

## **EXLSERVICE HOLDINGS, INC. BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINES**

The following Corporate Governance Guidelines (these “Guidelines”) have been adopted by the Board of Directors (the “Board”) of ExlService Holdings, Inc., a Delaware corporation (the “Company”), to assist the Board and its directors in the exercise of their responsibilities. These Guidelines reflect the commitment of the Board to monitor the effectiveness of policy and decision-making, both at the Board and senior management levels, and to enhance stockholder value over the long term. These Guidelines are a statement of policy and are not intended to change or interpret any federal or state law or regulation, including the Delaware General Corporation Law, or the Amended and Restated Certificate of Incorporation or Amended and Restated By-laws of the Company (together and as amended from time to time, the “Charter Documents”). These Guidelines shall be superseded by the Charter Documents in the event of conflict. The Guidelines are subject to periodic review by the Board and to modification from time to time by the Board.

### **I. Core Principles**

The Board is elected by the shareholders to oversee their interest in the long-term health and value of the Company, and in order to ensure overall success of the Company and its financial strength. The Board is committed to observing the highest ethical standards and adhering to the laws of the jurisdictions within which the Company operates in carrying out its duties.

In discharging their duties, Directors may rely on the Company's senior executives and outside advisors and auditors. The Board has the authority to hire independent legal, financial or other advisors as they may deem necessary.

The Board provides advice and guidance to the Chief Executive Officer and other senior officers of the Company. The Board oversees the proper safeguarding of the assets of the Company, the maintenance of appropriate financial and other internal controls.

### **II. Board Issues – Membership:**

1. Size of Board. The Board’s optimum size is seven to eleven members.
2. Majority of Independent Directors.

The Board will have a majority of directors who meet the criteria for independence required by the Nasdaq Marketplace Rules. The Board must determine, based on all of the relevant facts and circumstances, whether each director satisfies the criteria for independence and must disclose each of these determinations. The Board may adopt and disclose categorical standards to assist it in making such determinations and may make a general disclosure if each director meets these standards. Any determination of independence for a director who does not meet these standards, however, must be specifically explained.

Each independent director of the Board shall promptly notify the Chairman of the Board if any actual or potential conflict of interest arises between such director and the Company that may impair such director's independence. If a conflict exists and cannot be resolved, such director should submit to the Board written notification of such conflict of interest and an offer of resignation from the Board and each of the committees on which such director serves. The Board need not accept such offer of resignation; however, the submission of such offer of resignation provides the opportunity for the Board to review the appropriateness of the continuation of such individual's membership on the Board. In some cases, it may be appropriate for such director to be replaced as a member of one or more of the committees on which he or she serves but be retained as a director.

### 3. Board Membership Qualifications.

The Board seeks members from diverse professional and personal backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. The Nominating and Governance Committee ("NGC") will review all nominees for the Board, including new members and those whose terms are expiring and are being considered for re-nomination, in accordance with its charter. The assessment will include a review of the nominee's judgment, experience, independence, understanding of the Company's or other related industries, and such other factors as the NGC concludes are pertinent in light of the current needs of the Board. The Board believes that its membership should reflect a diversity of gender, race, ethnicity, age, and skills and experience in the context of the needs of the Board.

(a) Financial Literacy. Directors should know how to read and understand fundamental financial statements and understand the use of financial ratios and information in evaluating the financial performance of the Company.

(b) Fiduciary Duties. Directors should have demonstrated experience and knowledge in corporate governance issues and the duties of directors to the Company and its stockholders.

(c) Character. Directors should be persons of good character and thus should possess all of the following personal characteristics:

- *Integrity:* Directors should demonstrate high ethical standards and integrity in their personal and professional dealings;
- *Accountability:* Directors should be willing to be accountable for their decisions as directors;
- *Judgment:* Directors should possess the ability to provide wise and thoughtful counsel on a broad range of issues;
- *Responsibility:* Directors should interact with each other in a manner which encourages responsible, open, challenging and inspired discussion;
- *High Performance Standards:* Directors should have a history of achievements which reflects high standards for themselves and others;

- *Commitment and Enthusiasm:* Directors should be committed to, and enthusiastic about, their performance for the Company as directors, both in absolute terms and relative to their peers; and
- *Courage:* Directors should possess the courage to express views openly, even in the face of opposition.

