

POLICY ON CRITERIA FOR ANNUAL PERFORMANCE EVALUATION

BACKGROUND

The board of directors (the "**Board**") of Bharat FIH Limited ("**Company**"), based on the recommendation of the Nomination and Remuneration Committee, adopted this Policy on Criteria for Annual Performance Evaluation ("**Policy**") to comply with the various provisions under Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**"), the Companies Act, 2013 and the rules made thereunder.

The Policy is formulated in accordance with the SEBI circular dated January 5, 2017, which provides further clarity on the process of board evaluation ("**SEBI Guidance Note**").

OBJECT

The Policy has been framed with an objective to ensure individual directors of the Company ("**Directors**") and the Board as a whole, work efficiently and effectively in achieving their functions, for the benefit of the Company and its stakeholders. Accordingly, the Policy provides guidance on evaluation of the performance, on an annual basis, of: (I) individual Directors (including the Chairperson and independent directors of the Company ("**Independent Directors**")); (ii) the Board as a whole; and (iii) various committees of the Board ("**Committees**").

EFFECTIVE DATE:

The Board at its meeting held on December 14, 2021 has approved and adopted the Policy. The Policy shall become effective from December 14, 2021.

MANNER OF EVALUATION

1. Evaluation of the Board

The Board shall, on an annual basis, evaluate its own performance keeping in mind the evaluation parameters set out in Annexure - 1.

2. Evaluation of Individual Directors

Performance of individual Directors of the Company (including the Chairperson and Independent Directors) shall be evaluated, on an annual basis, by: (i) the Board as a whole (excluding the Director being evaluated); and (ii) the Nomination and Remuneration Committee.

In carrying out its evaluation, the Board and/ or the Nomination and Remuneration Committee, shall keep in mind the evaluation parameters set out in Annexure 1 with respect to all Directors, including the Independent Directors and Chairperson.

3. Evaluation of Committees of the Board

The Board shall, on an annual basis, evaluate the performance of each Board Committee as per the evaluation parameters set out in Annexure 3.

POLICY REVIEW

Subject to the approval of the Board, the Nomination and Remuneration Committee reserves its

right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

DISCLOSURE

In accordance with the requirements under the SEBI Listing Regulations and the Companies Act, 2013 disclosure regarding the manner in which the performance evaluation has been done by the Board of its own performance, performance of various Board Committees and individual Directors will be made by the Board in the Board's report. Further, the Board's report containing such statement will be made available for the review of shareholders at the general meeting of the Company. The key features of this Policy will be included in the corporate governance statement contained in the annual report of the Company.

ANNEXURE-1

BOARD PERFORMANCE EVALUATION CRITERIA

- 1 The Board has full understanding of its roles and responsibilities including requirements under the Companies Act 2013 read with rules made thereunder, and SEBI Listing Regulations and is discharging these responsibilities as well.
- 2 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.
- 3 Monitoring the effectiveness of the Company's governance practices and making changes as needed.
- 4 Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
- 5 Aligning key executive and board remuneration with the longer-term interests of the Company and its shareholders.
- 6 Ensuring a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- 7 Monitoring and managing potential conflicts of interest among management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
- 8 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.
- 9 Overseeing the process of disclosure and communications.
- 10 Monitoring and reviewing Board Evaluation framework.
- 11 Provide strategic guidance to the Company, ensure effective monitoring of the management and accountability to the Company and its shareholders.
- 12 To set a corporate culture and the values by which executives throughout a group will behave.
- 13 To ensure that the Board members act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and its shareholders. Encourage continuing Director's training to ensure that the Board members are kept up to date.
- 14 Apply high ethical standards and take into account the interests of stakeholders.
- 15 Exercise objective independent judgment on corporate affairs.
- 16 Consider assigning a sufficient number of non-executive Board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- 17 Ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the company to excessive risk.
- 18 To 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.

- 19 When Committees of the board are established, their mandate, composition and working procedures should be well defined and disclosed by the board.
- 20 To ensure that Board members should be able to commit themselves effectively to their responsibilities.
- 21 To facilitate the Independent Directors to perform their role effectively as a Board member and also as a member of a Committee.
- 22 The Board holds appropriate number of meetings in a year, these meetings are appropriate length.
- 23 The Minutes of the Board meeting are prepared and circulated to Board members for comments in a timely manner.
- 24 The Action Taken Report with respect to follow up items from Board meeting are properly discussed.

IMPLEMENTATION:

This can be discussed in a meeting of all Board Members once a year and areas requiring further action identified. The Chairman of the Board will take the lead in follow up of items requiring further action.

