



**BOARD EVALUATION POLICY**

**COMMERCIAL ENGINEERS & BODY BUILDERS CO LIMITED**



## **INTRODUCTION**

In an endeavor to safeguard the interest of public at large, the Companies Act, 2013 ('Act') provides that the performance of the board of directors of listed companies and prescribed class of companies must be reviewed regularly against appropriate measures. For this purpose, the Nomination and Remuneration Committee of a company is required under Section 178 of the Act to formulate a policy for recommending it to the Board of directors of the company, setting the criteria, based on which the performance of each and every director including the performance of the Board as a whole and it's Committee shall be assessed by the Board of Directors of the Company. 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.

This policy aims at establishing a procedure for conducting periodical evaluation of directors' performance and formulating the criteria for determining qualification, positive attribute and independence of each and every director of the Company. This policy further aims at ensuring that the committees to which the Board of Directors has delegated specific responsibilities are performing efficiently in conformity with the prescribed functions and duties. For this purpose, the Nomination and Remuneration Committee shall be responsible to identify the persons who are qualified to become directors and who may be appointed in the senior management of the Company and recommend to the Board their appointment and removal.

## **RESPONSIBILITY OF BOARD**

It shall be the duty of the Board, who shall be supported by the Company Secretary to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the directors' and committees' effectiveness, to maximize their strength and to tackle their shortcomings.

Following activities shall be undertaken on an annual basis :

- I. The Board shall carry out performance evaluation of Board of Directors as a whole, various committees of the Board, Individual Directors & Independent Directors.

## **RESPONSIBILITY OF INDEPENDENT DIRECTORS**

Independent Directors of the Company shall hold at least one meeting in a year to review the following -

- I. Independent Directors shall evaluate the performance of non - independent directors & board as a whole.
- II. Independent Directors shall evaluate the performance of Chairman of the Company
- III. The independent directors of the Company shall assess the quality, quantity and timeliness of flow of information between the company management & the Board. They shall hold at least one meeting without the attendance of non- independent director and members of Management.

## EVALUATION FACTORS

The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance of a particular director:

In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of Board as a whole, its Committees, Independent Directors, Non Independent/Non Executive director and Chairman such evaluation factors may vary in accordance with their respective functions and duties.

### *Rating Scale*

<i>Scale</i>	<i>Performance</i>
1	Outstanding,
2	Exceeds Expectation,
3	Meets Expectation
4	<i>Needs improvement</i>
5	Poor

## EVALUATION OF BOARD

The performance of the Board as a whole shall be evaluated by the Independent Directors but the other Directors may also review or give their views to Independent Directors on this.

The broad parameters for reviewing the performance of the Board, inter alia, shall contain the following:

- Development of suitable strategies and business plans at appropriate time and its effectiveness;
- Implementation of robust policies and procedures;
- Size, structure and expertise of the Board;
- Oversight of the Financial Reporting Process, including Internal Controls;
- Willingness to spend time and effort to learn about the Company and its business; and
- Awareness about the latest developments in the areas such as corporate governance framework, financial reporting, industry and market conditions.

## EVALUATION OF MANAGING DIRECTOR/ WHOLE TIME DIRECTOR/ EXECUTIVE DIRECTOR

The performance evaluation of Managing Director, Whole Time Director, Executive Director of the Company may be done by all the directors.

The broad parameters for reviewing the performance of Managing Director/Executive Director are:

- Achievement of financial/business targets prescribed by the Board;
- Developing and managing / executing business plans, operational plans, risk management, and financial affairs of the organization;
- Display of leadership qualities i.e. correctly anticipating business trends, opportunities, and priorities affecting the Company's prosperity and operations;
- Development of policies, and strategic plans aligned with the vision and mission of Company and which harmoniously balance the needs of shareholders, clients, employees, and other stakeholders;
- Establishment of an effective organization structure to ensure that there is management focus on key functions necessary for the organization to align with its mission; and
- Managing relationships with the Board, management team, regulators, bankers, industry representatives and other stakeholders.

