



POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

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1. Introduction

Hero Motors Limited, believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior, in consonance with the Company's Code of Conduct for its Board and Senior Management Personnel ("**Code**"). The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the senior management is expected to comply with the letter and spirit of this policy for evaluation of the performance of the Board ("**Policy**"). Any actual or potential violation of this above Code and this Policy by the Directors would be the matter of serious concern for the Company.

Therefore, the Company has formulated this Policy to comply with various provisions under the Companies Act, 2013 ("**Act**"), the Listing Regulations and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act. The Committee shall evaluate the performance of each Director as per subsection (2) of Section 178 of the Act and based on the functions of the Independent Directors as indicated under Schedule IV (as per section 149) annexed to the Act and the rules made there under.

2. Definitions

- i. "**Act**" means the Companies Act, 2013, as amended from time to time and the rules made thereunder;
- ii. "**Company**" means **Hero Motors Limited**
- iii. "**Director**" or "**Board**" means the Director or the Board, in relation to the Company, and deemed to include the collective body of the Board of Directors of the Company including the chairman of the Company.
- iv. "**Independent Director**" shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (5) of the Act.
- v. "**Policy**" shall mean this Policy for evaluation of performance of Board of Directors of the Company.
- vi. "**Committee**" shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Act.
- vii. "**Listing Regulations**" means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. Objective

The object of this Policy is to formulate the procedures and prescribe the criteria to evaluate the performance of the entire Board of the Company. Further, to adopt best

practices to manage the affairs of the Company in a seamless manner and ensure sustained long-term value creation for stakeholders by achieving good corporate governance.

4. Performance evaluation

A. APPRAISAL SYSTEM: Performance of each Director of the Company shall be based on the criteria as mentioned herein below:

- a. Contribute to and monitor corporate governance practices.
- b. Commitment to the fulfilment of a director's obligations.
- c. Fiduciary responsibilities; and
other aspects agreed by Nomination & Remuneration Committee from time to time.

B. EVALUATION OF THE PERFORMANCE

As required under Listing Regulations and Act, the following will be evaluated:

- I. Board as a whole
- II. Committees of the Board
- III. Individual Directors and Chairperson (including Chairperson of committees, Independent Directors, Non-independent directors, etc.)

C. EFFECTIVENESS OF THE BOARD

Based on the performance evaluation, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the appointments, re-appointments and removal of the non-performing Directors of the Company.

5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS

Evaluation of the executive Directors of the Company shall be carried out by entire Board except the executive Director being evaluated. The meeting for the purpose of evaluation of performance of Board members shall be held at least once in a year.

6. CRITERIA FOR EVALUATION OF PERFORMANCE

Following is the illustrative list of criteria for evaluation of performance of executive Directors, Independent Directors, Chairman and the Board:

1. Attendance and contribution at Board and Committee meetings.
2. His/her stature, appropriate mix of expertise, skills, behaviour, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
3. His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/ hedging, internal controls, risk management, assessment and mitigation, business operations, processes, and corporate governance.

4. His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
7. Recognize the role which he/she is expected to play, internal Board relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His/her broader thinking, vision on corporate social responsibility etc.
9. Quality of decision making on source of raw material/procurement of roughs, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
10. His/her ability to monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.

7. Disclosures

In accordance with the requirement under the Act read with Rules made thereunder and Listing Regulations, disclosures of manner of formal annual evaluation of the Board, its committees, and individual directors and of performance evaluation criteria for independent directors will be made in the Report of Board of Directors/Annual Report.

8. Amendments:

Any modifications, amendments, notifications, circulars, guidance notes issued by SEBI or MCA, or any judgments passed by a Tribunal or Court that effectively amend this Policy shall be deemed to be automatically incorporated into this Policy without requiring further approval and such amendment shall prevail. Any other amendments to this Policy shall require the approval of the Board.