
PERFORMANCE EVALUATION POLICY

UNITED BREWERIES LIMITED

This Performance Evaluation Policy (“**Policy**”) has been approved by the Company’s Nomination and Remuneration Committee in view of the various provisions of the Companies Act 2013 and rules notified thereunder, and recommended to the Board of Directors to prescribe an evaluation criteria for the Independent Directors and the Board of Directors of the Company.

1. INTRODUCTION

The Company has delegated a significant amount of responsibility to the Independent Directors and Board of Directors. In order to meet their fiduciary responsibility to be prudent in making such a delegation, the Nomination and Remuneration Committee of the Company (the “**Committee**”) as constituted under Companies (Meetings of Board and its Powers) Rules, 2014 recognizes that it has a duty to carefully monitor and evaluate the Independent Directors and Board of Directors it has appointed. Performance evaluation is important to the Committee and, therefore, it has approved this Policy about the way it will evaluate the Independent Directors and Board of Directors of the Company. The policy is recommended to the Board and the Board may acknowledge that the process and criteria outlined below are unique to Independent Directors and Board of Directors position.

2. BOARD PARTICIPATION

All the Independent Directors and Board of Directors will have to comply with the evaluation criteria as laid down under this Policy and are encouraged to further discuss and refine their views during Committee meeting.

3. FREQUENCY AND TIMING

The evaluation will take place annually in the first quarter of each Financial Year. The first evaluation of Independent Directors and Board of Directors will take place approximately 6 months after initial appointment and then annually after that. The Board may undertake more frequent evaluations, if warranted. The first evaluation of the Independent Directors and Board of Directors after initial appointment will be informal in nature, and the Nomination and Remuneration Committee of the Company may prescribe the process for such evaluation. The performance evaluation will typically address activities, events and accomplishments that took place during the most recently completed fiscal year.

4. EVALUATION CRITERIA

a) **Evaluation of Independent Directors:**

- i. The performance evaluation of any and all the independent directors of the Company shall be done by the entire Board of Directors of the Company (excluding the director being evaluated);
- ii. 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;
- iii. The criteria to be used in the evaluation of performance for the independent directors shall be as follows:
 - a. a person who in opinion of the Committee is a person of integrity and possesses relevant

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- expertise and experience and shall possess such other qualifications as may be prescribed by the Board;
 - b. have skills and experience that can be of assistance to management in operating the Company's business;
 - c. demonstrate integrity, accountability and judgment;
 - d. can be expected to add to the total mix of individuals on the Board so as to give the Company a Board that is effective, collegial, diverse and responsive to the needs of the Company;
 - e. uphold ethical standards of integrity and probity;
 - f. act objectively and constructively while exercising his duties;
 - g. exercise his responsibilities in a bonafide manner in the interest of the Company;
 - h. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
 - i. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
 - j. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
 - k. refrain from any action that would lead to loss of his independence;
 - l. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
 - m. assist the company in implementing the best corporate governance practices;
 - n. a person who shall bring an objective view in the evaluation of the performance of board and management;
 - o. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
 - p. help in bringing an independent judgment to bear on the Board's deliberation especially on issues of strategy , performance, risk management, resources, key appointments and standards of conduct;
 - q. safeguard the interests of all stakeholders, particularly the minority Shareholders;
 - r. balance the conflicting interest of the stakeholders;
 - s. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive director, key managerial personnel and senior management;
 - t. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest;

b) Evaluation Criteria of Board of Directors:

- i. 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. All the independent directors of the company shall strive to be present at such meeting.
- ii. The independent directors in the meeting shall, *inter-alia*:
 - 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 view 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.

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- iii. The criteria to be used in the evaluation of performance for the Board of Directors shall be as follows:
- a. a person who in opinion of the Committee is a person of integrity and possesses relevant expertise and experience and shall possess such other qualifications as may be prescribed by the Board;
 - b. have skills and experience that can be of assistance to management in operating the Company's business;
 - c. demonstrate integrity, accountability and judgment;
 - d. can be expected to add to the total mix of individuals on the Board so as to give the Company a Board that is effective, collegial, diverse and responsive to the needs of the Company;
 - e. uphold ethical standards of integrity and probity;
 - f. act objectively and constructively while exercising his duties;
 - g. exercise his responsibilities in a bonafide manner in the interest of the Company;
 - h. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
 - i. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
 - j. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
 - k. a person who has not been sentenced to imprisonment for any period, or to a fine exceeding one thousand rupees, for the conviction of an offence under any of the following Acts, namely:
 - 1. the Indian Stamp Act, 1899;
 - 2. the Central Excise Act, 1944;
 - 3. the Industries (Development and Regulation) Act, 1951;
 - 4. the Prevention of Food Adulteration Act, 1954;
 - 5. the Essential Commodities Act, 1955;
 - 6. the Companies Act, 2013;
 - 7. the Securities Contracts (Regulation) Act, 1956;
 - 8. the Wealth Tax Act, 1957;
 - 9. the Income Tax Act, 1961;
 - 10. the Customs Act, 1962;
 - 11. the Competition Act, 2002;
 - 12. the Foreign Exchange Management Act, 1999;
 - 13. the Sick Industries Companies (Special Provisions) Act, 1985;
 - 14. the Securities and Exchange Board of India Act, 1992;
 - 15. the Foreign Trade (Development and Regulations) Act, 1992;
 - 16. the Prevention of Money-laundering Act, 2002
 - l. he had not been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974;
 - m. a person* who has completed the age of twenty-one years and has not attained the age of seventy years. In the event any person who has attained the age of seventy years then appointment of such person shall be approved by a special resolution passed by the company in general meeting;
 - n. a person who is resident of India.

