



Policy on Appointment and Evaluation of Directors and operating procedures

TULSYAN NEC LIMITED

1. PREFACE

- 1.1. The SEBI Circular No.CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and section 149 of the Companies Act 2013 require the Company to have Policy on selection criteria of Independent Directors and policy on performance evaluation of Independent Directors and the Board.
- 1.2. TULSYAN NEC Limited (“the Company”), being a Listed Company proposes to adopt the Policy on the appointment and evaluation of Directors in accordance with the requirement of SEBI Circular and in compliance of the provisions of Companies (Appointment and Qualification of Directors) Rules, 2014.

2. Background and Introduction

- 2.1 The Directors and Employees of the Company should have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively.
- 2.2 The search for Directors should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender.
- 2.3 The Board of the Company should satisfy itself that plans are in place for orderly succession for appointments to the Board so as to maintain an appropriate balance of skills and experience within the board and to ensure progressive refreshing of the Board.

3. Nomination and Remuneration Committee

- 3.1 The Company has a Nomination and Remuneration Committee to:
 - a) make plans for the orderly succession for appointments to the Board so as to maintain an appropriate balance as set out in paragraph 2.1 above and
 - b) manage the recruitment and evaluation of Directors in line with this Appointment and Evaluation of Directors Policy and Procedures.
- 3.2 The Committee comprises of at three directors, all of whom are non-executive Independent Directors. The Chairman of the committee is an independent Director.



3.3 The role of the committee shall, inter-alia, include the following:

- Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

The Chairman of the nomination and remuneration committee could be present at the Annual General Meeting, to answer the shareholders' queries. However, it would be up to the Chairman to decide who should answer the queries.

3.4 No director may sit on, or vote on decisions of the Nomination and Remuneration Committee if it is his/her term or his/her replacement that is being considered.

3.5 No member of the Nomination and Remuneration Committee should be a close friend or family member of any candidate, or have any other similar conflict of interest. If such a conflict arises in relation to any recruitment, s/he should step down from the Nomination and Remuneration Committee and be replaced by another Director for that recruitment.

4. Recruitment Procedure – statutory aspects

4.1 The recruitment procedure must be open, formal, rigorous and transparent. As per the Companies Act 2013, the Company shall have a Board of Directors consisting of individuals as Directors and shall have a minimum number of three directors and a maximum of fifteen directors, provided that a company may appoint more than fifteen directors after passing a special resolution.

4.2 One-half of the Board should comprise of Independent Directors. The Company shall abide by the notifications / circulars / provisions made by the Central Government with regard to the presence of minimum number of independent Directors on the Board of the Company.

4.3 The candidate specification for each position shall be recommended by the Nomination and Remuneration Committee to the Board for its approval.

4.4 Every person who has been appointed to hold the office of a Director shall on or before the appointment furnish to the Company consent in writing to act as such in Form DIR-2.

4.5 The Company shall, atleast seven days before the general meeting, inform the members of the candidature of a person for the office of a Director or the intention of a member to propose such person as candidate for that office. Notice can be served as prescribed under the Companies (Appointment and Qualification of Directors) Rules, 2014.



- 4.6 Every Director shall inform to the Company about his disqualification as per sec.164 (2) of the Companies Act, 2013 in Form DIR-3 before he is appointed or re-appointed. Every person proposed to be appointed as a Director by the Company in general meeting or otherwise, shall furnish his Director Identification Number and a declaration that he is not disqualified to become a Director under the Companies Act, 2013.
- 4.7 The appointment of independent director shall be approved by the company in general meeting as provided in sub-section (2) of section 152 of the Companies Act, 2013 and the explanatory statement annexed to the notice of the general meeting called to consider the said appointment shall indicate the justification for choosing the appointee for appointment as independent director.
- 4.8 The independent Directors shall fulfil the following qualifications and requirements as prescribed under section 149 of the Companies Act, 2013;
- is a person of integrity and possesses relevant expertise and experience;
 - who is or was not a promoter of the company or its holding, subsidiary or associate company;
 - who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - 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;
 - 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
 - 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; or
 - An independent Director shall possess appropriate skills, experience and knowledge.
- 4.9 Every independent director shall at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in Clause 4.10 above.
- 4.10 An independent director shall not be entitled to any stock option and may receive sitting for attending meetings of the Board or Committee thereof (subject to certain limits prescribed under the Rules), reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.
- 4.11 The Independent Directors shall abide by the provisions contained in Schedule IV of the Companies Act, 2013 – the code prescribed for Independent Directors.

