



Governance Guidelines

Guidelines for Tata companies on Board Effectiveness

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1. Preamble

A deep belief in values, ethical conduct of business, commitment to social responsibility, respect for all stakeholders and sound corporate governance practices have been the hallmark of the way the Tata companies do business. The stakeholders expect the Tata companies' governance principles to be consistent and of high standards.

This Governance Guidelines ("guidelines") document is based on current and emerging best practices from both within and outside Tata companies. These guidelines have been prepared keeping in view the provisions of the Companies Act, 2013 ("Act") and the corporate governance requirements as prescribed by Securities and Exchange Board of India ("SEBI") under Clause 49 of the Equity Listing Agreement ("Clause 49"). In case there is any change in the law or the requirements of the Equity Listing Agreement as prescribed by SEBI, the company will have to comply with the applicable provisions of the Act and Clause 49 as amended from time to time. These guidelines should be read in conjunction with the Act, Clause 49, RBI circulars, IRDA guidelines, SEBI (Prohibition of Insider Trading) Regulations, 1992 along with the Tata Code of Conduct for Prevention of Insider Trading and Code of Corporate Disclosure Practices ("Insider Trading Regulations and Code") and the Articles of Association of the company ("Articles").

This document aims to comprehensively revise and update all previous board related guidelines relating to Tata companies. All Tata companies are requested to place these guidelines before the respective Board of directors ("Board") for consideration and adoption as a whole.

Though these guidelines are written from an Indian perspective, many of these recommendations could be adopted in other countries where the company operates, subject to compliance with local laws.

For the purpose of these guidelines, a "Tata company" shall mean Tata Sons Limited and every company of which Tata Sons Limited or Tata Industries Limited or any company promoted by Tata Sons Limited or Tata Industries Limited is the promoter or in which such companies whether singly or collectively hold directly or indirectly 26% or more of the paid-up equity share capital or in which the shareholding of such companies represents the largest Indian holding apart from holdings of financial institutions/ mutual funds or a company which is permitted by Tata Sons to use the Tata brand/ name.

These guidelines shall take effect from the date on which they are adopted by the Board of the Tata company ("Effective Date").

2. Composition and Role of the Board

2.1. Role of the Board

The Board is collectively responsible for the success of the company and shall exercise superintendence, control and direction of the company's affairs towards long term value creation for all stakeholders. The Board along with its committees provides supervision and direction to and oversees the performance of the management.

2.1.1. Public companies covered under the Act

As per the **Act (section 166 and Schedule IV)**, the responsibilities of the Board are as follows:

- *“promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment;*
- *deliberate especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;*
- *satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;*
- *safeguard the interests of all stakeholders, particularly the minority shareholders;*
- *balance the conflicting interest of the stakeholders.”*

Companies whose equity is not listed (under Clause 49) are also encouraged to follow the responsibilities of the Board as highlighted in Clause 49 (and provided in 2.1.2 below).

2.1.2. Public companies whose equity is listed (as covered by Clause 49 and the Act)

The responsibilities of the Board as per **Clause 49** are as follows:

- ***“Disclosure of Information:***
 - a) Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.*
 - b) The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.*

- **Key Functions of the Board:**

- a) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.*
- b) Monitoring the effectiveness of the company's governance practices and making changes as needed.*
- c) Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.*
- d) Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.*
- e) Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.*
- f) Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.*
- g) Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.*
- h) Overseeing the process of disclosure and communications.*
- i) Monitoring and reviewing Board Evaluation framework.*

- **Other responsibilities:**

- a) The Board should provide the strategic guidance to the company, ensure effective monitoring of the management and should be accountable to the company and the shareholders.*
- b) The Board should set a corporate culture and the values by which executives throughout a group will behave.*
- c) Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.*
- d) The Board should encourage continuing directors training to ensure that the Board members are kept up to date.*
- e) Where Board decisions may affect different shareholder groups differently, the Board should treat all shareholders fairly.*
- f) The Board should apply high ethical standards. It should take into account the interests of stakeholders.*
- g) The Board should be able to exercise objective independent judgment on corporate affairs.*
- h) Boards should consider assigning a sufficient number of non-executive Board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest.*
- i) The Board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to*

significant risks not being recognised or exposes the company to excessive risk.

- j) The Board should have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the company's focus.*
- k) When committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.*
- l) Board members should be able to commit themselves effectively to their responsibilities.*
- m) In order to fulfil their responsibilities, board members should have access to accurate, relevant and timely information.*
- n) The Board and senior management should facilitate the Independent Directors to perform their role effectively as a Board member and also a member of a committee.”*

2.1.3. Additional responsibilities for the Board of a Tata company

In addition to the above responsibilities prescribed by the Act and Clause 49, the core objectives of the Board of a Tata company shall include:

- Review and approval of the Annual Operating Plan (including the strategy and resource plan) of the company.
- Oversee maintenance of high standards of Tata values and ethical conduct of business.
- Review TBEM (Tata Business Excellence Model) findings and monitor the action plan.
- Protect and enhance the company and Tata brand, where companies are using the same.

2.2. Role of the Chairman

The Chairman is responsible for Board leadership and creating conditions for effectiveness of the overall Board which includes inter-alia:

- Setting the strategic agenda of the Board (in conjunction with the company's management) with focus on long term value creation for all stakeholders.
- Encouraging active engagement by all the members of the Board and promoting effective relationships and open communication.
- Communicating effectively with all stakeholders and enabling meaningful relationships, as may be required.
- Motivating and providing guidance to the managing director (“MD”)/ chief executive officer (“CEO”).

2.3. Role of the Directors

Directors of all Tata companies are expected to comply with duties as provided in the Act. For reference, the duties of the directors, as provided by the Act, are as follows:

- 1) *“Act in accordance with the articles of the company.*
- 2) *Act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.*
- 3) *Exercise duties with due and reasonable care, skill and diligence and exercise independent judgment.*
- 4) *Not be involved in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.*
- 5) *Not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates.*
- 6) *Not assign his office.”*

Additionally, the directors on the Board of a Tata company are also expected to demonstrate high standards of ethical behavior, strong interpersonal and communication skills and soundness of judgment.

2.4. Size of the Board

As prescribed under the Act, the Board shall comprise up to a maximum of fifteen directors (including the Chairman and the Financial Institutions’ nominees). However, the Board may decide to have lesser number of directors keeping in view the size and complexity of the business of the company.

2.5. Board Composition

2.5.1. Public companies whose equity is listed (as covered by Clause 49 and the Act)

- Number of independent directors (“ID”):
 - In case of public companies, which have a promoter director as Chairman, at least half of the Board should comprise IDs.
 - In case of other public companies, at least one-third of the Board should comprise IDs.
- The balance of the Board may be equally split between non-independent non-executive directors (“NED”) and executive directors (“ED”), including the MD.
- The non-independent NEDs may consist of representatives from Tata companies (excluding the specific company and its’ subsidiaries/ associates/ joint ventures).

- The overall Board should comprise at least one woman director.
- Offices of the Chairman and the CEO/ MD should be separate, except under exceptional circumstances.
- At least one ID on the Board of such a company should be a director on the Board of its' material unlisted subsidiary company¹.
- The Board of a material subsidiary company¹ is advised to have at least one non-independent NED who is not an employee of its holding/ subsidiary/ fellow subsidiary company.

2.5.2. Other public listed companies (as covered by the Act)

- In public listed companies covered by the Act but not by Clause 49, at least one-third of the Board should comprise IDs.
- The balance of the Board may be equally split between non-independent NEDs and EDs, including the MD.
- The non-independent NEDs may consist of representatives from Tata companies (excluding the specific company and its' subsidiaries/ associates/ joint ventures).
- The overall Board should comprise at least one woman director.
- Offices of the Chairman and the CEO/ MD should be separate, except under exceptional circumstances.
- The Board of a material subsidiary company¹ is advised to have at least one non-independent NED who is not an employee of its holding/ subsidiary/ fellow subsidiary company.

2.5.3. Public unlisted companies (as covered by the Act)

- Public unlisted companies that meet and exceed certain thresholds on paid-up share capital, turnover and aggregate of outstanding loans, debentures and deposits² must comprise *“at least two independent directors provided that in case such a company is required to appoint a higher number of independent directors due to composition of its audit committee, such higher number of independent directors shall be applicable to it.”*

¹ In this document, the term “material subsidiary” shall have the same meaning assigned to this phrase under the applicable law. However, if the law does not prescribe any definition, then, a subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

² Thresholds for appointment of IDs in public unlisted companies as prescribed Companies (Appointment and Qualification of Directors) Rules, 2014 read in conjunction with the Act are as follows:

- (i) Paid up share capital of ten crore rupees; or
- (ii) Turnover of one hundred crore rupees; or
- (iii) Aggregate of outstanding loans, debentures and deposits, of fifty crore rupees

- The balance of the Board may be equally split between non-independent NEDs and EDs, including the MD. This is however subject to not more than one-third of the Board comprising EDs including the MD.
- The non-independent NEDs may consist of representatives from Tata companies (excluding the specific company and its' subsidiaries/ associates/ joint ventures).
- In public unlisted companies that meet and exceed certain thresholds on paid-up share capital and turnover³, the overall Board should comprise at least one woman director.
- Offices of the Chairman and the CEO/ MD should be separate, except under exceptional circumstances.
- The Board of a material subsidiary company¹ is advised to have at least one non-independent NED who is not an employee of its holding/ subsidiary/ fellow subsidiary company.

2.5.4. Additional guidelines for a Tata company

- Boards will ensure that a transparent board nomination process is in place that encourages diversity of thought, experience, knowledge, perspective, age and gender.
- It is expected that boards have an appropriate blend of functional and industry expertise.
- On an annual basis every holding company will need to be provided a report of any changes in directors in the Board of its subsidiaries, associates and joint ventures (this should also include subsidiaries, associates and joint ventures of such subsidiaries, associates and joint ventures) in a pre-determined format.
- The Board of the parent/ holding company (supported by the Nomination and Remuneration Committee) shall determine how the parent/ holding company will vote at the shareholder meeting for appointment of directors on the Board of material subsidiary companies¹.

2.6. Managing Director and Executive Director

- The MD and EDs provide leadership through their board positions, as well as for the business area or function for which they are directly responsible.
- The MD and EDs are expected to exercise individual judgment on every issue in the overall interests of the company. They are also expected to demonstrate role model behavior on all aspects of Tata values, including living by the Tata Code of Conduct (“TCoC”) in letter and spirit at all times.

