



INSTITUTIONAL
INVESTOR
ADVISORY SERVICES



BOARD EVALUATION IN INDIA:

Disclosures and Practices



BOARD EVALUATION IN INDIA: DISCLOSURE AND PRACTICES

AUGUST 2016

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Exchange Plaza, BandraKurla Complex

Bandra (East), Mumbai 400 051 India

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FOREWORD

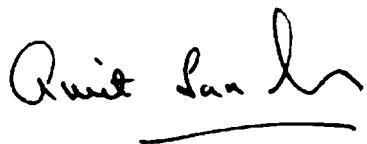
The board of directors are responsible for a company's corporate governance levels. This is also why any measure of corporate governance will focus on the efficacy of the board. For a board to be effective, accountability must be established. Board evaluation is the first step towards establishing a measure of performance and setting accountability.

For the most, boards in India have had a self-imposed sense of responsibility and a largely unstructured performance feedback. Bringing in a mandatory board evaluation has ensured that there is a more comprehensive and structured manner of evaluating boards.

Board evaluations must be undertaken at two levels – at individual director level and at an overall performance level of the board as a whole. Indian companies are well-versed with evaluation of individual performance – and to that extent, most companies have quickly adapted and undertaken a director level evaluation. Evaluating the performance of the board as a whole is a challenge – because it involves not just individual performances, but an assessment of the performance of a group, which has several more dynamics to its functioning beyond individual competence. But, this is what must be encouraged.

Globally, board evaluations are undertaken with the perspective of having a comprehensive set of skills and experience to manage the company's further growth strategy. This requires board diversity at different levels, yet a strong director camaraderie. In India's high context culture, evidence shows that companies hesitate to make changes to the board – a December 2015 IiAS research entitled 'Board Effectiveness – Through the Looking Glass' showed that 46% of India's top 500 companies had at least one Independent Director with a tenure of over 10 years. Imposing a board evaluation process, therefore, enables companies to have a meaningful discussion over performance of the board and allows them to objectively make changes to the board that are best fitted to the company's needs.

Evaluating boards is relatively new construct in Indian markets. While several companies have been informally giving feedback to directors, mandating the process makes it more formal, and therefore makes it likely to be taken more seriously. With a view to helping companies acclimatize to the new normal, we present this compendium of board evaluations undertaken by a range of Indian companies.

A handwritten signature in black ink, appearing to read "Amit Tandon". A horizontal line is drawn underneath the signature.

Amit Tandon

Managing Director

Institutional Investor Advisory Services

LETTER FROM NSE

Board evaluation is used to enhance the performance of the board. A good board evaluation process will involve evaluation of individual director's contributions, as well as the contribution of the board as a whole. Director level evaluations tend to be similar to most performance evaluations metrics – the evaluation revolves around skills, ability to bring in new ideas and thoughts, ability to reach out to market participants, and an overall level of engagement. Evaluation of the board as a whole is a singularly more difficult effort. It involves not just a simple assessment of company performance and a skill gap assessment, but more non-tangible elements like board dynamics, governance quality, culture setting, and providing a broader strategic direction to the company.

Companies in India have begun to undertake an evaluation of the board. It is early days, since the regulation mandating board evaluations came into effect only on April 1, 2014. Yet, several companies began undertaking board evaluations much earlier, when it was recommended but it was not mandatory. Some of these companies have seen value in the exercise and have even sought out professional help to undertake the exercise. Such companies have been progressive in their thinking and have benefited from a better developed board.

Most Indian companies, however, are now learning what board evaluations are about and what these entail. With a view to help such companies, this book is compiled. This handbook seeks to identify the trends, best practices, and disclosures adopted by Nifty 50 companies and 25 other companies with different market cap. We also attempt to benchmark some of the board evaluation practices and disclosures seen in Indian companies with their global counterparts, as also comparing the regulatory requirements in India with the global codes of board evaluation.

This handbook can be used as a reference guide. Our aim is to help all companies improve the performance and effectiveness of Indian boards.

Listing Compliance Team

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Board Evaluation – the Indian context

“His promises were, as he then was, mighty; But his performance, as he is now, nothing.”

– William Shakespeare

Boards are elected by shareholders to govern the company. By accepting nomination on the board, directors agree to provide strategic guidance and take on the fiduciary responsibility of acting in the best interests of all stakeholders. But in today’s dynamic environment, where operational complexities are often linked to global factors and stakeholder views are becoming increasingly divergent, being an effective steward of a company is easier said than done. The enhanced role requires boards to be more engaged, responsive and agile than ever before.

There is ample evidence to show that companies which embrace the expertise of a balanced and knowledgeable board tend to create greater value. Stakeholders therefore, want assurances that boards are performing their duties diligently by providing vigilant and objective oversight. They want to know whether processes are in place to periodically review the expertise on the board and identify skill-gaps based on changes in strategy or business functions.

Regulators across the world have responded to this demand by putting in place provisions which require companies to conduct and disclose their board evaluation practices. Not only do these measures enhance transparency and accountability of board practices, it helps boards avoid stasis and drives them towards continual self-improvement.

Indian Regulatory Framework

In India, under Clause 49 of the erstwhile **Listing Agreement**, board evaluation was a voluntary initiative. Board evaluation was also included under the **Corporate Governance Voluntary Guidelines** released by the Ministry of Corporate Affairs (MCA) in 2009. Providing detailed disclosures on board evaluation was formally included as a mandatory requirement for the first time in the **Companies Act 2013**. As per Section 134(3)(p) of the Companies Act 2013, all listed companies¹ are required to list out the manner in which formal annual evaluation was conducted

¹ Having a paid-up capital of at least Rs.250 mn. Public sector units (PSU) are exempted from this requirement.

by the board of its own performance and that of its committees and individual directors.

The Act further goes on to state that the Nomination and Remuneration Committee (NRC) will be responsible for evaluating the directors and the results of the evaluation process are to be used for deciding on the appointment and removal of directors.

The recently notified **SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR)** builds on this framework and mandates listed companies to publish the criteria used to evaluate independent directors in its annual report.

In addition, the SEBI LODR requires the independent directors to evaluate the performance of the Chairperson of the board.

Regulatory Snapshot

Regulation	Section	Requirement
Companies Act 2013	Section 134(3)	134 (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
Companies Act 2013	Section 178(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.
Companies Act 2013	Schedule IV (VIII)	a) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. b) 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.
Companies Act 2013	Schedule IV (VII)	(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.

Regulation	Section	Requirement
SEBI LODR	Chapter IV, Clause 17	<p>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:</p> <p>(f) Responsibilities of the Board of directors: The Board of directors of the listed entity shall have the following responsibilities:</p> <p>(9) Monitoring and reviewing Board of director's evaluation framework</p>
SEBI LODR	Chapter II, Clause 4	
SEBI LODR	Schedule II	<p>(D) 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</p>
SEBI LODR	Schedule V	<p>(C) Corporate Governance Report: The following disclosures shall be made in the section on the corporate governance of the annual report:</p> <p>(4) Nomination and Remuneration Committee:</p> <p>(a) brief description of terms of reference;</p> <p>(b) composition, name of members and chairperson;</p> <p>(c) meeting and attendance during the year;</p> <p>(d) performance evaluation criteria for independent directors.</p>
SEBI LODR	Chapter IV, Clause 25	<p>(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.</p> <p>(4) The independent directors in the meeting referred in sub-regulation (3) shall, inter alia -</p> <p>(a) review the performance of non-independent directors and the board of directors as a whole;</p> <p>(b) review the performance of the chairperson of the listed entity, taking into account the views of executive directors and non-executive directors</p>

The following section provides a comparison of the Indian regulatory framework with those of global markets.

Board Evaluation: A Global Comparison

The requirements for Indian companies are broadly in line with regulations in other jurisdictions, as described in the table below:

	India	UK	Singapore	Malaysia	Australia	South Africa	USA	ICGN	OECD
Relevant Regulations (Codes)	Companies Act 2013/ SEBI LODR	UK Corporate Governance Code	Singapore Code of Corporate Governance	Malaysian Code on Corporate Governance	ASX Corporate Governance Principles and Recommendations	King Code of Corporate Governance	NYSE Listing Rules	Global Corporate Governance Principles	OECD Corporate Governance Principles
Enforcement	Mandatory	Comply or explain	Comply or explain	Comply or explain	Comply or explain	Comply or explain	Mandatory	Voluntary	Voluntary
Method of evaluation	Self-Assessment	✓	✓	✓	✓	✓	-	✓	✓
External Agencies	Optional	Required every 3 years	Optional	Optional	Board must consider external agencies	Chairperson or external agencies	Optional	Preferable every 3 years	Preferable for greater objectivity
Who is evaluated	Individual Directors Board Committees	✓ ✓	✓ ✓	✓ ✓	✓ -	✓ ✓	✓ ✓	✓ ✓	✓ ✓
Overall Board	Chairperson	✓	✓	✓	-	✓	✓	✓	-
Individual Directors	Committees and Board	Entire Board/ NRC	Entire Board	Entire Board/ NRC	Entire Board	Chairperson	NRC	NRC	Entire Board
Who evaluates the following (internal)	Chairperson	Independent Directors	Entire Board	Entire Board	Entire Board	Chairperson	NRC	NRC	-
Disclosure Requirements	Annual Affirmation Process adopted Criteria/Benchmarks Results	NE Directors, led by Senior ID	-	NE Directors, preferably Senior ID	NE Directors, preferably Senior ID	Entire Board	NE Directors, led by Senior ID	For Board Committees	NE Directors, led by Senior ID

NRC – Nomination and Remuneration Committee, ID – Independent Directors, NE – Non-Executive Directors

The regulatory comparison throws up a few sharp differences in the Indian markets vis-à-vis other countries:

Enforcement: India is one of the rare jurisdictions (along with NYSE listed companies in USA) where conducting and disclosing details on board evaluation practices are now mandatory requirements. Most other countries have a comply-or-explain approach.

Method of evaluation: Like in most other countries, Indian companies are free to opt either for internal self-assessment or seek the services of an independent agency to assist in board evaluation. However, some countries have more stringent norms. South African companies require annual evaluations to be carried out by the Chairperson or by independent agencies. In UK, FTSE 350 companies are required to seek the assistance of independent agencies at least once in three years. Australia is another country where boards are encouraged to involve external agencies. Involving an independent agency is considered to be a global best practice and is advocated by international bodies like the International Corporate Governance Network (ICGN) and Organisation for Economic Co-operation and Development (OECD).

Who is evaluated: Almost all countries, including India, require assessments to be conducted for each director, the committees, and the entire board. In addition, the independent directors of the board need to conduct a separate meeting, where the Chairperson of the board is evaluated (after taking into account the views of other executive and non-executive directors). This is in line with other countries including UK and Australia, where the Chairpersons are required to be separately evaluated by the non-executive directors, led by a senior independent director.

Who evaluates: The internal evaluation is generally carried out by the entire board and in some countries, the board is assisted in this effort by the Nomination and Remuneration Committee (NRC). In India, the laws require the performance of independent directors to be evaluated by the entire board (excluding the concerned director). For other directors, it is generally the NRC which conducts the evaluation.

Disclosure Requirements: All listed companies in India are required to list out the manner in which formal annual evaluation was conducted by the board of its own performance and that of its committees and individual directors. Further, India is the only country where the criteria used to evaluate independent directors is required to be published in company's annual report.

Regulations have carved out an exception for Public Sector Undertakings (PSUs): although board evaluation for individual directors are required to be conducted, PSUs are not required to disclose details on the evaluation processes.

Extract from MCA Notification dated 5 June 2015

Section 134(3)(p) of the Act shall not apply in case the directors are evaluated by the Ministry or Department of Central Government which is administratively in charge of the company or, as the case may be, the State Government, as per its own evaluation methodology.

As on 31 March 2016, PSUs contributed to 12% of the entire market cap of listed companies. Keeping PSUs out of the ambit of the disclosure requirements may therefore constrain the efficacy of the new measures and regulators must take immediate steps to correct this anomaly.

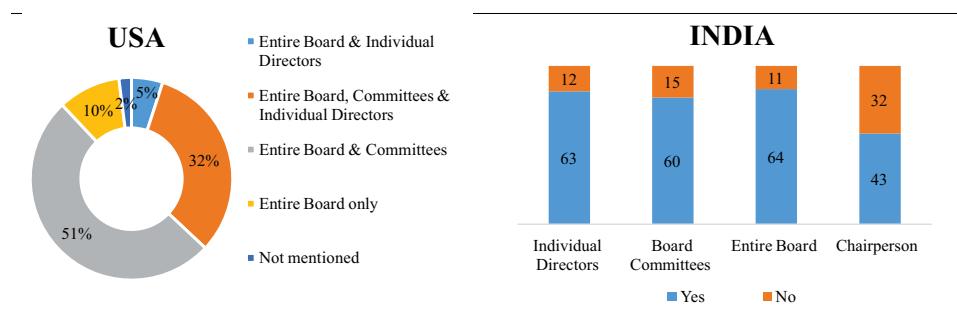
Disclosures and Reporting Standards in India

For the purpose of this study, we have reviewed the disclosures on board evaluation for 75 top listed companies (based on data available till 31 March 2016). 50 of these companies are from the NIFTY 50 index and the remaining 25 have been chosen across a cross section of smaller indices. The complete list of companies is given in Annexure A.

Summary Findings

The laws in India governing board evaluation are still in their nascent stages (Companies Act became effective from 1 April 2014 and SEBI LODR from 1 December 2015) and the impact and efficacy of these measures will only be visible after a few more years. But the start has been encouraging.

Our analysis found that 60 companies out of the 75 (80%) stated that they have evaluated the entire board, along with all the board committees and individual directors, which is higher than the US markets (32%) (S&P 500 companies).



Source: Iias Research, Spencer Stuart Board Index 2015²

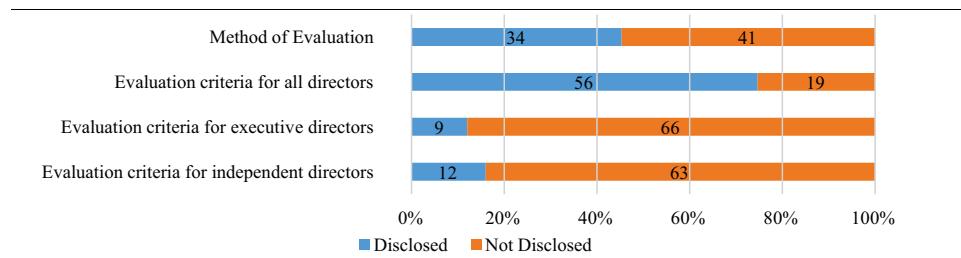
The notable exceptions are PSUs (there are 11 PSUs in our list of 75 companies), who are exempted from the disclosure requirements under Companies Act 2013. The only PSU which provided details in its annual report is Bharat Heavy Electricals Limited (BHEL). The annual report of BHEL states that the company has a procedure for filling up and evaluation of the directors' performance. The evaluation process starts with a self-assessment, after which the evaluation is

² Spencer Stuart Board Index 2015: https://www.spencerstuart.com/~media/pdf%20files/research%20and%20insight%20pdfs/ssbi-2015_110215-web.pdf

conducted by the Chairperson, then by Secretary (Heavy Industries) and finally closed by the Minister in charge (Ministry of Heavy Industries and Public Enterprises).

However, even after excluding the PSUs, the study reveals that the disclosure levels in some Nifty Midcap 50 and Nifty Smallcap 100 companies are better than several companies in the Nifty 50 index.

At an aggregate level, 43 companies out of the 75 have conducted a performance evaluation of the Chairperson. Further, despite not being mandatory criteria till last year, 56 companies have published broad criteria for evaluation of the board and various committees. In their annual report, 34 companies have specified the method of evaluation to indicate whether the exercise was carried out through questionnaires, one-on-one interviews or peer reviews.

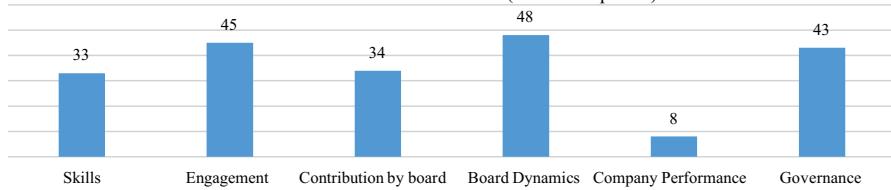


Source: IiAS Research

The areas of board evaluation vary across companies. For the purpose of this study, we have broadly clubbed these parameters as per the table below. At an individual level, the engagement and participation level of the concerned director is the most commonly used criteria for evaluation. For the overall board, the board dynamics is the most critical parameter.

Director Level		Board Level			
Skills	Engagement level	Contribution by board	Board dynamics	Company Performance	Governance
<ul style="list-style-type: none"> • Experience and expertise • Business knowledge • Financial knowledge 	<ul style="list-style-type: none"> • Contribution at meetings • Attendance • Level of involvement • Discharge of key functions • Generation of ideas • Quality of decision making • Preparedness for meetings • Independent judgement • Ability to challenge customs 	<ul style="list-style-type: none"> • Support to the board • Brand building • Ensuring sustainability of operations • Fixing budgetary controls • Strategic guidance • Articulating a vision • Risk management 	<ul style="list-style-type: none"> • Board culture • Strategic alignment • Leadership • Frequency and number of meetings • Confidentiality • Relationships and communication • Conflict resolution • Board Composition 	<ul style="list-style-type: none"> • Financial metrics • Recognition and awards to the company 	<ul style="list-style-type: none"> • Ethics & Values • Adherence to code of conduct • Safeguarding interests of minority shareholders • Integrity in financial reporting • Compliance to regulations • Effectiveness of processes

Disclosed areas of board evaluation (for 75 companies)



Source: Iias Research

The following section provides a detailed review of the disclosures made by the companies on board evaluation.

