

## NHPC LIMITED

### **“POLICY ON PERFORMANCE EVALUATION OF BOARD, BOARD LEVEL COMMITTEES AND DIRECTORS OF THE COMPANY” (POLICY)**

The following “Policy on Performance Evaluation of Board, Board level Committees and Directors of the Company” is formulated as per the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”).

This Policy is applicable to the Company with effect from the date of approval by the Board.

### **INTRODUCTION**

In an endeavor to safeguard the interest of the Company as prescribed under the Companies Act, 2013, LODR and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors (“the Board”) of NHPC Ltd. (“the Company”) has formulated a Policy setting out the criteria for the performance evaluation of Board, Board Level Committees and Directors of the Company. The prescribed evaluation procedure will provide a fine system of checks and balances on the performance of the Board of Directors as a whole, Board Level Committees and Directors of the Company. This policy aims at establishing a procedure for conducting periodical evaluation of directors’ performance and formulating the criteria for determining qualification, positive attribute and independence of a director. This policy further aims at ensuring that the committees to which the Board of Directors has delegated specific responsibilities are performing efficiently in conformity with the prescribed functions and duties.

### **EVALUATION METHODOLOGIES**

The Board evaluation process comprises of both assessment and review. This includes analysis of how the Board, its committees and directors are functioning, the time spent by the Board considering matters and whether the terms of reference of the Board committees have been met, besides compliance of the provisions of the Companies Act 2013 and LODR.

In respect of each of the evaluation factors, various aspects have been formulated to assist with the evaluation process in respect of performance of Directors, the Board and its Committees separately. The evaluation factors may vary in accordance with their respective functions and duties.

## **PROCESS FOR PERFORMANCE EVALUATION**

### Role of the Nomination and Remuneration Committee (NRC):

- a. NRC shall formulate criteria for evaluation of performance of independent directors and the board of directors.
- b. NRC shall determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

### Role of Independent Directors:

In the meeting of independent directors of the company (without the attendance of non-independent directors and management), such directors shall:

- i. review the performance of non-independent directors and the Board as a whole.
- ii. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors.
- iii. assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### Role of Board of Directors:

The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

## **RATING SCALE:**

The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance.

Scale	Performance
5	Exceptionally Good
4	Good
3	Satisfactory
2	Needs Improvement
1	Unacceptable

The Board, its committees and Directors shall be evaluated on the criteria as given in the format for evaluation of Board, its committees and Individual directors prescribed at Annexure-A.

## RESPONSIBILITY OF BOARD

The Company conducts its operations under the directions of the Board of the Company and within the framework laid down by the Companies Act, 2013, LODR, the Articles of Association of the Company and internal code of conduct and policies formulated by the Company, from time to time. The Company's Board of Directors are expected to act in good faith, exercise their judgment on an informed basis in the best interest of the Company and its stakeholders.

It shall be the duty of Chairman & Managing Director of the Company, who shall be supported by the Company Secretary, to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the effectiveness of Board and its Committees, to maximize their strength and tackle their shortcomings.

## EVALUATION:

- (a) There will be an annual evaluation of the performance of Board, Board Level Committees and Directors. The purpose of the evaluation is to determine how effectively the Board, Directors and its Committees are fulfilling their role and duties.
- (b) All reviews are to include open discussion by the Board of the results of the evaluations and to decide any changes which are required to be made by the Board and to address any lack of performance. If particular concerns arise from the evaluation in relation to any individual Director, or Committee, the Chairman of Nomination & Remuneration Committee (NRC) will meet with that Director, or Chairman of that Committee, to

discuss the concerns and any actions to be taken as a result. If the concerns relate to the Chairman of NRC, then the Chairman (NRC) will discuss the matter as appropriate with the Board.

- (c) Directors are also encouraged to provide feedback on a regular basis on the conduct of Board / Committee meetings, in order to assist in the continual improvement of the way the Board carries out its role.