ANNEXURE-2

DIRECTORS' PERFORMANCE EVALUATION CRITERIA

For All Directors

- 1 A Director of the Company shall act in accordance with the Articles of Association of the Company and provisions of the Companies Act, 2013 ("**the Act**") read with applicable rules and regulations and SEBI Listing Regulations;
- 2 A Director of a Company shall 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 A Director of a Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- 4 A Director of a Company shall not involve 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 A Director of a Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company;
- 6 A Director of a Company shall not assign his office and any assignment so made shall be void;
- 7 A Director of a Company shall disclose his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals by giving a notice in writing in Form MBP 1 and cause it to be disclosed at the meeting held immediately after the date of the notice.
- 8 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.
- 9 A Director shall not trade in Company's equity shares on the basis of unpublished price sensitive information by virtue of their position for the purpose of dealing (directly or indirectly) in shares, property or otherwise of the Organization
- 10 A Director shall have regularity of attending meetings of the Board, Board Committees and General Meetings and quality of Preparation / participation.
- 11 A Director shall contribute to Board cohesion, including the ability to listen to and respect the ideas of fellow Directors and members of Management.
- 12 A Director shall have ability to provide thought leadership across role spectrum.
- 13 A Director shall have ability to work as a Team Player and make a positive contribution to the functioning of the Board.
- 14 A Director shall provide guidance and assistance to the Management of the Company based on Director's background and expertise.
- 15 A Director shall provide various Directions in the best interest of the Company on key issues.
- 16 A Director shall avoid High Financial Risk while executing the functions and duties
- 17 A Director shall discharge his Duties and Responsibilities as per the Code of Conduct for Board and Senior Managerial Personnel Directors of the Company.

Additional Criteria for Independent Directors

The Independent Directors shall-

- 1 have confirmed that they meet the requirements of Independence under the Companies Act 2013 and SEBI Listing Regulations and he/she acts in that manner.
- 2 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;
- 3 shall bring an objective view in the evaluation of the performance of board and management;
- 4 scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- 5 satisfy themselves on the integrity of financial information and those financial controls and the systems of risk management are robust and defensible;
- 6 safeguard the interests of all stakeholders, particularly the minority shareholders;
- 7 balance the conflicting interest of the stakeholders;
- 8 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;
- 9 moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.
- 10 undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
- 11 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;
- 12 strive to attend all meetings of the Board of Directors and of the Board Committees of which he is a member and general meetings of the company;
- 13 participate constructively and actively in the Committees of the Board in which they are chairpersons or members;
- 14 Ensure 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;
- 15 keep themselves well informed about the Company and the external environment in which it operates;
- 16 not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
- 17 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;
- 18 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;

- 19 report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conducts or ethics policy;
- 20 acting within his authority, assist in protecting the legitimate interests of the Company, shareholders and its employees;
- 21 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.

IMPLEMENTATION:

A Confidential Individual Director Evaluation can be conducted under supervision of the Nomination and Remuneration Committee through a Survey in which all Board Members participate by giving ratings to all other Board Members (High/ Medium/ Low or from 1 to 5) and identify areas of strength and areas requiring improvement in relation to other members of the Board.

BOARD COMMITTEES' PERFORMANCE EVALUATION CRITERIA

The Board has constituted the following Committees of the Board:

- 1 Audit Committee;
- 2 Nomination and Remuneration Committee;
- 3 Corporate Social Responsibilities Committee;
- 4 Stakeholders' Relationship Committee
- 5 Risk Management Committee;

For evaluating the performance of each Committee, the Board of Directors shall pay regards to the following aspects:

- 1 Compliance with Article of Association of the Company,
- 2 Compliance with Companies Act, 2013, the rules made thereunder, the SEBI Listing Regulations, and any other applicable laws.
- 3 Compliance with the Terms of Reference of the respective Committees as formulated and approved by the Board of Directors of the Company,
- 4 Compliance with ethical standards & code of conduct of Company
- 5 Committee's accomplishments w.r.t. performance objectives
- 6 Redressal of complaints & grievances of Committee Members
- 7 Coordination with other Committees and Board of Directors
- 8 Fulfillment of its roles & responsibilities
- 9 Adherence to Company's policies and internal procedures

IMPLEMENTATION:

Based on the performance evaluation of each and every Committee Member, the Chairperson of the Committee shall provide the ratings based on criteria in which they rate all other Committee Members (High/ Medium/ Low or from 1 to 5) and identify areas of Committee Member's strength and areas requiring improvement. Review performance evaluation reports shall be submitted by the Chairperson of each Committee along with their suggestions on improving the effectiveness of the Performance to the Board of the Company. Also, the requirement of establishing any new Committees shall be reviewed by the Board on an annual basis. The Board shall then evaluate the ratings submitted by the Chairperson of the respective Committees and shall also evaluate the performance of the Chairperson of the Committee allot rating on the criteria (High/ Medium/ Low or from 1 to 5).