Review Methodology

1. As part of the review, we have analysed the following disclosures:**Who is evaluated:** Barring PSUs, all listed companies in the sample were required to disclose that a performance evaluation program was conducted for the entire board, individual directors, the board committees and the Chairperson in the last fiscal year.
2. **Evaluation Mechanism:** Under the Companies Act 2013, these 75 companies (except the PSUs) were required to indicate the manner in which the annual evaluation was conducted by the board. While the granularity of disclosures required have not been specified in the regulations, we expect at least one of the following details to be provided:
 - a. Method of evaluation: The disclosures should help clarify if the evaluation was conducted through a self-assessment questionnaire, peer review, one-on-one meetings or a combination of these methods.
 - b. Evaluation process: The disclosures should help clarify the multiple stages of the board evaluation process and the assessment framework.
3. **Evaluation criteria:** Under the SEBI LODR, listed companies are now required to publish the criteria for evaluation of independent directors. Since the law became effective only after 1 December 2015, only two companies (ACC Limited and Ambuja Cements, which had a December year-end) were mandatorily required to disclose this information. For other companies, these disclosures were voluntary.

The format of our review template is provided below for reference.

Disclosure	Parameters	Details
Who is evaluated?	Individual Directors	As per the law, the full board including its directors, committees and Chairperson must be evaluated.
	Board committees	
	Overall board	
	Chairperson	
Evaluation Mechanism	Method of evaluation	As per the law, the manner of board evaluation must be disclosed. However, it is not clear whether the method or the process or both needs to be disclosed.
	Evaluation process	
Evaluation Criteria disclosed for	Executive Directors	As per the law, the evaluation criteria for independent directors must be published (w.e.f 1 Dec'15). As a best practice, companies must also disclose the criteria for executive directors and the board committees separately.
	Independent Directors	
	Others	

 **Mandatory Requirement**  **Voluntary Requirement**

Caveat:

While compiling the extracts from the annual report, we have used sections which have the most relevant discussion on board evaluation. In all cases, effort has been taken to ensure that the areas covered under the section have some direct or indirect reference to the board evaluation process. But, for the sake of brevity, we have excluded sections where the commentary on board evaluation is repetitive or redundant.

Disclosures of NIFTY 50 companies

ACC Ltd

Year End: 31 December 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Chairperson

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation:

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out annual performance evaluation of its own performance, the directors Individually as well as the evaluation of the working of its Audit, Nomination & Remuneration and Compliance Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

Policy for Selection and Appointment of Directors and their Remuneration

In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

CORPORATE GOVERNANCE REPORT

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors Individually as well as the evaluation of the working of its Audit, Nomination and Remuneration and Compliance Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of Individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

Adani Ports and Special Economic Zone Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**

 **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation

The Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and Individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, contribution at the meetings and otherwise, independent judgment, governance issues etc.

Ambuja Cements Ltd

Year End: 31 December 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	One-on-one meetings with Chairperson of Board and NRC
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation:

Board Evaluation: During the year, the Board adopted a formal mechanism for evaluating its performance and effectiveness as well as that of its Committees and Individual Directors, including the Chairman of the Board. For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, governance issues etc. In case of evaluation of the Individual Directors, one to one meeting of each Director with the Chairman of the Board and the Chairman of the Nomination & Remuneration Committee was held. The Directors were satisfied with the evaluation results, which reflected the overall engagement and effectiveness of the Board and its Committees.

Evaluation of the Board's Performance

In compliance with the Companies Act, 2013, and Regulation 17 of the Listing

Regulations, the performance evaluation of the Board and its Committees were carried out during the year under review. More details on the same are given in the Corporate Governance Report.

Annexure III to the Directors' Report

Abstract of the Policy for selection, and remuneration appointment

In case of re-appointment of Non-Executive Directors, the Board shall, take into consideration the performance evaluation of the Director and his engagement level.

CORPORATE GOVERNANCE REPORT

Board evaluation:

During the year, the Board adopted a formal mechanism for evaluating its performance and effectiveness as well as that of its Committees and Individual Directors, including the Chairman of the Board. For Board and its Committees, the exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, governance issues etc. In case of evaluation of the Individual Directors, one to one meeting of each Director with the Chairman of the Board and the Chairman of the Nomination & Remuneration Committee was held. The Directors were satisfied with the evaluation results, which reflected the overall engagement and effectiveness of the Board and its Committees.

Asian Paints Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Annual Evaluation of Board's Performance

In terms of the provisions of the Companies Act, 2013 read with Rules issued thereunder and Clause 49 of the Listing Agreement, the Board of Directors on recommendation of the Nomination and Remuneration Committee, have evaluated the effectiveness of the Board/Director(s) for the financial year 2014-15.

CORPORATE GOVERNANCE REPORT

Evaluation of Board Effectiveness

In terms of provisions of the Companies Act, 2013 read with Rules issued thereunder and Clause 49 of the Listing Agreement, the Board of Directors, on recommendation of the Nomination and Remuneration Committee, have evaluated the effectiveness of the Board. Accordingly, the performance evaluation of the Board, each Director and the Committees was carried out for the financial year ended 31st March, 2015. The evaluation of the Directors was based on various aspects which, inter alia, included the level of participation in the Board Meetings, understanding of their roles and responsibilities, business of the Company along with the environment and effectiveness of their contribution.

Axis Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its performance, of the Directors Individually as well as the evaluation of the working of its Committees. The manner in which the evaluation was carried out was explained in the Report on Corporate Governance, which is forming a part of this report.

CORPORATE GOVERNANCE REPORT

Pursuant to the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Board had adopted a formal mechanism for evaluating the performance of its Committees, Independent Directors, Non-Independent Directors including Chairman of the Board. A structured questionnaire was prepared after taking into consideration inter-alia the inputs received from the Directors. The structured questionnaire covered various aspects of the Board's functioning such as strategic alignment and direction, engagement alignment,

composition and structure, dynamics and culture, ethical leadership and corporate citizenship, support to the Board, Committees evaluation and self-evaluation etc.

The performance evaluation of Individual Directors including Chairman of the Board was done in accordance with the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement and also based on the structured questionnaire mentioned above.

Bajaj Auto Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Rating Sheets
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance evaluation

Pursuant to the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, and that of its Committees and Individual directors. Manner in which formal annual evaluation was made by the Board of its own performance and that of its Committees and Individual directors is given below:

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Board of Directors at its meeting held on 14 October 2014. The criteria are placed on the Company's [website](#).

Based on the said criteria, rating sheets were filled by each of the directors towards the end of the year with regard to evaluation of performance of the Board, its Committees and Directors (except for the director being evaluated) for the year under review.

A consolidated summary of the ratings given by each of the directors was then prepared, based on which a report of performance evaluation was prepared by the Chairman in respect of the performance of the Board, its Committees and Directors during the year under review.

The report of performance evaluation so arrived at was then noted and discussed by the Nomination and Remuneration Committee and Board at their meetings held in March 2015.

As per the report of performance evaluation, the Board shall determine inter alia whether to continue the term of appointment of the independent director. During the year under review, there was no occasion to decide on the continuance of the term of appointment of any of the independent directors and hence the question of taking a decision on their re-appointment did not arise.

COMPANY WEBSITE

Performance Evaluation Criteria for Board, Committees of Board and Directors

To carry out performance evaluation of Board, Committees and Directors, criteria to be considered would inter alia include the following:

Part A: For Board & Committees of Board

1. Composition with requisite number of Independent Directors (and woman director in the case of Board)
2. Frequency of Meetings
3. Discharge of the key functions prescribed under Law
4. Discharge of the other responsibilities prescribed under Law
5. Monitoring the effectiveness of corporate governance practices
6. Ensuring the integrity of the company's accounting and financial reporting systems, independent audit, internal audit and risk management systems (for Board and Audit Committee)
7. Working in the interests of all the stakeholders of the company.

Part B: For Directors

1. Attendance and Participation
2. Pro-active and positive approach with regard to Board and Senior Management particularly the arrangements for management of risk and the steps needed to meet challenges from the competition
3. Maintaining confidentiality
4. Acting in good faith and in the interests of the company as a whole

5. Exercising duties with due diligence and reasonable care
6. Complying with legislations and regulations in letter and spirit
7. Openness to ideas, perspectives and opinions and ability to challenge old practices and throwing up new ideas for discussion
8. Maintaining relationships of mutual trust and respect with Board members
9. Capacity to effectively examine financial and other information on operations of the Company and the ability to make positive contribution thereon.

The evaluation of Individual directors including Independent Directors shall be done by the Board as a whole keeping in view the inputs provided by Nomination & Remuneration Committee. The aforesaid criteria for performance evaluation are subject to review from time to time.

Bank of Baroda

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Website

Remuneration Committee

Government of India announced Performance Linked Incentives for Whole Time Directors of Public Sector Banks vide Notification No.F No.20/1/2005-BO.I dated 9th March, 2007. The incentive is based on certain qualitative as well as quantitative parameters fixed for Performance Evaluation Matrix on the basis of the Statement of Intent (SOI) on goals and benchmarks based on various compliance reports during the previous financial year. In compliance of the said directives, a Remuneration Committee of the Board was constituted for evaluation of the performance and incentive amount to be awarded/ paid during the year.

Bharat Heavy Electricals Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	x	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Self-assessment
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Disclosure under section 134 (3)(p) of the Companies Act.

Disclosure under section 134 (3)(p) of the Companies Act. As per Section 134 (3) (p) of the Companies Act, 2013, the Board's Report of a Listed Company shall include a statement indicating the manner of formal annual evaluation of Board, Individual directors etc. The MoU signed between the company and, the Govt. of India details out the parameters and initiatives that the company is required to undertake during that financial year. This MoU is evaluated at the end of the year by the Govt. and a performance rating is assigned to BHEL based on its performance on the spelt out parameters.

The terms of reference of Board Level Committees are approved by the Board. The minutes of Board Level Committees are placed before the Board for its perusal. Further, there is a well laid down procedure for evaluation of CMD and Functional Director's performance. Department of Public Enterprises (DPE) has designed a format and laid down a procedure for filling up and evaluation of the Director's performance. As soon as the concerned Director does self-assessment, his evaluation is done next by CMD, then by Secretary, Heavy Industries and

closed by the Minister in charge. The tenure of Functional Directors as spelt out in their Terms and Conditions of Appointment is five years or the date of their superannuation, whichever is earlier.

Bharat Petroleum Corporation Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

As per MCA Notification dated 5th June, 2015, provisions of Section 134 (3) (p) shall not apply, in case the Directors are evaluated by the Ministry, which is administratively in charge of the Company as per its own evaluation methodology. As Bharat Petroleum Corporation Limited is a Government Company, the above provisions are not applicable.

Bharti Airtel Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Survey, Peer Evaluation
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board, Directors, Chairperson

 Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

In compliance with the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement with Stock Exchanges, HR and Nomination Committee has approved the process, format, attributes and criteria for the performance evaluation of the Board, Board Committees and Individual Directors including the Chairman and Managing Director & CEO (India and South Asia).

The process provides that the performance evaluation shall be carried out on an annual basis. During the year, the evaluation process was completed by the Company, which included evaluation of the Board as a whole, Board Committees and Individual Directors, including the Chairman. The evaluation process was facilitated by an independent leading HR consulting firm.

Performance of the Board and Board Committees were evaluated on various parameters such as structure, composition, quality, diversity, experience, competencies, performance of specific duties and obligations, quality of decision-making and overall Board effectiveness.

Performance of Individual Directors was evaluated on parameters, such as meeting attendance, participation and contribution, responsibility towards stakeholders and independent judgement.

Chairman and MD & CEO were evaluated on certain additional parameters, such as performance of the Company, leadership, relationships and communications, recognition and awards to the Company.

Some of the performance indicators based on which Independent Directors were evaluated include:

- Devotion of sufficient time and attention towards professional obligations for independent decision and acting in the best interest of the Company.
- Provides strategic guidance to the Company and determine important policies with a view to ensure long-term viability and strength.
- Bringing external expertise and independent judgement that contributes to the objectivity of the Board's deliberation, particularly on issues of strategy, performance and conflict management.

All Directors participated in the evaluation survey and review was carried out through a peer-evaluation excluding the Director being evaluated.

The result of evaluation was discussed in the Independent Director's meeting, respective Committee meetings and in the Board Meeting held on April 28, 2015. The Board members noted the suggestions / inputs of Independent Directors, HR and Nomination Committee and respective Committee Chairmen and also discussed various initiatives to further strengthen Board effectiveness.

Bosch Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of Directors

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of the Board as a whole, the Directors Individually as well as the working of the Board and its Committees.

A structured questionnaire was circulated to the Board members in this connection. The feedback from the Directors was summarized and ideas for further improving effectiveness of the Board processes, etc. were discussed.

Cairn India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of Board, Committees & Individual Directors

A formal evaluation of the performance of the Board, its Committees, the Chairman and the Individual Directors was carried out for the year 2014-15. Led by the Nomination & Remuneration Committee, the evaluation was done using Individual questionnaires covering amongst others vision, strategy & role clarity of the Board, Board dynamics & processes, contribution towards development of the strategy, risk management, budgetary controls, receipt of regular inputs and information, functioning, performance & structure of Board Committees, ethics & values, skill set, knowledge & expertise of Directors, leadership etc.

As part of the evaluation process, the performance of Non-Independent Directors, the Chairman and the Board was done by the independent Directors. The performance evaluation of the respective Committees and that of independent and Non-Independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

Cipla Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors Individually and that of its Committees. The manner in which the evaluation has been carried out is stated in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

The evaluation of the Board constituted Committees was based on criteria which, inter-alia, included roles and responsibilities, composition and balance of skill sets, number of meetings held, time spent at the meetings, reporting of key issues and major recommendations to the Board of directors, overall contribution etc.

A structured questionnaire covering various aspects of the functioning of the Board of directors was circulated to the directors. The company had engaged a consulting firm of repute for advising with respect to evaluation of the Board. On the basis of the recommendation of the consulting firm, the performance evaluation of the Board as a whole was completed.

The evaluation of the Executive directors and non-Executive/Non-Independent directors was based on criteria which, inter-alia, included leadership qualities, contribution in strategic planning, balanced decision making, safeguarding of confidential information, adherence of code of conduct, etc.

The evaluation of the independent directors was based on criteria which, inter-alia included attendance and participation in the meeting, decision making, independent judgement on issues of strategy, performance, risk management, resources, key appointments and standards of conduct, safeguard of confidential information, adherence to code of conduct etc.

Coal India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

A Statement indicating the manner in which formal Board evaluation has been made by the Board of its own performance and that of its Committees and Individual directors.

MCA vide notification # GSR 463 (E) dated 5 June 2015 has exempted the above for Government Companies.

Dr. Reddys Laboratories Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	360-degree feedback, peer evaluation
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	✓	
	Others	✓	Entire Board

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

As per provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, an evaluation of the performance of the Board and members was undertaken. In order to ensure objectivity, an independent expert was engaged to manage the process. The contribution and impact of Individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness. A 360 degree feedback cum-assessment of Individual directors, the Board as a whole and its Committees was conducted. The feedback obtained from the interventions was discussed in detail and, where required, independent and collective action points for improvement put in place.

CORPORATE GOVERNANCE REPORT

The Board has carried out an annual evaluation of its own performance, as well as the working of its Committees. The Board worked with the Nomination, Governance and Compensation Committee to lay down the criteria for the performance evaluation. In order to ensure objectivity, an independent expert was engaged to manage the process. The contribution and impact of Individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness. A 360 degrees feedback cum- assessment of Individual directors, the Board as a whole and its Committees was conducted. The feedback obtained from the interventions was discussed in detail and, where required, independent and collective action points for improvement put in place.

EVALUATION OF DIRECTORS

For the purpose of determining remuneration (based on profitability of the Company), the evaluation criteria of the Executive and Non-Executive Directors are as outlined below:

1) Executive Directors:

- a) Financial metrics covering growth in Return on Capital Employed (RoCE) and Profitability.
- b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the Company.

2) Non-Executive Directors:

- a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the Board's overall effectiveness.
- b) The Non-Executive Directors remuneration shall be globally benchmarked with similar organizations.
- c) Participation in the Committees (either as Chairperson or member) and the Board meetings.

GAIL (India) Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation

As per the provisions of section 134(3)(p) of the Companies Act 2013 every listed company, 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 should form part of the Directors' report.

However, as per the notification dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, government Companies are exempted from complying with the provisions of section 134(3)(p) of the Companies Act 2013, your Company is a Government Company and the appointment, tenure, performance evaluation, etc of the Directors is done by Government of India, therefore, such particulars have not been included as part of directors report. As per requirement of clause 49 of Listing Agreement, evaluation criteria for the Board is being formulated.

Grasim Industries Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Formal annual evaluation

Pursuant to the provisions of the Act and clause 49 of the Listing Agreement, a framework of the Board performance evaluation has been formulated. In terms of this framework, the Nomination and Remuneration Committee and the Board has carried out an annual performance evaluation of its own performance, the performance of the various Committees of the Board, Individual directors and the Chairman. The manner in which the evaluation has been carried out has been explained in the corporate governance report.

