

## **GOVERNANCE POLICIES FOR BOARD OF DIRECTORS, KMP & SENIOR MANAGEMENT APPOINTMENTS, REMUNERATION & EVALUATION**

### **1. OBJECTIVE**

As a measure of good Corporate Governance and in compliance with the provisions of Section 178 of Companies Act 2013 and Clause 49 of the Listing Agreement, following policies are formulated:

- 1.1 Policy on appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- 1.2 Policy on Remuneration to the Directors, Key Managerial Personnel, Senior Management and other Employees
- 1.3 Policy on Directors Training
- 1.4 Policy on Evaluation of performance of the Board of Directors, Committees and individual Directors,
- 1.5 Policy on Succession Planning for the Board, Key Managerial Personnel and Senior Management;
- 1.6 Policy on Board Diversity;

### **2. DEFINITIONS**

The definitions of some of the key terms used in this Policy are given below.

“**Advisory Council**” means the committee of MD & CEO, CPO and CFO constituted to recommend grant of Stock Options

“**Board**” means Board of Directors of the Company.

“**Company**” means the Tech Mahindra Limited.

“**Committee(s)**” means Committees of the Board for the time being in force.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in Senior Management Team of the Company.

“**HR**” means the Human Resource department of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Executive Vice Chairman (EVC);
- (ii) Managing Director (MD), or Chief Executive Officer (CEO);
- (iii) Chief Financial Officer (CFO); and
- (iv) Company Secretary (CS).

**“Nomination and Remuneration Committee” (NRC)** means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

**“Senior Management”** means employees of the company who are members of its management council (excluding Whole Time Directors), Company Secretary, Dy Chief Financial Officer, Head – Legal, Head – Commercial and Corporate Services & Head - Internal Audit.

### **3. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMPs AND SENIOR MANAGEMENT**

#### **3.1 Directors**

- The NRC determines the criteria for appointment to the Board and is vested with the authority to identify candidates for appointment to the Board of Directors. In evaluating the suitability of individual Board member, the NRC will take into account multiple factors, including general understanding of the business, education, professional background, personal achievements, professional ethics and integrity.
- Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman / EVC / MD & CEO will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act 2013 and Rules made there under.

#### **3.2 KMPs**

- The authority to identify right candidates for the appointment of CFO and CS is vested with the EVC / MD & CEO. The HR will facilitate in identifying the candidates internally or externally. NRC will consider the candidates proposed by the EVC / MD & CEO and recommend to the Board for its consideration and appointment in accordance with the applicable provisions of the Act and Rules.
- In case of EVC / MD / CEO’s appointment, NRC will initiate the process of identifying the new candidate, which can be an internal or external candidate, for the respective position. After identification and screening of the candidate, NRC will propose the candidature to the Board for its consideration and for appointment subject to the approval of the Shareholders and Regulatory Authority, if any.

#### **3.3 Senior Management personnel**

The Senior Management personnel are appointed and removed/relieved with the authority of EVC / MD & CEO based on the business need and the suitability of the candidate. The details of the appointment made and the personnel removed/relieved during a quarter shall be presented to the Board as part of update on Corporate Governance.

### **3.4 Removal of Board of Directors and KMPs**

If a Director or a KMP is attracted with any disqualification as mentioned in any of the applicable Act, rules and regulations thereunder or due to non adherence to the applicable policies of the company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director or a KMP subject to the compliance of the applicable statutory provisions.

## **4. REMUNERATION TO DIRECTORS, KMPS, SENIOR MANAGEMENT PERSONNEL & OTHER EMPLOYEES:**

### **4.1 Non Executive Directors:**

The NRC shall decide the basis for determining the compensation, both Fixed and variable, to the Non Executive Directors, including Independent Directors, whether as commission or otherwise. The NRC shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges and such other factors as the NRC may consider deem fit for determining the compensation. The Board shall determine the compensation to Non Executive Directors within the overall limits specified in the Shareholders resolution.

### **4.2 Executive Directors:**

The remuneration to EVC and MD & CEO shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, perquisites and fringe benefits as approved by the Board and within the overall limits specified in the Shareholders resolution. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

The Company may also grant Stock Options to the Directors subject to the compliance of the applicable statutes and regulations.