³ Thresholds for appointment of woman director in public unlisted companies as prescribed Companies (Appointment and Qualification of Directors) Rules, 2014 read in conjunction with the Act are as follows:

- (i) Paid-up share capital of one hundred crore rupees; or
- (ii) Turnover of three hundred crore rupees

- The MD and EDs are members of the Board by virtue of employment with a Tata company. The membership of the Board would cease in the event of superannuation, resignation or cessation of services.
- While recommending appointment of an ED, it is expected that the Nomination and Remuneration Committee (“NRC”) consider a balance between functional and business unit representation.

2.7. Non-Executive Director

- NEDs bring an external view and judgment on the issues of strategy, risk, performance, capital and other resources, key appointments and business conduct. They should therefore be provided with the freedom to constructively challenge strategies and policies proposed by management. They should also be at the liberty to use all channels of communication, formal as well as informal, to put across their point of view to the management.
- Retired MDs/ EDs/ employees will not be invited to join the Board of the same company as NEDs. However, such a person may continue as NED of its subsidiaries/joint ventures/associates/ fellow subsidiaries / other Tata companies. To enable this, the Boards of respective companies may specifically, through a resolution, approve continuance of the director on the Board.
- Current and ex-employees of a Tata company may be considered as independent only if he/ she has or had no pecuniary relationship with any Tata company (due to employment/ receipt of monthly pension by way of Special Retirement Benefits/ holding consultant or advisor positions) during the two immediately preceding financial years or during the current financial year.
- All non-independent NEDs shall retire by rotation as required by law but shall be entitled to be reappointed if qualified under law. They should be selected through a formal process by the NRC of the company, and confirmed by the Board.

2.8. Independent Director

- A director will be considered as an "independent director" if the person meets with the criteria for 'independent director' as laid down in the Act and Clause 49 (as may be applicable).
- The definition of Independence as provided in the Act and Clause 49 is as follows:

“An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

- (a) *who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;*
- (b) (i) *who is or was not a promoter of the company or its holding, subsidiary or associate company;*
(ii) *who is not related to promoters or directors in the company, its holding, subsidiary or associate company;*
- (c) *who has or had no pecuniary relationship with the company, its holding subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;*
- (d) *none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;*
- (e) *who, neither himself nor any of his relatives—*
(i) *holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;*
(ii) *is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—*
(A) *a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or*
(B) *any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;*
(iii) *holds together with his relatives two per cent. or more of the total voting power of the company; or*
(iv) *is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company;*
(v) *is a material supplier, service provider or customer or a lessor or lessee of the company; (additional provision as per Clause 49);*

(f) who is not less than 21 years of age (additional provision as per Clause 49)”

- While recommending appointment of an ID, it is expected that the NRC consider the manner in which the function and domain expertise of the individual contributes to the overall skill-domain mix of the Board. IDs ideally should be thought/ practice leaders in their respective functions/ domains.
- IDs are expected to abide by the ‘Code for independent directors’ as outlined in the Act. The Code specifies the guidelines of professional conduct, role and function and duties of independent directors.
- These are as follows:

“I. Guidelines of professional conduct: An independent director shall:

- 1) uphold ethical standards of integrity and probity;*
- 2) act objectively and constructively while exercising his duties;*
- 3) exercise his responsibilities in a bona fide manner in the interest of the company;*
- 4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;*
- 5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;*
- 6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;*
- 7) refrain from any action that would lead to loss of his independence;*
- 8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;*
- 9) assist the company in implementing the best corporate governance practices.*

II. Role and functions: The independent directors shall:

- 1) help in bringing an independent judgment to bear on the Board’s deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;*
- 2) bring an objective view in the evaluation of the performance of board and management;*
- 3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;*
- 4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;*
- 5) safeguard the interests of all stakeholders, particularly the minority shareholders;*

- 6) *balance the conflicting interest of the stakeholders;*
- 7) *determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;*
- 8) *moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.*

III. Duties: *The independent directors shall—*

- 1) *undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;*
- 2) *seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;*
- 3) *strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;*
- 4) *participate constructively and actively in the committees of the Board in which they are chairpersons or members;*
- 5) *strive to attend the general meetings of the company;*
- 6) *where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;*
- 7) *keep themselves well informed about the company and the external environment in which it operates;*
- 8) *not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;*
- 9) *pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;*
- 10) *ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;*
- 11) *report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;*
- 12) *acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;*
- 13) *not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law."*

- In addition to the above, the ‘Code for independent directors’ in the Act, also covers aspects on “*Manner of appointment, Re-appointment, Resignation or Removal, Separate Meetings and Evaluation Mechanism*”.
- IDs should be provided with the freedom to constructively challenge strategies and policies proposed by management. They should also be at the liberty to use all channels of communication, formal as well as informal, to put across their point of view to the management
- IDs will not be liable for retirement by rotation.

2.9. Director Term, Tenure and Directorships

- Boards are encouraged to seek a balance between change and continuity.
- In case of non-independent 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 IDs, each term should not exceed a period of 5 years for public listed companies and 3 years for other companies or until the applicable retirement age, whichever is earlier, extendable for up to a total of two terms.
- 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.

2.10. Committees of the Board

- It is recommended that the Board setup the following committees (in addition to those which are mandatory or optional under SEBI and other applicable regulations):
 - Audit Committee.
 - Nomination and Remuneration Committee.
 - Corporate Social Responsibility (“CSR”) Committee.
 - Stakeholders Relationship Committee.
- The head of the Internal Audit function of the company shall have a direct and independent line of reporting to the Audit Committee
- In addition, the Board at its discretion may also set up a ‘Committee of the Board’ (“CoB”), chaired by the Chairman of the Board. The purpose of the committee is to enhance the overall effectiveness and efficiency of the functioning of the Board through suitable delegation of roles, responsibilities

and authority. To this end, the Board is responsible for determining and defining the role, responsibility and authority of the CoB. The Board will accordingly delegate the required powers and authority to the committee to achieve the purpose.

- It is recommended that all the above Board committees have representation of at least one ID (unless otherwise provided by law) and one Non-Independent NED.
- Companies whose equity is listed as well as Non-Banking Financial Institutions need to setup a Risk Management Committee (“RMC”). The committee may be staffed with executives from the company and delegated the responsibility of monitoring and reviewing the risk management plan and such other functions as the Board deems fit. For companies whose equity is listed, the RMC shall comprise a majority of directors and the said committee would require to be chaired by a director.
- Companies which have substantial issues/ risks to be managed from the perspective of health, safety and environment may additionally set up a Health, Safety, Environment (“HSE”)/ Safety, Health, Environment (“SHE”) Committee. The committee may be staffed with the MD/ EDs and executives from the company and may be delegated the responsibility for oversight of the policies related to safety, health and environment and their implementation across the company.
- It is also recommended as a good governance practice to review and as appropriate refresh the membership of the above committees periodically. The Board supported by the NRC is responsible for this periodical review.
- The key mandates of the committees are outlined in the relevant section below (Section 8).

3. Board Appointment, Induction and Development

3.1. Procedure for Nomination and Appointment of Directors

- It is the responsibility of the NRC to develop competency requirements for the Board 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.
- Board members may provide director nominations to the Chairman of the NRC. The Chairman of the NRC should ideally maintain a list of nominees. The nominees should have a good personal and professional reputation.
- 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.
- It is the responsibility of the NRC to make recommendations to the Board in relation to the appointment of new directors. The NRC should conduct appropriate reference checks and due diligence on all director prospects before recommending them to the Board.
- Post approval, the desired candidate is invited to join the Board.
- At the time of appointment, the specific requirements for the position should be communicated to the person, including the expert knowledge expected.

3.2. Director's Induction and Development

- The NRC will ensure an effective familiarization program for new directors.
- The familiarization program may include:
 - Roles, rights and responsibilities of directors.
 - Mechanisms to build working relationship among the Board members.
 - Core values, ethics and corporate governance practices of the Tata companies.
 - Industry/ sectorial overview, company's vision, strategic direction, business model.
 - Financial matters, management team and business operations.
 - Meetings with stakeholders, visit to business locations and meetings with senior and middle management.
- Directors are expected to make and implement their own plan for refreshing their knowledge.
- The NRC will support the directors, as may be required, to continually update their skills and knowledge and their familiarity with the company and its business.
- Training can be conducted by the company's experts from relevant fields, or by an external agency at Tata Management Training Center ("TMTC") or at appropriate institutions.
- The company will fund/arrange for training on all matters which are common to the Board.

4. Director Remuneration

4.1. Non-Executive Director (IDs and Non-Independent NEDs)

- IDs and non-independent NEDs may be paid sitting fees for attending the meetings of the Board and of committees of which they may be members.
- Within the prescribed law, the payment of sitting fees and commission will be recommended by the NRC and approved by the Board.
- The aggregate commission payable to all the non-independent NEDs and IDs will be recommended by the NRC to the Board based on company performance, profits, return to investors, shareholder value creation etc.
- The NRC will recommend to the Board the quantum of commission for each director based upon various factors including attendance & 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 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.

4.2. Managing Director and Executive Director

- The MD and EDs should submit their goals to the NRC at the start of the financial year.
- Goals of the MD and EDs should ideally have a balance of quantitative and qualitative parameters. The goals should ideally also balance the long term and short term outcomes. If the company is utilizing the Balanced Scorecard model, the goals should be in line with the Balanced Scorecard.
- The NRC should conduct a year-end performance review of the MD and EDs.
- The Chairman of the Board is responsible for providing feedback to the MD and EDs on a periodic basis.
- MD and EDs will be paid a basic salary, allowances, perquisites, benefits, and incentive in alignment with the regulatory requirements. The level and composition of remuneration will be such as to attract, retain and motivate the required quality of professionals.

4.3. Insurance

- Directors and Officers liability insurance should be taken covering all directors and senior officials for such amount, as is determined to be reasonable by the Board.

5. Subsidiary Oversight

- The NRC of the holding/ parent company will provide guidelines for remuneration of directors on material subsidiaries¹.
- Public companies whose equity is listed, need to follow the provisions of Clause 49 which are as follows:
 - *“The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.*
 - *The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.”*
- Audit Committee of the material subsidiary¹ (as required by law or for business reasons) may consider and adopt the policies, procedures and processes laid down by the Audit Committee of the holding company. Further, critical issues may be referred by the Audit Committee of the material subsidiary¹ to the Audit Committee of the holding company.
- The chief internal auditor of the holding company shall oversee the internal audit and risk management function of all material subsidiaries¹, and will carry out periodic assessments either directly or through an outsourced/co-sourced arrangement.
- For larger organizations having multiple subsidiaries, it is recommended that a specific subsidiary oversight office be created, to support the Board in oversight of the operations of the subsidiaries (subject to compliance with law), as also to monitor on-going relationship between the subsidiary and its holding company.