CORPORATE GOVERNANCE REPORT

Performance evaluation

A formal evaluation framework has been approved by the Nomination and Remuneration Committee of the Board of Directors of your company and adopted by the Board for evaluating the Boards performance, performances of Committees and Individual directors of the company, including the Chairman of the Board, criteria for evaluation of the performance include attendance and contribution to

the meetings, preparedness for the meetings, effective decisions making ability, etc. in terms of the Evaluation Framework, the Board has carried out the annual performance evaluation of its own performance, the directors Individual and the working of its Committees.

HCL Technologies Limited

Year End: 30 September 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

The Nomination and Remuneration Committee (NRC) of the Company approved checklists for evaluation of performance of the Board, the Committees of the Board and the Individual Directors. NRC evaluated the performance of Individual directors. In terms of the provisions of the Act and Clause 49 of the Listing Agreement, the Board of Directors carried out an annual evaluation of its own performance, the performance of the Board Committees and the Individual directors by using the checklists approved by NRC.

The Board also evaluated the performance of its own and of its Committees on the basis of the criteria such as the composition of Board and Committees, structure and composition, effectiveness of processes, information and functioning, etc.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Performance Evaluation

The Nomination and Remuneration Committee (NRC) has approved a framework/policy for evaluation of the Board, Committees of the Board and the Individual members of the Board. A questionnaire for the evaluation of the Board and its Committees, designed in accordance with the said framework and covering various aspects of the performance of the Board and its Committees, including composition and quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in Corporate Governance was sent out to the directors. The responses received to the questionnaire on evaluation of the Board and its Committees were placed before the meeting of the Independent Directors for consideration. The assessment of the Independent Directors on the performance of the Board and its Committees was subsequently discussed by the Board at its meeting. The framework/policy for evaluation of the Board, Committees and the directors is subject to an annual review.

The Bank has in place a process wherein declarations are obtained from the Directors regarding fulfillment of “fit and proper” criteria in accordance with

the guidelines of the Reserve Bank of India. The declarations from the Directors other than members of the NRC are placed before the NRC and the declarations of the members of the NRC are placed before the Board. Assessment on whether the directors fulfill the said criteria is made by the NRC and the Board on an annual basis. In addition, the framework/policy approved by the NRC provides for a performance evaluation of the Non-Independent directors by the Independent Directors on key personal and professional attributes and a similar performance evaluation of the independent directors by the Board, excluding the director being evaluated.

Distribution of Variable Pay

The distribution of Variable Pay is principally performance linked. This is based on a comprehensive evaluation of each of the Directors as per the Performance Evaluation Framework. The framework takes into consideration performance against set objectives, performance vis-à-vis peer group and adherence to compliance standards.

Hero MotoCorp Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Annual Evaluation - Board and its Committees

The Nomination and Remuneration (“NR”) Committee has laid down proper criteria and procedure to evaluate and scrutinize performance of the Chairperson, each director (including Executive, Non-Executive and Independent directors), of the Board as a whole and its Committee.

The criteria include different aspects covered under Administrative, Strategic, Operational and Compliance headings.

As per laid down procedure, the Independent Directors held a separate meeting to review the performance of the Chairperson of the Company after taking into account the views of Executive and Non-Executive Directors. The substantial, and continuing, contribution of the Chairperson in the growth of the Company has been highly commended. The Independent Directors also reviewed performance of every Executive and Non-Executive Director of the Board. The performance evaluation of each Independent Director was done by the entire Board (except the Independent Directors being evaluated).

The performance of each Committee has been evaluated by its members and found to be highly satisfactory.

On the basis of this exercise, the NR Committee and the Board, after recognizing the important contribution being made by each Independent Directors have decided that all Independent Directors should continue to be on the Board.

Hindalco Industries Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation

Pursuant to the provisions of the Companies Act 2013 and Clause 49 of the Listing Agreement the Board has carried out the annual performance evaluation of its own performance, the Directors Individually as well as the evaluation of the working of its Audit Committee, Nomination and Remuneration Committees, Stakeholder Relationship Committee and Corporate Social Responsibility Committee. A structured questionnaire was prepared covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, Execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of Individual directors including Chairman of the Board, who were evaluated on various parameters such as level of engagement and contribution, independence of judgement, etc. The performance evaluation of Independent directors was carried out by the entire Board. The performance evaluation of the Chairman and Non-Independent directors was carried out by the Independent Directors. The Directors expressed their satisfaction with the evaluation process.

Independent Director's Meeting

During the year under review, the Independent Directors met on 12th February, 2015 without the presence of Non-Independent directors and members of the management inter-alia to:

- Review of performance of Non-Independent Directors and the Board of Directors as a whole
- Review of performance of the Chairman, taking into account the views of Executive and Non-Executive Directors.
- Evaluate of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

Hindustan Unilever Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

The Nomination and Remuneration Committee of the Company approved a Evaluation Policy during the year, which was adopted by the Board of Directors. The policy provides for evaluation of the Board, the Committees of the Board and Individual Directors, including the Chairman of the Board. The Policy provides that evaluation of the performance of the Board as a whole, Board Committees and Directors shall be carried out on an annual basis and the same will be facilitated by an independent consultant once in three years.

During the year, the first Evaluation cycle was completed by the Company internally which included the Evaluation of the Board as a whole, Board Committees and Directors. The exercise was led by the Non-Executive Chairman along with a Senior Independent Director of the Company. The Evaluation process focused on various aspects of the Board and Committees functioning such as composition of the Board and Committees, experience and competencies, performance of specific duties and obligations, governance issues etc. Separate exercise was carried out to

evaluate the performance of Individual Directors on parameters such as attendance, contribution and independent judgement.

The results of the Evaluation were shared with the Board, Chairman of respective Committees and Individual Directors. Based on the outcome of the Evaluation, the Board and Committees have agreed on the action plan to improve on the identified parameters.

Housing Development Finance Corporation Limited (HDFC)

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	x	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire, Self-evaluation
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation of Directors and the Board

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee formulated the methodology and criteria to evaluate the performance of the Board and each director.

The evaluation of the performance of the Board is done at two levels. First, the overall performance of the Board is evaluated through a questionnaire, based on criteria such as the Board composition, compensation, strategic planning, role of the Chairman, non-Executive directors and other senior management, assessment of the timeliness and quality of the flow of information by the Corporation to the Board and adherence to compliance and other regulatory issues.

At the second level, the directors do a self-evaluation of their performance. The Nomination & Remuneration Committee at its meetings discussed and reviewed the criteria and responses received from directors. The independent directors also held a separate meeting to review the performance of the non-Executive directors, the Chairman of the Corporation and the overall performance of the Board.

Subsequently, at the meeting of the Board of Directors, the consolidated report of the responses received from the directors was tabled. The Board reviewed the performance of each of the directors of the Corporation and the Board as a whole and expressed its satisfaction on the same.

ICICI Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire, Self-evaluation
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance evaluation of the Board, Committees and Directors

The Bank with the approval of its Board Governance, Remuneration & Nomination Committee has put in place an evaluation framework for evaluation of the Board, Directors and Chairperson. The Board also carries out an evaluation of the working of its Audit Committee, Board Governance, Remuneration & Nomination Committee, Corporate Social Responsibility Committee, Credit Committee, Customer Service Committee, Fraud Monitoring Committee, Information Technology Strategy Committee, Risk Committee, Stakeholders Relationship Committee and Committee of Executive Directors. The evaluation of the Committees is based on the assessment of the compliance with the terms of reference of the Committees.

The evaluations for the Directors and the Board were done through circulation of two questionnaires, one for the Directors and the other for the Board which assessed the performance of the Board on select parameters related to roles, responsibilities and obligations of the Board and functioning of the Committees

including assessing 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. The evaluation criteria for the Directors was based on their participation, contribution and offering guidance to and understanding of the areas which are relevant to them in their capacity as members of the Board. The evaluation process for Wholetime Directors is further detailed under the section titled “Compensation Policy and Practices”

Compensation Policy and Practices

KPIs of Wholetime Directors & equivalent positions, as well as employees, incorporate relevant risk management related aspects. For example, in addition to performance targets in areas such as growth and profits, performance indicators include aspects such as the desired funding profile and asset quality. The Board Governance, Remuneration & Nomination Committee (BGRNC) takes into consideration all the above aspects while assessing organizational and individual performance and making compensation-related recommendations to the Board.

Idea Cellular Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement

 Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation and Familiarization Programme

The Board has carried out the annual performance evaluation of its own performance, Board Committees and Individual Directors pursuant to the provisions of the Companies Act, 2013 and the Clause 49 of the Listing Agreement. The manner in which the evaluation has been carried out has been provided in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Performance Evaluation of Board

In compliance with the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement with Stock Exchanges, the Nomination and Remuneration Committee has laid down the criteria for performance evaluation of the Board, Committees and Individual directors.

Performance of the Board and Committees were evaluated on various parameters such as structure and composition, effectiveness of Board processes, and quality

of decision making etc. Performance of Individual directors was evaluated on parameters such as, preparedness on the issues to be discussed, external expertise and independent judgement and constructive contribution and inputs in meetings. The Directors expressed their satisfaction with the evaluation process.

IndusInd Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provision of the Companies Act 2013 and clause 49 of the Listing Agreement, the Board has carried out annual evaluation of its own performance (Board as a whole), of the Directors Individually, of the Chairman, and of the working of its Committees.

The statement indicating the manner in which the evaluation exercise was conducted is included in the report on Corporate Governance, which forms an integral part of this report.

CORPORATE GOVERNANCE REPORT

Annual Evaluation of Board Performance and performance of its Committees and of Directors:

The nomination Committee has defined the evaluation criteria, procedure and time schedules for the performance Evaluation for the Board, Committees and Directors.

Performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of criteria such as Board composition and structure, effectiveness of Board processes, information and functioning, etc.

Performance evaluation of the independent directors and the chairman was carried out by entire Board, excluding the directors being evaluated. Performance evaluation of Non-Independent directors was carried out by independent directors, who also reviewed the performance of the Board as a whole. Performance of the Committees was evaluated by the Board after seeing inputs from the non-Committee members on the basis of criteria such as the composition of the Committee, effectiveness of the Committee meetings, etc. the nomination Committee also reviewed the performance of the Board, its Committees and of the directors.

The Chairman of the Board provided feedback to the directors on an individual basis, as appropriate. Significant highlights, learning and action points with respect to the evaluation were presented to the Board.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Board Survey
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation

Clause 49 of the Listing Agreement mandates that the Board shall monitor and review the Board evaluation framework. The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its Committees and Individual directors. Schedule IV of the Companies Act, 2013 states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the *Corporate governance report* section in this Annual Report. The Board approved the evaluation results as collated by the Nomination and Remuneration Committee. None of the independent directors are due for re-appointment.

CORPORATE GOVERNANCE REPORT

The Board works with the Nomination and Remuneration Committee to lay down the evaluation criteria for the performance of Executive / non-Executive / independent directors through a peer-evaluation excluding the director being evaluated through a Board effectiveness survey. The questionnaire of the survey is a key part of the process of reviewing the functioning and effectiveness of the Board and for identifying possible paths for improvement. Each Board member is requested to evaluate the effectiveness of the Board dynamics and relationships, information flow, decision-making of the directors, relationship to stakeholders, company performance, company strategy, and the effectiveness of the whole Board and its various Committees on a scale of one to five. Feedback on each director is encouraged to be provided as part of the survey.

Independent directors have three key roles – governance, control and guidance. Some of the performance indicators based on which the independent directors are evaluated include:

- Ability to contribute to and monitor our corporate governance practices
- Ability to contribute by introducing international best practices to address top-management issues
- Active participation in long-term strategic planning
- Commitment to the fulfillment of a director's obligations and fiduciary responsibilities; these include participation in Board and Committee meetings.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation

The Nomination & Compensation Committee has approved the Policy on Board evaluation, evaluation of Board Committees' functioning and Individual Director Evaluation. In keeping with ITC's belief that it is the collective effectiveness of the Board that impacts Company performance, the primary evaluation platform is that of collective performance of the Board as a whole.

Board performance is assessed against the role and responsibilities of the Board as provided in the Act and the Listing Agreement read with the Company's Governance Policy. The parameters for Board performance evaluation have been derived from the Board's core role of trusteeship to protect and enhance shareholder value as well as fulfil expectations of other stakeholders through strategic supervision of the Company. Evaluation of functioning of Board Committees is based on discussions amongst Committee members and shared by each Committee Chairman with the Board.

Individual Directors are evaluated in the context of the role played by each Director as a member of the Board at its meetings, in assisting the Board in realizing its role

of strategic supervision of the functioning of the Company in pursuit of its purpose and goals.

While the Board evaluated its performance against the parameters laid down by the Nomination & Compensation Committee, the evaluation of Individual Directors was carried out anonymously in order to ensure objectivity. Reports on functioning of Committees were placed by the respective Committee Chairman before the Board.

Kotak Mahindra Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

The Independent Directors of the Bank at their meeting held on 6th September 2014, had advised the management to appoint an external agency specialized in HR and management consultancy to finalize the criteria for performance evaluation of Non-Executive directors, Whole-time Directors and the Chairperson. Accordingly, the management has identified and shortlisted one external agency for finalizing the criteria for the performance evaluation of the Directors and would be presenting the proposal to the Independent Directors at their next meeting for their consideration and approval.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of the Board, its Committees and Directors

The Nomination & Remuneration Committee and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, Committees and Individual Directors has to be made. It includes circulation of questionnaires to all Directors for evaluation of the Board and its Committees, Board composition and its structure, its culture, its effectiveness, its functioning, information availability, etc. These questionnaires also cover specific criteria and the grounds on which all Directors in their individual capacity will be evaluated.

The Individual Directors responses on the questionnaire on the performance of the Board, Committee(s), Directors and Chairman were analyzed to arrive at unbiased conclusions. The inputs given by all the directors were discussed in the meeting of the Independent Directors held on March 23, 2015, as per Schedule IV of the Companies Act, 2013.

The performance evaluation of the Board, Committees and Directors was also reviewed by the Nomination & Remuneration Committee.

Lupin Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement

 Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

In compliance with the provisions of Section 134(3) (p) of the Companies Act, 2013, the Board carried out an annual evaluation of its own performance and Individual directors. It also evaluated the performance of the Audit, Nomination & Remuneration, Stakeholders Relationship and Corporate Social Responsibility Committees. The evaluation inter alia covered different aspects viz. composition of the Board and its Committees, qualifications, experience, expertise, leadership qualities, attendance at the meetings, contribution, responsibilities shouldered, etc. In compliance with Clause 49(1)(D)(2)(i) of the Listing Agreement, the Board monitors and reviews the Board evaluation framework.

CORPORATE GOVERNANCE REPORT

The performance evaluation of the Independent Directors was done by the entire Board

Mahindra & Mahindra Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its own performance and that of its Committees as well as performance of the Directors Individually. Feedback was sought by way of a structured questionnaire covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance and the evaluation was carried out based on responses received from the Directors.

A separate exercise was carried out by the Governance, Nomination and Remuneration Committee of the Board to evaluate the performance of Individual Directors. The performance evaluation of the Non-Independent Directors and the Board as a whole was carried out by the Independent Directors. The performance evaluation of the Chairman of the Company was also carried out by the Independent Directors, taking into account the views of the Executive Director and Non-Executive Directors. The Directors expressed their satisfaction with the evaluation process.

CORPORATE GOVERNANCE REPORT

In addition to the above, the Committee would 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.

Maruti Suzuki India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors Individually as well as the evaluation of its Committees. The evaluation criteria, inter-alia, covered various aspects of the Board's functioning including its composition, attendance of Directors, participation levels, bringing specialized knowledge for decision making, smooth functioning of the Board and effective decision making.

The performance of Individual directors was evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders, time devoted, etc. The Directors expressed their satisfaction with the evaluation process.

The criteria laid down by the Nomination and Remuneration Committee for evaluation of performance of independent directors included, inter-alia, the extent of engagement including attendance at the Board/ Committee meetings, ability to discharge their duties and provide effective leadership, exercise independence

of judgement and safeguarding the interest of all the stakeholders including the minority shareholders.

Evaluation of the Board, its Chairman, Individual Directors and Committees of the Board

The evaluation of the Board, its Chairman, Individual directors and Committees of the Board shall be undertaken in compliance with the provisions of Section 134(3) (p), Section 178 and Clause 49 of the Listing Agreement.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of the Directors and the Board

As required under the Companies Act, 2013 and the Listing Agreement, evaluation of performance of directors including that of the Independent Directors and of the Board is to be carried out either by the Board or by the Nomination and Remuneration Committee or by the Independent Directors. It also requires disclosure of formulated criteria for performance evaluation in this Report. In this regard, the Ministry of Corporate Affairs, through Notification dated 05.06.2015, has exempted the Government Companies from these provisions. The appointment of the Functional Directors, Government Nominee Directors and Independent Directors of your Company is made by the Government of India. Their terms & conditions of appointment as well as tenure of all directors are also decided by GOI and there is a well laid down procedure for evaluation of Functional Directors & CMD as well as of Government Directors by Administrative/ respective Ministry. Also, the performance of the Board of the Government Companies is evaluated during the performance evaluation of the MOU signed with the Government of India.

CORPORATE GOVERNANCE REPORT

Separate Meeting of Independent Directors and Performance Evaluation of Board Members

A separate meeting of Independent Directors was held on 9.02.2015. All the Independent Directors except Dr. Alwyn Didar Singh and Shri Prashant Mehta attended this separate meeting. This meeting assessed the performance of the Board as a whole and also the quality, quantity and timeliness of flow of information between the Company management and the Board necessary for the Board to effectively and reasonably perform their duties.

