

# PERFORMANCE EVALUATION OF INDEPENDENT DIRECTORS

## **The Act and Listing Agreement:**

- The Companies Act, 2013 has enabled an evaluation mechanism to appraise the performance of the Independent Directors.
- Criteria for evaluation shall be laid by Nomination and Remuneration Committee.
- The criteria shall be disclosed in the Annual Report of the Company.
- The performance of Independent Directors shall be done by the entire Board of Directors (excluding the Director being evaluated).
- On the basis of evaluation, it shall be determined whether to extend or continue the term of appointment.

## **Points to Note:**

- The Nomination and Remuneration Committee should lay down the evaluation criteria which will be adopted by the Board.

## **Suggestion:**

- It is hereby suggested that the criteria for evaluation of the Independent Directors may be on the following parameters:
  - **Personal Traits/ General Criteria:**
    - Highest personal and professional ethics, integrity and values ;
    - Inquisitive and objective perspective, practical wisdom and mature judgment;
    - Demonstrated intelligence, maturity, wisdom and independent Judgment
    - Self-confidence to contribute to board deliberations, and stature such that other board members will respect his or her view;
    - The willingness and commitment to devote the extensive time necessary to fulfill his/her duties;
    - The ability to communicate effectively and collaborate with other board members to contribute effectively to the diversity of perspectives that enhances Board and Committee deliberations, including a willingness to listen and respect the views of others; and
    - The skills, knowledge and expertise relevant to the Company's business, with extensive experience at a senior leadership level in a comparable company or organization, including, but not limited to relevant experience in manufacturing, international operations, public service, finance, accounting, strategic planning, supply chain, technology and marketing.
  - **Specific Criteria :**
    - Participation and contribution by a Director;

- Commitment , including guidance provided to the Senior Management outside of Board/ Committee Meetings;
  - Effective deployment of knowledge and expertise;
  - Effective management of relationship with various stakeholders;
  - Independence of behaviour and judgment.
  - Maintenance of confidentiality of critical issues.
- Further the Committee/Board shall be authorised to modify the criteria as it may deem fit and necessary.

**Conclusion:**

The Committee may devise a criteria based on the above mentioned parameters and the same will be approved/adopted by the Board. Performance Evaluation Format is Attached.

**PERFORMANCE MEASUREMENT OF INDEPENDENT DIRECTORS**

- The Nomination and Remuneration Committee of the Board shall authorize the evaluation criteria.
- The criteria shall be disclosed in the Annual Report of the Company.
- The evaluation shall be undertaken by the Board facilitated by an independent external agency to ensure objectivity and equity.
- Evaluation criteria

<b>Factor</b>	<b>Attributes</b>
<b>Role &amp; Accountability</b>	➤ Understanding of nature and role of independent directors' position
	➤ Understanding of risks associated with the business
	➤ Application of knowledge for rendering advice to Management for resolution of business issues
	➤ Offer constructive challenge to Management strategies and proposals
<b>Objectivity</b>	➤ Active engagement with the Management and attentiveness to progress of decisions taken
	➤ Non-partisan appraisal of issues
<b>Leadership &amp; Initiative</b>	➤ Own recommendations given professionally without tending to majority or popular views
	➤ Heading Board Sub Committees
<b>Personal attributes</b>	➤ Driving any function or identified initiative based on domain knowledge and experience
	➤ Commitment to role & fiduciary responsibilities as a board member
	➤ Attendance and active participation and not done perfunctorily
	➤ Proactive, strategic and lateral thinking