6. Code of Conduct

6.1. Tata Code of Conduct for Managing Director, Executive Directors and Non-independent NEDs

- The MD, EDs and non-independent NEDs are required to comply with the Tata Code of Conduct.

6.2. Code for Independent Directors

- IDs need to adhere to the professional conduct standards as prescribed by the Act in the “Code for independent directors” (also provided in part in section 2.8).
- In addition to the Act, IDs need to adhere to the Tata Code of Conduct for NEDs which is as follows:
 - NEDs of a company will always act in the interest of the company and ensure that any other business or personal association which they may have does not involve any conflict of interest with the operations of the company and their role therein.
 - NEDs will comply with all applicable laws and regulations of all the relevant regulatory and other authorities as may be applicable to such directors in their individual capacities.
 - NEDs will safeguard the confidentiality of all information received by them by virtue of their position.

7. Board Effectiveness Review

- The Board is responsible for annual evaluation of the individual directors, the Board committees and the Board as a whole.
- It is the responsibility of the NRC to organise the evaluation process.
- The NRC is also responsible for supporting the Board with the determination of the evaluation criteria/ framework for the Board and individual directors (this includes the Chairman, IDs, Non-Independent NEDs, MD/ EDs). While determining the framework for the evaluation of the Board, the Board should establish key criteria for long term value creation for all stakeholders.
- An annual meeting of IDs (“Annual ID meeting”) would be convened to
 - *“Review the performance of non-independent directors;*
 - *Review the performance of the Board as a whole;*
 - *Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors”.*
- The Board should state in its Annual Report as to how the performance evaluation of the Board, individual directors and its committees has been conducted.
- Group Human Resources will support the NRC with appropriate evaluation templates and reporting format.

7.1. Board Evaluation

7.1.1. Board Questionnaire

- On an annual basis, each director would require to provide feedback for the Board as a whole on a defined questionnaire template confidentially (Annexure 1 provides the indicative questionnaire template).
- Some indicative areas for Board evaluation include:
 - Degree of fulfilment of key responsibilities,
 - Board structure and composition,
 - Establishment and delineation of responsibilities to Committees,
 - Effectiveness of Board processes, information and functioning,
 - Board Culture and Dynamics,
 - Quality of relationship between Board and the management,
 - Efficacy of communication with various stakeholders.
- The feedback provided by the directors on the questionnaire may be consolidated by Group Human Resources and provided to the NRC Chairman.

7.1.2. Annual ID meeting

- The NRC Chairman would convene an Annual ID meeting to review performance of the Board as a whole. (In the same meeting the IDs will also review the performance of the non-independent NEDs and Chairman as provided in section 7.2.2)
- Report of the ID meeting is to be provided to the Chairman of the Board by the NRC Chairman.

7.1.3. Overall board effectiveness discussion by Chairman with Board

- Any significant highlights/ learnings basis the consolidation of feedback may be presented to the Board by the Chairman of the Board for action planning (if any).

7.2. Individual Director Evaluation

7.2.1. Managing Director and Executive Directors

- MD and EDs would be evaluated on goals (quantitative and qualitative) set at the beginning of the year by the NRC.

7.2.2. Chairman and Non-independent NEDs

- The process for evaluation of the Chairman and non-independent NEDs is as follows:
 - Self-assessment questionnaire filled in by the Chairman and non-independent NEDs (Annexure 2a provides the indicative template for non-

independent NEDs and Annexure 2b provides the indicative template for the Chairman).

- Some indicative areas for evaluation of the non-independent NEDs include:
 - Attendance (as captured from records of meetings)
 - Contribution at Board meetings
 - Guidance/ support to management outside Board/ committee meetings
- Additionally, the Chairman may be evaluated on key aspects of the role (as provided in section 2.2).
- Filled-in self-assessment questionnaire templates will be given by the Chairman and the non-independent NEDs to the NRC Chairman.
- The NRC Chairman would use these filled-in self-assessment questionnaire templates as the basis for discussion in the Annual ID meeting to review non-independent NEDs and the Chairman of the Board, (for the Chairman of the Board, the IDs would need to take into account the views, if any, of the non-independent directors provided verbally prior to the Annual ID meeting). (In the same meeting the IDs will also review the performance of the Board as a whole as provided in section 7.1.2)
- Report of the ID meeting would be sent to the Chairman of the Board by the NRC Chairman. The report will cover the collective feedback of the IDs on
 - Performance of the Board as a whole;
 - Performance of the non-independent directors;
 - Performance of the Chairman of the company.

7.2.3. IDs

- The process for evaluation of the IDs is as follows:
 - Self-assessment questionnaire filled in by the IDs (Annexure 2a provides the indicative template for IDs)
 - Filled-in self-assessment questionnaire templates will be given by the Chairman of the Board.
 - Some indicative areas for evaluation of IDs include:
 - Attendance (as captured from records of meetings)
 - Contribution at Board meetings
 - Guidance/ support to management outside Board/ committee meetings
 - The Chairman of the Board will seek feedback from each director about their views on the Board and the directors, if any.
 - The Chairman of the Board will provide feedback on individual basis, as appropriate.

7.3. Board Committee Evaluation

- Committees (Audit Committee, NRC, Committee of the Board and any additional committee as per the Board's discretion) may use a questionnaire based mechanism for the purpose of evaluation on an annual basis.
- Evaluation inputs need to be sought from committee members (sample questionnaire template is provided in Annexure 3).
- Some indicative areas for evaluation of Board committees include:
 - Degree of fulfilment of key responsibilities,
 - Adequacy of Board committee composition,
 - Effectiveness of meetings,
 - Committee Dynamics,
 - Quality of relationship of the committee with Board and the management.
- The self-evaluation report in terms of the Committee Report will need to be provided to the Board. A discussion on this report with the Board may then be facilitated by the Chairman of the committee.

8. Mandates of the Board Committees

The mandate of the various Board Committees shall cover the matters specified by law/regulator, but should ideally include the following:

8.1. Audit Committee

- As per the Act,
 - *“The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—*
 - *the recommendation for appointment, remuneration and terms of appointment of auditors of the company;*
 - *review and monitor the auditor's independence and performance, and effectiveness of audit process;*
 - *examination of the financial statement and the auditors' report thereon;*
 - *approval or any subsequent modification of transactions of the company with related parties;*
 - *scrutiny of inter-corporate loans and investments;*
 - *valuation of undertakings or assets of the company, wherever it is necessary;*
 - *evaluation of internal financial controls and risk management systems;*
 - *monitoring the end use of funds raised through public offers and related matter.*
 - *The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their*

submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

- *Establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed.”*
- *As per Clause 49,*
 - *“The role of the Audit Committee shall include the following:*
 - *Oversight of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;*
 - *Recommendation for appointment, remuneration and terms of appointment of auditors of the company; (as also provided in the Act)*
 - *Approval of payment to statutory auditors for any other services rendered by the statutory auditors;*
 - *Reviewing, with the management, the annual financial statements and auditor's report thereon (as also provided in the Act) before submission to the board for approval, with particular reference to:*
 - *Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013*
 - *Changes, if any, in accounting policies and practices and reasons for the same*
 - *Major accounting entries involving estimates based on the exercise of judgment by management*
 - *Significant adjustments made in the financial statements arising out of audit findings*
 - *Compliance with listing and other legal requirements relating to financial statements*
 - *Disclosure of any related party transactions*
 - *Qualifications in the draft audit report*
 - *Reviewing, with the management, the quarterly financial statements before submission to the board for approval;*
 - *Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) (as also provided in the Act), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;*

- *Review and monitor the auditor's independence and performance, and effectiveness of audit process; (as also provided in the Act)*
- *Approval or any subsequent modification of transactions of the company with related parties; (as also provided in the Act)*
- *Scrutiny of inter-corporate loans and investments; (as also provided in the Act)*
- *Valuation of undertakings or assets of the company, wherever it is necessary; (as also provided in the Act)*
- *Evaluation of internal financial controls and risk management systems; (as also provided in the Act)*
- *Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;*
- *Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;*
- *Discussion with internal auditors of any significant findings and follow up there on;*
- *Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;*
- *Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;*
- *To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;*
- *To review the functioning of the Whistle Blower mechanism;*
- *Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;*
- *Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.*
- *The Audit Committee shall mandatorily review the following information:*
 - *Management discussion and analysis of financial condition and results of operations;*
 - *Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;*
 - *Management letters / letters of internal control weaknesses issued by the statutory auditors;*
 - *Internal audit reports relating to internal control weaknesses; and*

- *The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.”*
- Additionally, the Audit Committee of the Board of a Tata company will also need to
 - Oversee financial reporting controls and process for material subsidiaries¹.
 - Oversee compliance with legal and regulatory requirements including the Tata Code of Conduct (“TCoC”) for the company and its material subsidiaries¹.

8.2. Nomination and Remuneration Committee

- 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*”. The committee will consider periodically reviewing the composition of the Board with the objective of achieving an optimum balance of size, skills, independence, knowledge, age, gender and experience.
- Recommend to the Board the appointment or reappointment of directors.
- Devise a policy on Board diversity.
- Recommend to the Board appointment of Key Managerial Personnel (“KMP” as defined by the Act) and executive team members of the company (as defined by this committee).
- Support the Board and IDs in evaluation of the performance of the Board, its committees and individual directors. This shall include “*Formulation of criteria for evaluation of Independent Directors and the Board.*” Additionally, the committee may also oversee the performance review process of the KMP and the executive team of the company.
- Recommend to the Board the remuneration policy for directors, executive team/ KMP as well as the rest of the employees.
- On an annual basis, recommend to the Board the remuneration payable to directors and executive team/ KMP of the company.
- Oversee familiarisation programmes for directors.
- Oversee the HR philosophy, HR and People strategy and HR practices including those for leadership development, rewards and recognition, talent management and succession planning (specifically for Board, KMP and executive team).
- Provide guidelines for remuneration of directors on material subsidiaries¹.
- The NRC of a parent/ holding company shall recommend to its Board how the company will vote on resolutions for appointment and remuneration of directors on the Boards of its material subsidiary companies ¹.
- Performing such other duties and responsibilities as may be consistent with the provisions of the committee charter.

