



# Evaluation of Board of Directors Policy & Process

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## 1. Introduction

### **STATUTORY REQUIREMENT:**

Sections 134(3)(p), 149(8) and 178(2) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) have created a new dimension to the stipulated corporate governance, viz., evaluation of the board, its committees and individual directors.

Section 134(3)(p) requires all listed companies and other public companies with paid up capital exceeding Rs.25 cores indicate in a statement and disclose in Directors' Report the manner in which a formal evaluation has been made by the Board of:

- Its own performance
- Performance of its committees, and Performance of individual directors

Section 149(8) read with Schedule IV requires independent directors to hold at least one separate meeting in a year to:

- Review the performance of each non-independent director and the Board as a whole.
- Review the performance of the Chairperson of the Company, taking into account views of other directors and
- Assess the quality, quantity, and timeliness of the information between the company management and the Board.

This Section also requires the entire board to evaluate the performance of each independent director (in his / her absence) and determine whether to continue or not any independent director.

Regulation 17(10) mandates that entire board of directors shall do the performance evaluation of independent directors, provided that in the evaluation process, the directors who are subject to evaluation shall not participate.

Regulation 19(4) of Listing Regulations requires criteria for performance evaluation of independent directors to be laid down by the Nomination (and Remuneration) Committee and disclosed in the Annual Report. Such evaluation of each independent director is to be done by the entire board (in his /her absence).

Regulations 25(3) of Listing Regulations requires the dependent directors to hold at least one separate meeting in a year for the same purpose as provided in Section 149(8) of the Companies Act, 2013.

## 2. Evaluation Policy

1. The guideline for the board evaluation policy and the process to implement it is that it should be:  
Simple with ease to understand and handle the instruments to be used for this purpose, able to meet the aforesaid statutory requirements, and having accent on improvement of the performance of the board, its committees and the directors, instead of being judgmental in nature.
2. The Nomination and Remuneration Committee of the board will formulate the criteria for the evaluation and generally oversee the process.
3. The evaluation of individual directors will have two parts, viz., (a) quantitative data in the form of number of meetings of the board and committees attended as against the total number of such meetings held, and (b) qualitative data coming out of the process of filling in a questionnaire by the directors, which will be subjective, by its very nature.
4. In order to induce the respondents to give their frank views, the instruments will be so designed that only ticks will be required, with no provision for description and they will not be required to identify themselves below the filled in questionnaire.
5. The result of the evaluation will be discussed threadbare by the Board and remedial action taken.
6. In case of individual directors' performance falling below a threshold, there will be provision for individual counseling by the Chairman.
7. The Board's self-evaluation will be, inter alia, in the following areas:
  - Composition of the Board
  - Understanding of the company's business and its risks
  - Frequency and effectiveness of its meetings
  - Oversight of the executive management
  - Working as a team
  - Oversight of the financial reporting process
  - Ensuring regulatory compliance by formulating various policies and regularly monitoring them
  - Oversight of its committees' working
  - Follow-up of its decisions
8. The Board's evaluation of the Audit Committee (AC) will deal with:
  - Composition of the AC
  - Sufficiency of number of AC meetings
  - Effectiveness of the AC in discharging its responsibilities.