* Applicable to Managing Director and Whole Time Director.

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/board of directors.

5. INDEPENDENCE STANDARDS

An Independent Director is one whom the Board affirmatively determined has no material relationship with the Company. The Board of Directors has adopted the following categorical standards to assist it in determination of each Director's independence:

- i. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- ii. who is or was not a promoter of the company or its holding, subsidiary or associate company;
- iii. who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- iv. apart from receiving director's remuneration, has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- v. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- vi. who, neither himself nor any of his relatives:
 - a. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - b. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of:
 - a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - c. holds together with his relatives two per cent or more of the total voting power of the company; or
 - d. is a Chief Executive or director, by whatever name called, of any non-profit organization that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company;
 - e. is a material supplier, service provider or customer or a lessor or lessee of the company;
- vii. who is not less than 21 years of age.

6. **PROCEDURE FOR EVALUATION**

Any and all the Independent Directors and Board of Directors of the Company shall comply with the evaluation criteria as laid down under clause 4 of this Policy.

- **Evaluation Form**

- i. The Committee will be responsible for the distribution of the evaluation document and the written summary of accomplishments of the Independent Directors and the Board of Directors to each member of the Committee and the collection and tabulation of the completed evaluation details prior to a meeting of the Nomination and Remuneration Committee. The Committee will conduct or oversee the ministerial duties to prepare, send, collect and tabulate the evaluation survey document and schedule conference calls or necessary meetings to facilitate the evaluation;
- ii. All Committee members comments and scores provided in the evaluation survey document will be anonymous, but any negative scores (i.e., any score below the midpoint) given must be accompanied by supporting comments or details in order to be included in the tabulation of results.

- **Consensus**

The Committee recognizes how confusing it can be to send mixed messages to the Independent Directors and Board of Directors of the Company. In order to act as a cohesive governing body and “speak in one voice,” the Committee will strive to reach consensus about the evaluation ratings and messages. In this regard, the results of the evaluation survey that are individually completed by each Committee member will be tabulated and averaged to arrive at a consensus. However, to assure full communication, the individual scores and Committee member’s comments presented on the evaluation survey document will also be reported, but in an anonymous manner. The individual comments and views may also be discussed in Nomination and Remuneration Committee meeting, including discussion with the Independent Director and the Board of Directors.

- **Communication**

The Committee will meet with the Independent Director and the Board of Directors soon after the Committee meeting to deliver the outcomes of the evaluation, which shall be in writing. The Independent Directors and the Board of Directors shall not be provided the results of the evaluation until after they have been discussed by the Committee in Committee meeting. The Independent Director and the Board of Directors shall be provided an opportunity to address the Board in a Committee meeting regarding his or her final evaluation results, or submit a written response to the Board to be kept as an attachment with the written evaluation results.

- **Confidentiality**

The discussions held during the Committee meeting are to be kept confidential among those who attend the meeting. The written evaluation results are not public records. They will be kept in the confidential personnel file of the Independent Director & the Board of Directors.

- **Compensation Determinations**

The evaluation results may impact the Independent Director’s compensation. Therefore, the annual review and determination of the Independent Director’s and Board of Directors compensation will be decided at the same time as the evaluation.

7. DISCLOSURE OF THE POLICY

The Company shall disclose the criteria for performance evaluation in its Annual Report for better corporate governance.

8. LEGAL ADVICE

If the Independent Director and the Board of Director should ever need legal advice in connection with the evaluation process under this Policy, it will seek counsel from the General Counsel. If conflicts of interest exist with that counsel, the Board will seek outside counsel, in accordance with law and its usual practice.

9. REVIEW OF THE POLICY

- The Committee will review this Policy/evaluation criteria on a regular basis to ensure its effectiveness.
- The Committee will discuss any revisions that may be required, and recommend any such provisions to the Board for consideration and approval.
