



Brief Notes-Evaluation of BoD & Statutory Committees

Applicability	: Listed Entity & Specified Unlisted Public Company
Compliances Covered	: Companies Act, 2013 & SEBI LODR 2015
Financial Year	: 2023-24

Note: The evaluation criteria are simply provided for reference purpose in this assignment, although they may differ from company to company.

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Evaluation of Board and Independent Directors

EVALUATION FACTORS

The Board of Directors shall take into consideration the following parameters for the purpose of evaluating the performance of a particular director:

In respect of each of the evaluation parameters, various descriptors have been provided to assist with the evaluation process in respect of performance of Board itself, and of its committees and individual directors, as such evaluation factors may vary in accordance with their respective functions and duties. The evaluation scale is a simple three point scale i.e. Below Expectations (1) and Meets Expectations (2).

Appraisal of each Director of the Company by the other Directors shall be based on the criteria as mentioned herein below.

<u>Rating Scale</u>	
Scale	Performance
2	Meets Expectations
1	Below Expectations

The Company has chosen to adopt the following Board Performance Evaluation Process:

EVALUATION GUIDELINES

As required under SEBI LODR Regulations and Companies Act, the following will be evaluated:

- I. Board as a whole
- II. Committees of the Board
- III. Individual Directors and Chairperson (including Chairperson, Independent Directors, Non-independent directors, etc.)

PARAMETERS OF EVALUATION

Performance is assessed basis following parameters:

- I. Contribute to and monitor Co corporate governance practices.
- II. Commitment to the fulfilment of a director's obligations.
- III. Fiduciary responsibilities. and
- IV. Any other aspects agreed by board from time to time

METHOD OF EVALUATION

The Chairperson of the Nomination and Remuneration Committee and the Board will ensure that an annual Board evaluation to assess the performance of the Board as a whole and that of individual Board members is undertaken.

FREQUENCY OF EVALUATION

In accordance with the provisions of SEBI LODR Regulations and Companies Act, 2013 the Board Evaluation will be done once a year.

INDEPENDENT DIRECTORS

Some of the specific issues and questions that should be considered in the performance evaluation of an Independent Director, (the exercise in which the concerned director being evaluated shall not be included) are set out below:

S. No.	Assessment Criteria
1.	Attendance and participations in the Meetings and timely inputs on the minutes of the meetings
2.	Adherence to ethical standards & code of conduct of Company and disclosure of non – independence, as and when it exists and disclosure of interest
3.	Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings
4.	Interpersonal relations with other directors and management
5.	Objective evaluation of Board's performance, rendering independent, unbiased opinion
6.	Understanding of the Company and the external environment in which it operates and contribution to strategic direction
7.	Safeguarding interest of whistle-blowers under vigil mechanism and Safeguard of confidential information

Based on the above criteria each of the Independent Directors has to be assessed by the other directors (including other Independent Directors) by giving a rating of Meets Expectations (2) or Below Expectations (1). The total of the ratings so awarded will be averaged over the number of persons who have awarded the rating.

Assistance in conducting the process of evaluation shall be provided by a person as authorized by the Board and for this purpose, such person shall report to Board.

NON – INDEPENDENT DIRECTORS / CMD / WTD

Some of the specific issues and questions that should be considered in a performance evaluation of Non-Independent Director /WTD/ CMD are set out below:

S. No.	Assessment Criteria
1.	Attendance, participations in the Meetings and timely inputs on the minutes of the meetings
2.	Contribution towards growth of the Company including actual vis-a-vis budgeted performance.
3.	Leadership initiative, like new ideas and planning towards growth of the Company and steps initiated towards Branding of the Company
4.	Adherence to ethical standards & code of conduct of Company
5.	Team work attributes and supervising & training of staff members
6.	Compliance with policies, Reporting of frauds, violation etc. and disclosure of interest
7.	Safeguarding of interest of whistle blowers under vigil mechanism and Safeguard of confidential information

Based on the above criteria each of the Non – Independent Directors / CMD / WTD has to be assessed by giving a rating of Meets Expectations (2) or Below Expectations (1). The total number of ratings awarded will be averaged over the number of persons who have awarded the rating.