8.3. Corporate Social Responsibility Committee

- As per the Act, “*the Corporate Social Responsibility Committee shall*
 - *Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company;*
 - *Recommend the amount of expenditure to be incurred on the activities referred to in clause above; and*
 - *Monitor the Corporate Social Responsibility Policy of the company from time to time.”*
- Additionally, the CSR committee of the Board of a Tata company may also
 - Oversee the company’s conduct with regard to its corporate and societal obligations and its reputation as a responsible corporate citizen.
 - Oversee activities impacting the quality of life of various stakeholders.
 - Monitor the CSR policy and expenditure of the material subsidiaries¹.

8.4. Stakeholders Relationship Committee

- Review statutory compliance relating to all security holders.
- *Consider and resolve the grievances of security holders of the company* including complaints related to transfer of securities, non-receipt of annual report/declared dividends/notices/ balance sheet.
- Oversee compliances in respect of dividend payments and transfer of unclaimed amounts to the Investor Education and Protection Fund.
- Oversee and review all matters related to the transfer of securities of the company.
- Approve issue of duplicate certificates of the company.
- Review movements in shareholding and ownership structures of the company.
- Ensure setting of proper controls and oversee performance of the Registrar and Share Transfer Agent.
- Recommend measures for overall improvement of the quality of investor services.
- Set forth policies relating to and oversee implementation of the Code of Conduct for prevention of Insider Trading (in case of absence of a separate committee setup for this purpose).

Annexure 1: Board evaluation – Sample questionnaire template

This questionnaire has been designed to evaluate the Board. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
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The questionnaire also provides for space for qualitative comments.

I. Degree of fulfillment of key responsibilities – The Board....	
<i>.... satisfactorily meets the key criteria for long term value creation for all stakeholders (as established by the Board and specific to the Company strategy)</i>	
<i>.... effectively performs the responsibilities as required by law (i.e. as provided in Act and Clause 49)</i>	
<i>.... effectively reviews and approves the Annual Operating Plan (including the strategy and the resources plan)</i>	
<i>.... shows effective oversight of maintenance of high standards of Tata Values and ethical conduct of business</i>	
<i>....devotes sufficient time in review of TBEM findings and monitoring of action plan</i>	
<i>....takes adequate actions towards the protection and enhancement of the company and Tata brand</i>	
Comments:	
II. Board structure and composition – The Board....	
<i>....is staffed adequately (in terms of size, skills/ expertise, experience and gender) to carry out the responsibilities</i>	
<i>....has a composition of directors aligned to the needs and strategy of the company</i>	
Comments:	
III. Establishment and delineation of responsibilities to committees	
<i>The Board committees established by the Board are effective in terms of their number and scope</i>	
<i>There is clarity between the Board and every committee with respect to the role played by the committee</i>	
<i>The committees are effective in fulfillment of responsibilities delegated to them by the Board</i>	
<i>There is good coordination and cohesiveness in the working of the Board and the</i>	

<i>committees</i>	
Comments:	
IV. Effectiveness of Board processes, information and functioning	
<i>The frequency of Board meetings is adequate</i>	
<i>The agenda discussed in the meetings is clear and realistic in terms of number and nature of items to be covered</i>	
<i>Time allotted for every meeting is adequate to cover most of the agenda items</i>	
<i>Information provided for the meeting is adequate and presented in a way that facilitates productive discussion (i.e. material is relevant with the right amount of detail and is "reader-friendly")</i>	
<i>Information required for the meeting is provided with adequate time for preparation</i>	
<i>Sufficient time is spent in discussing critical issues/ issues of strategic importance</i>	
<i>The Board does not wander into unwanted minutiae or tangents while discussing agenda items</i>	
<i>The Board is able to add value in matters of critical significance for the company</i>	
<i>Discussions/ decisions made in the meeting show a large degree of alignment with the overall company strategy</i>	
<i>The minutes of the meeting effectively capture the discussion / decisions taken and the post meeting actions</i>	
<i>There is an effective system for monitoring and driving closure of critical post meeting actions/ decisions.</i>	
Comments:	
V. Board Culture and Dynamics	
<i>All directors have clarity of their role and responsibilities</i>	
<i>All directors feel free to speak their mind and contribute effectively on key issues</i>	
<i>There is cohesiveness in the overall working of the Board</i>	
<i>There is adequate dialogue and participation from directors on critical issues/ issues of strategic importance</i>	
<i>Conflict/ differences of opinion between directors are managed constructively</i>	
<i>Directors are respectful to each other</i>	

Comments:

VI. Quality of relationship between the Board and the Management

There is clarity between the Board and the management with respect to the role played by each of them

Board members are accessible to senior management employees and vice-versa

Adequate opportunities are availed by the Board to be exposed to the company's management and to understand the company's products and operations

The management shows a high degree of responsiveness to the guidance/ direction provided by the Board.

The Board is apprised in a timely manner by the management of important developments affecting the company

There is mutual trust between Board members and senior management

Comments:

VII. Efficacy of communication with external stakeholders

The Board is adequately involved in communication with various external stakeholders/ public constituencies such as the media, financial community, employees, shareholders, agents, franchisees, dealers, distributors and importers

The Board (where involved) is effective in communication with various external stakeholders/ public constituencies

Comments:

Overall Comments

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Annexure 2a: Individual director (excl Chairman) – Sample self-assessment questionnaire template

This questionnaire has been designed to enable self-assessment by every individual director. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
-------------------------------	---	--	---	----------------------------

Individual Director Effectiveness	<Name of Director>
I. Attendance (captured from records of meetings)	
II. Contribution at meetings – <i>The Individual....</i>	
<i>....is well informed of the agenda and well prepared on the issues to be discussed</i>	
<i>....provide meaningful and constructive contribution and inputs in meetings (this includes effective deployment of domain and functional expertise)</i>	
<i>....displays independence of judgment</i>	
<i>....displays candor in expressing views even when they are in divergence with the rest of the Board</i>	
<i>....has built effective working relationships with other Board members</i>	
<i>....is well regarded and respected by other Board members</i>	
<i>....shows a good degree of maturity in interactions with other directors (i.e. in terms of expressing views and opinions, addressing and managing conflicts)</i>	
<i>....is articulate and cogent in presenting views/ opinions</i>	
<i>....is influential & able to obtain buy-in/ enthusiasm from other directors</i>	
III. Guidance/ support to management outside Board/ Committee meetings – <i>The Individual....</i>	
<i>....is accessible to the senior management of the company and has built effective working relationships with them</i>	
<i>....provides a good degree of direction/ guidance to senior</i>	

Individual Director Effectiveness	<Name of Director>
<i>management outside of meetings</i>	
<i>....displays initiative with respect to follow-up and closure of critical issues</i>	
<i>....has leveraged external network for the benefit of the company</i>	
<i>....displays a good degree of understanding of the company, industry, sector, geography (including risks, current operational and environmental context, emerging trends)</i>	
<i>....is proactive is efforts to gain knowledge about the company, industry, sector and geography</i>	

Annexure 2b: Chairman – Sample self-assessment questionnaire template

This questionnaire has been designed for self-assessment of the Chairman of the Board. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
-------------------------------	---	--	---	----------------------------

Individual Director Effectiveness	<Name of Board Chair>
I. Attendance (captured from records of meetings)	
II. Contribution at meetings – <i>The Individual....</i>	
<i>....is well informed of the agenda and well prepared on the issues to be discussed</i>	
<i>....provide meaningful and constructive contribution and inputs in meetings (this includes effective deployment of domain and functional expertise)</i>	
<i>....displays independence of judgment</i>	
<i>....displays candor in expressing views even when they are in divergence with the rest of the Board</i>	
<i>....has built effective working relationships with other Board members</i>	
<i>....is well regarded and respected by other Board members</i>	
<i>....shows a good degree of maturity in interactions with other directors (i.e. in terms of expressing views and opinions, addressing and managing conflicts)</i>	
<i>....is articulate and cogent in presenting views/ opinions</i>	
<i>....is influential & able to obtain buy-in/ enthusiasm from other directors</i>	
III. Guidance/ support to management outside Board/ Committee meetings – <i>The Individual....</i>	
<i>....is accessible to the senior management of the company and has built effective working relationships with them</i>	
<i>....provides a good degree of direction/ guidance to senior</i>	

Individual Director Effectiveness	<Name of Board Chair>
<i>management outside of meetings</i>	
<i>....displays initiative with respect to follow-up and closure of critical issues</i>	
<i>....has leveraged external network for the benefit of the company</i>	
<i>....displays a good degree of understanding of the Company, industry, sector, geography (including risks, current operational and environmental context, emerging trends)</i>	
<i>....is proactive in efforts to gain knowledge about the company, industry, sector and geography</i>	
IV. Effectiveness as Chairman	
<i>.... provides effective leadership to the Board</i>	
<i>....effectively sets the strategic agenda of the Board (in conjunction with the company's management) with focus on long term value creation for all stakeholders.</i>	
<i>....encourages active engagement by all the members of the Board and promotes effective relationships and open communication.</i>	
<i>....communicates effectively with all stakeholders and enables meaningful relationships, as required.</i>	
<i>....motivates and provide guidance to the MD/ CEO.</i>	

Annexure 3: Board committee – Sample questionnaire template

This questionnaire has been designed to evaluate the committee. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
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The questionnaire also provides for space for qualitative comments.

I. Degree of fulfillment of key responsibilities	
<i>The committee effectively performs the responsibilities as outlined in the charter</i>	
<i>The mandate of the committee is sufficient in addressing the objectives for which it was set up by the Board</i>	
Comments:	
II. Adequacy of Committee Composition – The committee....	
<i>....is staffed adequately (in terms of size, skills/ expertise, experience) to carry out the responsibilities</i>	
Comments:	
III. Effectiveness of meetings	
<i>The frequency of committee meetings is adequate</i>	
<i>The agenda discussed in the meetings is clear and realistic in terms of number and nature of items to be covered</i>	
<i>Time allotted for every meeting is adequate to cover most of the agenda items</i>	
<i>Information provided for the meeting is adequate, timely and presented in a way that facilitates productive discussion (i.e. material is relevant with the right amount of detail and is “reader-friendly”)</i>	
<i>Sufficient time is spent in discussing critical issues/ issues of strategic importance</i>	
<i>The committee does not wander into unwanted minutiae or tangents while discussing agenda items</i>	
<i>Appropriate balance is maintained in analyzing the past, discussing current issues and planning for future</i>	
<i>Discussions/ decisions made in the meeting show a large degree of alignment with the overall company strategy</i>	
<i>There is an effective system for monitoring and driving closure of critical post meeting actions/ decisions</i>	

Comments:

IV. Committee dynamics

All members have clarity of their role and responsibilities

All members feel free to speak their mind and contribute effectively on key issues

There is cohesiveness in the overall working of the committee

There is adequate dialogue and participation from members on critical issues/ issues of strategic importance

Conflict/ differences of opinion between members are managed constructively

Members are respectful to each other

Comments:

V. Quality of relationship of the committee with the Board and the management

There is clarity between the Board, management and committee with respect to the role played by the committee

There is good coordination and cohesiveness in the working of the Board, management and the committee

Committee members are accessible to senior management employees

Adequate opportunities are availed by the committee to be exposed to the company's management and to understand the company's products and operations

The Board and the management shows a high degree of responsiveness/ acceptance of the guidance/ direction provided by the committee

Comments:

Annexure B



Board Committee Charter

Nomination and Remuneration Committee Charter

Jan 2015

1. Principles and Objectives

- 1.1. The Nomination and Remuneration Committee ("committee") of the Board of directors ("Board") of <Name of Company> ("company") will report to the Board and shall support the Board in matters related to:
- Setup and composition of the Board, its committees and the leadership team of the company comprising Key Managerial Personnel ("KMP" as defined by the Companies Act, 2013) and executive team (as defined by the committee).
 - Evaluation of performance of the Board, its committees and individual directors.
 - Remuneration for directors, KMP, executive team and other employees.
 - Oversight of the familiarisation programme of directors.
 - Oversight of the HR philosophy, HR and People strategy and key HR practices.