- Putting in place internal financial controls and risk management system
  - Ensuring integrity of financial reports through statutory auditors
  - Reviewing related party transactions
  - Monitoring whistleblower and vigilance system
9. The Board's evaluation of the Nomination and Remuneration Committee will deal with:
- Composition of the NRC
  - Effectiveness of the NRC in discharging its responsibilities.
  - Well informed recommendations to the Board while processing various proposals
  - Formulating criteria for evaluation of independent directors
10. The criteria for evaluation of Stakeholder's Relationship Committee will be as follows:
- Composition of the SRC
  - Effectiveness of the SRC in discharging its responsibilities
  - Sufficiency of SRC meetings to be effective
  - Availability of enough information to address the issues before the Committee.
  - Monitoring periodically the efficacy of Securities Transfer System
  - Reviewing Grievance Redress and Stakeholders' Relationship Systems periodically
  - Following up outstanding decisions arising from meetings for action
11. The criteria for evaluation of Corporate Social Responsibility Committee will be as follows:
- Composition of the CSRC
  - Effectiveness of the CSRC in discharging its responsibilities.
  - Formulating a clear CSR policy
  - Instituting a transparent mechanism for monitoring projects undertaken by the company under the CSR policy
  - Determining the amount of expenditure to be incurred under the policy in a transparent manner.
12. The criteria for evaluating the performance of the independent & Nominee directors will be as follows:
- His/her expertise and experience
  - His/her commitment to his responsibilities
  - Devoting sufficient time and energy to familiarize oneself with the company's business.
  - Keeping himself abreast with latest developments
  - Active participation and contribution during discussions
13. The criteria for evaluating the performance of the non-independent directors will be as follows:
- Performance vis-à-vis the budget

- Meeting challenging situations
  - Performance vis-à-vis peers in the industry
  - Performing leadership role within one's vertical.
  - Development of people under his charge
14. The performance of the Non-executive Chairman will be evaluated on the following parameters:
- Ensuring that the board works as a team.
  - Creating positive environment while conducting meetings
  - Encouraging constructive discussions
  - Managing dissent and arriving at consensus
  - Ensuring balance between management presentation and board discussion
15. The criteria for evaluation of information to the Board will be its quality, quantity and timeliness.
- Sufficiency of information to enable the board to make a good decision.
  - Quality of information to help in making a decision.
  - Timeliness of information to the members to enable them to analyze it and contribute in decision-making.

### 3. Evaluation Process

1. The questionnaires (a set of positive assertions) to be used in the Evaluation Process are annexed to the present document and these are:
  - a. Annexures A-I, A-II, A-III, A-IV and A-V: Self-evaluation of the Board as a whole and its committees, AC, NRC, SIGC and CSR respectively
  - b. Annexure B: Evaluation of Individual Independent Director's Performance by other Directors
  - c. Annexure C: Evaluation of Non-independent Directors' Performance by Independent Directors
  - d. Annexure D: Evaluation of Chairman's Performance by Independent Directors
  - e. Annexure E: Assessment of Quantity, Quality and Timeliness of Information to the Board
2. An annexure here is an instrument with a list of positive assertions to elicit respondent's response on an ascending four-point scale. The following table will help a respondent to understand the weight a choice of response would have:

In terms of	0	1	2	3
Frequency of occurrence	Rarely	Sometimes	Quite often	Mostly
Quantity under consideration	Meagre	Low	Medium	High
Agreement with the statement	Disagree	Somewhat agree	Quite agree	Strongly agree
Satisfaction with the process	Dissatisfied	Somewhat satisfied	Quite satisfied	Most satisfied

**Note:** It would be seen that the '0' response is a negative response, and the next three responses are various degrees of positive responses in an ascending order.

1. The Evaluation Matrix approval will be updated & handed over to the Board for approval. This process is scheduled to be completed by the end of February 2015, since the independent directors' separate meeting will be required to be held in March 2015 and later the first round of evaluation process will have to be completed when the Board meets to consider Financial Statements for 2014-15.
2. At a meeting of the NRC held ahead of the first Board meeting of the financial year, the results of consolidated evaluation matrix downloaded from the IT enabled system will be presented to the Board in its ensuing meeting through the NRC.
3. The Board will devote sufficient time to consider the evaluation results and decide on appropriate action for improving the performance of the Board and its committees. It may also request the Chairman to separately counsel individual Board members whose performance needs improvement in specific areas.
4. In the second half of March 2015, the independent directors will meet separately, as required under Section 149(8) of the Companies Act, 2014 and Clause 49(II)(B)(6), and fill in Annexures C, D and E to review the performance of non-independent directors and Chairman and also to assess the quantity, quality and timeliness of the information to the Board. The minutes of this meeting will be submitted at the ensuing meetings of NRC and the Board.
5. The manner of evaluation will be disclosed in the Board's Report by including the below mentioned draft statement:

"Evaluation of the directors is done on an annual basis. The process is led by the Chairman of the Nomination and Remuneration Committee with specific focus on the performance vis-à-vis the plans, meeting challenging situations, performing leadership role within, and effective functioning of the Board. The evaluation process also considers the time spent by each of the directors, accomplishment of specific responsibilities and expertise, conflict of interest, Integrity of the Director, Active participation and contribution during discussions."

## ANNEXURE A –I

### **Self-evaluation of the Board:**

The Board’s self-evaluation will be, inter alia, in the following areas:

- Composition of the Board
- Understanding of the company’s business and its risks
- Frequency and effectiveness of its meetings
- Oversight of the executive management
- Working as a team
- Oversight of the financial reporting process
- Ensuring regulatory compliance by formulating various policies and regularly monitoring them
- Oversight of its committees’ working.
- Follow-up of its decisions

S/N	Assertion	0	1	2	3
1	The size and composition (executive, non-executive, independent members and their background in terms of knowledge, skills and experience) of the Board is appropriate				
2	The Board conducts itself in such a manner that it is seen to be sensitive to the interests of all stakeholders (including minority shareholders) and it has adequate mechanism to communicate with them.				
3	The Board is active in addressing matters of strategic concerns in its review of the Board agenda with the executive management.				
4	The Board makes well-informed high-quality decisions on the basis of full information and clear insight into company’s business.				
5	The Board deals with matters with potential conflict of interest by assigning them to independent directors				
6	The Board is effective in establishing a corporate environment that promotes timely and effective disclosure, fiscal accountability, high ethical standards and compliance with applicable laws and regulations				
7	The Board meets frequently enough and for sufficient duration to enhance its effectiveness.				
8	The Board meeting time is appropriately allocated between management presentation and Board discussion.				
9	The Board has a good understanding of the				



	company's key drivers of performance and associated risks, threats and opportunities				
10	Considerable time of the Board is spent on strategic issues relating to the company's future and not just on day-to-day management responsibilities				
11	The Board members collectively and constructively work as a team				
12	The Board is effective in formulating and monitoring various financial and non-financial policies and plans				
13	The Board has clearly defined the mandates of its various committees and effectively oversees their functioning				
14	The Board is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities				
15	The Board pays considerable attention to the quality of financial reporting process and internal financial controls and effectively oversees them				
16	The Board ensures proper induction and continuous training of independent directors				
17	The Board regularly follows up on its decisions to ensure that action is taken on all its decisions				
18	The Board provides significant inputs and devotes considerable amount of time in developing the business strategy and annual business plan				
19	The Board ensures completeness of Agenda notes for the directors to have complete information before commencement of meeting.				
20	The Board is effective in questioning and providing advice and assistance to the Company's senior executives for upliftment of competency /capability of the executives of the Company.				
	<b>TOTAL</b>				

## ANNEXURE A – II

### **Evaluation of Audit Committee:**

The Board’s evaluation of the Audit Committee (AC) will deal with:

- Composition of the AC
- Sufficiency of number of AC meetings
- Effectiveness of the AC in discharging its responsibilities
- Putting in place internal financial controls and risk management system
- Ensuring integrity of financial reports through statutory auditors
- Reviewing related party transactions
- Monitoring whistleblower and vigilance system