This process of evaluation shall be done by Independent Directors only. Assistance in handling the process will be provided by a person so authorized by the Board, and for this purpose, the person will report to the Board.

BOARD OF DIRECTORS

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board by the Independent Directors are set out below:

S. No.	Assessment Criteria
1.	Is the composition of the board appropriate with the right mix of knowledge and skills required to drive organizational performance in the light of future strategy?
2.	Members of the board meet all applicable independence requirements
3.	The Board of Directors 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
4.	The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.

S. No.	Assessment Criteria
5.	The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law and The Board is provided with sufficient information about material risks and problems that affects the Company's business and prospects.
6.	The Board receives regular financial updates and takes all necessary steps to ensure the operations of the organization are sound and reviews the organization's performance in carrying out the stated mission on a regular basis.
7.	Are sufficient numbers of board meetings, of appropriate length, being held to enable proper consideration of issues?
8.	The information provided to directors prior to Board meetings meets expectations in terms of length and level of detail and Board members come prepared to meetings and ask appropriate questions of management and address issues that might present a conflict of interest.
9.	The Chairman of the Board effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the Board.
10.	Nomination and appointment of Board members and their Remuneration follow clearly established procedures using known criteria as laid down by the Nomination and Remuneration Committee.
11.	The Board oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and performance (through its Audit Committee).
12.	Company has a system for Corporate Social Responsibility, Stakeholder Relationships and for prohibition of insider trading
13.	Company has necessary Committees which are required and these Committees are working effectively

Based on the above criteria Board has to be assessed by giving a rating of Meets Expectations (2) or Below Expectations (1). The total number of the ratings awarded will be averaged over the number of persons who have awarded the ratings.

The process of evaluation shall be done by Independent Directors only. Assistance in the process will be provided by a person so authorized by the Board, and for this purpose the person will report to the Board.

The performance of Committees of Board shall also be reviewed from time to time.

COMMITTEES OF BOARD

The Board has constituted the following committees:

1. Audit Committee;
2. Nomination and Remuneration Committee; and
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility Committee

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For evaluating the performance of each committee, the Board of Directors shall pay regards to the following aspects as set out below:

Sl. No.	Particulars	Rating	Remarks
1.	Mandate and composition: Whether the mandate, composition and working procedures of committees of the Board of directors is clearly defined and disclosed.		
2.	Effectiveness of the Committee: Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable		
3.	Structure of the Committee and meetings: i. Whether the Committees have been structure properly and regular meetings are being held ii. In terms of discussions, agenda, etc. of the meetings, similar criteria may be laid down as specified above for the entire Board		
4.	Independence of the Committee from the Board: Whether adequate independence of the Committee is ensured from the Board		
5.	Contribution to decisions of the Board: Whether the Committee's recommendations Contribute effectively to decisions of the Board.		

REVIEW

The performance evaluation process and related tools will be reviewed by the “Nomination and Remuneration Committee” on need basis, and the Committee may periodically seek independent external advice in relation to the process.

The, committee may amend the Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

“Mechanism for Performance Evaluation of Directors” (Legal Framework)

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”) contain broad provisions on Board Evaluation i.e., evaluation of the performance of: (i) the Board as a whole, (ii) individual directors (including independent directors and Chairperson) and (iii) various Committees of the Board. The provisions also specify responsibilities of various persons / committees for conduct of such evaluation and certain disclosure requirements as a part of the listed entity's corporate governance obligations.

Such an evaluation procedure will provide a fine system of checks and balances on the performance of the directors and will ensure that they exercise their powers in a rational manner.

1. Companies Act, 2013

Relevant extracts of Section 178 of the Act reads as follows:

Section 178 of Companies Act, 2013

“Section 178- Nomination and Remuneration Committee and Stakeholders Relationship Committee..

- (2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- (3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
- (4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that-
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals: Provided that such policy shall be disclosed in the Board's report.....”

Every listed company and specified class of companies are obliged to constitute Nomination and Remuneration Committee; consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.