### **4.3 Remuneration to Senior Management personnel and Other Employees**

- The Company follows an extensive performance management system to review the performance of the employees /Senior Management and provide rewards on the basis of meritocracy.
- The overall remuneration to the employees includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as the Company believes employees at higher positions have a far greater impact and influence on the overall business result. The CTC

is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements :

- Performance
  - Potential
  - Criticality
  - Longevity in grade
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- The remuneration for KMPs - CFO and CS will be proposed by the EVC / MD & CEO to the NRC consistent with the strategy of the Company and their Qualifications, Experience, Roles and Responsibilities. Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration at the time of their appointment.
  - The initial remuneration for the Senior Management personnel shall be proposed by CPO and approved by EVC / MD & CEO,
  - Remuneration for the new employees other than KMPs and Senior Management Personnel will be decided by the HR, in consultation with the concerned business unit head at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.
  - The CPO shall make a presentation to the NRC on the proposed annual increments based on the performance of the company, general trends in the Industry etc. the annual performance appraisal process of the employees conducted by the Human Resources department, during the financial year. Eligible employees will be rewarded with the annual increment. Before taking the proposal to the NRC, the CPO shall obtain the approval of Vice Chairman/MD and CEO.
  - The Stock Option grants to the employees are approved by the NRC based on the recommendation of the Advisory Council;

## **5. POLICY ON AWARENESS TRAINING TO THE INDEPENDENT DIRECTORS:**

The Independent directors at the time of their co-option shall be provided with a personal orientation by the senior leaders. They will also be provided with the material/literature regarding the Company's business and its operations, governing documents, information on key personnel and financial information to familiarize them with the Company. Their appointment letter will provide their roles and responsibilities in the Company.

The Quarterly Board Meetings will contain an agenda item on 'Business Updates' which provides development in the business strategy of the Company among others. Further external professionals will be invited periodically to address the Directors on latest developments in the industry.

The Chairman depending on the business needs may also nominate Independent Directors for relevant external training programs.

## **6. FRAMEWORK FOR PERFORMANCE EVALUATION OF THE BOARD:**

### **6.1 Structure**

a. The evaluation structure primarily consists of:

- Performance Evaluation of the Board as a whole;
- Performance Evaluation of Committees; and
- Performance Evaluation of Individual Directors (including Independent Directors).

b. The evaluation will be carried out as detailed below:

- Board evaluation as a whole will be carried out prior to the first Board Meeting of the financial year (i.e. meeting scheduled for approval of annual audited financial results of the Company) & evaluation reports will be presented during the said first Board Meeting by the Chairman.
- Board's Committee evaluation will be carried out in the first month of each financial year i.e. April and evaluation reports will be shared with the respective Committee in its first meeting of the financial year. The results will also be presented to the Board during the first Board meeting of the financial year by the Chairman of the respective Committee.
- Individual Directors evaluation will be done prior to the first Board Meeting of the financial year.
- Evaluation will be conducted by the Independent Directors for each of the Executive/Non-Independent Directors in a separate meeting of the Independent Directors.
- The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors excluding the Independent Director being evaluated.

### **6.2 Process for Performance Evaluation of the Board as a whole**

The process will be initiated each year by the Chairman of the NRC or any other person as authorized by the NRC.

- The Board will carry out annual evaluation of its own performance through its adopted self-evaluation criteria. Board evaluation process will be initiated each year by the chairman of NRC and will be coordinated by the Chairman of NRC or any other person authorized by the NRC. Each Board member will get an evaluation form as given in **Annexure – I** in the first week of April of each year.
- Board members have the option to disclose his/her name on the evaluation form.

- Board members shall complete the form and return it to the authorized person within two weeks of receipt of the form.
- Only Chairman of the Board will have access to individual evaluation form.
- Chairman of the Board, will arrange to tabulate the results and present summary report to the Board during the first Board Meeting of the financial year. The summary report will include score against each of the evaluation criteria & verbatim comments without any names. Sample template has been included in **Annexure II**.
- The Board will initiate discussion based on individual feedback, broad & common areas that are working well and those that need attention. The Board will then decide if changes in its governance practices and policies need to be made going forward.

### 6.3 Process for Performance Evaluation of the Committees:

- The Board has adopted the evaluation criteria for Committees as mentioned in **Annexure -III**. Each Committee member will get an evaluation form as given in **Annexure – III** for the Committee(s) he/she is part of in the first week of April of each year.
- Committee Members have the option to disclose his/her name on the evaluation form.
- Committee Members shall complete the forms and return them to the authorized person within two weeks of receipt of the forms.
- Only Chairman of the NRC will have access to individual scoring sheets.
- The Chairman NRC, with the assistance of any person, will tabulate the results and share the summary report with the respective Committee in their first meeting of the financial year. The summary report will include score against each of the evaluation criteria & verbatim comments without any names. Sample summary report template has been included in **Annexure – IV**.
- Each Committee will initiate discussion basis individual feedback, broad & common areas that are working well and those that need attention.
- The Chairman of the respective Committee will also present the summary report to the Board during its first Board Meeting of each financial year.