S/N	Assertion	0	1	2	3
1	The AC is properly constituted; it has adequate talent and experience				
2	The AC can be relied on to ensure that the financial reports presented to the Board have been drawn as per accounting standards and have passed the scrutiny of the statutory auditors				
3	The AC effectively ensure s that internal financial controls and risk management systems are in place in the organization				
4	The AC decides on the scope of internal audit assignment and meets frequently enough to consider and review internal audit reports				
5	The AC draws particular attention of the Board where internal controls are lax and the company is exposed to risk				
6	The AC manages any potential conflict of interest by reviewing Related Party Transactions in compliance with the laws				
7	The AC effectively reviews and monitors the whistleblower policy and vigilance mechanism				
8	The AC exercises effective control on the appointment and remuneration of the statutory auditors and internal auditors				
9	The AC regularly follows up on its decisions to ensure that action is taken on all its decisions				
	<b>TOTAL</b>				

### ANNEXURE A – III

#### **Evaluation of Nomination and Remuneration Committee:**

The Board's evaluation of the Nomination and Remuneration Committee will deal with:

- Composition of the NRC
- Effectiveness of the NRC in discharging its responsibilities.
- Well informed recommendations to the Board while processing various proposals.
- Formulating criteria for evaluation of independent directors

S/ N	Assertion	0	1	2	3
1	The size and composition (knowledge, skills and experience) are appropriate				
2	The NRC meets frequently enough to accomplish its tasks				
3	The NRC presents before the Board well-reasoned proposals				
4	The NRC makes well informed recommendations to the Board while processing various proposals.				
5	The NRC ensures a transparent board and top management nomination process, bringing about diversity of knowledge, experience and gender on the Board				
6	The NRC has formulated the criteria for determining qualifications and position attributes of a director/KMP and his/her remuneration				
7	The NRC has formulated criteria for the evaluation of directors and the Board as a whole				
8	The Committee is effective in questioning and providing advice and assistance to the Company's senior executives for upliftment of competency / capability of the executives of the Company.				
	<b>TOTAL</b>				

### ANNEXURE A – IV

#### **Evaluation of Stakeholder's Relationship Committee:**

The criteria for evaluation of Stakeholder's Relationship Committee will be as follows

- Composition of the SRC
- Effectiveness of the SRC in discharging its responsibilities.
- Sufficiency of SRC meetings to be effective.
- Availability of enough information to address the issues before the Committee.
- Monitoring periodically the efficacy of Securities Transfer System
- Reviewing Stakeholders' Relationship Systems periodically
- Following up outstanding decisions arising from meetings for action

S/ N	Assertion	0	1	2	3
1	The composition of the Committee is right considering the background of the members and demands of the responsibility				
2	The Committee is effective in discharging its responsibilities				
3	The Committee holds sufficient number of meetings to be effective				
4	The Committee gets sufficient opportunity to meet senior staff and operating management				
5	The Committee is provided with sufficient information to address the issues				
6	The Committee monitors periodically the efficacy of the Securities Transfer System				
7	The Grievance Redressal and Stakeholders' Relationship Systems are reviewed periodically by the Committee				
8	Outstanding actions arising from meetings are properly followed up				
	<b>TOTAL</b>				

### ANNEXURE A – V

#### **Evaluation of Corporate Social Responsibility Committee:**

The criteria for evaluation of Corporate Social Responsibility Committee will be as follows

- Composition of the CSRC
- Effectiveness of the CSRC in discharging its responsibilities.
- Formulating a clear CSR policy
- Instituting a transparent mechanism for monitoring projects undertaken by the company under the CSR policy
- Determining the amount of expenditure to be incurred under the policy in transparent manner.

