

**HERO MOTORS LIMITED**

**BOARD PERFORMANCE EVALUATION FRAMEWORK**

## I. INTRODUCTION

The most important functions of the Board of Directors is to oversee the functioning of company's top management, the Board of Directors ("Board") of Hero Motors Limited ("Company") has, basis the recommendation of the Nomination and Remuneration Committee ("NRC"), adopted a Board Performance Evaluation Framework ("Framework") to comply with the various provisions of The Companies Act, 2013 ("Act"). This framework aims at establishing a procedure for conducting periodical evaluation of Board, Committees and individual directors.

The Company believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour, in consonance with the Company's Code of Conduct for its employees and also for the Board of Directors.

## II. SCOPE

The Company has made this Framework to comply with provisions as applicable under the various provisions of the Act which reproduces as formal annual evaluation made by the Board of Directors 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.

## III. OBJECTIVE

The purpose of the Board Evaluation Framework is enumerated below:

- i. To ensure corporate governance standards are maintained.
- ii. To facilitate the identification of the areas of concern and the areas to be focused upon for enhancing the functioning of the Board.
- iii. To create awareness about the role of Directors individually, and collectively as a Board.
- iv. To steer the Board in direction of achieving the Company's mission and vision.

## IV. REGULATORY FRAMEWORK

### Role of the NRC:

- i. NRC shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- ii. NRC shall recommend to the Board the appointment and removal of directors and persons in senior management.
- iii. NRC shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.

## **V. EVALUATION OF PERFORMANCE**

Evaluation of performance of Board, its Committees and Individual Directors (Executive Director, Non-Executive, Non-Independent Director and Non-Executive, Independent Director) shall be done by entire Board (excluding the director being evaluated) on an annual basis.

## **VI. MANNER OF EVALUATION**

The Board shall keep in mind the evaluation parameters set out in:

- (i) Annexure 1 with respect to Non-Executive, Non-Independent Directors;
- (ii) Annexure 2 with respect to the Independent Directors;
- (iii) Annexure 3 with respect to the Executive Directors;
- (iv) Annexure 4 with respect to the Board; and
- (v) Annexure 5 with respect to Committees of the Board

## **VII. METHOD OF EVALUATION**

The Board of Directors will ensure that an annual Board evaluation to assess the performance of the Board as a whole and that of individual Board members and Committees is undertaken.

## **VIII. EFFECTIVENESS OF BOARD**

Effectiveness of Board as a whole shall be measured on the basis of rating of each director and accordingly Board shall recommend the appointment, reappointment and removal of non-performing directors of the Company.

## **IX. AMENDMENTS AND DISCLOSURES**

The NRC or Board shall review the Framework periodically and if required will amend the evaluation process and make necessary changes in the Framework. The Company shall make necessary disclosures in its Board's report with respect to Framework and evaluation process adopted by NRC and Board of Directors of the Company.

### Annexure 1 | Non-Executive, Non-Independent Director

This questionnaire has been designed to enable the assessment of every Non-Executive, Non-Independent Director by all members of the Board, saving the Director who is being evaluated. Every question would need to be evaluated on a 5 point scale as given below.

**Strongly disagree**                      **Disagree**                      **No opinion**                      **Agree**                      **Strongly Agree**  
**1**    **2**    **3**    **4**    **5**

<b>Name of Director being assessed:</b>	
<b>Qualification:</b>	
<b>Experience:</b>	

S. No.	Assessment Criteria	Rating
1.	Knowledge and Competency: (i) The person is competent, as per the criteria identified by the Nomination and Remuneration Committee for the effective functioning of the entity and the Board (ii) The person has sufficient understanding and knowledge of the entity and the sector in which it operates	
2.	Attendance and participations in the meetings of Board and Committee thereof	
3.	Raising of concerns to the Board	
4.	Safeguard of confidential information	
5.	Contribution to strategic decision making	
6.	Rendering independent, unbiased opinion and resolution of issues at meetings	
7.	Adherence to Code of Conduct of Company and disclosure of non-independence, as and when it exists and disclosure of interest	
8.	Understanding of the Company and the external environment in which it operates and contribution to strategic direction	
9.	Review of financial statements, business performance	
10.	Safeguarding interest of whistle-blowers under vigil mechanism	
11.	Timely inputs on the minutes of the meetings of the Board and Committee's	
12.	Demonstrates highest level of integrity	

**Note 1:** Additional Comments and Suggestions, if any, to be written separately and attached to this questionnaire.

**Note 2:** The Executive Directors and Independent Directors of the Company shall evaluate the non-independent director in a meeting without the attendance of the non-independent director being evaluated.

### Annexure 2 | Non-Executive, Independent Director

This questionnaire has been designed to enable the assessment of every Independent Director by all members of the Board, saving the Director who is being evaluated. Every question would need to be evaluated on a 5 point scale as given below.

**Strongly disagree**                      **Disagree**                      **No opinion**                      **Agree**                      **Strongly Agree**  
**1**    **2**    **3**    **4**    **5**

<b>Name of Director being assessed:</b>	
<b>Qualification:</b>	
<b>Experience:</b>	

S.No	Assessment Criteria	Rating
1.	Attendance and participation in the meetings of the Board and Committees thereof	
2.	Contribution towards growth of the Company including budgeted performance	
3.	Leadership initiative, like new ideas and planning towards growth of the Company	
4.	Adherence to Code of Conduct of Company	
5.	Compliance with policies, reporting of frauds, violation etc and disclosure of interest	
6.	Objective evaluation of Board's performance, rendering independent, unbiased opinion	
7.	Safeguarding the confidential information and interest of whistle blowers.	
8.	Professional skills, problem solving, and decision-making	
9.	Timely inputs on the minutes of the meetings of the Board and Committee's, if any	
10.	Demonstrates highest level of integrity	
11.	Fulfilment of the independence criteria as per the Act and their independence from the management	

**Note 1:** Additional Comments and Suggestions, if any, to be written separately and attached to this questionnaire.

**Note 2:** The Executive Directors and Non-Independent Directors of the Company shall evaluate the independent director in a meeting without the attendance of the independent director being evaluated.