2. Composition

- 2.1. The committee shall comprise three or more non-executive directors out of which not less than one-half shall be independent directors.
- 2.2. The Chairman of the Board (whether executive or non-executive) may be appointed as a member of the committee but shall not chair the committee.
- 2.3. The Chairman of the committee shall be an independent director, from amongst the members of the committee.
- 2.4. The Head of Human Resources of the company shall assist the committee and would be a permanent invitee to the meetings of the committee.
- 2.5. The Company Secretary of the company shall act as the secretary to the committee and will be responsible for taking adequate minutes of the proceedings and reporting on actions taken in the subsequent meeting.
- 2.6. Representatives from Group Human Resources shall attend the meetings of the committee as per requirement on invitation.

3. Meetings

- 3.1. The committee may establish an Annual Work Plan ("AWP") for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.
- 3.2. The committee shall meet as often as needed to discuss matters. It is however recommended that the committee meet at least 3 to 4 times during the year.

4. Authority and Power

The committee shall have the power to:

- Investigate any matter within the scope of this charter or as referred to it by the Board.
- Seek any information or explanation from any employee or director of the company.
- Invite such executives, as it considers appropriate to be present at the meetings of the committee.
- Ask for any records or documents of the company.

The committee may also engage (at the expense of the company) independent consultants and other advisors and seek their advice on matters related to discharge of their responsibilities.

5. Responsibilities

The responsibilities of the committee shall include the following:

5.1. **Board Composition and Succession related:**

- Recommend to the Board the setup and composition of the Board. This shall include “*Formulation of the criteria for determining qualifications, positive attributes and independence of a director*”. This also includes periodical review of composition of the Board with the objective of achieving an optimum balance of size, skills, independence, knowledge, age, gender and experience.
- Support the Board in matters related to the setup, review and refresh of the committees.
- Devise a policy on Board diversity.
- Recommend to the Board the appointment or reappointment of directors. For the purpose of identification of prospective directors, the committee may be supported by Group Human Resources.
- As NRC of the parent/ holding company, recommend to the Board of the parent/ holding company how the company will vote on resolutions for appointment of directors on the Boards of its material subsidiary companies¹.
- Recommend to the Board, the appointment of KMP and executive team members. The committee shall consult the Audit Committee of the Board before recommending the appointment of the Chief Financial Officer (“CFO”).

¹ In this document, the term “material subsidiary” shall have the same meaning assigned to this phrase under the applicable law. However, if the law does not prescribe any definition, then, a subsidiary shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

5.2. **Evaluation related:**

- Support the Board and independent directors, as may be required, in evaluation of the performance of the Board, its committees and individual directors. This shall include “*Formulation of criteria for evaluation of Independent Directors and the Board.*”
- Oversee the performance review process for the KMP and executive team with the view that there is an appropriate cascading of goals and targets across the company.

5.3. **Remuneration related:**

- Recommend the remuneration policy for the directors, KMP, executive team and other employees. This includes review and recommendation of the design of annual and long term incentive plan (includes deferred payment plans, equity plans, etc.) for managing director (“MD”)/ executive directors (“ED”), KMP and the executive team. While formulating such a policy the committee shall ensure that
 - 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;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to directors, KMP and executive team 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
- On an annual basis, recommend to the Board the remuneration payable to directors, KMP and executive team of the company. This includes review and recommendation of actual payment of annual and long term incentives for MD/ EDs, KMP and executive team.
- Review matters related to remuneration and benefits payable upon retirement and severance to MD/ EDs, KMP and executive team.
- Review matters related to voluntary retirement and early separation schemes for the company.
- Provide guidelines for remuneration of directors on material subsidiaries¹.
- As NRC of the parent/ holding company, recommend to the Board of the parent/ holding company how the company will vote on resolutions for remuneration of directors on the Boards of its material subsidiary companies¹.
- Assist the Board in fulfilling its corporate governance responsibilities relating to remuneration of Board, KMP and executive team members.

This includes review and approval of any information related to directors, KMP, executive team and their remuneration to be presented in the annual report or other external communications (statutory or otherwise).

5.4. **Board Development related:**

- Oversee familiarization programmes for directors.

5.5. **Review of HR Strategy, Philosophy and Practices:**

- Review HR and People strategy and its alignment with the business strategy periodically or when a change is made to either.
- Review the efficacy of HR practices including those for leadership development, rewards and recognition, talent management and succession planning (specifically for Board, KMP and executive team).

5.6. **Other functions:**

- Perform other activities related to the charter as requested by the Board from time to time.

6. Reporting

The committee will periodically report to the Board on various matters that it has considered.

7. Evaluation

The committee shall undergo an annual self-evaluation of its performance and report the result to the Board. Indicative areas for evaluation as part of this exercise include:

- Degree of fulfilment of key responsibilities,
- Adequacy of committee composition,
- Effectiveness of meetings,
- Committee dynamics,
- Quality of relationship of the committee with Board and management.

8. Review of Charter

The adequacy of this charter shall be reviewed and reassessed by the committee, periodically and appropriate recommendations shall be made to the Board to update the charter based on the changes that may be brought about due to any regulatory framework or otherwise.

9. Subsidiary Companies

Subsidiary companies of the company shall also form Nomination and Remuneration Committee, as applicable under law. The committee shall share with subsidiary companies of the company such policies and practices as would enable the Boards and the NRCs of those companies to harmonize their policies and practices with those of the parent company. If required, it shall also provide any assistance that such subsidiaries may require.



Note on Board Evaluation

Process note on evaluation of the Board, Committees and Individual Directors.

DRAFT

Board Meeting – February 5, 2015

Board Evaluation

Purpose: This document provides an indicative Board Evaluation process manual for Tata Companies.

Background:

While preparing this note, we have taken cognizance of

- Regulatory requirements specifically in terms of The Companies Act, 2013 and the Corporate Governance requirements as prescribed by Stock Exchanges under Clause 49 of the Listing Agreement (“Clause 49”),
- Current and emerging best practices both from within and outside the group,
- Academia and thought leadership articles.

The current draft is evolving. It is not intended to be prescriptive.

Feedback Process: Feedback on the key aspects of Board Evaluation (either by way of Governance Guidelines or the detailed Board Evaluation note) have been sought from 43 individuals

- **Group Chairman,**
- **Tata Sons Directors** (Ishaat Hussain, Dr. Nitin Nohria, R Gopalakrishnan and Vijay Singh),
- **Group Executive Council Members** (Harish Bhat, Madhu Kannan, Dr.Mukund Rajan and Dr.Nirmalya Kumar),
- **Independent Directors** (Nusli Wadia, Subodh Bhargava, Aman Mehta, Nasser Munjee, Nawshir Mirza, Deepak Parekh, Keki Dadiseth, Ireena Vittal, B D Banerjee, Ranjana Kumar and Ron Summers),
- **Tata Directors/ ex-Directors** (Arun Gandhi, Prasad R Menon, KRS Jamwal),
- **Group Center Leaders** (FN Subedar and Bharat Vasani),
- **Tata Companies CEOs** (Ajoy Misra, Anil Sardana, Bhaskar Bhat, N Chandra, NN Tata, N Srinath, Praveen Kadle, R Mukundan and TV Narendran)
- **Tata Companies CFOs** (Koushik Chatterjee, LK Krishnakumar, C Ramakrishnan, Anil Goel, Ramakrishnan Sowmyan, R Subramanyam),
- **Group Chairman’s office** (Shailesh Chandra, Rino Raj, Vasanth Ramesan)

There was also a run through of this draft with the NRCs of Tata Power and Rallis.

Key Discussion Points:

- Process, framework and questionnaire used for evaluation of individual Directors
- Whether or not the feedback on Individual Directors is to be documented?

Introduction

The performance evaluation of the Board of Directors (“Board”), Committees setup by the Board (“Committees”), the Chairman and individual members of the Board (“Directors”) have come into focus post the changes in the Companies Act, 2013 (“Act”) and the Corporate Governance requirements as prescribed by Stock Exchanges under Clause 49 of the Listing Agreement (“SEBI Corporate Governance Regulations”).

In light of these recent changes in the Act and SEBI Corporate Governance Regulations, we have studied Indian and global regulatory requirements and leading Indian and global practices (both from within and outside the group). We have also captured the understanding from academia and other thought leadership articles.

This document provides details of process, indicative evaluation frameworks and sample questionnaires for evaluation of the Board, Committees, Chairman and Directors.

All Tata Companies¹ are requested to place this document before their Boards for consideration. The Board supported by the Nomination and Remuneration Committee (“NRC”) may use this document as a guide to build the evaluation process (including framework and tools) for their respective Company.

Process

1. Responsibility

- The Board is responsible for annual evaluation of the Board, its’ Committees and individual Directors.
- It is the responsibility of the Nomination and Remuneration Committee (“NRC”) to organise the evaluation process and ensure action on its outcome. The NRC is also responsible for supporting the Board with the determination of the evaluation criteria/ framework for the Board and individual Directors (this includes the Chairman, Independent Directors, Non-Independent Non-Executive Directors, MD/ EDs).
- Additionally, at the discretion of the Board, executive support and service for this process may be provided by the secretarial department of the

¹ “Tata Company” shall mean every company in which Tata Sons Limited or Tata Industries Limited or any company promoted by Tata Sons Limited or Tata Industries Limited is promoter or a company in which such companies whether singly or collectively hold directly or indirectly 26% or more of the paid-up equity share capital OR in which the shareholding of such companies represents the largest Indian holding apart from holdings of financial institutions/ mutual funds OR a company which uses the Tata brand name.