### 6.4 Process for Performance Evaluation of individual directors including Independent Directors

- The NRC will carry out performance evaluation of individual directors through peer evaluation of each Board member.
- The Key areas of evaluation are Knowledge of business, Diligence and preparedness, Effective interaction with others, Constructive contribution to discussion and strategy, Concern for stakeholders, attentive to the internal controls mechanism, and ethical conduct issues as the evaluation criteria.
- In the first week of April of each year, each Board member will get evaluation form as given in **Annexure – V** for each of their colleagues on the Board. Each Board member will complete evaluation of each of their colleagues. Board member does not have to disclose his/her name on the evaluation form.

- During the first Board meeting of the financial year, separate envelopes indicating name of each Board Member will be circulated in which each Board member will place the completed evaluation sheet of the assessed member in their respective envelope. For example, there will be separate envelopes for Director A, Director B & so on and these envelopes will be circulated to all the Directors to place the evaluation form of the specific Director in the envelope indicating his/her name.
- Once all the evaluation forms are placed in designated envelopes, each Board member will be handed over their respective envelope and will have the opportunity to go through their own peer evaluation scores during the meeting itself.
- After going through their respective evaluation scores by their peers, the Board members will hand over their envelope to the Board chairperson during that meeting.
- Subsequently, the Board chairperson, will go through the contents of the envelope, and if necessary, will meet with each Director individually as part of the evaluation process to identify and discuss the outcome. The separate envelopes containing peer evaluation forms for each individual Director will remain with the Board chairperson and will be kept confidential.
- The NRC on the basis of evaluation scores of the concerned member shall recommend to the Board to extend or continue the term of appointment of the Board member. In case of the upcoming reappointment of any of the NRC member, the concerned member will not participate and others on the committee will be given access to all the available forms of the concerned member as detailed above to continue with the recommendation process.

## **7. SUCCESSION PLANS:**

### **7.1 Board:**

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term. In case of separation of Independent Directors or Non Executive Directors due to resignation or otherwise, successor will be appointed within two quarters from the date of separation.

The successors for the Executive Directors shall be identified by the NRC from among the Senior Management or through external source as the Board deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

The Board may also decide not to fill the vacancy caused at its discretion.

## **7.2 KMPs & Senior Management Personnel:**

A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization.

As part of annual evaluation of employees, each employee is advised to provide the details of two employees from their team who shall succeed along with the estimated time within which the successor employees will be ready to take up the new role. The EVC / MD & CEO shall evaluate the best suitable employee among the recommended employees when need arise. The EVC / MD & CEO may also at their discretion consider appointing the successor through external source.

## **8. BOARD'S DIVERSITY**

A truly diverse Board will make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. The Board appointments should be based on merit that complements and expands the skills, experience, expertise of the Board as a whole, taking into account knowledge, professional experience, qualifications, gender, age, cultural, educational background, statutory / regulatory requirement and any other factors that might be relevant and applicable from time to time for it to function effectively.

NRC considers the functional diversities in determining the optimum composition of the Board.

## **9. AMENDMENT**

The Policies may be changed at any time by the Board on the recommendation of NRC. However, the NRC shall have the authority to change the Evaluation Form at any time during the year with the objective of seeking more inputs from the Individual Directors



**Performance Evaluation of the Board as a whole - Self Evaluation Form**

Each Board Member is to rate the following statements in relation to overall performance of the Board during the last financial year. Please place ✓ in the appropriate box next to each statement using the indicated scale. Please use the space at the bottom to provide any specific comments you may have.

Your Name (Optional) \_\_\_\_\_

Evaluate the following statements in relation to overall performance of the Board		Rating Scale				
		1	2	3	4	5
1	The Board is collegial and polite and meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.					
2	The Board has achieved what it set out to accomplish in the year under review.					
3	The Board engages in long-range strategic thinking and planning.					
4	The Board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term.					
5	The Board meetings are of reasonable length & agendas are well-balanced, allowing appropriate time for the most critical issues and there is a balance between presentations and discussions.					
6	The Board receives timely, accurate, and useful information upon which to make decisions.					
7	The Board anticipates issues and does not often find itself reacting to “crisis” situations.					
8	The Board speaks in “one voice” when directing or delegating to management and brings discussions to a conclusion with clear direction to management.					
9	The quality of Directors participation in meeting is satisfactory.					
10	The Board is well diversified in terms of skills, regional and industry experience, background, race and gender					

**Rating Scale**

5 = strongly agree; 4 = Agree; 3 = neither agree nor disagree; 2 = Disagree; 1 = Strongly Disagree
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Please provide below any additional comments or suggestions about the work and effectiveness of the board as a whole.

