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## **BOARD EVALUATION POLICY**

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**Effective 25<sup>th</sup> May, 2018**

[As approved by the Board of Directors in their meeting held on 25<sup>th</sup> May, 2018]

**Hindustan Motors Limited**

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## **1. INTRODUCTION**

This policy is framed to encourage open and effective evaluation of performance of Directors of Hindustan Motors Limited (**the Company**) and to lay down the guidelines and mechanism for undertaking programme of evaluation. The Company believes that performance evaluation is the key factor, by which the Board can recognize and address corporate governance challenges and enhance value to the Company.

The evaluation of Board of Directors involves board members undertaking a constructive but critical review of their own performance, identifying their strengths and weaknesses.

To enable Directors of the Company for evaluating their individual performance, as well as collective performance of the Board and its Committees, the Nomination and Remuneration Committee (**NRC**) of the Company, has developed a framework for evaluating the Board effectiveness. This Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto as amended from time to time and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **2. PURPOSE**

- a. The primary objective of the Policy is to provide a framework and set standards for the evaluation of the Board as a whole, its committees and each Director individually. The Company aims to achieve a balance of merit, experience and skills on the Board.
- b. The policy is to assess and enhance the effectiveness of the Board as a whole. Individual Board members are assessed on their effective contribution and commitment to their role and responsibilities as Directors.
- c. To enable the NRC to determine whether to extend or continue the term of appointment of independent directors, on the basis of the report of performance evaluation of independent directors.

## **3. OBJECTIVES OF EVALUATION**

The objective to undertake evaluation of Board and individual directors are as under:

- To ensure commitment to performance management;
- To review challenges in the dynamics of the Board or among the Board and management;
- To enhance good corporate governance;
- To develop appropriate skills, competencies and motivation on the Board.

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.

Evaluation also improves teamwork by creating better understanding of Board dynamics, board-management relations and thinking as a group within the board. It helps to maximize board/ director contribution by encouraging participation in meetings and highlighting the skill gaps on the Board and those of individual members. Directors demonstrate commitment to improvement, based on the feedback provided on individual and collective skill gaps.

#### **4. SCOPE OF EVALUATION**

a. **Evaluation of the Board as a whole**

Regular evaluation of the board as a whole can be seen as a process that ensures directors develop a shared understanding of their governance role and responsibilities. It serves as an excellent familiarization tool for boards.

b. **Individual directors' evaluation** including Chairperson, Independent Directors, Non-independent Directors, etc. Individual evaluation provides the board with an opportunity to better understand particular issues in depth.

c. **Committees of the Board**

The performance of the committees may be evaluated by the Directors, on the basis of the terms of reference of the committee being evaluated.

#### **5. METHOD OF EVALUATION**

The following method shall be adopted for evaluation:

- a. The Independent Directors, in their separate meeting, shall review the performance of non-independent directors and the Board as a whole. They shall also review the performance of the Chairperson of the company. If an Independent Director is a Chairman of the Board, he shall be required to excuse himself/herself for such span of time when his/her discussion takes place.

The Evaluation Sheet form in **Annexure A** shall be used for assessing the Non Independent Directors, Chairman and the Board as a whole.

The Board will evaluate the performance of its own, its committees and all the individual directors in the manner specified in this policy.

- The Board will evaluate each of the Directors of the Company on the criteria set out below, in a “Director Evaluation Sheet” honestly and sincerely. The Director Evaluation Sheet is appended to this Policy as **Annexure B**. The individual Board member, whose evaluation discussion is proposed, shall be required to excuse himself/herself for such span of time when his/her discussion takes place. Evaluation of all the directors shall take place in same manner.
- After the evaluation of each director as above, the Board shall also carry out a formal evaluation of its own performance and that of all the committees. The said evaluation shall collectively be carried out by the Board in a “**Evaluation of Board**” and “**Evaluation of Committees**”. The Evaluation of Board/Committee is appended to this Policy as **Annexure C** and **Annexure D**.

## **6. CRITERIA FOR EVALUATION**

The criteria for evaluation have been set out in the Evaluation Sheet annexed to the policy.

