

# Criteria for Determining Qualifications, Positive Attributes and Independence of Directors

## 1. Definition of Independence

- A director will be considered as an 'Independent Director' ('ID') if the person meets with the criteria for 'Independent Director' as laid down in the Companies Act, 2013 ('the Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations').
- The definition of Independent Director is as provided in the Act and Listing Regulations.
- Current and ex-employees of a Tata company<sup>1</sup> 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.
- IDs 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.
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 judgement.
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 behaviour, strong interpersonal and communication skills and soundness of judgement.

IDs are also expected to abide by the 'Code for Independent Directors' as outlined in Schedule IV to Section 149(8) of the Act and adopted by the Board. 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 judgement in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgement 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.

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<sup>1</sup>'Tata company' shall mean every company in which Tata Sons Private Limited or Tata Industries Limited or any company promoted by Tata Sons Private 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 Private Limited to use the Tata brand name.