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8	The Board speaks in “one voice” when directing or delegating to management and brings discussions to a conclusion with clear direction to management.								
9	The quality of Directors participation in meeting is satisfactory.								
10	The Board is well diversified in terms of skills, regional and industry experience, background, race and gender								

**Rating Scale**

5 = Strongly agree 4 = Agree 3 = Neither agree nor disagree 2 = Disagree 1 = Strongly Disagree
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**Comment 1:** .....

**Comment 2:** .....

*These comments will be taken verbatim without mentioning name of the Board Member)*

**Annexure III**

**Performance Evaluation of the Committees - Self Evaluation Form**

*(This Form is to be filled out separately for each committee of the Board in which you are member)*

Each Committee member is to rate the following statements in relation to overall performance of the Committees during the last financial year. Please place ✓ in the appropriate box next to each statement using the indicated scale. Please use the space at the bottom to provide any specific comments you may have.

Your Name (Optional): \_\_\_\_\_

Name of the Committee to be assessed: \_\_\_\_\_

Evaluate the following statements in relation to overall performance of the Committee		Rating Scale				
		1	2	3	4	5
1	The Committee is collegial and polite and meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.					
2	The Committee is comprised of optimum number of members.					
3	The Committee is comprised of competent members					
4	The Committee gets into details, focuses on pertinent topics and allocates reasonable time and there is a balance between presentations and discussions.					
5	The Committee reports back to the Board as it should on all the relevant issues.					
6.	The Committee is effective in carrying out its mandate and make collective judgments about important matters.					

<b>Rating Scale</b>
5 = Strongly agree 4 = Agree 3 = Neither agree nor disagree 2 = Disagree 1 = Strongly Disagree

Please provide below any additional comments or suggestions about the work and effectiveness of the committee as a whole.

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**Annexure IV**

**SAMPLE**

**Summary Report: Performance Evaluation of the Committee**

*(This result template will be shared with the respective Committee & presented in the Board Meeting)*

Name of the Committee: .....

<b>Statements in relation to overall performance of the Committee</b>		<b>Committee Member A</b>	<b>Committee Member B</b>	<b>Committee Member C</b>	<b>Committee Member D</b>	<b>Average Score</b>
		<i>Scores of each Committee Member will be mentioned on No name basis</i>				
1	The Committee is collegial and polite and meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.					
2	The Committee is comprised of optimum number of members.					
3	The Committee is comprised of relevant members.					
4	The Committee gets into details, focuses on pertinent topics and allocates reasonable time and there is a balance between presentations and discussions.					
5	The Committee reports back to the Board as it should on all the relevant issues.					

6.	The Committee is effective in carrying out its mandate and make collective judgments about important matters.					
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<b>Rating Scale</b>
5 = Strongly agree 4 = Agree 3 = Neither agree nor disagree 2 = Disagree 1 = Strongly Disagree

**Comment 1:** .....

**Comment 2:** .....

*(These comments will be taken verbatim without mentioning name of the Committee Member)*

**Annexure V**

**Performance Evaluation of Board Member - Peer Evaluation Form**

Each Board Member is to rate the following statements in relation to his/her assessment of their colleague as a Board member during the last financial year. Please place ✓ in the appropriate box next to each statement using the indicated scale. Please use the space at the bottom to provide any specific comments you may have. Please note, you do not mention your name on the form to keep the process confidential.

Name of Board Member to be assessed \_\_\_\_\_

	Evaluate the following statements in relation to your assessment of your colleague as a Board Member of the Company	Rating Scale				
		1	2	3	4	5
1	Knowledge of key areas					
2	Diligence and preparedness					
3	Effective interaction with others					
4	Constructive contribution to discussion and strategy					
5	Concern for stakeholders					
6	Concern for working of internal controls					

5 = Outstanding, exceptional contribution  
4 = Above expectation  
3 = Satisfactory  
2 = Some improvement required  
1 = Unsatisfactory contribution to the Board

Please provide below any additional comments or suggestions which you believe would help improve the Board's function.

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