## **7. REVIEW OF POLICY**

The Board on the recommendations of NRC shall periodically review and amend this policy, if required, to ascertain its appropriateness as per the needs of the company. Such review may be done based on feedback received from management, Board members, Chairperson, external assessors, various stakeholders etc.

Place : Kolkata  
Date : 25<sup>th</sup> May, 2018

By order of the Board

Sd/-  
A Sankaranarayanan  
Director

**EVALUATION OF NON-INDEPENDENT DIRECTOR –**

All independent directors are required to evaluate the performance of each non-independent director on the basis of the following criteria:

	Criteria	Rating numbers				
		1	2	3	4	5
a)	Whether the Director upholds ethical standards of honesty and virtue?					
b)	Whether the Director has appropriate qualifications to meet the objectives of the Company?					
c)	Whether the director has financial/accounting or business literacy/skills?					
d)	Whether the director has relevant industry knowledge?					
e)	How actively and successfully does the director refresh his knowledge and skill and is he up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the manufacturing industry and market conditions?					
f)	How well prepared and well informed is the director for Board/Committee meetings?					
g)	Does the director show willingness to spend time and effort learning about the Company and its business?					
h)	Is the attendance of the Director at Board/Committee meetings satisfactory?					
i)	Does the director actively participate in the Board/Committee meetings?					
j)	Can the director present his views convincingly, yet diplomatically?					
k)	Does the director listen to the views of others?					
l)	How cordial is the director's relationships with other Board/Committee members and Senior Management?					
m)	What have been the quality and value of the Director's contributions at Board/Committee meetings?					
n)	What has been the director's contribution to the development of strategy and risk management and how successfully has he brought his knowledge and experience to bear in the consideration of these areas?					
o)	Where necessary, how resolute is the director in holding to his views and resisting pressure from others?					
p)	How effectively has the director followed up matters about which he has expressed concern?					
q)	How well does he communicate with other Board/Committee members, senior management and others?					
r)	Does the director regularly review and approve achievement of strategic and operational plans, objectives and budgets?					
s)	Does the director contribute to enhance overall brand image of the Company?					

## EVALUATION OF BOARD AS A WHOLE

All the independent directors are required to carry out the evaluation of performance of the Board as a whole as well as each of the Committees formed by the Board in the following form:

### - BOARD OF DIRECTORS

	Criteria	Rating numbers				
		1	2	3	4	5
a)	Whether the Board has diversity of experiences, backgrounds & appropriate composition?					
b)	Whether Board effectively monitors compliance with corporate governance, laws, regulations and guidelines?					
c)	Whether Board demonstrates integrity, credibility, trustworthiness, an ability to handle conflict constructively, and the willingness to address issues proactively?					
d)	Whether Board dedicates appropriate time and resources needed to execute their responsibilities?					
e)	Whether the agenda and related information are circulated in advance of Board meetings to allow directors sufficient time to study and understand the information?					
f)	Whether written materials provided to the Board members are complete, relevant and concise?					
g)	Whether the Chairman encourages inputs on the agenda of the Board meetings from their members, management, the internal auditors, and the independent auditor?					
h)	Whether meetings of the Board are conducted in an effective manner, with sufficient time spent on significant matters?					
i)	How well does the management respond to requests from the Board for clarification or additional information?					
j)	Whether proper minutes are maintained of each meeting of the Board?					
k)	Whether Board meetings are held at regular intervals to facilitate effective management?					
l)	Whether the Board considers the quality and appropriateness of financial/accounting and reporting, including the transparency of disclosures?					
m)	Whether the Board considers the statutory audit plan and provide recommendations?					
n)	Whether the Board ensures that the management takes action to achieve solutions when there are repeat comments from statutory auditors?					
o)	Whether adjustments to the financial statements that resulted from the statutory audit are reviewed by the Board, regardless of whether they were recorded by management?					
p)	Whether the Board oversees the role of the statutory auditors and have an effective process to evaluate the auditor's qualifications and performance?					
q)	Whether the Board reviews the audit fees paid to the statutory auditors?					
r)	Whether the Board considers internal audit reports, management's responses, and steps toward improvement?					
s)	Whether Board oversees the process and is notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance?					

t)	Whether the contributions of the Board to ensuring robust and effective risk management are adequate?					
u)	How well has the Board performed against any objective that was set?					
v)	How has the Board responded to any problems or crises that arose?					
w)	Is the Board as a whole up to date with the latest developments in the regulatory environment and the market?					
x)	How effective are the Board's committees (for example, in their role, their composition and their interaction with the Board)?					