Format of Performance Evaluation

Evaluation of Board as a whole

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
<b>Board Composition &amp; Quality</b>		
1. The Board has appropriate expertise and experience to meet the best interests of the company		
2. The board has appropriate combination of industry knowledge and diversity (gender, experience, background).		
3. The Board spends sufficient time in deliberating the vision, mission of the company and strategic and business plans, financial reporting risks, related internal controls and provides critical oversight on the same.		
4. The Board understands the legal requirements and obligations under which it acts as a Board; i.e. bye laws, corporate governance manual etc. and discharge its functions accordingly.		
5. The Board has set its goals and measures its performance against them on annual basis.		
6. The Board has defined its stakeholders and has appropriate level of communication with them.		
7. The Board understands the line between oversight and management.		
8. The board monitors compliances with corporate governance regulations and guidelines.		
9. An effective succession plan of board is in place		
10. The Board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements.		

<b>Board Meetings and Procedures</b>			
1. The Annual Calendar of Board meetings is communicated well in advance and reviewed from time to time			
2. The Board meeting agenda and related background papers are concise and provide information of appropriate quality and detail.			
3. The information is received by board members sufficiently in advance for proper consideration			
4. Adequacy of attendance and participation by the board members at the board meetings.			
5. Frequency of Board Meetings is adequate			
6. The facility for video conferencing for conducting meetings is robust			
7. Location of Board Meeting (not frequently held at different places).			
8. The Board meetings encourage a high quality of discussions and decision making.			
9. Openness to ideas and ability to challenge the practices and throwing up new ideas			
10. The amount of time spent on discussions on strategic and general issues is sufficient			
11. How effectively does the Board works collectively as a team in the best interest of the company?			
12. The minutes of Board meetings are clear, accurate, consistent, complete and timely			
13. The actions arising from board meetings are properly followed up and reviewed in subsequent board meetings.			
14. The processes are in place for ensuring that the board is kept fully informed on all material matters between meetings (including appropriate external information eg. emerging risks and material regulatory changes).			
15. Adequacy of the separate meetings of independent directors			
16. Appropriateness of secretarial support made available to the Board.			

<b>Board Development</b>		
<p>1. Adequacy of the induction, professional development and refresher programme made available to the board members, including:</p> <ul style="list-style-type: none"> <li>a. Nature of the industry in which the Company operates,</li> <li>b. Business model of the Company, including risk profile of business,</li> <li>c. Roles, rights &amp; responsibilities of directors,</li> <li>d. Responsibility of respective directors and the manner in which such responsibilities are to be discharged,</li> <li>e. Corporate Governance,</li> <li>f. Model Code of business ethics and conduct applicable for the respective Directors,</li> <li>g. Technological advancements/inputs.</li> </ul>		
<p>2. Is the induction programme being undertaken within 60 days of joining by the Director?</p>		
<p>3. Timeliness and appropriateness of ongoing development programmes to enhance skills of its members</p>		
<p>4. Appropriate development opportunities are encouraged and communicated well in time</p>		
<b>Board Strategy and Risk Management</b>		
<p>1. The time spent on issues relating to the strategic direction and not day-to-day management responsibilities</p>		
<p>2. Engaging with management in the strategic planning process, including corporate goals, objectives and overall operating and financial plans to achieve them at least once a year.</p>		
<p>3. The Board has developed a strategic plan / policies and the same would meet the future requirement of the Company.</p>		
<p>4. The Board has sufficient understanding of the risk attached with the business structure and the Board uses appropriate risk management framework and whether board reviewed and understood the risks provided in the internal audit report and the management has taken</p>		

sufficient steps to mitigate the risk.		
5. The Board evaluates the strategic plan/ policies periodically to assess the Company's performance, considers new opportunities and responds to unanticipated external developments		
6. Monitoring the company's internal controls and compliance with applicable laws and regulations		
7. The adequacy of Board contingency plans for addressing and dealing with crisis situations		
8. Adequacy of effective vigil mechanism.		
9. The Board focuses its attention on long-term policy issues rather than short-term administrative matters.		
10. The Board discusses thoroughly the annual budget of the Company and its implications before approving.		
11. The Board periodically reviews the actual result of the Company vis-à-vis the plan/ policies devised earlier and suggests corrective measures, if required.		
<b>Board and Management Relations</b>		
1. The Board sets the overall tone and direction of the Company.		
2. The Board has approved comprehensive policies and procedures for smooth conduct of all material activities by Company.		
3. The Board has a range of appropriate performance indicators that are used to monitor the performance of management.		
4. The Board is well informed on all issues (short and long-term) being faced by the Company.		
5. The Board adequately reviews proposed departures from the long-and short-term business plans of the Company before they take place		
<b>Succession Planning</b>		
1. The Board has a succession plan for the Chairperson and the Chief Executive Officer / Managing Director and Critical Management Personnel.		