Since the appointment of the Chairman & Managing Director and other whole-time Directors is made by the Government of India and DPE has already laid a mechanism for performance appraisal of them, DPE, through Office Memorandum No. F. No. 16(4)/2012-GM dated 20.06.2013, had made the amendment to the Roles & Responsibilities of non-official Directors on the Board of CPSEs to effect that the separate meeting of the Independent Directors shall not review the performance of the Director or of the Board. Also, the performance of the Board of the Government Companies is evaluated during the performance evaluation of the MOU signed with the Government of India. Further, we have sought exemption from the Ministry of Corporate Affairs under Section 462 of the Companies Act, 2013 for exempting Government Companies from the provision of performance evaluation of the Directors and the same is under consideration. As such, the performance of the Functional Directors was not evaluated by the Independent Directors.

The evaluation of the performance of the Board is done by the MOU Task Force of the DPE, GOI annually while evaluating the performance of the Company vis-à-vis the targets set out. Thus, there may be practical difficulty in implementing the scope of this Committee.

Oil & Natural Gas Corporation Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation

ONGC being a Government Company, the provisions of section 134(3)(p) of the Companies Act, 2013 shall not apply in view of the Gazette notification dated 05.06.15 issued by Government of India, Ministry of Corporate Affairs.

CORPORATE GOVERNANCE REPORT

Policy on Performance Evaluation of Directors

ONGC being a Government Company, the provisions of Section 134(3)(e) and (p), 149(6)(a) and (c), 152(5) and 178(2), (3) and (4) of the Companies Act, 2013 with regard to appointment, Performance Evaluation etc. have been exempted by Government of India, Ministry of Corporate Affairs vide Gazette notification dated 05.06.15.

Power Grid Corporation of India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

The requirement of performance evaluation of directors under section 178(2) of the Companies Act 2013 has been done away with for the Government Companies vide Ministry of Corporate Affairs' Notification dated 5 June 2015. The independent directors in their separate meeting has reviewed the work assigned to them under Schedule IV of the Companies Act 2013, including performance evaluation of the Directors of the Board.

Punjab National Bank

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	Could be done by Peer group
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

CORPORATE GOVERNANCE REPORT

Mechanism for evaluating Non-Executive Board Members

The performance evaluation of nonexecutive directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend / continue the terms of appointment of non-executive directors

A Nomination Committee has been constituted in terms of Reserve Bank of India Guidelines and the directors elected under clause 9(3)(i) of The Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 are subject to determination of “fit & proper” status. Further other Non-Executive directors are appointed by GoI, in terms of the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970.

Reliance Industries Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Directors Report

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other Individual Directors which includes criteria for performance evaluation of the non-Executive directors and Executive directors. The Company had engaged two consultants for looking at the best practices prevalent in the industry and advising with respect to evaluation of Board members. On the basis of recommendations of the consultants and the Policy for performance evaluation of Independent Directors, Board, Committees and other Individual Directors, a process of evaluation was followed by the Board for its own performance and that of its Committees and Individual Directors.

Policy for Selection of Directors and determining Directors' independence Qualifications and criteria

The Human Resources, Nomination and Remuneration (HRNR) Committee, and the Board, shall review on an annual basis, appropriate skills, knowledge and experience required of the Board as a whole and its Individual members. The

objective is to have a Board with diverse background and experience that are relevant for the Company's global operations.

In evaluating the suitability of Individual Board members, the HRNR Committee may take into account factors, such as:

- General understanding of the Company's business dynamics;
- global business and social perspective;
- Educational and professional background;
- Standing in the profession;
- Personal and professional ethics, integrity and values;
- Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

State Bank of India

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	Not mentioned if executive directors are evaluated
	Board committees	x	
	Overall board	x	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 Mandatory Requirement  Voluntary Requirement

Extracts from website

No disclosures in annual report.

COMPANY WEBSITE

Performance evaluation

Every year the member of the Central Board will evaluate the performance of every independent director based on the performance evaluation approved by it.

Separate meeting

Every independent director strive to hold and present in atleast one meeting in a year without the presence of non-independent directors and members of management with the sole objective of:

- review the performance of non-independent directors and the Central Board as a whole;
- review the performance of the Chairperson of the Bank, taking into account the views of executive directors and non-executive directors;
- Assess the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Sun Pharmaceutical Industries Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation of Performance of the Board, its Committees and Individual Directors

The Board of Directors have laid down the manner for carrying out an annual evaluation of its own performance, its various Committees and Individual directors pursuant to the provisions of the Act and relevant Rules and the Corporate Governance requirements as prescribed under Clause 49 of the Listing Agreement.

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of various criteria such as Board Composition, process, dynamics, quality of deliberations, strategic discussions, effective reviews, Committee participation, governance reviews etc.

The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of criteria such as Committee composition, process, dynamics, deliberation, strategic discussions, effective reviews etc.

The Nomination and Remuneration Committee reviewed the performance of the Individual Directors on the basis of the criteria such as Transparency, Analytical Capabilities, Performance, Leadership, Ethics and ability to take balanced decisions regarding stakeholders etc.

In a separate meeting of Independent Directors, performance of Non-Independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of the Executive Directors and Non-Executive Directors.

Tata Consultancy Services Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board evaluation

The Board of directors has carried out an annual evaluation of its own performance, Board Committees and Individual directors pursuant to the provisions of the Act and the corporate governance requirements as prescribed by Securities and Exchange Board of India (“SEBI”) under Clause 49 of the Listing Agreements (“Clause 49”).

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the Board composition and structure, effectiveness of Board processes, information and functioning, etc.

The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of the criteria such as the composition of Committees, effectiveness of Committee meetings, etc.

The Board and the Nomination and Remuneration Committee (“NRC”) reviewed the performance of the Individual directors on the basis of the criteria such as the contribution of the Individual director to the Board and Committee meetings

like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent Directors, performance of Non-Independent directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of Executive directors and non-Executive directors. The same was discussed in the Board meeting that followed the meeting of the independent Directors, at which the performance of the Board, its Committees and Individual directors was also discussed.

Tata Motors Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Act and the corporate governance requirements as prescribed by SEBI under Clause 49 of the Equity Listing Agreement, the Board of Directors (“Board”) has carried out an annual evaluation of its own performance, and that of its Committees and Individual Directors.

The performance of the Board and Individual Directors was evaluated by the Board seeking inputs from all the Directors. The performance of the Committees was evaluated by the Board seeking inputs from the Committee Members. The Nomination and Remuneration Committee (“NRC”) reviewed the performance of the Individual Directors. A separate meeting of Independent Directors was also held to review the performance of Non-Independent Directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Executive Directors and Non-Executive Directors. This was followed by a Board meeting that discussed the performance of the Board, its Committees and Individual Directors.

The criteria for performance evaluation of the Board included aspects like Board composition and structure; effectiveness of Board processes, information and functioning etc. The criteria for performance evaluation of Committees of the Board included aspects like composition of Committees, eff activeness of Committee meetings etc.

The criteria for performance evaluation of the Individual Directors included aspects on contribution to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc. In addition the Chairperson was also evaluated on the key aspects of his role.

CORPORATE GOVERNANCE REPORT

Remuneration policy: NRC

The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, Individual contributions at the meetings and contributions made by directors other than in meetings.

In addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the company provides MD/ EDs such remuneration by way of an annual incentive remuneration/ performance linked bonus subject to the achievement of certain performance criteria and such other parameters as may be considered appropriate from time to time by the Board. An indicative list of factors that may be considered for determination of the extent of this component are:

- Company performance on certain defined qualitative and quantitative parameters as may be decided by the Board from time to time,
- Industry benchmarks of remuneration,
- Performance of the Individual.

Tata Power Company Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Peer Evaluation
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Annual Evaluation of Board performance, performance of its Committees and Individual directors

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its own performance, performance of the Directors Individually as well as the evaluation of the working of its Committees.

The following process was adopted for Board Evaluation:

Feedback was sought from each Director about their views on the performance of the Board covering various criteria such as degree of fulfilment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning, Board culture and dynamics, quality of relationship between the Board and the Management and efficacy of communication with external stakeholders. Feedback was also taken from every director on his assessment of the performance of each of the other Directors.

The Nomination and Remuneration Committee (NRC) then discussed the above feedback received from all the Directors. Based on the inputs received, the Chairman of the NRC also made a presentation to the Independent Directors at their meeting, summarizing the inputs received from the Directors as regards Board performance as a whole, and of the Chairman. The performance of the Non-Independent non-Executive directors and Board Chairman was also reviewed by them.

Post the meeting of the Independent Directors, their collective feedback on the performance of the Board (as a whole) was discussed by the Chairman of the NRC with the Chairman of the Board. It was also presented to the Board and a plan for improvements was agreed upon.

Every statutorily mandated Committee of the Board conducted a self-assessment of its performance and these assessments were presented to the Board for consideration. Areas on which the Committees of the Board were assessed included degree of fulfillment of key responsibilities, adequacy of Committee composition and effectiveness of meetings.

Feedback was provided to the Directors, as appropriate. Significant highlights, learning and action points arising out of the evaluation were presented to the Board.

CORPORATE GOVERNANCE REPORT

NRC Committee: Remuneration Policy for Directors, Key Managerial Personnel and other employees

The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, Individual contributions at the meetings and contributions made by directors other than in meetings.

Remuneration for independent directors and Non-Independent non-Executive directors

- The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, Individual contributions at the meetings and contributions made by directors other than in meetings.

Tata Steel Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	One-on-one meetings with Chairperson of Board and NRC
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation

The Board evaluated the effectiveness of its functioning and that of the Committees and of Individual directors by seeking their inputs on various aspects of Board/ Committee Governance.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in the long-term strategic planning and the fulfilment of Directors' obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee meetings.

The Chairman of the Board had one-on-one meetings with the Independent Directors and the Chairman of the Nomination and Remuneration Committee had one-on-one meetings with the Executive and Non-Executive Directors. These meetings were intended to obtain Directors' inputs on effectiveness of Board/ Committee processes.

The Board considered and discussed the inputs received from the Directors.

Further, the Independent Directors at their meeting, reviewed the performance of Board, Chairman of the Board and of Non-Executive Directors.

CORPORATE GOVERNANCE REPORT

Board Membership Criteria

In evaluating the suitability of Individual Board members, the Committee considers many factors, including general understanding of marketing, finance, operations management, public policy, international relations, legal, governance and other disciplines relevant to the success of a large publicly traded metals and mining company in today's business environment; understanding of the Company's business; experience in dealing with strategic issues and long-term perspectives; maintaining an independent familiarity with the external environment in which the Company operates and especially in the Directors particular field of expertise; educational and professional background; personal accomplishment; and geographic, gender, age, and ethnic diversity.

The Board evaluates each Individual in the context of the Board as a whole, with the objective of having a group that can best perpetuate the success of the Company's business and represent stakeholders' interests through the exercise of sound judgment, using its diversity of experience.

In determining whether to recommend a Director for re-election, the Committee also considers the Director's past attendance at meetings, participation in meetings and contributions to the activities of the Board, and the results of the most recent Board self-evaluation.

Board members are expected to rigorously prepare for, attend and participate in all Board and applicable Committee meetings. Each member is expected to ensure that their other current and planned future commitments do not materially interfere with the responsibilities at Tata Steel.

The NRC will recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, Individual contributions at the meetings and contributions made by Directors other than in meetings.

Tech Mahindra Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire, Peer Evaluation
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has devised a policy on evaluation of performance of Board of Directors, Committees and Individual directors.

Accordingly, the Chairman of the Nomination and Remuneration Committee obtained from all the Board members duly filled in evaluation templates for evaluation of the Board as a whole, evaluation of the Committees and peer evaluation. The summary of the evaluation reports were presented to the respective Committees and the Board for their consideration.

CORPORATE GOVERNANCE REPORT

Policy for Appointment and Removal of Directors, KMPs and Senior Management

In evaluating the suitability of Individual Board member, the NRC will take into account multiple factors, including general understanding of the business,

education, professional background, personal achievements, professional ethics and integrity. Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman / EVC / MD & CEO will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Companies Act, 2013 and Rules made there under.

Ultratech Cement Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of Board

A formal Evaluation process has been adopted for evaluating the performance of the Board as well as performance of its Committees and Individual Directors. Performance of all Directors of the Company has been carried out by way of structured evaluation process. Criteria for evaluation includes attendance and contribution at the meetings, preparedness for meetings, effective decision making ability etc.

Independent Directors Meeting

A meeting of the Independent Directors of your Company was held without the presence of Non-Independent Directors and management of your Company. Independent Directors discussed the matters relating to functioning of your Company

Formal Annual Evaluation

The evaluation framework for assessing the performance of Directors of your Company comprises of contributions at the meetings, strategic perspective or inputs regarding the growth and performance of your Company, among others.

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreement, the Directors have carried annual performance evaluation of Board, Independent Directors, Non-Executive Directors, Executive Directors, Committee and Chairman of the Board.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation of performance of the Board, its Committees and Individual Directors As part of good governance practice, Boards evaluate its performance. The Companies Act, 2013 and Clause 49 of the Listing Agreement has mandated the need to ensure effectiveness of the Board governance and requires 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.

Structured questionnaires/performance evaluations forms were prepared taking into consideration inputs received from the Directors for evaluation of the Board and its Committees, their effectiveness was broadly based on parameters like Strategic and Operational Oversight, the Dynamics, Composition, Level of Expertise, Terms of Reference, Board support and processes, Governance etc.

The Directors evaluation was broadly based on parameters such as understanding of the Company's vision and objective, skills, knowledge and experience, participation and attendance in Board/Committee meetings; governance and contribution to strategy; interpersonal skills etc.

The performance evaluation of Chairman of the Company was undertaken by the Independent Directors taking into account the views of Executive Directors and Non-Executive Directors. The Independent Directors also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board. The Directors expressed overall satisfaction on the evaluation process.

CORPORATE GOVERNANCE REPORT

Selection / Appointment procedure

The Nomination and Remuneration Committee (NRC) evaluates the balance of knowledge, skill, professional and functional expertise, industry orientation, gender, age etc. on the Board and, in the light of this evaluation, prepare and recommend to the Board, a description of the role and capabilities required for a particular appointment. The Committee in their nomination process and while making recommendations to the Board, endeavour to have an optimum combination of directors from different fields/walks such as Management, Legal, Finance, Marketing, Human Resources, Bureaucracy, Public Policy etc. and adequate representation of women directors on the Board.

Separate meetings of Independent Directors

A separate meeting of the Independent Directors was held on March 27, 2015 wherein the Independent Directors discussed the process of evaluating the performance of the Non-Independent directors and the Board as a whole, performance of the Chairperson of the Company taking into account the views of Executive directors and non-Executive directors, assessed the quality, quantity and timelines of flow of information between the Company management and the Board for the Board to effectively and reasonably perform their duties.

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Peer evaluation
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013, Clause 49 of the Listing Agreement and in line with our corporate governance guidelines, peer evaluation of all Board members, annual performance evaluation of its own performance, as well as the evaluation of the working of its Committees of the Board. This evaluation is led by the Chairman of the Board Governance, Nomination and Compensation Committee with specific focus on the performance and effective functioning of the Board.

The evaluation process also considers the time spent by each of the Board members, core competencies, personal characteristics, accomplishment of specific responsibilities and expertise.

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors Individually as well as the evaluation of the working of its Board Governance, Nomination and Compensation Committee.

Yes Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Self-assessment
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Chairperson, Committees

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of the Board

The Nomination and Remuneration Committee at its meeting held on October 29, 2014 and the Board of Directors at its meeting held on October 30, 2014 respectively, had laid down criteria for performance evaluation of Directors, Chairperson, MD & CEO, Board Level Committees and Board as a whole and also the evaluation process for the same.

The statement indicating the manner in which formal annual evaluation of the Directors, the Board and Board level Committees are given in detail in the report on Corporate Governance, which forms part of this Annual Report.

The performances of the members of the Board, the Board level Committees and the Board as a whole were evaluated at the meeting of the Committee of Independent Directors and the Board of the Directors held on April 22, 2015.

Board level Performance evaluation

The Companies Act, 2013 and revised clause 49 of the Listing Agreement entered with the Stock exchanges stipulates that the performance evaluation of the directors including chairperson, Board and its Committees. Considering the said provisions, the bank has devised the process and the criteria for the evaluation which has been recommended by the Nomination and Remuneration Committee and approved by the Board at their meeting held on October 29, 2014 and October 30, 2014, respectively.

The process for performance evaluation is as under:

Committee of Independent Directors evaluates the performance on Non-Independent directors including chairperson of the Bank taking into account the views of the Executive director and non-Executive director and the Board as a whole and submit its report to the Nomination and Remuneration Committee.

The Board evaluates the performance of the independent directors excluding the directors being evaluated and submit its report to the N&RC

Self-assessment of performance evaluation of the Board level Committees are done by the respective Committees and reported to the Board

Based on the recommendations of the N&RC, Board will take appropriate action.

The criteria for performance evaluation are as under:

Performance evaluation of non-Executive directors, MD and CEO and Chairperson
Attendance; participation and contribution; responsibility towards stakeholders; contribution in strategic planning; compliance and governance; participation; performance evaluation and updation of knowledge.