S/ N	Assertion	0	1	2	3
1	The size and composition (knowledge, skill and experience) of the Committee are appropriate				
2	The Committee is effective in discharging its responsibilities				
3	The Committee gets sufficient time and opportunity for its members to meet and discuss CSR issues				
4	The Committee gets sufficient opportunity to meet senior staff and operating management				
5	The CSR policy formulated by the Committee is clear				
6	The Committee has instituted a transparent mechanism for monitoring projects undertaken by the Company under its CSR policy				
7	The amount of expenditure to be incurred under the policy is transparently determined				
	<b>TOTAL</b>				

## ANNEXURE A – VI

### **Evaluation of Risk Management Committee:**

The criteria for evaluation of Risk Management Committee will be as follows

- Composition of the RMC
- Effectiveness of the RMC in discharging its responsibilities.
- Sufficiency of RMC meetings to be effective.
- Availability of enough information to address the issues before the Committee.
- Following up outstanding decisions arising from meetings for action

S/ N	Assertion	0	1	2	3
1	The composition of the Committee is right considering the background of the members and demands of the responsibility				
2	The Committee is effective in discharging its responsibilities				
3	The Committee holds sufficient number of meetings to be effective				
4	The Committee gets sufficient opportunity to meet operating management				
5	The Committee is provided with sufficient information to address the issues				
6	Outstanding actions arising from meetings are properly followed up				
	<b>TOTAL</b>				

**ANNEXURE B**

**Evaluation of Performance of Independent / Nominee Directors:**

The criteria for evaluating the performance of the independent directors will be as follows:

- His/her expertise and experience
- His/her commitment to his responsibilities
- Devoting sufficient time and energy to familiarize oneself with the company’s business
- Keeping himself abreast with latest developments
- Active participation and contribution during discussions

1. Name of the Ind. Director being evaluated: .....

<b>S/ N</b>	<b>Assertion</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
1	He/she comes across as a person with expertise and experience.				
2	He/she has shown a high degree of commitment to his/her responsibilities as an independent director.				
3	He/she appears to be familiar with the business model of the company and the industry it belongs to				
4	He/she is aware of his/her role, rights and responsibilities as an independent director.				
5	He/she has been actively participating in the board/committee discussions and contributing to the decision-making process				
6	He/she has been known to take initiative on matters of common interest of the company and to exhibit sensitivity to the interest of all the stakeholders.				
7	He/she keeps himself/ herself informed on the latest developments in corporate governance				
	<b>TOTAL</b>				

2. Name of the Ind. Director being evaluated: .....

S/N	Assertion	0	1	2	3
1	He/she comes across as a person with expertise and experience.				
2	He/she has shown a high degree of commitment to his/her responsibilities as an independent director.				
3	He/she appears to be familiar with the business model of the company and the industry it belongs to				
4	He/she is aware of his/her role, rights and responsibilities as an independent director.				
5	He/she has been actively participating in the board/committee discussions and contributing to the decision-making process				
6	He/she has been known to take initiative on matters of common interest of the company and to exhibit sensitivity to the interest of all the stakeholders.				
7	He/she keeps himself/ herself informed on the latest developments in corporate governance				
	<b>TOTAL</b>				

3. Name of the Ind. Director being evaluated: .....

S/N	Assertion	0	1	2	3
1	He/she comes across as a person with expertise and experience.				
2	He/she has shown a high degree of commitment to his/her responsibilities as an independent director.				
3	He/she appears to be familiar with the business model of the company and the industry it belongs to				
4	He/she is aware of his/her role, rights and responsibilities as an independent director.				
5	He/she has been actively participating in the board/committee discussions and contributing to the decision-making process				
6	He/she has been known to take initiative on matters of common interest of the company and to exhibit sensitivity to the interest of all the stakeholders.				
7	He/she keeps himself/ herself informed on the latest developments in corporate governance				
	<b>TOTAL</b>				



1. Name of the Nominee Director/Non-Executive Director being evaluated:

.....