5. Recruitment Procedure – other aspects

- 5.1 The candidate specification for each position must include an accurate assessment of time commitment, recognising the need for availability in the event of crises, particularly in relation to the position of Chairperson of Boards or committees. They should accurately reflect all elements of the role and should state both the essential and desirable criteria in terms of skills, aptitudes, knowledge and experience that are required, all of which should be directly related to the position and applied equally to all applicants. Care should be taken when drawing up the terms of reference to avoid including criteria that may have the effect of indirectly discriminating against certain groups of applicants.
- 5.2 Advertisements should be based on the candidate specification and identify a number of the essential criteria in order to maximize the number of suitably qualified applicants.
- 5.3 Applications shall be by covering letter and curriculum vitae.
- 5.4 Appointments will based on merit and all applicants should be assessed against the terms of reference and should meet the essential criteria as a minimum. Care must be taken to ensure that appointees have enough time available to devote to the job, that they will be able to freely discuss and make judgements about the status and/or performance of contractors, including the managers, and where relevant, lenders, without conflicts of interest and that they are able to freely discuss strategy without any conflicts of interest.
- 5.5 The appointment of a politically exposed person should be avoided, unless the political exposure is/was in a low risk jurisdiction.



- 5.6 Interview panels shall be responsible for agreeing a selection method suitable for assessing both the essential and desirable criteria in the terms of reference. Interview questions and the structure of the interview should be consistently applied to all candidates and should be based on the terms of reference.
- 5.7 The Nomination and Remuneration Committee / the Board shall take notes recording the salient points of each interview so that they can be used when assessing candidates against the terms of reference and making decisions.
- 5.8 In the event that a candidate requests feedback about their performance in the selection process this should be arranged by the Chair of the interview panel, although s/he may delegate this to another member of the interview panel where appropriate.
- 5.9 Unsuccessful interview candidates should be dealt with courteously and sensitively and should as a minimum receive written notification of the outcome of the selection process.
- 5.10 Where there is disagreement amongst the interview panel as to the successful candidate the majority view shall prevail.
- 5.11 Information sought from referees should be structured around the requirements of the position and the terms of reference should be provided. It should be noted that many organizations have a policy of not providing personal references and therefore references provided may only confirm details of current appointment. Referees should not be contacted without the candidate's consent and the information provided should be treated as confidential and should be used only to verify information collected through the selection process.
- 5.12 All individuals involved in the recruitment process must treat documents relating to all applicants with the utmost confidentiality and in accordance with applicable data protection legislation.
- 5.13 The recruitment procedure may be adjusted, as may be considered appropriate and necessary, where good reasons are given for why this is appropriate in a particular case.
- 5.14 The Chairperson of the board, with such support from the other directors as required, shall be responsible for the induction of new directors in accordance with that company's induction procedure and to ensure that each director is aware of the Code of Conduct applicable to the Board and Senior Management Personnel of the Company.

6. Retirement of Directors – statutory aspects

- 6.1 Where a Director resigns from his office, he shall within a period of thirty days from the date of resignation, forward to the Registrar of Companies, a copy of his resignation along with the reasons for the Resignation in Form DIR-11.

- 7. Retirement of Directors by rotation** shall be complied in accordance with the prevailing provisions of the Companies Act, 2013 and the relevant rules made in this regard.



8. Terms and Conditions of Appointment

- 8.1 Successful candidates will be required to enter into a service contract for such term as decided by the Remuneration and Nomination Committee and the Board subject to the applicable statutory laws and Rules in force, from time to time. Current levels of remuneration are set out in the Remuneration Policy and Procedures.

9. Formal letter of appointment to Independent Directors

- 9.1 The company shall issue a formal letter of appointment to independent directors in the manner as provided in the Companies Act, 2013.
- 9.2 The terms and conditions of appointment shall be disclosed on the website of the Company.

10. Familiarisation programme for Independent Directors

- 10.1 The company shall familiarise the independent directors with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc. through various programmes.
- 10.2 The details of such familiarisation programmes shall be disclosed on the Company's website and web link thereto shall be given in the Annual Report.

11. Limit on number of Directorships

- 11.1 A person shall not serve as an independent director in more than seven listed companies.
- 11.2 Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed companies.

12. Maximum tenure of Independent Directors

- 12.1 The maximum tenure of Independent Directors shall be in accordance with the Companies Act, 2013 and clarifications/ circulars issued by the Ministry of Corporate Affairs, in this regard, from time to time.

13. Evaluation of Directors

- 13.1 The performance of each Director shall be reviewed on an annual basis by the Chairperson and/or the Managing Director, who may use such external support, if required, to undertake such reviews.
- 13.2 The performance evaluation of independent Directors shall be done by the entire Board of Directors (excluding the Director being evaluated).
- 13.3 On the basis of report of evaluation, it shall be determined whether to extend or continue the term of appointment of the independent Director.



13.4 The Chairperson and / or the Managing Director may undertake an independent external evaluation of the Director concerned. The evaluation report obtained from the external agency to be treated confidential. The Chairperson and / or the Managing Director shall discuss the findings of the evaluation with the Board of Directors (excluding the Director being evaluated).

14. Lender Nominated Directors

14.1 In order to avoid conflicts of interest, lenders should be discouraged from requiring the right to appoint Directors to the Board of Company for the purpose of securing and ensuring independence of the Board.

15. Right of persons other than retiring directors to stand for directorship shall be complied in accordance with the prevailing provisions of the Companies Act, 2013 and the relevant rules made in this regard.

16. Amendment

16.1 The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the Directors and Employees unless the same is notified to them in writing.