(d) Expectations. Each Director will be expected to:

- dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties;
- comply with the duties and responsibilities set forth herein and in the By-laws of the Company;
- comply with all duties of care, loyalty and confidentiality applicable to directors of publicly traded corporations organized in our jurisdiction of incorporation;
- adhere to the Company's Code of Conduct and Ethics, including, but not limited to, the policies on conflicts of interest expressed therein, and;
- familiarize him or herself with the Board's Guiding Principles and conduct him or herself in accordance with such principles.

Exceptional candidates who do not meet all of these criteria may still be considered.

#### 4. Simultaneous Service.

All directors are encouraged to carefully consider the number of other boards (and similar positions) on which they serve, taking into account the time required for attendance, participation and effectiveness on these forums.

Directors must notify the Nominating and Governance Committee chair and Chairman of the Board in advance of accepting any invitation to serve in any of the above capacities. Additionally, prior to a director accepting an invitation to join the board of a public company or private company (other than not-for-profits, trusteeships or advisory boards), the Nominating and Governance Committee chair and the Chairman of the Board, with the assistance of the General Counsel, shall have first assessed any possible conflicts of interest (including reputational risk to the company) or impacts on the director's independence and determined the absence of the same.

Simultaneous Service Limits –

- Directors shall not serve on more than four other public company boards;
- No member of the Audit Committee shall serve on more than two other public company audit committees; and

- iii. The Chief Executive Officer shall not serve on more than one other public company board.

Notwithstanding the foregoing, the Nominating and Governance Committee chair in consultation with the Chairman of the Board may provide a Director a waiver from the limits set forth above, if in their reasonable discretion the additional position will not prejudice such Director's ability to perform his or her Board functions.

## 5. Retirement.

(a) Term Limits. The Board does not favor term limits for directors, but believes that it is important to monitor overall Board performance. At the same time, the Board recognizes the importance of an appropriate balance of experience and perspectives and considers the overall mix of tenure of the Board. Therefore, the Nominating and Governance Committee shall review each director's continuation on the Board every three years, allowing both the director and the Board the opportunity to confirm the continued appropriateness of his or her Board membership.

(b) Resignation Policy - Management Directors. Management directors shall offer to resign from the Board upon their resignation, removal or retirement as an officer of the Company unless their contractual agreements with the Company provide otherwise.

(c) Directors Changing Their Present Job Responsibilities. The Board expects directors to offer to resign from the Board upon a change in their business position including, without limitation, retirement from the position on which their original nomination was based. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the Nominating and Governance Committee to review the continued appropriateness of Board membership under the circumstances.

## **III. Conduct:**

### 1. Board Leadership.

(a) Chairman of the Board. The Chairman of the Board shall be elected by the Board. While the current Chairman is an independent director and the Vice Chairman is also the Chief Executive Officer ("CEO") of the Company, the Board believes that the Company and its stockholders are best served by maintaining flexibility to have any director serve as Chairman or Vice Chairman and therefore believes that a permanent policy on whether the Chairman, Vice Chairman and CEO positions should be separated or combined is not appropriate.

(b) Lead Director. In order to maintain the independent integrity of the Board, if the Chairman is not an independent director, the Board may appoint a Lead Director who must be independent. The Lead Director's responsibilities shall include: (i) presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of

the independent directors; (ii) serving as liaison between the Chairman and the independent directors; (iii) reviewing and approving materials to be sent to the Board; (iv) consulting with the Chairman on the meeting agendas for the Board; (v) approving meeting schedules to assure that there is sufficient time for discussion of all agenda items; (vi) having the authority to call meetings of the independent directors; and (vii) if requested by major shareholders, ensuring that he or she is available for consultation and direct communication. If the Chairman is an independent director, then the foregoing responsibilities will be handled by the Chairman.

2. Directors' Duties. The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its stockholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's officers, employees, outside advisors and independent auditors.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are expected to review meeting materials prior to Board and committee meetings and, when possible, should communicate in advance of meetings any questions or concerns that they wish to discuss so that management will be prepared to address the same. In addition, directors should make efforts to keep abreast of corporate governance and other corporate best practices. Each director's attendance at, and preparation for, Board meetings and meetings of committees on which they serve, shall be considered by the Nominating and Governance Committee when recommending director nominees.

3. Board Meetings.

- (a) Selection of Agenda Items and Executive Sessions. The Chairman, the Lead Director and the Chief Executive Officer (the "CEO") should establish the agenda for Board meetings. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will meet at least quarterly in executive session without any management directors and any members of the Company's management present. The Lead Director or, in the absence of the Lead Director, a director chosen by the directors meeting in executive session, shall preside at all executive sessions. The annual proxy statement shall also disclose how interested persons may communicate with the Lead Director or the directors who meet in executive session as a group.