As per **Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014**, the board of directors of the following classes of companies shall constitute a Nomination & Remuneration committee of the board:

- (a) every listed company;
- (b) every other public company:
 - i. having paid up capital of ten crore rupees or more; or
 - ii. having turnover of one hundred crore rupees or more; or
 - iii. which have, in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees.

The Act, under clause VIII of Schedule IV, casts an obligation on part of the board of directors for evaluating the performance of independent directors. All the directors on the board of a company, except the independent director whose performance is being evaluated, will assess the performance of the independent director. Accordingly, a report of performance evaluation of each independent director of the company would be prepared, which would determine whether to extend or continue the term of appointment of the concerned independent director or not.

Above Clause reads as:

Schedule IV to Companies Act, 2013

“Schedule IV- CODE FOR INDEPENDENT DIRECTORS

VIII. 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 Act, under Schedule IV, prescribes a code of conduct, other functions and duties of independent directors, which strives to raise the bar for standards of performances of independent directors. The spirit of the code of conduct for independent directors and their performance evaluation is that they are expected to adhere to professional conduct and to use their skills and independence for implementing the best corporate governance practices in the interest of shareholders, particularly minority shareholders.

Independent Directors are also duty bound to evaluate the performance of non - independent directors, chairperson of the company and the board as a whole. The Act empowers the independent directors to hold separate meeting without the presence of other directors to assess the performance of Board. In fact, the Act provides under Schedule IV of the Act, that the independent directors of the company shall hold at least one meeting in a year, without the presence of non-independent directors and members of management.

Schedule IV to Companies Act, 2013

“Schedule IV- CODE FOR INDEPENDENT DIRECTORS

II. Role and functions:

The independent directors shall:

- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation...

VII. Separate meetings:

- (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.

In addition, as per the requirement of Section 134 of the Act, disclosures are required to be made in the board's report, which shall contain a statement indicative of the manner in which directors' performance, performance of various committees and performance of the Board as a whole have been assessed by the

Board. Such Board's report will be laid before the shareholders in the general meeting of the Company. The relevant abstract of Section 134 of the Act have been provided below:

Section 134 of Companies Act, 2013

“Section 134 - Financial statement, Board's report, etc.

- (3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include-
 - (p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors...”

2. SEBI LODR Regulations

CHAPTER II: Principles Governing Disclosures And Obligations Of Listed Entity

Reg. 4(2)(f)(ii): Key functions of the board of directors- (9) Monitoring and reviewing board of director's evaluation framework.

Chapter IV: Obligations Of A Listed Entity Which Has Listed Its Specified Securities and Convertible Debt Securities

Reg. 17(10): The performance evaluation of independent directors shall be done by the entire board of directors:

Provided that in the above evaluation the directors who are subject to evaluation shall not participate:

Chapter IV: Obligations Of A Listed Entity Which Has Listed Its Specified Securities and Non-Convertible Debt Securities

Reg. 25: (3): The independent directors of the listed entity shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the independent directors shall strive to be present at such meeting.

Reg. 25: (4): The independent directors in the meeting referred in sub-regulation (3) shall, interalia-

- (a) review the performance of non-independent directors and the board of directors as a whole.
- (b) review the performance of the chairperson of the listed entity, considering the views of executive directors and non-executive directors.
- (c) assess the quality, quantity and timeliness of flow of information between the management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

Schedule II : Corporate Governance

(PART D): ROLE OF COMMITTEES (OTHER THAN AUDIT COMMITTEE:

(A) ROLE OF NOMINATION AND REMUNERATION COMMITTEE:

Role of committee shall, inter-alia, include the following:

- (2) formulation of criteria for evaluation of performance of independent directors and the board of directors.
- (4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal.
- (5) whether to extend or continue the term of appointment of the independent director, based on the report of performance evaluation of independent directors.

Schedule V: Corporate Governance Report.

The following disclosures shall be made in the section on the corporate governance of the annual report.

- (4) Nomination and Remuneration Committee:
 - (d) performance evaluation criteria for independent directors.

Thank you so much & best wishes for future

Shree Radhe Krishna...

Sharing is Caring always...