In addition to the above criteria, following are the parameters for the performance evaluation of MD &CEO and Chairperson

Performance of the bank; Recognition and awards to the Bank; recognition and awards to the MD & CEO; leadership; relationships and Communications; resources; conduct of meetings; resources

Performance Evaluation of Board

Composition and diversity; Committees of the Board; Board and Committee Meetings; Induction program; team work; cohesiveness of Board decisions; Board procedure; performance culture; succession planning; discussions at Board

meetings; understanding of the role and effectiveness; foresight to avoid crisis and effectiveness in crisis management; understanding of the regulatory environment; strategy and growth; risk management and financial controls; quality of decision making and Boards communication AGM and Annual report.

Self-Assessment of the Performance by the Board level Committees

Composition and Balance of skill sets; frequency and duration; overall contributions; relationships; communications; understanding of regulatory environment and developments; interaction with the Board; justice to the role of Committee and procedure.

Zee Entertainment Enterprises Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	x	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

In a separate meeting of Independent Directors, performance of Non-Independent directors, performance of the Board as a whole and performance of the Chairman was evaluated. Based on such report of the meeting of Independent Directors and taking into account the views of Executive directors and non-Executive directors, the Board had evaluated its performance on various parameters such as Board composition and structure, effectiveness of Board processes, effectiveness of flow of information, contributions from each Directors etc.

Disclosures of select NIFTY MIDCAP 50 companies

Adani Power Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

The Board adopted a formal mechanism for evaluating its performance as well as that of its Committees and Individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board functioning such as composition of the Board & Committees, experience & competencies, performance of specific duties & obligations, contribution at the meetings and otherwise, independent judgment, governance issues etc.

Ajanta Pharma Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	✓	
	Others	✓	Entire Board, Committees, Chairperson

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation of Board, Committees and Directors

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreement, the Board had carried out performance evaluation of its own, the Board Committees and of the Independent directors. Independent Directors at a separate meeting evaluated performance of the Non-Independent Directors, Board as a whole and of the Chairman of the Board. The manner in which the evaluation has been carried out has been detailed in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Selection of Directors

Selection and appointment of Directors is done based on various criteria laid down in the Policy for Determining Qualifications, Positive Attributes & Independence of a Director and Policy for Board diversity. The criteria inter alia includes, having qualified in any professional discipline or having proven track record of strong managerial capabilities; possessing knowledge and skills in one or more fields of

sales, marketing, technical operations, research, accounting, finance, management, administration, corporate governance; possessing relevant experience at policy-making and at leadership position in large organisations; having high standards of integrity and probity etc. In case of Independent Directors, he/she must fulfil the criteria of independence attributes to bring independent judgment to Board's deliberations and decisions over and above other attributes. Woman member on the Board to be selected on merit and must meet criteria as per these policies.

Performance Evaluation of Board, Committees and Directors

Based on the criteria laid down in the Policy for evaluation of Board and Independent Directors, the Board carried out the annual performance evaluation of Board Committees and the Independent Directors, whereas at a separate meeting, Independent Directors evaluated the performance of Executive Directors, Board as a whole and of the Chairman. Nomination and Remuneration Committee also evaluated individual directors' performance.

- (i) As per the said Policy, evaluation criteria for evaluation Board inter alia covers: Composition in light of business complexities and statutory requirements; establishment of vision, mission, objectives and values for the Company; laying down strategic road map for the Company & annual plans; growth attained by the Company; providing leadership and directions to the Company and employees; effectiveness in ensuring statutory compliances and discharging its duties / responsibilities towards all stakeholders; Identification, monitoring & mitigation of significant corporate risks; composition of various committees, laying down terms of reference and reviewing committee's working etc.
- (ii) Performance evaluation criteria for Executive Directors inter alia include: level of skill, knowledge and core competence; performance and achievement vis-à-vis budget and operating plans; Effectiveness towards ensuring statutory compliances; discharging duties/responsibilities towards all stakeholders; reviewing/monitoring Executive management performance, adherence to ethical standards of integrity & probity; employment of strategic perception and business acumen in critical matters etc.
- (iii) Performance of Independent Directors is evaluated based on: objectivity & constructivity while exercising duties; providing independent judgment on strategy, performance, risk management and Board's deliberations; devotion of sufficient time for informed decision making; exercising duties in bona

fide manner; safeguarding interests of all stakeholders, particularly minority shareholders; upholding ethical standards of integrity & probity; updating knowledge of the Company & its external environment etc.

- (iv) Evaluation criteria for performance evaluation of Chairman are: providing guidance and counsel in strategic matters; providing overall direction to Board towards achieving Company's objectives; effectiveness towards ensuring statutory compliances; maintaining critical balance between the views of different Board Members; ensuring maximum participation and contribution by each Board member; monitoring effectiveness of Company's governance practices; conducting Board and Shareholders meetings in effective and orderly manner etc.
- (v) Committees of the Board are evaluated for their performance based on: effectiveness in discharging duties and functions conferred; setting up and implementation of various policies, procedures and plans, effective use of Committee's powers as per terms of reference, periodicity of meetings, attendance and participation of committee members; providing strategic guidance to the Board on various matters coming under committee's purview etc.

Performance evaluation was done by rating the performance on each criteria on the scale of 1 to 5, 1 being satisfactory and 5 being Excellent. Separate exercise was carried for evaluation of each director and category i.e. Independent Directors, Executive Directors, Chairman, the Board & the Committees. The Board expressed its satisfaction on the process as well as performance of all Directors, committees and Board as a whole.

Apollo Tyres Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Formal annual evaluation

Pursuant to the provisions of the Companies Act, 2013 the Board is required to carry out annual evaluation of its own performance and that of its Committees and Individual directors. The Nomination and Remuneration Committee of the Board is also required to carry out evaluation of every director's performance. Accordingly your company has carried out the performance evaluation as required during the year under review.

For annual performance evaluation of the Board as a whole, its Committees and Individual directors including the chairman of the Board, the company has formulated a questionnaire to assist in evaluation of the performance. The tools takes the form of a series of assertions/questions which should be awarded a rating on a scale of 1 to 5 by all Individual directors. Every director has to fill the questionnaire related to the performance of the Board, its Committees and Individual directors. Every director has to fill the questionnaire related to the response to the questionnaire, a formal annual evaluation has been made by the Board of its own performance and that of its Committees and Individual directors.

CORPORATE GOVERNANCE REPORT

Performance evaluation of independent directors

The company has devised a policy for performance evaluation of independent directors, Board Committees and other Individual directors which includes criteria for performance evaluation of the non-Executive directors and Executive directors.

Bata India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	x	
	Overall board	x	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

No disclosures in annual report.

COMPANY WEBSITE

Policy for appointment and removal of Director, KMP and Senior Management

Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as a Whole-time Director who has attained the age of seventy years.
- d) A person shall be considered for appointment as an Independent Director on the Board of the Company, only if he/she discloses in writing his/her independence in terms of Section 149 of the Companies Act, 2013.

Evaluation

The Committee shall advise the process to carry out evaluation of performance of every Director, KMP and Senior Management Personnel and other employees at regular interval (yearly).

Performance evaluation of the KMPs, Senior Management Personnel and other employees shall be carried out by their respective reporting Executives and Functional Heads, based on the Key Results Area (KRA) set at the beginning of the financial year and reviewed at least once during the year to modify such KRAs, if required.

Performance evaluation of the Independent Directors shall be carried out by the entire Board, except the Independent Directors being evaluated.

Biocon Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Survey
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board, Committees

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

We at Biocon believe in striving and excelling against contenders not only through products and initiatives but also through effective and efficient Board Monitoring. As required under the Companies Act, 2013 and the Listing Agreement, an evaluation of all the directors, the Board as a whole and its Committees was conducted based on the criteria and framework adopted by the Board.

The details of the said evaluation has been enumerated in the Corporate Governance Report, which is annexed to the Boards' Report.

Appointment criteria and qualifications

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

- The Company shall not appoint any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

Term / Tenure

- Managing Director/Whole-time Director: The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding such term as may be specified under the Act. No re-appointment shall be made earlier than one year before the expiry of term, and which shall be done with the approval of the shareholders of the Company.
- Independent Director - An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

Evaluation

The Committee shall carry out evaluation of performance of every Director at regular intervals and at least on an annual basis.

Board level membership norms

The Nomination & Remuneration Committee in concurrence with Board evaluates the balance of skills, knowledge and experience of the Board and, in the light of this evaluation, prepares a description of the role and capabilities required prior to identifying and recommending Individuals for nomination as independent or Non-Independent members of the Board.

The members are expected to bring objectivity and independence of view to the Board's discussions and to help in providing the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and Corporate Governance.

Appointment of new Directors

The Nomination & Remuneration Committee consists of independent directors who evaluate the experience required at the Board. The Committee in-turn makes recommendation to the Board for appointment of a new director.

Board Evaluation process

The Board is responsible for undertaking a formal annual evaluation of its own performance, that of its Committees and of Individual Directors with a view to review their functioning and effectiveness and also for identifying possible paths for improvement. During the year, the Board in concurrence with Nomination and Remuneration Committee carried out a performance evaluation of itself, its Committees, the Chairperson and each of the Executive/non-Executive/independent directors excluding director being evaluated through the survey process. This was led by the Nomination and Remuneration Committee.

The Independent directors were evaluated on various performance indicators including aspects relating to:

- Contributing to and monitoring governance practices
- Introducing international best practices to address management issues
- Participation in long-term strategic planning
- Participation in Board and Committee meetings

The evaluation process consisted of advising the Directors to consider specific matters in advance, such as the functioning and effectiveness of the Board, the major issues and challenges for the Company etc. The evaluation process covered specifically the performance of the Board and its Committees on various areas, including:

- Contribution to strategy
- Risk management
- Contributions from directors and industry benchmarks
- Financial and operating reporting including flow of information
- Succession planning
- Priorities for the Board and its Committees over the next few years
- Inter-relationships between the Board and its Committees and

- Board Committees and decision making.

The overall feedback was positive with the Directors recognizing that the performance of the Board, the chairperson, independent directors and its various Committees was effective.

Godrej Industries Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Your company has conducted a formal Board effectiveness review as part of its efforts to evaluate, identify improvements and thus enhance the effectiveness of the Board, its Committees, and Individual directors. This was in line with the requirements mentioned in the Companies Act 2013 and the Listing Agreement.

The HR team of the Company worked directly with the Chairman and the Nomination and Remuneration Committee of the Board, to design and execute this process which was adopted by the Board. Each Board member completed a confidential online questionnaire, providing vital feedback on how the Board currently operates and how it might improve its effectiveness.

The survey comprised four sections and compiled feedback and suggestions on:

- Board processes (including Board composition, strategic orientation and team dynamics)
- Individual Committees
- Individual Board members and
- The chairman

The following reports were created, as part of the evaluation:

- Board feedback report
- Individual Board member feedback report

- Chairman feedback report

The overall feedback report was facilitated by KM Elavia, an independent director. The Directors shared their feedback about the Board functioning and also identified areas which have scope for improvement. The Individual Committees and Board members' feedback was shared with the Chairman. Following his evaluation, a Chairman's report was also compiled.

On the recommendations of the Nomination and Compensation Committee, the Board had framed a policy for selection and appointment of Directors. Senior Management and their remuneration.

The Karnataka Bank Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	MD & CEO
	Independent Directors	✓	
	Others	✓	Entire Board, Committees, Chairperson

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

PERFORMANCE EVALUATION OF THE BOARD

The Nomination and Remuneration Committee at its meeting held on November 22, 2014 and the Board of Directors at its meeting held on December 29, 2014 respectively, had laid down criteria for performance evaluation of Directors, Chairman, MD & CEO, Committees of the Board and Board as a whole and also the evaluation process for the same. The statement indicating the manner in which formal annual evaluation of the Directors, the Board and Committees of the Board etc., are given in detail in the report on Corporate Governance, which forms part of this Annual Report. In pursuance to the above, Independent Directors in their separate meeting held on March 27, 2015 have reviewed and evaluated the performance of Board as a whole, Chairman of the Board and the Managing Director and CEO.

CORPORATE GOVERNANCE REPORT

As required under the Companies Act, 2013 and the Listing Agreement entered into with the Stock Exchanges, the performance review/evaluation of the Board as a whole, Committees of the Board, Chairman of the Board, all Directors including

independent directors and Managing Director & CEO of the Bank was carried out as per the Performance Evaluation Policy adopted by the Bank.

The process of Performance evaluation is as under:

Independent Directors in a separate meeting shall evaluate the performance of Non-Independent directors (i.e. Managing Director & CEO of the Bank), Chairman of the Board and Board as whole taking into account the views of the Executive Director.

Board shall review the performance of all Independent Directors as well as the Committees of the Board.

Evaluation Criteria

Performance Evaluation of the Board

The Nomination and Remuneration Committee at its meeting held on November 22, 2014 and the Board of Directors at its meeting held on December 29, 2014 respectively, had laid down criteria for performance evaluation of Directors, Chairman, MD & CEO, Committees of the Board and Board as a whole and also the evaluation process for the same. The statement indicating the manner in which formal annual evaluation of the Directors, the Board and Committees of the Board etc., are given in detail in the report on Corporate Governance, which forms part of this Annual Report. In pursuance to the above, Independent Directors in their separate meeting held on March 27, 2015 have reviewed and evaluated the performance of Board as a whole, Chairman of the Board and the Managing Director and CEO.

Further, the Board also reviewed the performance of Committees of the Board and that of Individual Independent Directors at its Meeting held on March 27, 2015.

Board Level Performance Evaluation

As required under the Companies Act, 2013 and the Listing Agreement entered into with the Stock Exchanges, the performance review/evaluation of the Board as a whole, Committees of the Board, Chairman of the Board, all Directors including independent directors and Managing Director & CEO of the Bank was carried out as per the Performance Evaluation Policy adopted by the Bank. The process of Performance evaluation is as under:

Independent Directors in a separate meeting shall evaluate the performance of Non-Independent directors (i.e. Managing Director & CEO of the Bank), Chairman of the Board and Board as whole taking into account the views of the Executive Director.

Board shall review the performance of all Independent Directors as well as the Committees of the Board.

Board

The criteria of evaluation of performance of the Board include composition of the Board, periodicity of the meetings, management and human resources, strategy determination, monitoring and acting, policies and procedures including Risk management policy, understanding the regulatory requirements, reporting to the stakeholders, compliance with all applicable laws requirements etc.

Committees of the Board:

The performance of the Committees of the Board was evaluated taking into consideration the terms of reference of each Committee, periodicity of meetings, collective judgement and contribution by each Committee in meeting their objectives.

Chairman of the Board:

The evaluation criteria for the performance of the Chairman of the Board *inter-alia* included leadership qualities demonstrated by him, ability to synthesize discussion and divergent views to lead to consensus after listening to all directors, his working relationship with the Managing Director and CEO etc.

Managing Director & CEO:

While evaluating the performance of the Managing Director & CEO, performance in key financial and non-financial areas such achieving the business targets, meeting stakeholders expectations and maintaining harmonious relationship with the labour associations and recognition and rewards secured by the Bank under his leadership, relationship with the Board, ability to execute the strategies etc., were considered.

Independent Directors:

The review of the performance of Independent Directors has been undertaken by the Board having regard to their experience and expertise in the specified area of their specialization, attendance record at the meetings of the Board and the Committees thereof, value addition in the decision making process in the meeting, their ability to get updated their knowledge about the business and regulatory environment in which the Bank is functioning, leading to bringing in independent judgements and safeguarding the interest of stakeholders, etc.

L&T Finance Holdings Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Non-Executive Directors

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation Criteria of Directors and Senior Management/Key Managerial Personnel/Employees

Non-Executive Directors/Independent Directors

Before determining the remuneration, the Nomination and Remuneration Committee ('the Committee') is required to carry out evaluation of performance of Independent Directors/Non-Executive Directors, against the following criteria:

- Membership & Attendance - Board and Committee Meetings.
- Contribution during such meetings.
- Active participation in strategic decision making.
- Inputs to Executive management on matters of strategic importance.

Executive Directors

With respect to evaluation of performance of Executive Directors, the evaluation is on the basis of Key Performance Indicators (KPI), which would be identified every year for Executive Directors (ED) and weights assigned for each measure

of performance keeping in view the distinct roles of each ED. The identified KPI for Executive Directors shall be approved by the Board, pursuant to the recommendation of the Nomination and Remuneration Committee.

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 (the Act) and Clause 49 of the Equity Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors Individually, as well as the Audit Committee (AC) and Nomination and Remuneration Committee (NRC).

Manner of Evaluation

The NRC and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, Committees and Individual Directors has to be made. It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors/Non-Executive Directors/ Executive Director and Chairman of the Company.

The process of the annual performance evaluation broadly comprises:

a) Board Evaluation:

Evaluation of the Board as a whole by the Business Heads and Individual Board members, followed by collation thereof by NRC for apprising the Board

b) Audit Committee and Nomination and Remuneration Committee Evaluation:

Evaluation of the Committees by the respective Committee members, followed by compilation thereof by NRC for submission to the Board

c) Independent / Non-Executive Directors Evaluation:

Evaluation by other Board members excluding the Director being evaluated, followed by Individual feedback to the directors concerned by the Chairman of the Board and summary feedback to the NRC.

d) Chairman Evaluation:

Evaluation by the other members of the Board followed by feedback thereon by the Chairman of the NRC to the Chairman of the Board and apprising the Board.

e) Evaluation of President & Whole-time Director:

Evaluation by the other members of the Board followed by feedback thereon by the Chairman of the Board to the director concerned and apprising the NRC and Board.