### **EVALUATION OF NON EXECUTIVE DIRECTOR**

The performance evaluation of Non-Executive Director of the Company may be done by all the Independent Directors.

The broad parameters for reviewing the performance of Non-executive Directors are:

- Participation at the Board / Committee meetings;
- Commitment (including guidance provided to senior management outside of Board/ Committee meetings);
- Effective deployment of knowledge and expertise;
- Effective management of relationship with stakeholders;
- Integrity and maintaining of confidentiality;
- Independence of behaviour and judgment; and
- Impact and influence.

### **EVALUATION OF INDEPENDENT DIRECTORS**

The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated

In addition to the parameters laid down for Directors, which shall be common for evaluation to both Independent and Non- executive directors, an Independent director shall also be evaluated on the following parameters:

- Exercise of objective independent judgment in the best interest of Company;
- Ability to contribute to and monitor corporate governance practice; and
- Adherence to the code of conduct for independent directors.

## **EVALUATION OF COMMITTEES OF BOARD**

The Board has constituted various committees. The performance evaluation of Board Committees shall be done by the entire Board of Directors

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

- Discharge of its functions and duties as per its terms of reference;
- Process and procedures followed for discharging its functions;
- Effectiveness of suggestions and recommendations received;
- Size, structure and expertise of the Committee; and
- Conduct of its meetings and procedures followed in this regard.

## **EVALUATION OF CHAIRPERSON OF THE BOARD**

The performance evaluation of Chairperson is the responsibility of Independent Directors but other Directors may also contribute in evaluating the performance of Chairperson.

Independent Directors evaluate the performance of the Chairperson on the following grounds:

- Managing relationship with the members of the Board and management;
- Demonstration of leadership qualities;
- Relationship and communication within the Board;
- Providing ease of raising of issues and concerns by the Board members; and
- Promoting constructive debate and effective decision making at the board;
- Relationship and effectiveness of communication with the shareholders and other stakeholders;
- Promoting shareholder confidence in the Board and
- Personal attributes i.e. Integrity, Honesty, Knowledge etc.

## **FREQUENCY OF BOARD EVALUATION**

There has to be a formal annual evaluation of Board of its own performance and that of its committees and individual directors.

The Company may undertake annual evaluation either in accordance with calendar year or financial year, as there are no specific guidelines on this.

## **IMPORTANT STEPS FOR EVALUATION PROCESS**

1. To develop a methodology for evaluation.
2. Company to develop a Policy on Board Evaluation.
3. Evaluation process may commence each year (during last quarter) to evaluate the performance of concerned body or individual.
4. Each director will be given a copy of the form for assessing the overall performance of Board/ Committees/Directors/ Chairperson/ Managing Director/ whole time director / Executive Director, as the case may be, sufficiently in advance.
5. The forms will include set of questions and each question has to be tested on a rating mechanism for each evaluation, which may be analysed by the Nomination & Remuneration Committee.
6. Nomination & Remuneration Committee should compile the feedback and comments in the evaluation forms and appropriately review the same.
7. Thereafter the consolidated feedback and comments along with its recommendation be placed before the Board.

## **REVIEW**

This evaluation methodology may be reviewed once in a year by the Nomination and Remuneration Committee based on the recommendation of the Board and/ or to ensure compliance with regulatory requirements. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

## **DISCLOSURE**

In accordance with the requirement under the Companies Act, 2013, Rules made thereunder and Listing Agreement, disclosures will be made in the Board Report regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various Committees of Directors and individual Directors. The Company shall disclose the evaluation criteria in its Annual Report.

Apart from the disclosures in Board's report, follow up is critical for having the maximum impact. Once the evaluation is complete, the Directors should be encouraged to formally recognize the results and enable the follow up activities. This may include; communication to individual director about the feedback or the concerns preferable by the chairman and systematic changes can also be introduced which shall include director development programmes, better information flow to directors etc