

POLICY ON EVALUATION OF PERFORMANCES OF BOARD OF DIRECTORS

❖ **PREAMBLE**

Kothari World Finance Limited (the “**Company**”) conducts its operation under the overall direction of the Board of Directors within the framework laid down by various statutes, more particularly the Companies Act, 2013, the Articles of Association of the Company, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), internal code of conduct formulated by the Company for its internal execution.

The Company’s Board of Directors are dedicated to act in good faith, exercise their judgment on an informed basis and in the best interest of the Company and its stakeholders. Section 178 of the Act provides that a policy is to be formulated by the Nomination and Remuneration Committee (“**NRC**”) and recommend to the Board, setting the criteria based on which the performance of every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company.

The Company firmly believes in the ideals of productive performances of its Board of Directors and keeping in mind these principles the Company has formulated this Policy.

❖ **OBJECTIVE**

This Policy aims to:

(i) Ensure compliance of the applicable provisions of the Companies Act, 2013 („the Act“) and the Listing Regulation entered into with the Stock Exchanges (as amended or re-enacted from time to time) relating to the evaluation of performance of the Directors and the Board .

(ii) adopt best practices to manage the affairs of the Company in seamless manner.

(iii) achieve good corporate governance as well as sustained long-term value creation for stakeholders.

❖ **EVALUATION FACTORS:**

The Nomination and Remuneration Committee (“**NRC**”) shall carry out the evaluation of performance of every Director. The evaluation of performance of the Independent Directors (IDs) shall also be carried out by the entire Board of Directors excluding the Director being evaluated in the same way as it is for the Executive Directors of the Company except the Director getting evaluated. Evaluation performance should be carried out at least once in a year. While evaluating the performance of the Non-Executive Directors (“**NED**”s), the following parameters shall be considered

1. Attendance at meetings of the Board and Committees thereof,
2. Participation in Board Meetings or Committee thereof,
3. Contribution to strategic decision making,
4. Review of risk assessment and risk mitigation,
5. Review of financial statements, business performance.
6. Contribution to the enhancement of brand image of the Company.

While evaluating the performance of the Chairman and Managing Director, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual and also of the Company.

Evaluation of performance shall be carried out at least once a year.

The Company shall provide suitable training to the Non-Executive Directors including Independent Directors. Any other need based training shall also be provided. The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance of a particular Director:

In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of Board itself, and of its committees and individual Directors as, such evaluation factors may vary in accordance with their respective functions and duties

❖ **IMPLEMENTATION AND MONITORING OF PERFORMANCE EVALUATION PROCESS:**

The NRC in consultation with Board may be responsible for implementation of evaluation of performances.

The NRC has to follow the Individual evaluation criteria, for the following three categories of Directors.

- i. the Board;
- ii. non-executive/independent directors
- iii. whole-time/managing director(s).

❖ **EVALUATION OF THE BOARD AND ITS EMPLOYEES:**

➤ **Executive Director:**

- The evaluation of the Executive Director shall be carried out on the basis of present performance (financial/non-financial) and the achievements of the said Director against various key performance parameters at the end of every financial year.
- The performance of the Chairperson/Executive Director of the company shall be reviewed by the Independent Directors, taking into account the views of other executive directors and non-executive directors;
- The performance of the Chairperson/Executive Director shall also be reviewed by the Committee or the Board of Directors.
- The manner for effective evaluation of the Executive Director shall be as approved by the Committee.

➤ **Non-Executive Director:**

- The performance of the Non – Executive Director shall be reviewed and evaluated by the Independent Directors in their separate meeting held as per Schedule IV of the Act.
- The performance of the Non – Executive Director shall also be evaluated by the Committee or the Board of Directors, excluding the Director being evaluated.
- The manner for effective evaluation of the Non-Executive Directors shall be as approved by the Committee.

➤ **Independent Director:**

- The performance evaluation of independent directors shall be done by the Committee and the entire Board of Directors, excluding the director being evaluated. The evaluation should be carried out as per Schedule IV (Code for Independent Directors) of the Act.
- The manner for effective evaluation of the Independent Directors shall be as approved by the Committee.
- While evaluating the Independent Director, the contribution made by the Director in the decision taken at the board level and its impact on the performance of the Company, inter alia, shall be considered. The time devoted including the attendance of the Independent Director at various Committee/Board Meetings shall also be considered while evaluating an Independent Director.
- On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of an Independent Director.

➤ **Board's Performance:**

- The Board shall evaluate its effectiveness on a continuing basis. Meaningful Board evaluation requires an assessment of the functioning of the entire Board/Committees, contribution of individual directors therein and suggesting together the improvements areas, if any. The Independent Directors shall assess the quality, quantity and timeliness of the flow of information between the management and the Board that is necessary to enable the Board to discharge its duties reasonably and effectively.
- The Independent Directors shall hold at least one separate meeting in a financial year to review the performance of non-independent directors and the Board as a whole.
- In determining the re-election of a director, the Board shall consider the performance review carried out by the Independent Directors, Director's past attendance at meetings and participation in and contributions to the deliberations/decisions of the Board.
- The manner for effective evaluation of the Board's performance shall be as approved by the Committee from time to time.

➤ **OTHER EMPLOYEES:**

- The performance of the employees is evaluated on annual basis as per Company's performance evaluation/annual appraisal process. The performance objectives of all employees are determined and aligned with the overall goals / objectives of the Company.
- Various factors such as the job profile, experience, skill sets determine the performance rating, the career progression/ incentives/ annual bonus payout.

❖ **REVIEW:**

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

❖ **DISCLOSURE:**

In accordance with the requirement under the Companies Act, 2013, Rules framed thereunder and SEBI (LODR) Regulations, 2015, disclosures will be made in the Board Report regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various Committees of Directors and individual Directors. The Company shall disclose the evaluation criteria in its Annual Report. The Policy will be available in the public domain i.e. on the website of the Company.