CORPORATE GOVERNANCE REPORT

The key parameters for any variable component of remuneration availed by the directors. Variable compensation is an integral part of our overall compensation structure for all the Employees including Executive Directors. Variable pay is directly linked to Individual performance rating and business performance. At the start of the year, Key Performance Indicators (KPI) for every Employee (including Executive Directors), are identified well in advance. Performance benchmarks are set and yearly evaluations are done to determine whether performance benchmarks are achieved. The payment of Variable component is dependent on the ratings assigned.

Performance Evaluation:

The Board of Directors has adopted a Policy for Performance Evaluation of the Board/Committees/Directors. The Policy provides a framework for evaluation of the Board, Chairman of the Board, the Committees of the Board and Individual Directors including Independent Directors. As per the Policy, the Company carries out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis. The manner of evaluation carried out with respect to Board/Committees/Directors is stipulated in the Board's Report.

Meeting of Independent Directors:

Section 149(8) of the Act read with Schedule IV of the Act require the Independent Directors of the Company to hold at least one meeting in a year, without the attendance of Non-Independent directors and members of management. The Independent Directors of the Company met on March 18, 2015, pursuant to the provisions of the Act and the Equity Listing Agreement.

Reliance Capital Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Evaluation of Directors, Board and Committees

The Company has devised a policy for performance evaluation of the Individual directors, Board and its Committees, which includes criteria for performance evaluation.

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors Individually as well as the evaluation of the working of the Committees of the Board. The Board performance was evaluated based on inputs received from all the Directors after considering criteria such as Board composition and structure, effectiveness of Board / Committee processes, and information provided to the Board, etc. A separate meeting of the Independent Directors was also held during the year for the evaluation of the performance of Non-Independent Directors, performance of the Board as a whole and that of the Chairman.

The Nomination and Remuneration Committee has also reviewed the performance of the Individual directors based on their knowledge, level of preparation and effective participation in Meetings, understanding of their roles as directors, etc.

Policy on appointment & remuneration for directors, KMP and senior management employees

The Nomination and Remuneration Committee of the Board has devised a policy for selection and appointment of Directors, Key Managerial Personnel and Senior Management Employees and their Remuneration. The Committee has formulated the criteria for determining qualifications, positive attributes and independence of a Director, which has been put up on the Company's website.

Company Website

Evaluation Process

As a member of the Board, performance as well as the performance of the entire board and its committees shall be evaluated annually. Evaluation of each director shall be done by all the other Directors. The criteria for the evaluation shall be determined by the Nomination and Remuneration Committee of the Board and disclosed in the Company's annual report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board/Committee. If, in the interim, there are any matters which cause concern, directors can discuss them with the Chairperson as soon as appropriate.

SKS Microfinance Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	MD & CEO
	Independent Directors	x	
	Others	✓	Entire Board

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

POLICY FOR SELECTION AND APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

In compliance with the provisions of the Companies Act 2013 and the revised Clause 49 of the Equity Listing Agreement, the Board has, on the recommendation of the NRC, approved the Policy for Selection and Appointment of Directors.

The aforesaid Policy provides a framework to ensure that suitable and efficient succession plans are in place for appointment of Directors on the Board so as to maintain an appropriate balance of skills and experience within the Board. The Policy also provides for a selection criteria for appointment of Directors, viz., educational and professional background, general understanding of the Company's business dynamics, global business and social perspective, personal achievements and Board diversity. In addition, the policy also contains principles relating to remuneration payable to Directors.

CORPORATE GOVERNANCE REPORT

Performance evaluation of Board Members

The Act and the revised Clause 49 of the Listing Agreement entered into with the Stock Exchanges stipulates the performance evaluation of the Directors including Chairperson, Board and its Committees. Considering the said provisions, the Company has devised a process and criteria for the performance evaluation which has been recommended by the NRC Committee and approved by the Board.

The evaluations for the Directors and the Board were done through separate structured questionnaires, one each for Independent and Non-Executive Directors, Managing Director & CEO, Board and the Committees of the Board.

A separate exercise was carried out to evaluate the performance of all Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution; knowledge, skill and understanding of the areas which are relevant to them in their capacity as members of the Board; independence of judgement; safeguarding the interest of the Company, etc.

The performance of the Managing Director & CEO was evaluated on additional parameters such as strategy formulation and execution; financial performance; leadership; knowledge of the product, etc.

The performance evaluation of each Independent Director was carried out by the entire Board, excluding the Independent Director concerned. The performance evaluation of the Non-Executive Directors was carried out by the Independent Directors.

Sun TV Network Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out a formal annual performance evaluation of its own performance, the directors Individually as well as the functioning of its Committees. A detailed explanation has been given in the Corporate Governance Report.

REPORT ON CORPORATE GOVERNANCE

Performance Evaluation

In line with the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, our Company this year under review, adopted a formal evaluation process for reviewing the performance of the Board, Board Committees, Chairman, Non-Independent and Independent Directors. A structured questionnaire for the purpose, covering various aspects of Board Governance, Composition, Competencies, Guidance etc., was prepared after taking into consideration the inputs received from the Directors. The Board carried out an annual evaluation of its own performance and of its Committees. Evaluation of the Chairman and Non-Executive Non-Independent Director(s) was carried out by the Independent

Directors in their separate meeting. The Independent Directors, based on the criteria as framed & recommended by the members of the Nomination Committee, were evaluated by the Board as a whole excluding the Director being evaluated. The overall performance evaluation was agreed to be satisfactory by all the Directors.

Tata Chemicals Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Annual Evaluation of Board Performance and Performance of its Committees and of Individual Directors

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreements, the Board of Directors has carried out an annual evaluation of its own performance, Board Committees and Individual directors.

The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of criteria such as the Board composition and structure, effectiveness of Board processes, participation in the long term strategic planning, information and functioning, etc. The performance of the Committees was evaluated by the Board after seeking inputs from the Committee members on the basis of the criteria such as the composition of Committees, effectiveness of Committee meetings, etc.

The Board and the NRC reviewed the performance of the Individual Directors on the basis of the criteria such as the contribution of the Individual Director to the Board and Committee meetings, preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

In a separate meeting of Independent Directors, performance of Non-Independent directors, performance of the Board as a whole and performance of the Chairman were evaluated, taking into account the views of Executive directors and non-Executive directors. This was followed by a Board meeting that discussed on the performance of the Board, its Committees and Individual Directors.

Remuneration for independent directors and Non-Independent non-Executive directors

The NRC will recommend to the Board the quantum of commission for each director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, Individual contributions at the meetings and contributions made by directors other than in meetings.

In addition to the basic/ fixed salary, benefits, perquisites and allowances as provided above, the company provides MD/ EDs such remuneration by way of commission, calculated with reference to the net profits of the company in a particular financial year, as may be determined by the Board, subject to the overall ceilings stipulated in Section 197 of the Act. The specific amount payable to the MD/ EDs would be based on performance as evaluated by the Board or the NRC and approved by the Board.

Annexure to Board report

Key parameters for the variable component of remuneration availed by the Directors:

Remuneration paid to Non-Executive Directors:

The variable component of Non-Executive Directors' remuneration consists of commission. The distribution of commission among the Non-Executive Directors is recommended by the Nomination and Remuneration Committee (NRC) and approved by the Board. The NRC will recommend to the Board the quantum of commission for each Director based on the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee meetings, role and responsibility as Chairman/member of the Board/Committee, Individual contributions at the meetings and contributions made by Directors other than in meetings.

CORPORATE GOVERNANCE REPORT

Board and Director Evaluation and criteria for evaluation

During the year, the Board has carried out an annual performance evaluation of its own performance, performance of the Directors as well as the evaluation of the working of its Committees.

The Nomination and Remuneration Committee has defined the evaluation criteria, procedure and time schedule for the performance evaluation process for the Board, its Committees and Directors. The criteria for Board Evaluation include, inter alia, degree of fulfilment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning.

Criteria for evaluation of Individual Directors include aspects such as attendance and contribution at Board / Committee meetings and guidance / support to management outside Board / Committee meetings. In addition, the Chairman was also evaluated on key aspects of his role, including setting the strategic agenda of the Board, encouraging active engagement by all Board members and motivating and providing guidance to the Managing Director.

Criteria for evaluation of the Committees of the Board include degree of fulfilment of key responsibilities, adequacy of Committee composition and effectiveness of meetings.

The procedure followed for the performance evaluation of the Board, Committees and Individual Directors is detailed in Board's report.

Volta Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Self-assessment, Questionnaire
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director

Based on the recommendation of Nomination and Remuneration Committee (NRC), the Board has adopted the Remuneration Policy for Directors, KMP and other Employees. NRC has formulated the criteria for determining qualifications, positive attributes and independence of an Independent Director and also criteria for evaluation of Individual Directors and the Board / Committees. Evaluation of Directors was done by the NRC at its meeting held on 26th March, 2015.

Evaluation of Performance of Board, its Committees and of Directors

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an evaluation of its own performance, Committees and performance of Individual Directors.

The performance of the Board, Committees and Individual directors was evaluated by seeking inputs from all Directors based on certain parameters such as: degree of fulfilment of key responsibilities; Board / Committee structure and composition;

establishment and delineation of responsibilities to various Committees; effectiveness of Board processes, information and functioning; Board /Committee culture and dynamics and quality of relationship between the Board / Committees and the Management.

The Directors made a self-assessment of their effectiveness in terms of attendance, contribution at Meetings and guidance /support extended to the Management outside Board /Committee Meetings. The feedback received from the Directors was discussed and reviewed by the Independent Directors at their annual separate Meeting and also shared with the NRC. The Chairman of the Board is a member of NRC. At the separate Meeting of Independent Directors, performance of Non-Independent directors, performance of the Board as a whole and performance of the Chairman of the Company was evaluated taking into account the views of the Managing Director and Non-Executive Directors. The performance of the Individual Directors, including Independent Directors, performance and role of the Board /Committees was also discussed at the Board Meeting.

Criteria for determining qualifications, positive attributes and independence of Directors:

Positive Attributes: In addition to the duties as prescribed under the Act, the Directors on the Board of the Company are also expected to demonstrate high standards of ethical behavior, strong interpersonal and communication skills and soundness of judgement. Independent Directors are also expected to abide by the ‘Code for Independent Directors’ as outlined in Schedule IV to the Act.

The key principles governing the Company’s Remuneration Policy are as follows:

Remuneration for Independent Directors and Non- Independent Non-Executive Directors

- The aggregate commission payable to all the NEDs and IDs will be recommended by the NRC to the Board based on Company performance, profits, return to investors, shareholder value creation and any other significant qualitative parameters as may be decided by the Board. The NRC will recommend to the Board the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and Committee Meetings, Individual contributions at the meetings and contributions made by Directors other than in meetings.

CORPORATE GOVERNANCE REPORT

Board of Directors

The Board has adopted the Governance Guidelines on Board Effectiveness, formulated by Group HR. Accordingly, the Company followed the process for evaluation of the Directors, Board as a whole and evaluation of the respective Committees, based on certain criteria and questionnaires filled in by the Directors. The Nomination and Remuneration Committee has laid down the evaluation criteria for performance evaluation of Individual Directors (including Independent Directors) which also includes the attendance of Directors, contribution at Board/ Committee Meetings and guidance/support to Management outside Board/ Committee Meetings.

During 2014-15, a separate Meeting of Independent Directors of the Company was held on 26th March, 2015 to discuss the Performance evaluation based on the self-assessment of Directors, Board and Committees and also assess the quality, content and timeliness of flow of information between the Management and the Board.

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the performance evaluation of the Directors, Board as a whole and Committees.

Disclosures of select NIFTY SMALLCAP 100 companies

Aban Offshore Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board, Chairman, Audit Committee

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of Section 134(3) (p) of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its own performance, performance of the Directors as well as the evaluation of the workings of its Committees.

CORPORATE GOVERNANCE REPORT

Nomination & Remuneration Committee

In accordance with the requirement of Companies Act, 2013 and the Listing Agreement, the Committee has (i) formulated criteria for evaluation of the Board and non-independent directors for the purpose of review of their performance at a separate meeting of the Independent Directors, and

(ii) recommended a policy relating to remuneration of the directors, key managerial

personnel and other employees which, *inter alia* includes the basis for identification of persons who are qualified to become directors.

Criteria for Evaluation

Criteria for evaluation of the Board and Non-Independent Directors at a separate meeting of Independent Directors:

1. Composition of the Board and availability of multi-disciplinary skills
Whether the Board comprises of Directors with necessary qualifications and experience in various fields to make Aban Offshore Ltd a versatile institution
2. Existence of integrated Risk Management System
Whether the Company has an integrated risk management system to cover the business risks
3. Commitment to good Corporate Governance Practices
Whether the company practices high ethical and moral standards and is fair and transparent in all its dealing with the stake holders.
4. Track record of financial performance
Whether the Company has been having a satisfactory financial performance and is transparent in all its disclosures on financial data
5. Adherence to Regulatory Compliance
Whether the Company adheres to the various Government regulations, both State and Central in time.
6. Grievance redressal mechanism
Whether proper systems are in place to attend to the complaints/grievances from the shareholders, customers, employees and others quickly, fairly and efficiently.
7. Use of Information Technology
Whether the Company has an Integrated IT strategy and whether there is any system for periodical technology upgradation.
8. Commitment to CSR
Whether the Company is committed to social causes and CSR and whether there are systems to identify, finance and monitor such activities.

Criteria for evaluation of Chairman at the meeting of Independent Directors:

1. Ability to lead/ guide the Company
2. Dynamism
3. Standard of Integrity
4. Understanding of Macro and Micro economic trends and its impact on the Company
5. Public Relations
6. Future Vision.

Criteria for evaluation of Independent Directors by the entire Board:

1. Qualifications & Experience
2. Standard of Integrity
3. Attendance in Board Meetings/AGM/Committee Meetings
4. Understanding of Company's business
5. Participation/Value addition in Board Meetings.

Criteria for evaluation of the Audit Committee by the Board:

1. Knowledge on finance
2. Analyze/ review of financial performance
3. Qualification & Experience of members
4. Oversight of Audit & inspection
5. Monitor/Review of regulatory compliance
6. Fraud monitoring

Bajaj Electricals Ltd

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Rating sheets
	Evaluation process	✓	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Formal Annual Evaluation of the performance of the Board, its Committees and the Directors

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance and that of its Committees and Individual directors. The information on the manner in which the evaluation has been carried out is given in the section of Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, and that of its Committees and Individual directors.

The Nomination & Remuneration Committee ('NRC') of Board of Directors of the Company, at its meeting held on 23 March 2015, has laid down the criteria for performance evaluation as under:

Part A: For Board & Committees of Board

1. Composition with requisite number of Independent Directors (and woman director in the case of Board);
2. Frequency of Meetings;
3. Discharge of the key functions prescribed under Law;
4. Discharge of the other responsibilities prescribed under Law;
5. Monitoring the effectiveness of corporate governance practices;
6. Ensuring the integrity of the Company's accounting and financial reporting systems, independent audit, internal audit and risk management systems (for Board and Audit Committee);
7. Working in the interests of all the stakeholders of the Company.

Part B: For Directors

1. Attendance and Participation;
2. Pro-active and positive approach with regard to Board and Senior Management particularly the arrangements for management of risk and the steps needed to meet challenges from the competition;
3. Maintaining confidentiality;
4. Acting in good faith and in the interests of the Company as a whole;
5. Exercising duties with due diligence and reasonable care;
6. Complying with legislations and regulations in letter and spirit;
7. Openness to ideas, perspectives and opinions and ability to challenge old practices and throwing up new ideas for discussion;
8. Maintaining relationships of mutual trust and respect with Board members;
9. Capacity to effectively examine financial and other information on operations of the Company and the ability to make positive contribution thereon.

Manner in which such formal annual evaluation was done is given below:

- Based on the annual performance evaluation criteria approved by the Board, rating sheets were filled by each of the directors towards the end of the year with regard to evaluation of performance of the Board, its Committees and Directors (except for the director being evaluated) for the year under review.

- A consolidated summary of the ratings given by each of the directors was then prepared, based on which a report of performance evaluation was prepared by the Chairman in respect of the performance of the Board, its Committees and Directors during the year under review.
- The report of performance evaluation so arrived at was then discussed and noted by the Board at its meetings held in March 2015.
- As per the report of performance evaluation, the Board shall determine inter-alia whether to continue the term of appointment of the director. During the year under review, there was no occasion to decide on the continuance of the term of appointment of any of the directors and hence the question of taking a decision on their re-appointment did not arise.

BEML LIMITED

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	x	
	Board committees	x	
	Overall board	x	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Your Company being a Central Public Sector Enterprise (CPSE) and also all the Directors are appointed by the President of India from time to time, the personnel policies and guidelines issued by DPE are being adopted in line with other CPSEs.

Accordingly, your Company has not formulated policy for evaluation of the performance of Directors.

Bombay Dyeing & Manufacturing Co. Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Pursuant to the provisions of the Companies Act, 2013, and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance and that of its statutory Committees viz. Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee and that of the Individual directors. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Performance Evaluation:

Pursuant to the provisions of the Companies Act, 2013 (“Act”) and the corporate governance requirements as prescribed by Securities and Exchange Board of India (“SEBI”) under Clause 49 of the Equity Listing Agreement (“Clause 49”) as may be applicable, the Board of Directors (“Board”) has carried out an annual evaluation of its own performance and that of its Committees and Individual directors. The performance of the Board and Individual directors was evaluated by the Board seeking inputs from all the Directors.

