

BABA ARTS LIMITED
(CIN L72200MH1999PLC119177)

**POLICY FOR EVALUATION OF THE PERFORMANCE OF
THE BOARD OF DIRECTORS**

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POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS OF BABA ARTS LIMITED

1. INTRODUCTION:

Baba Arts Limited (hereinafter referred to as “**the Company**”) is committed to comply with the high standards of corporate governance prescribed under the Companies Act, 2013 and Clause 49 of the Listing Agreement signed by the Company with BSE Limited where the equity shares of the Company are listed.

The Directors of the Company have a significant role to play in towards success of the Company and for building sound reputation of the company amongst all stake holders. The Directors are expected to contribute to the working of the company by devoting their time not only for attending the meetings of the Board and its committees but also by taking active part in policy and decision making process of the company with honesty, integrity and sound judgement.

Securities & Exchange Board of India (SEBI) as per Regulations published vide its Circular No. CIR / CFD / POLICY CELL / 2 / 2014 dated April 17, 2014 as amended and published vide its Circular No.CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 has prescribed under Clause 49(II)(B)(5) that the Nomination and Remuneration Committee of the Board of Directors of all listed companies should lay down a policy and criteria for evaluation of performance of the Board of Directors and also the 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 Companies Act, 2013. The Nomination & Remuneration Committee shall evaluate the performance of the each Board of Director as per subsection (2) of Section 178 and based on the functions of the Board of Directors as indicated under Schedule IV (as per section 149) annexed to the Companies Act, 2013 and the Rules made there under.

Accordingly the Nomination and Remuneration Committee of Baba Arts Limited in its Nomination and Remuneration Committee held on 13th November, 2014 has laid down the criteria for evaluation of the Directors as follows:

2. DEFINITIONS:

A. “the Act”:

The Act shall mean The Companies Act, 2013;

B. “the Company”:

The Company shall mean Baba Arts Limited.

C. “the Director” or “the Board”:

The Director or the Board, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.

D. “the Independent Director”:

The Independent Director shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (5) of the Act.

E. “the Policy” or “this Policy”:

The policy or This Policy shall mean the Policy for Evaluation of performance of Board of Directors of the Company.

F. “the Committee” or “this Committee”:

The Committee or This Committee shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

3. OBJECTIVE:

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

4. VARIOUS KINDS OF PERFORMANCE EVALUATION:

a) Executive Directors:

Executive Directors of the Company are entrusted with the overall management and control of the company and are involved in day to day operations of the Company. They are responsible for achieving Company’s goals, and as such their performance can be assessed with regard to their commitment to their role and responsibility in the company and their decision making ability to ensure that all their decisions are in the interest of all stake holders of the Company.

With reference to the evaluation mechanism of Non – Executive Directors, since the Non – Executive Directors are not involved in day to day operations of the Company, it is worthwhile to assess individual’s continuing commitment to the role, in terms of commitment of time for Board and other Committee meeting and his contribution in terms of quality and value at the said meetings.

The Board of Directors of the Company shall evaluate the performance of each Board of Directors of the Company in accordance with the criteria for the evaluation of the performance as prescribed in the clause 6 of this policy.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the Executive Directors of the Company except the Director getting evaluated. Based on the performance evaluation of each and every Director and the Chairman of the Company, the board shall provide the ratings based on each criteria and sub-criteria. The detail process of evaluation and ratings thereon are mentioned in the clause 6 and 7 of this policy respectively.

➤ **EFFECTIVENESS OF THE BOARD:**

Based on the ratings given by the Nomination & Remuneration Committee to each Director, 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 MEETINGS FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS:

1. The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
2. All the independent directors of the company shall strive to be present at such meeting;
3. The meeting shall:
 - a. review the performance of non-independent directors and the Board as a whole;
 - b. review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - c. 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.

Evaluation mechanism:

1. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
2. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Nomination and Remuneration Committee for performance evaluation in the Annual Report of the Company.