Company. However while doing so, the NRC should ensure an appropriate mechanism (in terms of process and technology) is in place to protect confidentiality of the feedback.

- Once every three years, the process should ideally be facilitated possibly through a select panel of senior independent directors on the boards of other Tata Companies (other Tata Companies excludes the specific Tata Company and its' subsidiaries/ associates/ joint ventures).
- The Board should state in its Annual Report as to how the performance evaluation of the Board and its Committees has been conducted.

2. Process for Board Evaluation

- The Board may use a questionnaire based mechanism for the purpose of evaluation on an annual basis. Once every three years, this questionnaire based evaluation should ideally be supported with structured interviews conducted with the aid of a select panel of senior independent directors on the boards of other Tata Companies.
- Evaluation inputs need to be sought from the Board members. Additionally, evaluation inputs may be sought from Key Managerial Personnel (“KMP”) as well as senior management personnel (who are not KMP) who interact significantly with the Board.
- Indicative elements that may be used for the purpose of evaluation are:
 - Degree of fulfillment of key responsibilities,
 - Board structure and composition,
 - Establishment and delineation of responsibilities to Committees,
 - Effectiveness of the Board processes, information and functioning,
 - Board Culture and Dynamics,
 - Quality of relationship between the Board and the Management,
 - Efficacy of communication with various stakeholders.
- The NRC is responsible for collating the inputs and providing the same to the collage of Independent Directors for discussion during the separate meeting.
- Any significant highlights/ learnings basis the final consolidation of data post the separate meeting may be presented by the Chairman of the NRC to the Board.
- The Chairman of the Board should ideally ensure consensus on the action steps and plan and monitor the follow-through and closure periodically during the course of the year.
- Annexure 1 provides an indicative framework and questionnaire for Board Evaluation.

3. Process for Committee Evaluation

- Committees (Audit Committee, NRC, Committee of the Board and any additional Committee as per the Board's discretion) may use a questionnaire based mechanism for the purpose of evaluation on an annual basis. Once every three years, this questionnaire based evaluation may (at the discretion of the Board) be supported with structured interviews conducted with the aid of a select panel of senior independent directors on the boards of other Tata Companies.
- Evaluation inputs need to be sought from Committee members. Additionally, evaluation inputs may be sought from senior management personnel who interact significantly with the Committee.
- Indicative elements that may be used for the purpose of evaluation are:
 - Degree of fulfilment of key responsibilities,
 - Adequacy of Committee composition,
 - Effectiveness of meetings,
 - Committee Dynamics,
 - Quality of relationship of the Committee with the Board and the Management.
- The annual report submitted by the Chairman of each Committee to the Board should contain collation of the inputs provided, identification of some central themes emerging from the analysis and concrete recommendations/ suggestions for improving effectiveness of the Committee.
- A discussion on this report with the Board may then be facilitated by the Chairman of the Committee. An outcome of this discussion should ideally be a set of action steps and plan for follow-through and closure.
- The Chairman of the Committee should ideally ensure consensus on the action steps and plan and monitor the follow-through and closure periodically during the course of the year.
- Annexure 2 provides an indicative framework and questionnaire for Board Committee Evaluation.

4. Process for Individual Directors

- As per the provisions of the Act and Clause 49 (for companies whose shares are listed) the indicative process for evaluation of Individual Directors is as follows:
 - On an annual basis, each Director would require to provide feedback on every Director (except self) on a defined template.
 - The NRC would be responsible for consolidation of this data.
 - The consolidated inputs for the Board, the Chairman and non-Independent Directors may be used as the discussion document for

- the separate meeting of Independent Directors (without the non-independent Directors and members of the management).
- This separate meeting of Independent Directors would be chaired by an Independent Director designated by the Board and would normally meet once in a year to
 - Review the performance of non-independent directors and the Board as a whole
 - Review the performance of the Chairman of the company, taking into account the views of MD/ EDs and Non-Executive Directors
 - Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties
 - The output of the separate meeting would be a collective feedback of the Independent Directors on the Board, the Chairman and each of the Non-Independent Directors.
 - The Chairman of the NRC is responsible for overseeing the collation of feedback for every Director and providing the same to the Chairman of the Board.
 - This may be used as the basis for confidential feedback discussions between individual Directors and the Chairman of the Board jointly with the Chairman of the NRC. The Chairman of the NRC/ Audit Committee or both may take on the responsibility for providing feedback to the Chairman of the Board.
 - Any significant highlights/ learnings basis the consolidation of data may be presented by the Chairman of the NRC to the Board.
 - The output of this process may be used for making decisions related to reappointment of Directors and in extreme cases for making decisions related to continuance of the Director on the Board.
 - Indicative elements that may be used for the purpose of feedback of Non-Executive Directors are:
 - Attendance (as captured from records of meetings)
 - Contribution at Board meetings
 - Guidance/ support to management outside Board/ Committee meetings
 - Additionally, the Chairman may be evaluated on aspects key to his/ her role (as outlined in the Governance Guidelines).
 - MD/ EDs would be evaluated on goals (qualitative and quantitative) set at the beginning of the year.
 - Annexure 3 provides an indicative framework and questionnaire for Individual Director Evaluation.

Annexure 1: Board Evaluation

a) Indicative Board Evaluation Framework

S. No.	Indicative elements	Indicative areas
1	Degree of fulfillment of key responsibilities	<ul style="list-style-type: none"> • Responsibilities of the Board” as per law (includes oversight, review and deliberations on strategy, performance, risk management, resources, key appointments, standards of conduct) • Review of the Annual Operating Plan (including manpower plan) • Oversight of <ul style="list-style-type: none"> ○ Maintenance of high standards of Tata Values and ethical business conduct. ○ Company’s contribution to enhancing quality of life of communities. • Review of TBEM findings and monitoring of the action plan. • Protection and enhancement of the Company and Tata brand. • Effective management of crisis situations.
2	Board structure and composition	<ul style="list-style-type: none"> • Sufficiency of board size and diversity in terms skills/ expertise, experience and gender. • Alignment of Board composition to overall strategy of Company.
3	Establishment and delineation of responsibilities to Committees	<ul style="list-style-type: none"> • Establishment of relevant committees in terms of number and scope. • Clarity in definition of role, structure and composition of Committees. • Degree to which the Committees have fulfilled their responsibilities. • Quality of relationship between Board and Committees.
4	Effectiveness of Board processes, information and functioning	<ul style="list-style-type: none"> • Meeting frequency and adequacy of meeting time. • Clarity in meeting agenda and extent to which it is realistic. • Adequacy and quality of information provided. • Timeliness of information provided. • Productivity of meetings. • Alignment of discussions and decisions to overall Company strategy. • Extent to which the Board is able to add value in matters of critical significance for the Company. • Efficacy of monitoring and closure of post meeting actions.

S. No.	Indicative elements	Indicative areas
5	Board Culture and Dynamics	<ul style="list-style-type: none"> • Extent of understanding of roles and responsibilities amongst Directors • Extent of cohesiveness within the Board. • Nature of discussions (i.e. open, candid, participative, constructive, respectful). • Adequacy of dialogue on critical topics.
6	Quality of relationship between Board and the Management	<ul style="list-style-type: none"> • Common understanding of Board's responsibility (including triggers for involvement of Board in business policies and decisions). • Accessibility of senior management to the Board members and vice-versa. • Extent of responsiveness of management to Board guidance/ direction. • Extent to which the Board is apprised by management of important developments affecting the Company. • Degree of mutual trust between Board members and senior management.
7	Efficacy of communication with external stakeholders	<ul style="list-style-type: none"> • Efficacy of content communicated to various stakeholders. • Adequacy of involvement in communicating with various external stakeholders.

b) Sample questionnaire for Board Evaluation

This questionnaire has been designed to evaluate the Board. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
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The questionnaire also provides for space for qualitative comments.

I. Degree of fulfillment of key responsibilities – The Board....	
<i>.... effectively performs the responsibilities as required by law (i.e. as provided in Act and SEBI Corporate Governance Regulations)</i>	
<i>.... effectively reviews the Annual Operating Plan (including manpower plan)</i>	
<i>.... shows effective oversight of maintenance of high standards of Tata Values and ethical conduct of business</i>	
<i>....shows effective oversight of the Company’s contribution to enhancing the quality of life of communities</i>	
<i>....devotes sufficient time in review of TBEM findings and monitoring of action plan</i>	
<i>....takes adequate actions towards the protection and enhancement of the Company and Tata brand</i>	
<i>....effectively manages crisis situations</i>	
Comments:	
II. Board structure and composition – The Board....	
<i>....is staffed adequately (in terms of size, skills/ expertise, experience and gender) to carry out the responsibilities</i>	
<i>....has a composition of Directors aligned to the needs and strategy of the Company</i>	
Comments:	
III. Establishment and delineation of responsibilities to Committees	
<i>The Board Committees established by the Board are effective in terms of their number and scope</i>	
<i>There is clarity between the Board and every Committee with respect to the role played by the Committee</i>	

<i>The Committees are effective in fulfillment of responsibilities delegated to them by the Board</i>	
<i>There is good coordination and cohesiveness in the working of the Board and the Committees</i>	
Comments:	
IV. Effectiveness of Board processes, information and functioning	
<i>The frequency of Board meetings is adequate</i>	
<i>The agenda discussed in the meetings is clear and realistic in terms of number and nature of items to be covered</i>	
<i>Time allotted for every meeting is adequate to cover most of the agenda items</i>	
<i>Information provided for the meeting is adequate and presented in a way that facilitates productive discussion (i.e. material is relevant with the right amount of detail and is “reader-friendly”)</i>	
<i>Information required for the meeting is provided with adequate time for preparation</i>	
<i>Sufficient time is spent in discussing critical issues/ issues of strategic importance</i>	
<i>The Board does not wander into unwanted minutiae or tangents while discussing agenda items</i>	
<i>The Board is able to add value in matters of critical significance for the Company</i>	
<i>Discussions/ decisions made in the meeting show a large degree of alignment with the overall Company strategy</i>	
<i>There is an effective system for monitoring and driving closure of critical post meeting actions/ decisions.</i>	
Comments:	
V. Board Culture and Dynamics	
<i>All Directors have clarity of their role and responsibilities</i>	
<i>All Directors feel free to speak their mind and contribute effectively on key issues</i>	
<i>There is cohesiveness in the overall working of the Board</i>	
<i>There is adequate dialogue and participation from Directors on critical issues/ issues of strategic importance</i>	