### Annexure 3 | Executive Director

This questionnaire has been designed to enable the assessment of every Executive Director by all members of the Board, saving the Director who is being evaluated. Every question would need to be evaluated on a 5 point scale as given below.

**Strongly disagree**                      **Disagree**                      **No opinion**                      **Agree**                      **Strongly Agree**  
**1**    **2**    **3**    **4**    **5**

<b>Name of Director being assessed:</b>	
<b>Qualification:</b>	
<b>Experience:</b>	

S. No.	Assessment Criteria	Rating
1.	Knowledge and Competency: (iii) The person is competent, as per the criteria identified by the Nomination and Remuneration Committee for the effective functioning of the entity and the Board (iv) The person has sufficient understanding and knowledge of the entity and the sector in which it operates	
2.	The person understands and fulfils the functions to him/her as assigned by the Board and the law (E.g. Law imposes certain obligations on independent directors)	
3.	The person is able to function as an effective team- member	
4.	The person actively takes initiative with respect to various areas	
5.	The person is available for meetings of the Board and the Board Committees he/she is a member in and attends the meeting regularly and timely, without delay	
6.	The person is adequately committed to the Board and the entity	
7.	The person contributed effectively to the entity and in the Board meetings	
8.	The person demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.)	

**Note 1:** Additional Comments and Suggestions, if any, to be written separately and attached to this questionnaire.

**Note 2:** The Non-Executive, Non-Independent and Independent Directors of the Company shall evaluate the Executive Director in a meeting without the attendance of the independent director being evaluated.

### Annexure 4 | Board Evaluation

This questionnaire has been designed to enable the assessment of every individual director by all members of the Board, saving the Director who is being evaluated. Every question would need to be evaluated on a 5 point scale as given below.

**Strongly disagree**                      **Disagree**                      **No opinion**                      **Agree**                      **Strongly Agree**  
**1**    **2**    **3**    **4**    **5**

<b>Name of Director being assessed:</b>	
<b>Qualification:</b>	
<b>Experience:</b>	

S. No.	Assessment Criteria	Rating
1.	The Board as a whole has directors with a proper mix of competencies and experience to conduct its affairs effectively	
2.	There is sufficient diversity in the Board (Gender/background/competence/experience)	
3.	The process of appointment to the Board of Directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender in the Board	
4.	The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities	
5.	The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law	
6.	The Board reviews the organization's performance in carrying out the stated mission on a regular basis	
7.	The Board of Directors is effective in providing necessary advice and suggestions to the Company's management	
8.	Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues	
9.	The Board appropriately considers internal audit reports, management's responses, and steps towards improvement	
10.	The Board oversees the role of the Independent Auditor from selection to termination and has an effective process to evaluate the Independent Auditor's qualifications and performance	
11.	Role and responsibility of the Board is clearly documented i.e., Difference in roles of Chairman and CEO, matter reserved for the Board, etc.	
12.	Significant time of the Board is being devoted to management of current and potential strategic issues	
13.	Adequate time of the Board is being devoted to analyse and examine governance and compliance issues	

14.	The Board regularly reviews the grievance redressal mechanism of investors, details of grievances received, disposed of and those remaining unresolved	
15.	The Board 'steps back' to assist executive management by challenging the assumptions underlying strategy, strategic initiatives, risk appetite, exposures and the key areas of the entity's focus	
16.	The Board regularly reviews the Business Responsibility Reporting / related corporate social responsibility initiatives of the entity and contribution to society, environment etc.	
17.	The Board treats shareholders and stakeholders fairly where decisions of the board of directors may affect different shareholder/ stakeholder groups differently	



### Annexure 5 | Committees of the Board

While evaluating the performance of the Committees of the Board the following general criteria shall be considered by the Board. Every question would need to be evaluated on a 5 point scale as given below.

**Strongly disagree**                      **Disagree**                      **No opinion**                      **Agree**                      **Strongly Agree**  
**1**    **2**    **3**    **4**    **5**

S.No	Assessment Criteria for Audit/ NRC/CSR Committee	Rating
1.	The composition, quorum and working procedures of the committees of the Board are clearly defined and discussed	
2.	The committee has fulfilled its functions as assigned by the Board and laws as may be applicable	
3.	The Committee has properly structured and meetings are conducted in stipulated time	
4.	The frequency of such meetings is enough for the committee to undertake its duties properly	
5.	The agenda is circulated well before the Meeting containing relevant information for taking decisions on the matter	
6.	The outstanding items of previous meetings are followed-up and taken up in subsequent agendas	
7.	Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues	
8.	The committee discusses every issue comprehensively and depending on the importance of the subject	
9.	The committee tends towards groupthink and critical and dissenting suggestions are welcomed	
10.	The minutes of the committee meeting are being recorded properly – clearly completely, accurately and consistently and timely inputs on the Minutes of the Meetings is given	
11.	Overall, the committee functions constructively as a team	
12.	The independence of the committee is ensured from the Board.	
13.	The committee's recommendations contribute effectively to the decisions of the Board	