### **CHAIRPERSON OF THE COMPANY**

All the independent directors are required to carry out the evaluation of the Chairperson of the Company, in accordance with the following parameters.

	Criteria	Rating numbers				
		1	2	3	4	5
a)	Whether the Chairman demonstrates effective leadership of the Board?					
b)	Are relationships and communications with shareholders well managed by the Chairman?					
c)	Are relationships and communications within the Board constructive?					
d)	Does the process for setting the agenda for Board meetings work well? Are Board members able to raise issues and concerns?					
e)	Is the Company Secretary of the Company being used effectively and to maximum value?					

## HINDUSTAN MOTORS LIMITED

## Evaluation of Individual Directors

Name of Evaluating Director -

Name of Directors being evaluated -

	Criteria	Rating numbers				
		1	2	3	4	5
1	Whether the Director upholds ethical standards of honesty and virtue?					
2	Whether the Director has appropriate qualifications to meet the objectives of the Company?					
3	Whether the director has financial/accounting or business literacy/skills?					
4	Whether the director has relevant industry knowledge?					
5	How actively and successfully does the director refresh his knowledge and skill and is he up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the manufacturing industry and market conditions?					
6	How well prepared and well informed is the director for Board/Committee meetings?					
7	Does the director show willingness to spend time and effort learning about the Company and its business?					
8	Is the attendance of the Director at Board /Committee meetings satisfactory?					
9	Does the director actively participate in the Board/Committee meetings?					
10	Can the director present his views convincingly, yet diplomatically?					
11	Does the director listen to the views of others?					
12	How cordial is the director's relationships with other Board/Committee members and Senior Management?					
13	What have been the quality and value of the Director's contributions at Board/Committee meetings?					
14	What has been the director's contribution to the development of strategy and risk management and how successfully has he brought his knowledge and experience to bear in the consideration of these areas?					
15	Where necessary, how resolute is the director in holding to his views and resisting pressure from others?					
16	How effectively has the director followed up matters about which he has expressed concern?					
17	How well does he communicate with other Board/Committee members, senior management and others?					
18	Does the director regularly review and approve achievement of strategic and operational plans, objectives and budgets?					
19	Does the director contribute to enhance overall brand image of the Company?					

**HINDUSTAN MOTORS LIMITED****Evaluation of Board of Directors by -**

	Criteria	Rating numbers				
		1	2	3	4	5
1	Whether the Board has diversity of experiences, backgrounds & appropriate composition?					
2	Whether Board effectively monitors compliance with corporate governance, laws, regulations and guidelines?					
3	Whether Board demonstrates integrity, credibility, trustworthiness, an ability to handle conflict constructively, and the willingness to address issues proactively?					
4	Whether Board dedicates appropriate time and resources needed to execute their responsibilities?					
5	Whether the agenda and related information are circulated in advance of Board meetings to allow directors sufficient time to study and understand the information?					
6	Whether written materials provided to the Board members are complete, relevant and concise?					
7	Whether the Chairman encourages inputs on the agenda of the Board meetings from their members, management, the internal auditors, and the independent auditor?					
8	Whether meetings of the Board are conducted in an effective manner, with sufficient time spent on significant matters?					
9	How well does the management respond to requests from the Board for clarification or additional information?					
10	Whether proper minutes are maintained of each meeting of the Board?					
11	Whether Board meetings are held at regular intervals to facilitate effective management?					
12	Whether the Board considers the quality and appropriateness of financial/accounting and reporting, including the transparency of disclosures?					
13	Whether the Board considers the statutory audit plan and provide recommendations?					
14	Whether the Board ensures that the management takes action to achieve solutions when there are repeat comments from statutory auditors?					
15	Whether adjustments to the financial statements that resulted from the statutory audit are reviewed by the Board, regardless of whether they were recorded by management?					
16	Whether the Board oversees the role of the statutory auditors and have an effective process to evaluate the auditor's qualifications and performance?					
17	Whether the Board reviews the audit fees paid to the statutory auditors?					
18	Whether the Board considers internal audit reports, management's responses, and steps toward improvement?					
19	Whether Board oversees the process and is notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance?					
20	Whether the contributions of the Board to ensuring robust and effective risk management are adequate?					
21	How well has the Board performed against any objective that was set?					