<i>Conflict/ differences of opinion between Directors are managed constructively</i>	
<i>Directors are respectful to each other</i>	
Comments:	
VI. Quality of relationship between the Board and the Management	
<i>There is clarity between the Board and the Management with respect to the role played by each of them</i>	
<i>Board members are accessible to senior management employees and vice-versa</i>	
<i>Adequate opportunities are availed by the Board to be exposed to the Company's management and to understand the Company's products and operations</i>	
<i>The management shows a high degree of responsiveness to the guidance/ direction provided by the Board.</i>	
<i>The Board is apprised in a timely manner by the management of important developments affecting the Company</i>	
<i>There is mutual trust between Board members and senior management</i>	
Comments:	
VII. Efficacy of communication with external stakeholders	
<i>The Board is adequately involved in communication with various external stakeholders/ public constituencies such as the media, financial community, employees, shareholders, agents, franchisees, dealers, distributors and importers</i>	
<i>The Board (where involved) is effective in communication with various external stakeholders/ public constituencies</i>	
Comments:	

Overall Comments

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Annexure 2: Board Committee Evaluation

a) Indicative Board Committee Evaluation Framework

S.No.	Indicative elements	Indicative areas
1	Degree of fulfillment of key responsibilities	<ul style="list-style-type: none"> • Extent of fulfillment of responsibilities outlined in the Charter • Adequacy of the mandate of responsibilities from a legal perspective
2	Adequacy of Committee composition	<ul style="list-style-type: none"> • Sufficiency of Committee size and diversity in terms skills/ expertise and experience.
3	Effectiveness of meetings	<ul style="list-style-type: none"> • Meeting frequency and adequacy of meeting time. • Clarity in meeting agenda and extent to which it is realistic. • Adequacy, timeliness and quality of information provided. • Productivity of meetings. • Alignment of discussions and decisions to overall Company strategy. • Efficacy of monitoring and closure of post meeting actions.
4	Committee Dynamics	<ul style="list-style-type: none"> • Extent of understanding of roles and responsibilities amongst members. • Extent of cohesiveness within the Committee. • Nature of discussions (i.e. open, participative, constructive, respectful). • Adequacy of dialogue on critical topics.
5	Quality of relationship of the Committee with Board and the Management	<ul style="list-style-type: none"> • Common understanding of Committee responsibility • Accessibility of Senior Management to the Committee members • Nature of relationship with the overall Board • Nature of relationship with management • Extent of responsiveness of management to Committee guidance/ direction

* Applicable for Audit Committee, Nomination & Remuneration Committee, Committee of the Board and any additional Committee as per the Board's discretion

b) Board Committee Evaluation – Sample Questionnaire

This questionnaire has been designed to evaluate the Committee. Every question would need to be evaluated on a 5 point scale as given below.

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
-------------------------------	---	--	---	----------------------------

The questionnaire also provides for space for qualitative comments.

I. Degree of fulfillment of key responsibilities	
<i>The Committee effectively performs the responsibilities as outlined in the Charter</i>	
<i>The mandate of the Committee is sufficient in addressing the objectives for which it was set up by the Board</i>	
Comments:	
II. Adequacy of Committee Composition – The Committee....	
<i>...is staffed adequately (in terms of size, skills/ expertise, experience) to carry out the responsibilities</i>	
Comments:	
III. Effectiveness of meetings	
<i>The frequency of Committee meetings is adequate</i>	
<i>The agenda discussed in the meetings is clear and realistic in terms of number and nature of items to be covered</i>	
<i>Time allotted for every meeting is adequate to cover most of the agenda items</i>	
<i>Information provided for the meeting is adequate, timely and presented in a way that facilitates productive discussion (i.e. material is relevant with the right amount of detail and is “reader-friendly”)</i>	
<i>Sufficient time is spent in discussing critical issues/ issues of strategic importance</i>	
<i>The Committee does not wander into unwanted minutiae or tangents while discussing agenda items</i>	
<i>Appropriate balance is maintained in analyzing the past, discussing current issues and planning for future</i>	
<i>Discussions/ decisions made in the meeting show a large degree of alignment with the overall Company strategy</i>	

<i>There is an effective system for monitoring and driving closure of critical post meeting actions/ decisions</i>	
Comments:	
IV. Committee Dynamics	
<i>All members have clarity of their role and responsibilities</i>	
<i>All members feel free to speak their mind and contribute effectively on key issues</i>	
<i>There is cohesiveness in the overall working of the Committee</i>	
<i>There is adequate dialogue and participation from members on critical issues/ issues of strategic importance</i>	
<i>Conflict/ differences of opinion between members are managed constructively</i>	
<i>Members are respectful to each other</i>	
Comments:	
V. Quality of relationship of the Committee with the Board and the Management	
<i>There is clarity between the Board, Management and Committee with respect to the role played by the Committee</i>	
<i>There is good coordination and cohesiveness in the working of the Board, Management and the Committee</i>	
<i>Committee members are accessible to senior management employees</i>	
<i>Adequate opportunities are availed by the Committee to be exposed to the Company's management and to understand the Company's products and operations</i>	
<i>The Board and the management shows a high degree of responsiveness/ acceptance of the guidance/ direction provided by the Committee</i>	
Comments:	

Overall Comments

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Annexure 3: Individual Director Evaluation

a) Indicative framework for Individual Director evaluation

S.No.	Indicative elements	Indicative areas
1	Attendance (as captured from records of meetings)	<ul style="list-style-type: none"> • Attendance at Board and relevant Committee meetings
2	Contribution at meetings (Assessed by individual directors)	<ul style="list-style-type: none"> • Extent of preparation for the meetings • Meaningful and constructive contribution and input in meetings (this includes effective deployment of domain and functional expertise) • Ability to anticipate issues and give appropriate advice • Ability to exercise independence of judgment • Extent of candor in the views expressed (including communication of views that are in divergence with the rest of the Directors) • Nature of relationship with other Board members • Extent of respect and regard shown for individual by other Board members • Extent of maturity shown in interactions with other Directors • Extent to which the individual is articulate and cogent • Extent to which the individual is influential and able to obtain buy-in/ enthusiasm from other Directors
3	Guidance/ support to management outside Board/ Committee meetings (Assessed by individual directors)	<ul style="list-style-type: none"> • Building and management of relationship with senior management of the Company • Extent of accessibility to management outside Board/ Committee meetings • Extent of direction and guidance provided to senior management outside of Board/ Committee meetings • Extent of initiative displayed with respect to follow-up and closure • Building and leveraging of external network for the benefit of the Company • Extent of knowledge of Company, industry, sector, geography (incl. risks, current operational and environmental context, emerging trends) • Proactive efforts to gain knowledge about the company, industry, sector and geography

Additionally, the Chairman may be evaluated on aspects key to his/ her role which are as follows:

- Provide leadership to the Board.
- Set the strategic agenda of the Board (in conjunction with the company's management) with focus on long term value creation for all stakeholders.
- Establish clear expectations in regard to culture, style and tone of Board discussions and decisions.
- Encourage active engagement by all the members of the Board and promote effective relationships and open communication.
- Communicate effectively with all stakeholders and enable meaningful relationships, as may be required.
- Motivate and provide guidance to the MD/ CEO.

b) Sample feedback template for providing qualitative comments

This questionnaire has been designed to evaluate Individual Non-Executive Directors. Every question would need to be evaluated on a 5 point scale as given below every directors (except self).

Strongly disagree 1	2	Neither agree nor disagree 3	4	Strongly Agree 5
-------------------------------	---	--	---	----------------------------

The questionnaire also provides for space for qualitative comments.

Individual Director Effectiveness	<Director 1>	<Director 2>	<Director 3>												<Director n>
I. Attendance (captured from records of meetings)															
II. Contribution at meetings – <i>The Individual....</i>															
<i>....is well informed of the agenda and well prepared on the issues to be discussed</i>															
<i>....provide meaningful and constructive contribution and inputs in meetings (this includes effective deployment of domain and functional expertise)</i>															
<i>....displays independence of judgment</i>															
<i>....displays candor in expressing views even when they are in divergence with the rest of the Board</i>															
<i>....has built effective working relationships with other Board members</i>															

Individual Director Effectiveness	<Director 1>	<Director 2>	<Director 3>								<Director n>
<i>....is well regarded and respected by other Board members</i>											
<i>....shows a good degree of maturity in interactions with other Directors (i.e. in terms of expressing views and opinions, addressing and managing conflicts)</i>											
<i>....is articulate and cogent in presenting views/ opinions</i>											
<i>....is influential & able to obtain buy-in/ enthusiasm from other Directors</i>											
III. Guidance/ support to management outside Board/ Committee meetings – The Individual....											
<i>....is accessible to the senior management of the Company and has built effective working relationships with them</i>											
<i>....provides a good degree of direction/ guidance to senior management outside of meetings</i>											
<i>....displays initiative with respect to follow-up and closure of critical issues</i>											
<i>....has leveraged external network for the benefit of the Company</i>											
<i>....displays a good degree of understanding of the Company, industry, sector, geography (including risks, current operational and environmental context, emerging trends)</i>											

Individual Director Effectiveness	<Director 1>	<Director 2>	<Director 3>								<Director n>
<i>....is proactive is efforts to gain knowledge about the company, industry, sector and geography</i>											
Effectiveness of Chairman (only to be filled for Board Chairman). The Chairman....										Chair of Board	
<i>....provides effective leadership to the Board.</i>											
<i>....effectively sets the strategic agenda of the Board (in conjunction with the company's management) with focus on long term value creation for all stakeholders.</i>											
<i>....establishes clear expectations in regard to culture, style and tone of Board discussions and decisions.</i>											
<i>....encourages active engagement by all the members of the Board and promotes effective relationships and open communication.</i>											
<i>....communicates effectively with all stakeholders and enables meaningful relationships, as required.</i>											
<i>....motivates and provide guidance to the MD/ CEO.</i>											

Overall Comments (Optional)

<Director 1>	
<Director n>	



Leadership with Trust

Board Evaluation

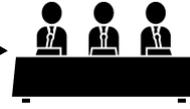


Board Evaluation Process

Board Members



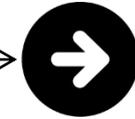
optional



Collated feedback for Board



Consolidated feedback on Board



NRC

IDs

Board

KMP & Senior Management Personnel

Evaluation Inputs on questionnaire. (Once in 3 years, supported with structured one-on-one interviews with a select panel of senior IDs on the boards of other Tata Companies)