The provision of Section 134(3) and section 178(4) of the Companies Act 2013 and Clause 49(B)(II)(5) makes it mandatory for Company to include in its Directors report the criteria for performance evaluation of directors in the Annual Report.

6. CRITERIA FOR EVALUATION OF PERFORMANCE:

The criteria for evaluation of performance of Independent Directors and the Board are as follows:

1. Attendance at the Board and Committee Meetings.
2. Whether the Director comes for the Board / Committee Meeting well prepared and informed on the matters to be discussed in the meeting.
3. Director's knowledge of Finance, Accounts, Legal, Taxation, Foreign Exchange, Risk Management, Internal Control procedures and Corporate Governance.
4. Willingness of the Director to spend time and effort to understand the Company and its business.
5. Participation of the Director in Non Meeting events such as visit to office, site visits etc.
6. Contribution of the Director in terms of quality and value at the Board Meetings.
7. Contribution of the Director towards business strategy and risk management.
8. Ability of the Director to effectively communicate his view in convincing manner and hold his view and resist pressure from others in a diplomatic manner. Willingness to listen to the views of others.
9. Effective follow up on matters on which the Director has given suggestions or has expressed concern.
10. Relationship and communication of the Director with other Board Members, Company Secretary and other Senior Management Persons of the Company.
11. Active refreshing of knowledge and skills.
12. Whether the Director is keeping him update with the latest developments in areas of Corporate Governance, Financial Reporting, Industry and Market.
13. Contribution of the Director in enhancing the brand image of the company.
14. Ability to monitor performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stake holders.
15. Vision on Corporate Social Responsibility.
16. Ability to guide the Board to take objective and collective decision in the best interest of the company.
17. Ability to maintain high standard of integrity and probity.
18. Ethical Conduct in compliance with law of the land.
19. 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.
20. Understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.

Each Board member will assign rating to the Director on all the above criteria and based on overall rating the Board will take a decision on appointment, reappointment or removal of the Directors.

Rating scale shall be 1 to 5 (1 being least effective and 5 being most effective)

Sr. No.	Question	Rating	Remark
1	Participation and attendance in Board and Committee Meetings actively and consistently		
2	Preparation for Board and Committee Meetings		
3	Knowledge of Finance, Accounts, Legal, Taxation, Foreign Exchange, Risk Management, Internal Control procedures and Corporate Governance.		
4	Willingness to spend time and effort to understand the Company and its business.		
5	Participation in Non Meeting events such as visit to office, site visits etc.		
6	Contribution in terms of quality and value at the Board Meetings.		
7	Contribution towards business strategy and risk management.		
8	Ability to effectively communicate his view in convincing manner and hold his view and resist pressure from others in a diplomatic manner. Willingness to listen to the views of others.		
9	Effective follow up on matters on which the Director has given suggestions or has expressed concern.		
10	Relationship and communication of the Director with other Board Members, Company Secretary and other Senior Management Persons of the Company.		
11	Active refreshing of knowledge and skills.		
12	Keeping update with the latest developments in areas of Corporate Governance, Financial Reporting, Industry and Market.		
13	Contribution of the Director in enhancing the brand image of the company.		
14	Ability to monitor performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of		

	contact with external stake holders.		
15	Vision on Corporate Social Responsibility.		
16	Ability to guide the Board to take objective and collective decision in the best interest of the company.		
17	Ability to maintain high standard of integrity and probity.		
18	Ethical Conduct in compliance with law of the land.		
19	Stature, appropriate mix of expertise, skills, bahaviour, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.		
20	Understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.		
	Total Rating		

Note: Rating 90 and above - excellent, between 75 to 89 – Very good, between 60 to 74 – Good, between 35 to 59 – Satisfactory and Less than 35 – Unsatisfactory.

7. PROCEDURE TO RATE THE PERFORMANCE:

Based on evaluation criteria, the Nomination & Remuneration Committee and the Board shall rate the performance of the each and every Director. The performance rating shall be given within minimum 1 and maximum 5, the rating 1 being least effective and 10 being most effective. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.