2. The Board reviews the existing succession plan and if appropriate, make necessary changes by taking into account the current conditions.		
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	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					
Suggestions					
Name of the Director	Signature		Date		

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.

## EVALUATION OF BOARD COMMITTEES

Committees of the Board: ACD, NRC, RMC, SRC, CSR&S

Criteria	Scale (1,2,3,4,5)	How can the committees do it better or differently
<b>Function and Duties</b>		
1. The Committee of the Board are appropriately constituted.		
2. The terms of reference for the committee are appropriate with clear defined roles and responsibilities.		
3. Observing Committees terms of reference.		
4. The amount of responsibility delegated by the Board to each of the committees is appropriate.		
5. The reporting by each of the Committees to the Board is sufficient.		
6. Whether the terms of reference are adequate to serve committee's purpose?		
7. The committee regularly reviews its mandate and performance.		
8. Committee takes effective and proactive measures to perform its functions.		
<b>Management Relations</b>		
1. Committee gives effective suggestion and recommendation.		
2. Committee meetings are conducted in a manner that encourages open communication and meaningful participation of its members.		
<b>Committee Meetings and Procedures</b>		
1. Committee meetings have been organized properly and appropriate procedures were followed in this regard		
2. The frequency of the Committee meetings is adequate.		
3. Committee makes periodically reporting to the Board along with its suggestions and recommendations.		

	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					
Suggestions					
Name of the Director	Signature		Date		

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.

## Evaluation of Individual Directors

Name of Director being evaluated:

Sl. No.	Criteria for evaluation	Scale (1,2,3,4,5)	How can the individual directors do it better or differently
<b>A.</b>	<b>General</b>		
1.	Whether possess appropriate skills and experience.		
2.	Whether has an understanding of the vision, mission and values of the company and the laws & regulations governing the Company.		
3.	Whether has an understanding of the industry in which the Company operates and the core business of the company.		
4.	Whether has understanding of the roles, duties and responsibilities as a Board Member.		
5.	Whether exercised his/her duties with due and reasonable care, skill and diligence.		
6.	Whether attends meetings of the Board and Committees regularly and contributes effectively.		
7.	Whether has ability to listen to the views of others and openness to modify his/her views, relationship with colleagues in the Board and Members of the Senior Management, able to function as an effective team member.		
8.	Whether actively takes initiative in respect of various areas and committed to the Board and Company.		
9.	Whether demonstrates highest level of integrity including conflict of interest, disclosures and maintenance of confidentiality, etc.		
10.	Whether making use of latest available Technology in discharge of duties.		
11.	Whether innovative measures adopted.		
12.	Whether import substitution implemented as part of Atmanirbhar Bharat.		

13.	Whether cost reduction techniques applied in the working of the Organisation.		
14.	Whether HR helped promote harmonious / peaceful culture across the Organisation		
15.	Whether remuneration of the Independent Directors is commensurate with other Government Companies in the same category.		
<b>B. Additional Criteria for Independent Director</b>			
1.	Whether declaration of independence given.		
2.	Whether involved in a situation in which he / she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.		
3.	Whether the person exercises his/her own judgment and voice their concerns and act freely from any conflicts of interests.		
<b>C. Additional Criteria for Chairperson of the Board</b>			
1.	Whether displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, conduct proceedings in suitable and fair manner, facilitate decision making and is overall able to steer meeting effectively..		
2.	Whether impartial in conducting discussions, seeking views and dealing with dissent, etc.		
3.	Whether sufficiently committed to the Board and its Meetings.		
4.	Whether able to keep shareholders' interest in mind during discussions and decisions.		

	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					

Suggestions		
Name of the Director	Signature	Date

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.