NRC to collate inputs

Consolidated output discussed in separate meeting

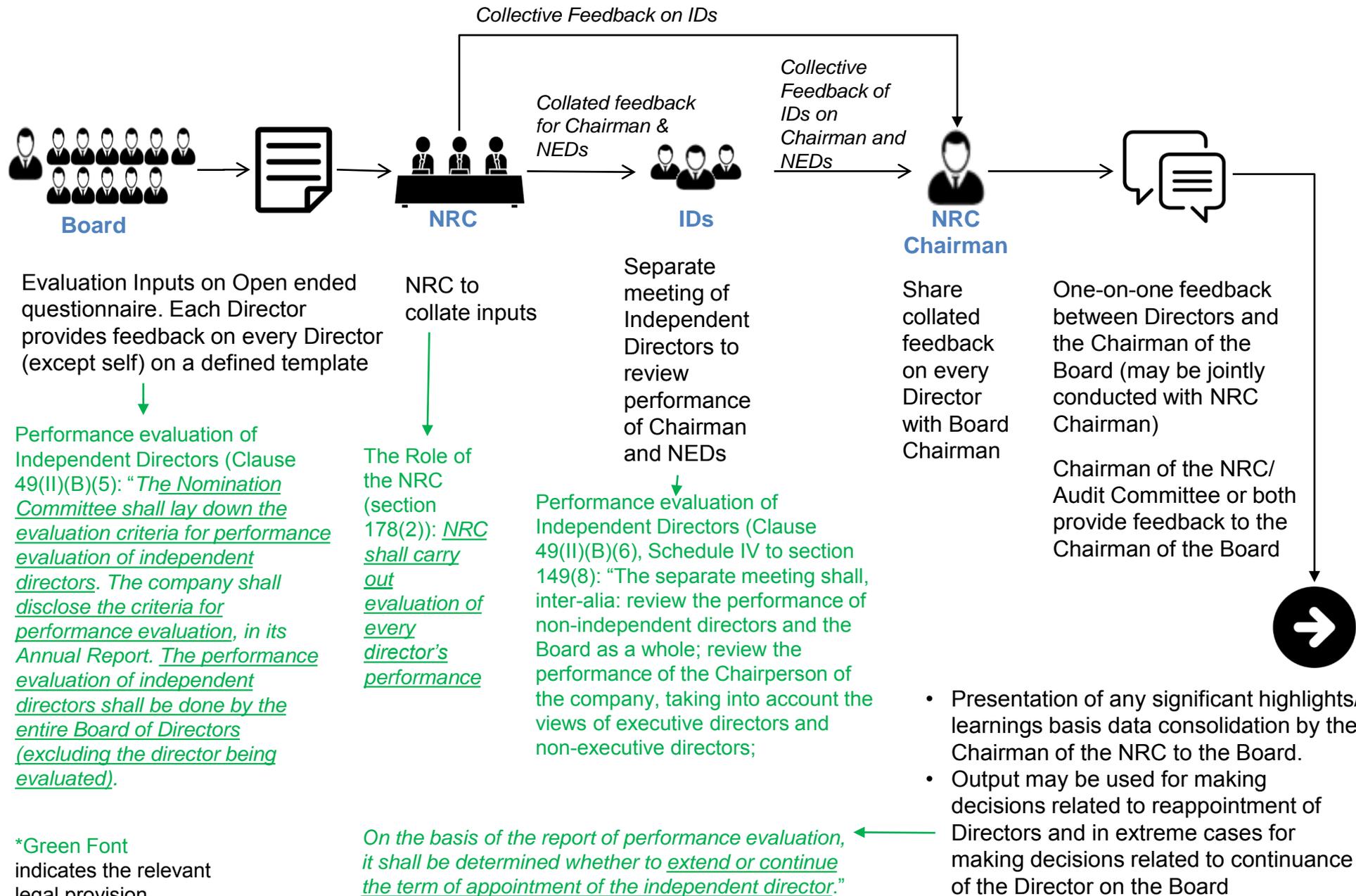
- Discussion of significant highlights/ learnings basis the final consolidation of data post the separate meeting may be presented by the Chairman of the NRC to the Board.
- Discussion on the report with the Board led by the Chairman of the Board
- Chairman of the Board to ensure consensus on the action steps and plan and monitor the follow-through and closure

- Key function of the Board (Clause 49(I)(D)(2)(i)): Monitoring and reviewing Board Evaluation framework
- Disclosure requirement in the Board's report (CA 2013, section 134(3)(p)): statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

The Role of the NRC (section 178(2)): NRC shall carry out evaluation of every director's performance

Requirement as per Code for Independent Directors (Schedule IV to section 149(8)) and Clause 49(II)(B)(6): "The separate meeting shall review the performance of the Board as a whole; assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties."

Individual Director Evaluation Process



Key Process steps	1. Filling of Board assessment questionnaire and individual self assessment	2. Annual ID meeting	3. One-to-one discussion of directors with Chairman	4. One-on-one feedback discussion with directors	5. Board presentation
What/ who is being assessed?	<ul style="list-style-type: none"> • Board and • Individual directors (self assessment) 	<ul style="list-style-type: none"> • Chairman and • Non-independent NEDs 	<ul style="list-style-type: none"> • Independent directors 	<ul style="list-style-type: none"> • Independent directors 	<ul style="list-style-type: none"> • Board
Inputs into the process	-	<ul style="list-style-type: none"> • Consolidated Board questionnaire • Filled-in self assessment of Chairman and Non-independent directors • Verbal feedback (prior to meeting) on Chairman from non-independent directors to NRC chair 	<ul style="list-style-type: none"> • Filled-in self assessment questionnaires 	<ul style="list-style-type: none"> • Filled-in self assessment questionnaires • One-to-one discussion with Chairman on Board and directors 	<ul style="list-style-type: none"> • Consolidated Board questionnaire • Collective feedback of the IDs will be discussed by the Chairman of the NRC with the Chairman of the Board • One-to-one discussion of directors with Chairman
Output	<ul style="list-style-type: none"> • Filled-in board questionnaire (consolidated by Group HR) and self assessment questionnaires 	<ul style="list-style-type: none"> • Collective feedback of the IDs will be discussed by the Chairman of the NRC with the Chairman of the Board 	<ul style="list-style-type: none"> • Discussion to seek feedback on Board and directors 	<ul style="list-style-type: none"> • Feedback to IDs (if required and as appropriate) 	<ul style="list-style-type: none"> • Key highlights/ learnings on board • Action planning



Board Diversity

Advisory policy on Board Diversity

February 5, 2015

The need for diversity in the Board of directors (“Board”) has come into focus post the changes in the provisions of the Companies Act, 2013 (“Act”) and the corporate governance requirements as prescribed by Securities and Exchange Board of India (“SEBI”) under Clause 49 of the Equity Listing Agreement (“Clause 49”).

To meet the above requirements,

- The Board of Tata Motors Limited will ensure that a transparent board nomination process is in place that encourages diversity of thought, experience, knowledge, perspective, age and gender.
- It is expected that the Board has an appropriate blend of functional and industry expertise.
- While recommending appointment of a director, it is expected that the Nomination and Remuneration Committee (“NRC”) consider the manner in which the function and domain expertise of the individual contributes to the overall skill-domain mix of the Board.
- To meet the objectives of driving diversity and an optimum skill mix, the NRC may seek the support of Group Human Resources.



Independent Director

Qualifications, Positive Attributes and Definition

1. Definition of Independence

- A director will be considered as an "independent director" if the person meets with the criteria for 'independent director' as laid down in the Act and Clause 49 (as may be applicable).
- The definition of Independence as provided in the Act and Clause 49 is as follows:

“An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

(c) who has or had no pecuniary relationship with the company, its holding subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company;

(v) is a material supplier, service provider or customer or a lessor or lessee of the company; (additional provision as per Clause 49);

(f) who is not less than 21 years of age (additional provision as per Clause 49)”

- Current and ex-employees of a Tata company¹ may be considered as independent only if he/ she has or had no pecuniary relationship with any Tata company (due to employment/ receipt of monthly pension by way of Special Retirement Benefits/ holding consultant or advisor positions) during the two immediately preceding financial years or during the current financial year.

2. Qualifications of Directors

- Boards will ensure that a transparent board nomination process is in place that encourages diversity of thought, experience, knowledge, perspective, age and gender.
- It is expected that boards have an appropriate blend of functional and industry expertise.
- While recommending appointment of a director, it is expected that the Nomination and Remuneration Committee (“NRC”) consider the manner in which the function and domain expertise of the individual contributes to the overall skill-domain mix of the Board.
- Independent Directors (“ID”) ideally should be thought/ practice leaders in their respective functions/ domains.

3. Positive attributes of Directors

Directors are expected to comply with duties as provided in the Act. For reference, the duties of the Directors as provided by the Act are as follows:

- 1) *“Act in accordance with the articles of the company.*

¹ “Tata Company” shall mean every company in which Tata Sons Limited or Tata Industries Limited or any company promoted by Tata Sons Limited or Tata Industries Limited is promoter or a company in which such companies whether singly or collectively hold directly or indirectly 26% or more of the paid-up equity share capital OR in which the shareholding of such companies represents the largest Indian holding apart from holdings of financial institutions/ mutual funds OR a company which is permitted by Tata Sons Limited to use the Tata brand name.

- 2) *Act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.*
- 3) *Exercise duties with due and reasonable care, skill and diligence and exercise independent judgment.*
- 4) *Not be involved in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.*
- 5) *Not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates.*
- 6) *Not assign his office.”*

Additionally, the Directors on the Board of a Tata Company are also expected to demonstrate high standards of ethical behavior, strong interpersonal and communication skills and soundness of judgment.

IDs are also expected to abide by the ‘Code for Independent Directors’ as outlined in Schedule IV to section 149(8) of the Act. The Code specifies the guidelines of professional conduct, role and function and duties of Independent Directors. The guidelines of professional conduct specified in the Code are as follows:

“An independent director shall:

- 1) *uphold ethical standards of integrity and probity;*
- 2) *act objectively and constructively while exercising his duties;*
- 3) *exercise his responsibilities in a bona fide manner in the interest of the company;*
- 4) *devote sufficient time and attention to his professional obligations for informed and balanced decision making;*
- 5) *not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;*
- 6) *not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;*
- 7) *refrain from any action that would lead to loss of his independence;*
- 8) *where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;*
- 9) *assist the company in implementing the best corporate governance practices.”*