The performance of the Committees was evaluated by the Board seeking inputs from the Committee members. The Nomination and Remuneration Committee (“NRC”) reviewed the performance of the Individual directors. A separate meeting of Independent Directors was also held to review the performance of Non-Independent directors; performance of the Board as a whole and performance of the Chairperson of the Company, taking into account the views of Executive directors and non-Executive directors. This was followed by a Board meeting that discussed the performance of the Board, its Committees and Individual directors.

The criteria for performance evaluation of the Board included aspects like Board composition and structure; effectiveness of Board processes, information and functioning etc.

The criteria for performance evaluation of Committees of the Board included aspects like composition of Committees, effectiveness of Committee meetings etc.

The criteria for performance evaluation of the Individual directors included aspects on contribution to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings etc.

In addition the Chairperson was also evaluated on the key aspects of his/her role.

Deepak Fertilisers & Petrochemicals Corporation Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation of Chairman, Directors, Board and Committees

The evaluation framework for assessing the performance of Chairman, Directors, Board and Committees comprises, inter-alia, of the following parameters:

- a) Directors bring an independent judgment on the Board's discussions utilizing his knowledge and experience especially on issues related to strategy, operational performance and risk management.
- b) Directors demonstrate awareness and concerns about norms relating to Corporate Governance, disclosure and legal compliances.
- c) Directors contribute new ideas/insights on business issues raised by Management.
- d) Directors anticipate and facilitate deliberations on issues that Management and the Board should consider.
- e) The Board / Committee meetings are conducted in a manner which facilitates open discussions and robust debate on all key items of the agenda.
- f) The Board receives adequate and timely making during Board meetings.

- g) The Board addresses interests of all stakeholders of the Company.
- h) The Committee is delivering on the defined objectives.
- i) The Committee has the right composition to deliver its objectives.

The performance evaluation of Chairman, Directors, Board and Committees was undertaken by the Nomination and Remuneration Committee for the year under review and the results were reported to the Board of Directors.

CORPORATE GOVERNANCE REPORT

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation for FY 2014-15 of the Chairman, Directors, Board as well as its Committees.

The evaluation framework for assessing the performance of Chairman, Directors, Board and its Committees comprises, inter-alia, of the following criteria:

- i. Directors bring an independent judgment on the Board's discussions utilizing his knowledge and experience especially on issues related to strategy, operational performance and risk management.
- ii. Directors demonstrate awareness and concerns about norms relating to Corporate Governance, disclosure and legal compliances.
- iii. Directors contribute new ideas/insights on business issues raised by Management.
- iv. Directors anticipate and facilitate deliberations on issues that Management and Board should consider.
- v. The Board / Committee meetings are conducted in a manner which facilitates open discussions and robust debate on all key items of the agenda.
- vi. The Board receives adequate and timely information to enable discussions/decision making during Board meetings.
- vii. The Board addresses interests of all stakeholders of the Company.
- viii. The Committee is delivering on the defined objectives.
- ix. The Committee has the right composition to deliver its objectives.

Eros International Media Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire, Interviews
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board

 Mandatory Requirement  Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Annual Evaluation of Board, Committees and Individual Directors

In accordance with Board Performance Evaluation Policy of the Company, a formal annual evaluation was carried out by the Board of its own performance and that of its Committees and Individuals directors on rating sheet methodology and in accordance with the provisions of the Act and Corporate governance requirements as prescribed by SEBI under clause 49 of the Listing Agreement.

The performance evaluation was done in an independent and fair manner. Evaluators undertook the evaluation process which includes filing and deliberations of evaluation rating sheet followed by Individual interviews and explanations. Results of all type of evaluations were consolidated in a report along with the final ratings. Evaluation reports, prepared by Nomination and Remuneration Committee, were tabled before the Board which was deliberated upon at its meeting.

CORPORATE GOVERNANCE REPORT

Performance Evaluation of Directors

In terms of provisions of the Companies Act, 2013 read with Rules issued there under and Clause 49 of the Listing Agreement, the Board of Directors, on recommendation of the Nomination and Remuneration Committee, have evaluated the performance of the Board, each Director and the Committees for the financial year ended 31 march 2015. The evaluation of the Directors was based on various aspects which, inter alia, included the level of participation in the Board Meetings, understanding of their roles and responsibilities, discharge of key functions under law, monitoring effectiveness of Corporate Governance practices ensuring integrity of accounting and financial reporting, audit, internal audit and risk management systems, as applicable, acting in good faith and in company's interest, ensuring due diligence and reasonable care.

The Independent Directors, inter alia, reviewed the performance of Non-Independent directors and the Board as a whole, assessed the quality, quantity and timeliness of flow of information between the company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Graphite India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	x	

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Formal annual evaluation has been made by the Board of its own performance and that of its Committees and Individual directors on the basis of a set of criteria framed and approved by the Nomination & Remuneration Committee / Board.

CORPORATE GOVERNANCE REPORT

Evaluation of Directors:

In terms of Section 149 of the Act read with Schedule IV of the said Act the Independent Directors shall at its separate meeting review the performance of non-independent Directors based on the parameters that are considered relevant by the Independent Directors.

The Board as a whole shall evaluate the performance of Independent Directors. During such evaluation the Director being evaluated shall be excluded from the meeting.

Annexure to director's report

Variable pay in the form of commission is paid to directors, taking into account the performance of each director on the basis of criteria framed for performance

evaluation and time and effort devoted by a director in the business affairs of the Company.

Remuneration policy

Performance linked remuneration in the form of commission is paid to directors, taking into account the performance of each director on the basis of criteria framed and time and effort devoted by a director in the business affairs of the Company. Performance evaluation of all directors is done by the Nomination & Remuneration Committee and of the Independent directors is done by all members of the Board, excluding the director being evaluated. Evaluation of non-Executive directors and Chairperson is done in a separate meeting of Independent Directors.

IL&FS Transportation Networks Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	x	
	Others	✓	Non-executive Directors

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Upon recommendation by the Nomination & Remuneration Committee, the Board of Directors at its meeting held on November 11, 2014 had laid down criteria for performance evaluation of Independent, Non-Independent & Executive Directors. The process and the manner of evaluation of Directors and the Board level Committees are given in detail in the Corporate Governance report, which forms part of the Annual Report.

The performance evaluation of all the Directors, Committees and the Board was carried out by the Nomination & Remuneration Committee, Independent Directors and the Board at their respective meetings held from time to time.

CORPORATE GOVERNANCE REPORT

Performance Evaluation of Directors, Board / Committees

The provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement requires evaluation of performance of all the Directors, Committees and Board as a whole on an annual basis. Upon recommendation by the Nomination & Remuneration Committee, the Board of Directors at its meeting held on November

11, 2014 had adopted a Remuneration Policy and criteria for evaluating performance of all the Directors including Committees. The criteria for performance evaluation of Directors is given below:

Non-Executive Directors

- contribution in achievement of business goals
- behavioural competency in companies strategic orientation and effective decision making ability
- to enhance quality of financial controls and reporting
- contribution / guidance on business strategy
- validating Management performance
- upholding the statutory compliance / corporate governance
- exercising independent judgments
- ensuring integrity of financial controls / risk

Executive Directors

- achievement of business goals rating on behavioural competencies viz. champion change,
- strategic orientation & effective decision making,
- quality of financial controls and reporting key talent management contribution in furthering business across the Group

Board and Committees

- composition and diversity
- strategy and growth
- discussions at the Board
- Meetings quality of decision making
- frequency and duration of meetings
- overall contribution

McLeod Russel India Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	✓	
	Others	✓	Entire Board

 **Mandatory Requirement**  **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

BOARD EVALUATION

During the year, the Board formulated and adopted a Board Evaluation Framework for evaluating the performance of the Board as a whole, Committees of the Board and the Individual Directors on the Board. Pursuant to the said Evaluation Framework, the Board evaluated the performance of the Board, its Committees and the Individual Directors for the financial year 2014-15.

The Board was of the view that the performance of the Board as a whole was adequate and fulfilled the parameters stipulated in the evaluation framework in its pro-growth activity and facing challenging operational, climatic and economic adversities during the year. The Board also ensured that the Committees functioned adequately and independently in terms of the requirements of the Companies Act, 2013 and the Listing Agreement and at the same time supported as well as coordinated with the Board to help in its decision making. The Individual Directors' performance was also evaluated and the Board was of the view that the Directors fulfilled their applicable responsibilities and duties as laid down by the Listing Agreement and the Companies Act, 2013 and at the same time contributed with their valuable knowledge, experience and expertise to grab the opportunity and counter the adverse challenges faced by the Company during the year.

CORPORATE GOVERNANCE REPORT

Criteria for Evaluation of the Independent Directors and the Board

The Nomination and Remuneration Committee has approved the following criteria for evaluation of Independent Directors and the Board in terms of clause 49(II)(B) (5)(a) of the Listing Agreement with the Stock Exchanges:

- I. Regular attendance in Board Meetings
- II. Participation in discussions and contributions made
- III. Expression of independent opinion on various matters taken up by the Board
- IV. Adequate knowledge about the Company's business and the Country's business and economic scenario.
- V. Innovative ideas for growth of the Company and in solving problems faced by the Company.
- VI. In case of conflict of interest, prompt in disclosing the same.
- VII. Possessing long term vision for growth of the Company.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee has also formulated and recommended to the Board a Remuneration Policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees and also formulated evaluation criteria for evaluating the performance of Independent Director and Board. The said policy has been approved by the Board and the same is annexed to the Board's report, which inter alia includes the criteria of making payments to Non-Executive Directors along with the criteria for evaluation of the Independent Directors and Board.

Muthoot Finance Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	x	
Evaluation Mechanism	Method of evaluation	x	
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Policy on Appointment and Remuneration of Directors

Your Board, on recommendation of Nomination and Remuneration Committee, has formulated a policy for selection, appointment and remuneration of the directors, senior management personnel as required under Section 178(3) of Companies Act, 2013. Details of the said Policy is annexed to this report as Annexure 5.

Performance evaluation of Board, Committees and Directors

The Board carried out annual evaluation of its Directors based on criteria and framework adopted by the Board and in accordance with existing regulations. The details of training, appointment, resignation and retirement of Directors, if any, are dealt with in the report of Corporate Governance.

Brief details of profile of each Director appear in Annual Report of the Company. During the year, a meeting of Independent Directors was held as required under Companies Act, 2013 and in Compliance with requirement under Schedule IV of the Act and Clause 49 of Equity Listing Agreement and discussed matters specified therein. All independent Directors were present in the meeting.

CORPORATE GOVERNANCE REPORT

Performance Evaluation of Board, Committees and Directors

The Board carried out annual evaluation of its own performance, its Committees and Individual Directors based on criteria and framework adopted by the Board and in accordance with existing regulations. The evaluation of the Board, Committee and flow of information is being done by the independent directors. The evaluation of performance of each independent director is being done by all the directors except the independent director being evaluated.

The review the performance of Non-Independent directors, the Board as a whole, the Chairperson of the Company, quantity and timeliness of flow of information is being done by independent directors of the Company. This evaluation is being carried out once in a year on the performance of directors, Chairperson of the Company on the date of such evaluation. It is being carried out through an evaluation based on qualification, experience, age, participation, attendance, knowledge, quality of discussion, beneficial contribution etc.

Raymond Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	x	
	Independent Directors	x	
	Others	✓	Entire Board, Committees

Mandatory Requirement **Voluntary Requirement**

Extracts from Annual Report

DIRECTOR'S REPORT

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement, a structured questionnaire was prepared after taking into consideration of the various aspects of the Board's functioning, composition of the Board and its Committees, culture, execution and performance of specific duties, obligations and governance.

The performance evaluation of the independent directors was completed. The performance evaluation of the chairman and the Non-Independent directors was carried out by the independent directors. The Board of directors expressed their satisfaction with the evaluation process.

Sobha Limited

Year End: 31 March 2015

Disclosure	Parameters	Company	Details
Who is evaluated?	Individual Directors	✓	
	Board committees	✓	
	Overall board	✓	
	Chairperson	✓	
Evaluation Mechanism	Method of evaluation	✓	Questionnaire
	Evaluation process	x	
Evaluation Criteria disclosed for	Executive Directors	✓	
	Independent Directors	✓	
	Others	✓	Entire Board, Committees,

Mandatory Requirement Voluntary Requirement

Extracts from Annual Report

DIRECTOR'S REPORT

Performance Evaluation

Pursuant to the provisions of Section 134 (3) (p) read with Articles VII and VIII of Schedule IV of the Companies Act, 2013, the Board undertook an evaluation of itself and its Committees. The Board, excluding the independent director being evaluated, also assessed the performance and the potential of each of the independent directors with a view to maximizing their contribution to the Board. As contemplated by the Act, the independent directors at a meeting conducted a review of the performance of the Chairman after taking into account the views of the non-Executive members of the Board. At the same meeting, the review of the Executive directors was also carried out.

The process put in place by the Board, in accordance with the Companies Act, 2013 and the relevant provisions of the Listing Agreement, is aimed at improving the performance of the Board, its Committees and its members.

Annexure to Directors report

Performance Evaluation

- The performance evaluation of each director will be carried out by the

Committee in the first instance. It shall place its recommendations before the Board of Directors.

- The performance evaluation of Independent Directors shall be done by the entire Board of Directors (excluding the director being evaluated). It shall take into consideration the views of the Committee.
- The Independent Directors shall review the performance of Non-Independent directors and the Board as a whole. The Independent Directors shall take into consideration the views of the Committee.
- The Independent Directors shall review the performance of the Chairperson of the company, taking into account the views of the Committee, the Executive directors and non-Executive directors.

The Independent Directors of the Company are experts in their respective fields. They bring with them specialized skills, vast repertoire of knowledge and a wide diversity of experience and perspectives. In view of their significant expertise, the Independent Directors may recommend the mechanism for evaluating the performance of the Board as a whole as well as Individual directors.

In lieu of such recommendation, the criteria for Performance Evaluation laid down below may be considered. However, the below mentioned criteria is only suggestive and the Board / Directors may consider such other criteria as they may deem necessary for effective evaluation of performance.

Board of Directors

- Establishment of distinct performance objectives and comparison of performance against such objectives.
- Contribution of the Board to the development of strategy.
- Contribution of the Board in developing and ensuring robust and effective risk management
- Response of the Board to problems or crises that have emerged.
- Suitability of matters being reserved for the Board under the Listing Agreement.
- Relationship between the Board and its main Committees and between the Committees themselves.
- Communication of the Board with the management team, key managerial personnel and other employees.

- Knowledge of latest developments in the regulatory environment and the market.
- Appropriateness, quality and timeliness of flow of information to the Board.
- Adequacy and quality of feedback by the Board to management on its requirements.
- Adequacy of frequency and length of Board and Committee meetings.
- Appropriate mix of knowledge and skills in the composition of the Board and its Committees.

Committees of the Board of Directors

- Suitability of matters being reserved for the Committee(s).
- Communication of the Committee(s) with the management team, key managerial personnel and other employees.
- Appropriateness, quality and timeliness of flow of information to the Committee(s).
- Adequacy and quality of feedback by the Committee(s) to management on its requirements.
- Adequacy of frequency and length of the Committee meetings.
- Appropriate mix of knowledge and skills in the composition of the Committees.

Independent Directors

- Level of preparedness for the meetings of the Board and Committees.
- Willingness to devote time and effort to understand the Company and its business.
- Quality and value of their contributions at Board and Committees meetings.
- Contribution of their knowledge and experience to the development of strategy of the Company.
- Effectiveness and pro-activeness in recording and following up their areas of concern.
- Relationship with fellow Board members, key managerial personnel and senior management.
- Knowledge and understanding of current industry and market conditions.

- Attendance at the meetings of the Board and Committees of which the Independent Director is a member.

Whole-time Director(s)

- Contribution of the Whole-time Director in achieving the Business Plan of the Company
- Contribution of Whole-time Director in the development of new business ideas or verticals
- Contribution of Whole-time Director towards the topline and/or bottom line of the Company where such contribution is capable of measurement.
- Contribution of Whole-time Director in implementing the strategy set by the Board of Directors of the Company.
- Knowledge and understanding of current industry and market conditions.
- Contribution of Whole-time Director in identifying, understanding and mitigating the risks faced by the Company.
- Contribution of Whole-time Director in identifying and exploiting new business opportunities
- Level of preparedness for the meetings of the Board and Committees.
- Attendance at the meetings of the Board and Committees of which such Whole-time Director is a member.

Disclosures in global markets

While board assessments in India have become ubiquitous, the disclosures on the processes adopted for board evaluation can be strengthened further.

For example, while 56 companies out of the 75 have published the broad criteria adopted for evaluation, only 12 of these 56 companies have separately disclosed the criteria used to evaluate independent directors (as required under Schedule V of SEBI LODR). Part of this could be attributed to the fact that the SEBI LODR became effective only recently (1 December 2015).

Only 9 companies have published the criteria used to evaluate executive directors. Further, none of the companies have disclosed what benchmarks have been used to fix the criteria, nor have any of them listed out areas of improvement for the board or gaps in expertise and knowledge.

Some of the disclosure standards in India fall short of the practices observed in global markets. A case in point is Microsoft. In its 2015 Proxy Statement, the company has listed out the experience of its board members in various business areas.

