

AARTI PHARMALABS LIMITED

CRITERIA FOR BOARD EVALUATION

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1. INTRODUCTION

The purpose of the Board Evaluation is to achieve persistent and consistent improvement in the governance of the Company at the Board level with the participation of all concerned in an environment of harmony.

The Board acknowledges its intention to establish and follow “best practices” in Board governance in order to fulfill its fiduciary obligation to the Company.

The Board believes the evaluation will lead to a closer working relationship among Board members, greater efficiency in the use of the Board’s time, and increased effectiveness of the Board as a governing body.

2. BACKGROUND

The Board of Directors (‘Board’) of Aarti Pharmalabs Limited (‘APL’/ ‘the Company’) has, basis the recommendation of the Nomination and Remuneration Committee, adopted this Board Evaluation Policy (‘Policy’) to comply with the various provisions under Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’) and the Companies Act, 2013 (‘Act’).

3. GUIDING PRINCIPLES FOR PERFORMANCE EVALUATION OF THE BOARD

A. Governance related:

- Corporate Governance standards adopted by the Board and its implementation
- Understanding roles and responsibilities of Directors
- Code of conduct and adherence thereto
- Independence of Board functioning
- Commitment to highest ethical standards of integrity

B. Business related:

- Understanding of the objectives, values, vision and business of the Company
- Setting up of Company’s strategic aims and financial goals
- Guidance to drive financial and business performance of the Company and periodic review of the same
- Ensuring necessary financial and human resource support to achieve Company’s objectives

- Strategic and business risk evaluation, assessment and timely action.

C. Others:

- Adequacy of number and length of meetings, commensurate with the size and nature of Company's Business.
- Board processes for ensuring optimum size, composition, diversity and delegation of authority
- Accountability for decisions taken.
- Adequate reporting mechanism to stakeholders and redressal of their grievances.

4. GUIDING PRINCIPLES FOR PERFORMANCE EVALUATION OF COMMITTEES

In addition to the principles stated above for evaluation of the Board to the extent applicable to the respective committee, constructive recommendations made by the Committee(s) to the Board may also be kept in mind.

5. GUIDING PRINCIPLES FOR PERFORMANCE EVALUATION OF INDIVIDUAL DIRECTORS

The individual director's performance may be largely evaluated based on his/her level of participation and contribution to the performance of the Board/ Committee(s) in respect of the above areas. Besides, the skills, knowledge, experience, attendance record, devotion of sufficient time and efficient discharge of responsibilities towards the Company, Board and Committees of which he/she is a member and timely disclosure of personal interest, compliance of Code of Conduct for Director, Senior Management and Employees Code for Independent Directors may also be taken into account.

6. GUIDING PRINCIPLES FOR PERFORMANCE EVALUATION OF CHAIRPERSON

In addition to the above, the following principles may be kept in mind while evaluating the performance of the Chairman:

- Efficient leadership qualities and determination of delivery of the Company's strategy.
- Ensuring adequate flow of information to all Directors on any issue where a decision is required.
- Enhancing the Company's image in dealings with major stakeholders.

7. PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS

Schedule IV Section V

- The reappointment of the Independent Directors would be based on their performance evaluation report.

Schedule IV Section VIII

- The performance evaluation of the Independent Directors would have to be done by the entire Board excluding the director to be evaluated and the continuance or extension of the independent director would be determined by the performance evaluation report.

8. INDEPENDENT DIRECTORS' ROLE IN PERFORMANCE EVALUATION OF BOARD, NON-EXECUTIVE DIRECTORS AND CHAIRPERSON

Schedule IV Section II (2)

- Independent directors are required to bring an objective view in the evaluation of the performance of board and management

Schedule IV Section VII

- The independent directors are required to hold at least one meeting in a year, without the attendance of non-independent directors and members of the management and in that meeting they are required to review the performance of the non-independent directors and the Board as whole; and also review the performance of the Chairperson of the company, taking into account the views of the executive and non-executive directors; assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary to effectively and reasonably perform their duties.

9. DISCLOSURE REQUIREMENT IN THE BOARD'S REPORT ON PERFORMANCE EVALUATION

Section 134 (3) (p) of the Act states that every listed company and any other class of public companies as may be prescribed by the Rules, is required to make a statement in the Board's report indicating the manner in which formal evaluation has been made by the Board of its own performance and that of its committees and individual directors.