good personal and professional reputation. The procedures by which shareholders may submit their nominees are set forth in Article 80, 81, 82, 83 and 84 of the Company's Articles of Association.
- To meet the objectives of driving diversity and an optimum skill mix, the NRC may seek the support of Group Human Resources. Recommended sources of directors could be active and retired CXOs, professional persons and experts in relevant fields.
- The NRC is responsible for reviewing and vetting the CVs of the potential candidates vis-a-vis the required competencies. The committee is also responsible for meeting potential candidates prior to making recommendations of their nomination to the Board. Group Human Resources may, as required, attend the NRC meetings to support the nomination process.
- Subject to the Company's Articles of Association and the related procedures as contained in this Policy, it is the responsibility of the NRC to make recommendations to the Board in relation to the appointment of new directors, KMP and Senior Management Personnel. The NRC should conduct appropriate reference checks and due diligence on all directors, KMPs and Senior Management Personnel prospects before recommending them to the Board.
- Post approval, the desired candidate is invited to join the Board/Company
- At the time of appointment, the specific requirements for the position should be communicated to the person, including the expert knowledge expected.

2.2 Director Term, Tenure and Directorships

- Boards are encouraged to seek a balance between change and continuity.
- In case of non-independent Non-Executive Director (NEDs), 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 Director (ID), each term should not exceed a period of 3 years or until the applicable retirement age, whichever is earlier, extendable for up to a total of two terms. No ID shall hold office for more than two consecutive terms. But such an individual/ person shall be eligible for re-appointment as an ID after expiry of three years of ceasing to be an ID. Provided that this individual/ person shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.
- In the case of Shareholder nominated director, subject to Article 80, 81, 82, 83, 84 and 85 of the Articles of Association, a shareholder shall have the right to remove the Directors nominated by such Shareholder and, in the event of a vacancy in the Board, whatever its cause (including without limitation, as a result of a mandatory rotation of Directors), such vacancy shall be filled by an individual nominated by the Shareholder who had nominated the former Director to the post which becomes vacant.
- A shareholder shall have the right to suggest for re-appointment or replacement of a Director nominated by such Shareholder in the event that such Director is required by Indian Law to retire by rotation from the Board.
- Each term of a MD/ ED should not exceed a period of 5 years or until the applicable retirement age, whichever is earlier.
- MD and EDs shall hold office up to the age of 65 years, or earlier, as determined by the Board of the company.
- Employees of a Tata company, should post-employment immediately resign from the Boards of all Tata companies where they are functioning as NEDs. The Boards of respective companies may specifically, through a resolution, approve continuance of the director on the Board.
- The retirement age for Non-Independent NEDs would be 70 years. The retirement age for IDs would be 75 years, unless a lower retirement age is specified under the laws applicable to the company.

3 POLICY RELATING TO REMUNERATION

The philosophy for remuneration of directors, KMP 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.

This remuneration policy has been prepared pursuant to the provisions of Section 178(3) of the Companies Act, 2013. 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 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:

3.1 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.

3.2. Remuneration for Manager, Managing Director (“MD”)/ executive directors (“ED”)/ KMP/ rest of the employees

- 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 reimbursements 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/Manager 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.
- 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.

3.3 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.

3.4 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.