S/N	Assertion	0	1	2	3
1	He/she comes across as a person with expertise and experience.				
2	He/she has shown a high degree of commitment to his/her responsibilities as an independent director.				
3	He/she appears to be familiar with the business model of the company and the industry it belongs to				
4	He/she is aware of his/her role, rights and responsibilities as an independent director.				
5	He/she has been actively participating in the board/committee discussions and contributing to the decision-making process				
6	He/she has been known to take initiative on matters of common interest of the company and to exhibit sensitivity to the interest of all the stakeholders.				
7	He/she keeps himself/ herself informed on the latest developments in corporate governance				
	<b>TOTAL</b>				

2. Name of the Nominee Director being evaluated: .....

S/N	Assertion	0	1	2	3
1	He/she comes across as a person with expertise and experience.				
2	He/she has shown a high degree of commitment to his/her responsibilities as an independent director.				
3	He/she appears to be familiar with the business model of the company and the industry it belongs to				
4	He/she is aware of his/her role, rights and responsibilities as an independent director.				
5	He/she has been actively participating in the board/committee discussions and contributing to the decision-making process				
6	He/she has been known to take initiative on matters of common interest of the company and to exhibit sensitivity to the interest of all the stakeholders.				
7	He/she keeps himself/ herself informed on the latest developments in corporate governance				
	<b>TOTAL</b>				

**ANNEXURE C**

**Evaluation of Performance of Executive Directors:**

The criteria for evaluating the performance of the non-independent directors will be as follows:

- Performance vis-à-vis the budget
- Meeting challenging situations
- Performance vis-à-vis peers in the industry
- Performing leadership role within one’s vertical.
- Development of people under his charge
- Enjoying the confidence of the stakeholders

Name of the Executive Director: .....

S/ N	Assertion	0	1	2	3
1	Considering his/her relevant expertise and commitment, he/she is best suited to carry out his/her responsibilities				
2	His/her performance vis-à-vis his/her business budget decided in the beginning of the period has been satisfactory				
3	He/she has dealt with challenging situations encountered during the period with a workable plan and satisfactorily.				
4	The gaps in the achievements vis-à-vis the budget were largely due to uncontrollable factors				
5	He/she enjoys the confidence of the Board and stakeholders				
6	His/her leadership position is well-established with the people working in his/her vertical				
7	His/her performance has been satisfactory when compared with his/her peers in the industry				
8	He/she has taken effective steps to develop expertise and general competence of people under his/her charge				
9	His/her presentation to the Board have invariably shown a class and have been well received				
	<b>TOTAL</b>				

## ANNEXURE D

### **Evaluation of Performance of Chairman:**

The performance of the Non-executive Chairman will be evaluated on the following parameters:

- Ensuring that the board works as a team.
- Creating positive environment while conducting meetings
- Encouraging constructive discussions
- Managing dissent and arriving at consensus
- Ensuring balance between management presentation and board discussion

S/ N	Assertion	0	1	2	3
1	The Chairman's leadership style and tone promote effective decision-making, constructive debate and ensure that the Board works as a team				
2	Board meetings encourage high quality of constructive debate with robust and probing discussions				
3	The Board meetings are conducted in such a manner as to allow a balance between management presentation and board discussions				
4	During the Board meetings, the Chairman is open-minded and listens to the members before expressing his own views				
5	The Chairman deals effectively with dissent and works constructively towards consensus				
6	Board meetings are conducted in an atmosphere of creative tension				
	<b>TOTAL</b>				

**ANNEXURE E**

**Assessment of Quantity, Quality and Timeliness of Information to the Board:**

The criteria for evaluation of information to the Board will be its quality, quantity and timeliness.

- Sufficiency of information to enable the board to make a good decision.
- Quality of information to help in making a decision.
- Timeliness of information to the members to enable them to analyze it and contribute to decision-making.

<b>S/ N</b>	<b>Assertion</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>
1	The information coming to the Board in the form of agenda papers, financial reports and management presentations is detailed and sufficient to make good decisions				
2	The quality of the information to the Board and its committees is of high standard				
3	The information is furnished to the members in time, to enable them to absorb and analyze it to make its effective use				
4	The draft minutes of meetings of the Board and its committees are complete, clear, accurate and timely				
5	Both good and bad news are communicated to the Board as they arise				
6	The management responses to the observations of the internal auditors are given after considerable internal discussions				
	<b>TOTAL</b>				