



CHARTER OF THE NOMINATION AND REMUNERATION COMMITTEE

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Amendment History

Version	Date of approval	Nature	Description of amendment
1.1	January 25, 2023	Addition	Role of the Committee vis-à-vis equity-based compensation plan added.

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1. Principles and Objectives

The Nomination and Remuneration Committee ("Committee") of the Board of Directors ("the Board") of **Tata Elxsi Limited** ("the 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).
- Carry out the evaluation of every director's performance and support the Board and Independent Directors, as may be required, in evaluation of the performance of the Board, its committees and individual directors.
- Support the Board in matters related to remuneration for directors, KMP, executive team and other employees.
- Extend oversight on the familiarisation programme of directors.
- Extend oversight on the HR philosophy, HR and People strategy and key HR practices.

2. Composition of the Committee

- The Committee shall comprise three or more Non-Executive directors out of which not less than one-half shall be Independent Directors.
- 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.
- The Chairman of the Committee shall be an Independent Director, from amongst the members of the Committee.
- The Head of Human Resources of the Company may assist the Committee as required and may attend the meetings of the Committee as per requirement on invitation.
- 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.
- Representatives from Group Human Resources may attend the meetings of the Committee as per requirement on invitation.

3. Meetings of the Committee

- 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.
- The Committee shall meet as often as needed to discuss matters. It is however recommended that the Committee meet at least three (3) to four (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 (on reasonable terms acceptable to the Board and 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

5.1. Board Composition & Succession

- 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 re-appointment of directors. For 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 resolution 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”).

¹In 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

- Carry out the evaluation of every director's performance and 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. Equity-based compensation plans related²

- Oversee the implementation of the share-based employee benefits scheme by whatever name called as per SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, within the terms and conditions of the said Plan(s); and perform the function of overall superintendence of the scheme(s).
- To review the Company's share-based incentive-based plans and recommend changes as necessary, oversee administration of these plans, grant incentives to eligible employees, in consultation with management, and allot shares when options are exercised;
- Any other matter as deemed necessary or incidental for the purpose of administration of the share-based incentive Scheme.

5.5. Board development related

- Oversee familiarization programmes for directors.

5.6. 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).

5.7. 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. Committee 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;

²For the purpose of the implementation and administration of the share-based incentive scheme under SEBI (Share Based Employee Benefits and Sweat Equity Regulations) 2021, the Nomination and Remuneration shall act as the Compensation Committee, unless otherwise specified by the Board of the Company.

- Effectiveness of meetings;
- Committee dynamics and
- 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 frame work 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 its' subsidiary companies 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.