- (b) Distribution of Materials. The Company shall distribute, sufficiently in advance of meetings to permit meaningful review, written materials, which shall in all events include recent financial information, for use at Board meetings.

- (c) Attendance of Non-Directors. The Board believes that attendance of key executive officers augments the meeting process.

- (d) Number of Meetings. The Board shall hold a minimum of four meetings per year.

4. Conflicts of Interest. Directors shall avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of a conflict. The Company annually solicits information from directors in order to monitor potential conflicts of interest and directors are expected to be mindful of their fiduciary obligations to the Company.
5. Share Ownership by Non-Management Directors. In order to enhance the alignment of director interests with those of the Company's stockholders, the Board adopted minimum stock ownership guidelines for the non-management directors.
- (a) Definitions. For purposes of this section, the following definitions shall apply
- i. **Common Stock** means shares of the Company's common stock, par value \$0.001 per share.
  - ii. **Common Stock Equivalents** means (i) shares of restricted stock for which the lapsing of the restriction is dependent upon the passage of time only and not another criteria, and (ii) vested RSUs and unvested RSUs for which vesting is dependent upon the passage of time only and not subject to performance criteria.
  - iii. **Family Members** the spouse and/or children that share the same household of such individual.
  - iv. **Measurement Date** means December 15<sup>th</sup> of each calendar year or, if December 15<sup>th</sup> falls on a Saturday or Sunday, the first trading day following December 15<sup>th</sup>.
  - v. **Plan** means the ExlService Holdings, Inc. 2006 Omnibus Award Plan and any other incentive plan now in existence or hereafter adopted pursuant to which Common Stock or Common Stock Equivalents may be granted to a director.
  - vi. **Ownership Attainment** means for any director the quotient, stated as a percentage, from dividing (x) the value of such director's actual ownership of Common Stock and Common Stock Equivalents by (y) such director's minimum ownership threshold with both the numerator and denominator calculated based upon the closing price of a share of Common Stock on the Measurement Date.
  - vii. **Profit Shares** means shares of Common Stock issued to a director upon vesting of Common Stock Equivalents net of amounts necessary to satisfy the option exercise price and/or tax obligations.
  - viii. **Restricted Stock** means shares of Common Stock issued or transferred to a participant in the Plan subject to forfeiture and the other restrictions set forth in the Plan.
  - ix. **RSU** means a hypothetical investment equivalent to one share of Common Stock granted in connection with an award made under the Plan.
- (b) Director Minimum Ownership: A director is expected to hold an aggregate investment position in the Company's Common Stock and Common Stock Equivalents equal to five (5) times the value of his/her annual retainer. The Nominating and Governance

Committee shall periodically review and recommend changes to the stock ownership guidelines.

(c) Measurement: Compliance with the ownership guidelines by each director will be measured on the Measurement Date using the then current annual retainer and the average of the high and low trading price of a share of Common Stock on that day. Each director's investment position for the purposes of measurement will include Common Stock and Common Stock Equivalents owned individually, jointly with a spouse, or separately by a Family member and shall specifically include Common Stock and Common Stock Equivalents held in trust accounts for the benefit of Family Members. A director's status on the Measurement Date will dictate his/her status for the succeeding calendar year.

(d) Transition Period: Each director will have five years from the date of adoption of this policy or the effective date of his/her appointment as a director to attain the required applicable ownership threshold. However, if at any time the retainer increases, each director will have three years from the time of such increase to acquire any additional stock needed to meet these guidelines.

(e) Permissible Sales of Stock. Notwithstanding that a director may not yet have attained his/her applicable minimum ownership threshold, he/she may sell shares of Common Stock or Common Stock Equivalents to satisfy tax obligations arising from the vesting of options, RSUs or any Common Stock Equivalent. In addition, after completion of any sale required to satisfy taxes, a director may sell up to 50% of his/her remaining Profit Shares. However, if at the end of the Transition Period defined in Section III above a director has not achieved his/her required minimum ownership then he/she shall be prohibited from selling any shares Common Stock or Common Stock Equivalents, other than for purposes of paying taxes, until such minimum ownership level has been achieved.