22	How has the Board responded to any problems or crises that arose?					
23	Is the Board as a whole up to date with the latest developments in the regulatory environment and the market?					
24	How effective are the Board's committees (for example, in their role, their composition and their interaction with the Board)?					

## HINDUSTAN MOTORS LIMITED

### Evaluation of Audit Committee

**Name of the Evaluating Director : -**

	Criteria	Rating numbers				
		1	2	3	4	5
1	Whether the Committee has diversity of experiences, backgrounds & appropriate composition?					
2	Whether Committee dedicates appropriate time and resources needed to execute their responsibilities?					
3	Whether the agenda and related information are circulated in advance of Committee meetings to allow directors sufficient time to study and understand the information?					
4	Whether written materials provided to the Committee members are complete, relevant and concise?					
5	Whether the Chairman encourages inputs on the agenda of the Committee meetings from their members, management, the internal auditors, and the independent auditor?					
6	Whether meetings of the Committee are conducted in an effective manner, with sufficient time spent on significant matters?					
7	Whether proper minutes are maintained of each meeting of the Committee?					
8	Whether Committee meetings are held at regular intervals to facilitate effective management?					
9	Whether the Committee considers the quality and appropriateness of financial/accounting and reporting, including the transparency of disclosures?					
10	Whether the Committee considers the statutory audit plan and provide recommendations?					
11	Whether the Committee oversees the role of the statutory auditors and have an effective process to evaluate the auditor's qualifications and performance?					
12	Whether the Committee reviews the audit fees paid to the statutory auditors?					
13	Whether the Committee considers internal audit reports, management's responses, and steps toward improvement?					
14	Is the Committee as a whole up to date with the latest developments in the regulatory environment and the market?					

## HINDUSTAN MOTORS LIMITED

### Evaluation of Stakeholders Relationship Committees

Name of the Evaluating Director : -

	Criteria	Rating numbers				
		1	2	3	4	5
1	Whether the Committee has diversity of experiences, backgrounds & appropriate composition?					
2	Whether Committee dedicates appropriate time and resources needed to execute their responsibilities?					
3	Whether the agenda and related information are circulated in advance of Committee meetings to allow directors sufficient time to study and understand the information?					
4	Whether written materials provided to the Committee members are complete, relevant and concise?					
5	Whether the Chairman encourages inputs on the agenda of the Committee meetings from their members, management and the independent auditor?					
6	Whether meetings of the Committee are conducted in an effective manner, with sufficient time spent on significant matters?					
7	Whether proper minutes are maintained of each meeting of the Committee?					
8	Whether Committee meetings are held at regular intervals to facilitate effective management?					
9	Is the Committee as a whole up to date with the latest developments in the regulatory environment and the market?					

## HINDUSTAN MOTORS LIMITED

### Evaluation of Nomination and Remuneration Committees

Name of the Evaluating Director : -

	Criteria	Rating numbers				
		1	2	3	4	5
1	Whether the Committee has diversity of experiences, backgrounds & appropriate composition?					
2	Whether Committee dedicates appropriate time and resources needed to execute their responsibilities?					
3	Whether the agenda and related information are circulated in advance of Committee meetings to allow directors sufficient time to study and understand the information?					
4	Whether written materials provided to the Committee members are complete, relevant and concise?					
5	Whether the Chairman encourages inputs on the agenda of the Committee meetings from their members, management and the independent auditor?					
6	Whether meetings of the Committee are conducted in an effective manner, with sufficient time spent on significant matters?					
7	Whether proper minutes are maintained of each meeting of the Committee?					
8	Whether Committee meetings are held at regular intervals to facilitate effective management?					
9	Is the Committee as a whole up to date with the latest developments in the regulatory environment and the market?					