(f) Administration, Reporting and Trade Approvals. The Company's General Counsel shall be responsible for administering this Policy. Specifically he/she shall:

- i. no later than the Measurement Date each year provide each director with a statement showing his/her aggregate ownership of Common Stock, vested and unvested Common Stock Equivalents, Ownership Attainment and the expiration date of the Transition Period;
- ii. approve all sales of Common Stock or Common Stock Equivalents for any director other than sales executed solely for the purpose of paying taxes arising out of or related to vesting of Common Stock Equivalents;
- iii. in January of each calendar year provide a report to the Compensation Committee showing for each director his/her aggregate ownership of Common Stock and Common Stock Equivalents, Ownership Attainment and expiration date of the Transition Period.

6. Director Compensation. The form and amount of director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter. The Board is aware that questions as to directors' independence may be raised when directors' fees and emoluments exceed what is

customary. Similar concerns may be raised when the Company makes substantial charitable contributions to organizations in which a director is affiliated, or enters into consulting contracts with (or provides other indirect forms of compensation to) a director. The Board will critically evaluate each of these matters when determining the form and amount of director compensation and will ensure that such payments do not violate applicable independence requirements.

The Board believes that the Company should not enter into paid consulting arrangements with outside Directors or their employers without obtaining the Board's approval. Such approval may, in appropriate circumstances, be granted on an annual basis.

7. Director Orientation and Continuing Education. All new Directors are required to participate in the Company's Orientation Program, which should be conducted as soon as reasonably practicable after the new Director is elected. The Company has developed a comprehensive orientation program, which includes site visits and presentations by senior management to familiarize new Directors with the Company's business and strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct and Ethics, its principal officers, and its internal and independent auditors.

The Nominating and Governance Committee, with assistance from the Lead Director as requested by the Chairman of the Nominating and Governance Committee, will oversee orientation programs for new directors and continuing education programs for all directors and encourage participation by all directors in director education courses every few years. The Company encourages director continuing education, including providing Directors with information on director education programs. The Company will reimburse reasonable expenses incurred by a director in attending such programs relevant to his or her duties as a Director of the Company.

8. Assessing Board Performance. The Board will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Governance Committee will receive comments from all directors as to the Board's performance and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board following the end of each fiscal year.
9. Director Access to Officers and Employees. Board members have complete and open access to the Company's CEO, Presidents, Chief Financial Officer and General Counsel, and the books and records of the Company. The Lead Director shall provide assistance as requested in providing Board members such access. Board members who wish to have access to other members of management should coordinate such access through one of the foregoing. The Directors should use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.
10. Interaction with Outside Interested Parties. The Board believes that management should speak for the Company and that the Chairman should speak for the Board. The Board welcomes the opportunity to engage with the Company's stockholders to help

the Company better understand the views of its investors on key corporate governance topics.

11. Board Authority. The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.
12. Confidentiality. The Board believes that maintaining confidentiality of information and deliberations is an imperative. Information learned during the course of service on the Board is to be held confidential and used solely in furtherance of the Company's business. Each member of the Board shall sign a standard confidentiality agreement.

#### **IV. Committee Issues**

1. Board Committees. The Board shall have an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Each of these Committees shall consist solely of independent directors, in each case, subject to applicable phase-in rules and regulations and other permitted exceptions. Committee members will be appointed by the Board upon recommendation of the Nominating and Governance Committee with consideration of the desires of individual directors. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.
2. Rotation of Committee Assignments and Chairs. Committee assignments and the designation of committee chairs should be based on the director's knowledge, interests and areas of expertise. The Board does not favor mandatory rotation of committee assignments or chairs. The Board believes experience and continuity are more important than rotation. Committee members and chairs may be rotated in response to changes in membership of the Board and in all cases should be rotated only if rotation is likely to increase committee performance.
3. Committee Charters. Each committee shall have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its own performance.
4. Frequency and Length of Committee Meetings. The chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter.

#### **V. Chief Executive Officer Evaluation and Management Succession**

The Nominating and Governance Committee will review and approve on an annual basis corporate goals and objectives relevant to CEO compensation and evaluate the CEO's performance in light of these goals and objectives. The Nominating and Governance

Committee will then report the results of such evaluation to the Board and to the Compensation Committee at least annually.

The Compensation Committee will then determine and approve the CEO's compensation level based on this evaluation and other factors set forth in the Compensation Committee's charter or as the committee deems appropriate.

The Nominating and Governance Committee will develop, reassess annually and make recommendations to the Board with respect to succession plans for the CEO and other key executive officers of the Company and develop plans for interim succession for the CEO in the event of an unexpected occurrence.