Experience, expertise or attribute	Gates	List-Stoll	Morfit	Nadella	Noski	Panke	Peterson	Schart	Stanton	Thompson	Warrior
 Technology	■		■	■		■	■	■	■	■	■
 Leadership	■		■	■	■	■	■	■	■	■	■
 Global business	■	■		■	■	■	■	■	■	■	■
 Financial	■	■	■		■	■	■	■	■	■	■
 Mergers and acquisitions		■	■		■		■	■	■	■	■
 Public company board service and governance		■	■	■	■	■	■	■	■	■	■
 Sales and marketing		■			■	■	■		■		■
 Ethnic, gender, national or other diversity		■		■	■	■	■		■	■	■

Source: Microsoft 2015 Proxy Statement

The Proxy Statement then goes on further highlight the board membership criteria, which include independence, integrity, high personal and professional ethics,

sound business judgment, and the ability and willingness to commit sufficient time to the Board.

It is important to note that the company expects the board to have collective experience and expertise on a broad range of subjects which range from technological know-how to corporate governance. In addition, there is a separate focus on board diversity, with directors being assessed for ethnic, gender or national diversity.

None of the companies in our sample of 75 have carried out a similar exercise to identify and highlight the core competencies of the board. Consequently, shareholder have little clarity on what each individual director brings to the table.

Another example of a board providing good disclosures on the results of its evaluation process is HSBC. In its 2015 Annual Report, the company specifically highlights the key findings of its 2014 board review and highlights the action taken by the company to address some of these issues.

HSBC 2014 Review of Board Effectiveness

Theme	Action Taken
Harmonising interactions between Group and subsidiaries	The governance arrangements for the regional risk committees and the audit committees for principal subsidiaries and certain global businesses have been enhanced to provide better transparency in the reporting of significant issues to the GAC and GRC and to provide better communication between the committees.
Increasing diversity on the Board of Directors, consider recruitment of a director with an Asian/Chinese business background	Irene Lee was appointed to the Board in July 2015.
Continuing efforts to balance the agenda at Board meetings, focusing on priority strategic issues and in particular technology	Additional time has continued to be provided for the debate of these issues at meetings. The Group Chief Operating Officer delivered updates on the Group's global change programme priorities, and the Chief Technology Officer also presented a new technology strategy in 2015.

Allocating time in Board meetings to address the transition processes relating to the Senior Managers' Regime	Preparations for the Senior Managers' Regime have become a regular Board agenda item.
Senior Independent Director to build on relationships with regulators and with all members of the Board	Meetings held with regulators, Board members and shareholders during the period.

Source: HSBC 2015 Annual Report

BHP Billiton, an Anglo-Australian mining, metals and petroleum company, also provides quality disclosures on the results of its evaluation policies. In its 2015 Annual Report, the company has stated that “*The evaluation found that the Board was described as cohesive and collegiate in nature with effective engagement, particularly when addressing difficult issues. The review also noted that as the Board continues to progress through this period of transition, the willingness to speak up, and effective working relationships, will continue to be areas of focus*”.

There is a separate section in the BHP Billiton annual report describing the enhancements made to the board processes following the board and committee evaluations in previous years; one of the major changes to be implemented was the dissolution of the Finance Committee and re-allocating its responsibilities between the Board and the Risk and Audit Committee.

BHP Billiton: Enhancements following previous evaluations

Board and committee evaluations conducted in recent years have led to a number of improvements to Board meeting processes to enhance the Board’s work and effectiveness. Following the external assessment of the Board in FY2014, changes included streamlining of the Board meeting processes and procedures, the introduction of regular Asset President meetings to allow Board members to engage with operating executives on a broad range of issues, and formalisation of the focused Board strategy forum. In addition, as a result of the assessment, the Finance Committee was dissolved and its responsibilities allocated between the Board and the Risk and Audit Committee.

The Final Word: Experiences on Board Evaluation Practices

Arun Duggal

Chairman of ICRA
and former CEO.
India, Bank of
America

"What is measured, Can be improved"

--- Peter Drucker

In the last 15 years or so, Corporate Governance frameworks in many countries including, USA, U.K., Australia, Canada, etc have introduced formal Board Effectiveness and Director Performance Evaluation processes. The approach is quite varied. In most cases it is to be done by Board members themselves , but in some it is to be done by independent external agencies , at least every two or three years.

The experience in other countries shows that Board Effectiveness review and discussion on that subject among Board members has been generally very successful. Out of this review and discussion, many useful ideas emerge on how the Board can be more effective. It also improves the cohesion and "Team spirit" among Board members because the discussion is positive and constructive as to "How can we do better as a team".

The areas for improvement generally include, desire to receive Board papers well in advance so that Board members have time to prepare, Board papers should be well prepared and precise and not unnecessarily voluminous , better management of Boards time, a short meeting of Independent Directors after every Board meeting, more time to be spent on business discussion rather than statutory matters, presentations on various business segments and functions by key executives so that the Board gets to know them better, a deep dive on one relevant issue in each Board meeting by internal or external speakers, directors education opportunities, social interaction among board members and senior management to enhance bonding, special Board meeting once a year to review long term strategy, in between Board meeting communication by CEO on any important issue, etc. Directors who serve on many company Boards also bring in the Best practices observed by them in other Boards.

Director performance evaluation, on the other hand, in all most countries has been controversial. The peer evaluation, i.e. where every Director evaluates performance of every other director, has raised a number of issues starting with confidentiality. Many Board members are not convinced that their critical remarks of another director will remain confidential. It can introduce divisiveness and politics in the Board diminishing its effectiveness as a team. It is also rather controversial as to how to provide the evaluation feedback to, particularly negative feedback, to Directors.

The best practice that I have seen on Boards overseas is where the Board Chairperson has a one on one session with each Director once a year to seek feedback regarding his performance as Chairperson from the director and give feed back to the Director regarding his/ her performance as a Board member. This is be a very positive way to provide and receive constructive feedback.

In India, Companies Act 2013 and Clause 49 in 2014 have introduced several requirements regarding Board Effectiveness and Director Performance Evaluation which are very detailed and rather prescriptive. Many of these are duplicative and some, in my view, unnecessary.

In the last one year or so there has been a scramble by companies in India to meet with these requirements. Consultants in this area have had flourishing business devising criteria, forms and questionnaires. As may be expected, at this point, in most companies focus is to tick the boxes and be formally compliant. They are not looking to derive any utility out of this process.

These are early days and let us be patient. I am sure that over time this will improve: the regulatory requirements, hopefully, will be simplified, trusting Boards to handle this evaluation in a manner, suitable for them. I highly recommend that the regulatory requirement in India is limited to “The Company will disclose the process by which the evaluation is made of the effectiveness of its Board, its Committees and performance of its Chairperson

and individual Directors.” No additional regulation is required.

In the next few years, I believe, Boards in India will also get more comfortable with the Board Effectiveness evaluation process and in giving and receiving constructive feedback. They will, no doubt, begin to derive real utility out of this process in improving their effectiveness and in enhancing performance of Directors. This will contribute significantly to better Corporate Governance in India in the coming years.

Sandeep Poddar

Company Secretary,
Dr. Reddy's
Laboratories

Board Evaluation at Dr. Reddy's Laboratories

Board evaluation is a tough exercise, it is tougher when you have eminent people on your Board who are exceptionally knowledgeable and experts in their own domains.

The Company strongly believes that the exercise of Board Evaluation should focus on a review of overall effectiveness of the Board. Hence, it was felt that engaging an external expert will bring a different perspective and independent judgement to the Board effectiveness review process.

Hence in FY2010, the Company undertook its first-ever review of Board processes and individual Board members' performance through a global executive search and talent strategy firm, specializing in such reviews. This was way before Board evaluation became mandatory for the Company. This review gave several deep insights into the opportunities for continued improvement in the functioning of Board and management. It facilitated better understanding of the expectations both parties had from each other, thereby enabling them to extract the best from unexplored potential and thereby contributing to the organization growth.

In FY2015, the Board again carried out a 360 degree feedback-cum-assessment of effectiveness of its own performance, executive directors as well as the working of its Committees. In order to ensure objectivity, an external expert was again engaged to manage the process. The Board worked with the Nomination, Governance and Compensation Committee (NGCC) to lay down the criteria for such review. There was continuous interaction and responses were taken from each director through questionnaires and one-on-one interviews regarding the functioning of the Board as a whole, every committee and individual directors. The contribution and impact of individual Directors, both executive and non-executive directors, were reviewed through a peer evaluation exercise on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness.

In FY2016, the Company decided to undertake this review internally, more from a self-evaluation perspective. The process was spearheaded by the chairperson of NGCC and supported by the Company Secretary. As a part of the process, two questionnaires were sent to each Board member for their feedback on:

1. The overall Board's performance and effectiveness focusing *inter alia* on the composition, role of the Board, Board communication and relationships, committees and their reporting to the Board, strategic planning, monitoring integrity of financial statements, legal and financial duties and any other qualitative feedback.
2. Performance of Board members (other than themselves) focusing *inter alia* on value addition to items of agenda, understanding of Company's strategy and risk environment, shareholder interests and value creation, feedback and guidance to management and participation in Board discussions based on personal knowledge and expertise.

The inputs received, as given by each board member, were collated and a summary of observations, qualitative feedback and suggestions on the overall working of the Board were presented as an outcome of such Board effectiveness review. The peer ratings on certain parameters, positive attributes and improvement areas for each Board member were also provided to them confidentially.

Response of the Board towards Board effectiveness review

The Board of Directors ardently went through the review processes of filling up questionnaires, giving qualitative inputs on performance and gave valuable suggestions for better functioning of the Board. The time they took out from their busy schedule for ensuring sanctity of this process is really commendable. The Independent Directors also contemplated on the outcome/findings of this evaluation and appropriate action plan, during their session, without the presence of the management.

Few actions taken to improve the Board's effectiveness:

1. Critical discussion items/focus areas for the Board and its Committees are planned in advance in consultation with the Chairpersons of the Board/Committees.
2. The Board and its Committee meetings at Dr. Reddy's typically comprise of two-day sessions, with all Committee meetings being held on the first day. These first-day meetings are structured in parallel to facilitate in-depth discussion and leverage specific skills of members.
3. The Company has a rigorous post meeting follow up mechanism to track suggestions/decisions taken at meetings. A status report on such suggestions/decisions is placed at the next meeting(s) for information and recommended action(s), if any.
4. The Company appointed an Independent Director as the Lead independent director to drive the Board agenda, elicit diverse perspectives, moderate debate and ensure that air time is effectively utilized.
5. Considering the complex nature of Pharmaceuticals industry, the Board established the Risk Management Committee and Science, Technology and Operations Committee in FY2011.

In addition to the above, every Board member has agreed to work on the qualitative feedback received by them during the process.

Way Forward

All said and done, any evaluation/review exercise is incomplete unless the status of these action points is monitored periodically and addressed appropriately before the next evaluation cycle.

Over the past three instances of such reviews, it has been observed that the directors have always striven to better their contribution and put in place independent and collective action plan for furthering this agenda, wherever required.

Bina Chandarana

Company Secretary
and Senior
Executive Vice
President,
Kotak Mahindra
Bank

Board Evaluation at Kotak Mahindra Bank

The composition of the Board of Directors of Kotak Mahindra Bank Limited meets the requirements of the Companies Act, 2013, SEBI Listing Regulation as well as the Banking Regulation Act. As on date (5 May 2016), there are in all eleven Directors of which five are Independent Directors and 3 Whole-time Directors. Dr. Shankar Acharya is the Chairman and Mr. Uday Kotak, Executive Vice Chairman and Managing Director.

The Nomination and Remuneration Committee (NRC) of the Bank has formulated the criteria for performance evaluation of the Directors and the Board as a whole. For the purpose of defining the evaluation criteria as well as supporting the final evaluation of the Directors and the Board, the NRC appointed a leading Human Resource and management consultancy firm which specializes in the area of Board appointment, evaluation and effectiveness practice.

In consultation with the external advisors appointed by NRC, a Board effectiveness assessment questionnaire was designed for the performance evaluation of the Board, its Committees, Chairman and individual directors in accordance with the criteria set and covering various aspects of performance including composition, relationship among directors, director competency, contribution to risk management compliance, roles and responsibility, board procedures, processes, functioning and effectiveness. The said questionnaire was circulated to all the directors of the Bank for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the directors on the annual evaluation of the Board, its Committees, Chairman and the individual Directors, the Board Evaluation Report was placed before the meeting of the Independent Directors for consideration. Similarly, the Board at its meeting assessed the performance of the Independent Directors.

The results indicated a high degree of satisfaction amongst Directors regarding the performance of the Board and its committees.

In our experience, the entire exercise was effectively concluded and active participation of each and every member of the Board provided us a true & fair assessment of individual Directors and the Board as a whole.

Conclusion

There are several Indian companies that evaluated its board well before it became mandatory. These companies were ones that had a progressive management and stronger governance standards. For the most part through, Indian companies have traditionally been hesitant to hold boards accountable.

Indian companies, and directors, are coming to terms with the new requirements. As the idea of a board evaluation is new to India, the processes will evolve over a period of time and become more robust and productive. This publication is aimed to make a positive contribution to the evolution of the board assessment culture in India and will help companies fine tune their practices in line with their peers. Companies should use this study to debate and deliberate this subject openly and, over a period of time, arrive at an optimal approach to board evaluation.

Annexure A: List of Companies for the study

Sr.No.	Company Name	Index
1	ACC Limited	Nifty 50
2	Adani Ports And Special Economic Zone Limited	Nifty 50
3	Ambuja Cements Limited	Nifty 50
4	Asian Paints Limited	Nifty 50
5	Axis Bank Limited	Nifty 50
6	Bajaj Auto Limited	Nifty 50
7	Bank Of Baroda	Nifty 50
8	Bharat Heavy Electricals Limited	Nifty 50
9	Bharat Petroleum Corporation Limited	Nifty 50
10	Bharti Airtel Limited	Nifty 50
11	Bosch Limited	Nifty 50
12	Cairn India Ltd	Nifty 50
13	Cipla Limited	Nifty 50
14	Coal India Limited	Nifty 50
15	Dr. Reddy's Laboratories Limited	Nifty 50
16	GAIL (India) Limited	Nifty 50
17	Grasim Industries Limited	Nifty 50
18	HCL Technologies Limited	Nifty 50
19	HDFC Bank Limited	Nifty 50
20	Hero Motocorp Limited	Nifty 50
21	Hindalco Industries Limited	Nifty 50
22	Hindustan Unilever Limited	Nifty 50
23	Housing Development Finance Corporation Limited	Nifty 50
24	ICICI Bank Limited	Nifty 50
25	Idea Cellular Limited	Nifty 50
26	IndusInd Bank Limited	Nifty 50
27	Infosys Limited	Nifty 50
28	ITC Limited	Nifty 50
29	Kotak Mahindra Bank Limited	Nifty 50
30	Larsen & Toubro Limited	Nifty 50
31	Lupin Limited	Nifty 50
32	Mahindra & Mahindra Limited	Nifty 50
33	Maruti Suzuki India Limited	Nifty 50
34	NTPC Limited	Nifty 50
35	Oil & Natural Gas Corporation Limited	Nifty 50
36	Power Grid Corporation Of India Limited	Nifty 50
37	Punjab National Bank	Nifty 50

Sr.No.	Company Name	Index
38	Reliance Industries Limited	Nifty 50
39	State Bank Of India	Nifty 50
40	Sun Pharmaceutical Industries Limited	Nifty 50
41	Tata Consultancy Services Limited	Nifty 50
42	Tata Motors Limited	Nifty 50
43	Tata Power Company Limited	Nifty 50
44	Tata Steel Limited	Nifty 50
45	Tech Mahindra Limited	Nifty 50
46	Ultratech Cement Limited	Nifty 50
47	Vedanta Ltd	Nifty 50
48	Wipro Limited	Nifty 50
49	Yes Bank Limited	Nifty 50
50	Zee Entertainment Enterprises Limited	Nifty 50
51	Adani Power Limited	Nifty Midcap50
52	Ajanta Pharma Limited	Nifty Midcap50
53	Apollo Tyres Limited	Nifty Midcap50
54	Bata India Limited	Nifty Midcap50
55	Biocon Limited	Nifty Midcap50
56	Godrej Industries Limited	Nifty Midcap50
57	The Karnataka Bank Limited	Nifty Midcap50
58	L&T Finance Holdings Limited	Nifty Midcap50
59	Reliance Capital Limited	Nifty Midcap50
60	SKS Microfinance Limited	Nifty Midcap50
61	Sun TV Network Limited	Nifty Midcap50
62	Tata Chemicals Limited	Nifty Midcap50
63	Voltas Limited	Nifty Midcap50
64	Aban Offshore Limited	Nifty Smallcap 100
65	Bajaj Electricals Ltd	Nifty Smallcap 100
66	BEML Limited	Nifty Smallcap 100
67	Bombay Dyeing & Manufacturing Co. Limited	Nifty Smallcap 100
68	Deepak Fertilisers & Petrochemicals Corp. Limited	Nifty Smallcap 100
69	Eros Intl Media Limited	Nifty Smallcap 100
70	Graphite India Limited	Nifty Smallcap 100
71	IL&FS Transportation Networks Limited	Nifty Smallcap 100
72	McLeod Russel India Limited	Nifty Smallcap 100
73	Muthoot Finance Limited	Nifty Smallcap 100
74	Raymond Limited	Nifty Smallcap 100
75	Sobha Limited	Nifty Smallcap 100

Annexure B: Recommended Reading

IiAS has reproduced the below literature from the International Finance Corporation document – “***Board Evaluations: Insights from India and Beyond***” by Mary Jo Larson and Chris Pierce after taking reprinting permissions.

I. INTRODUCTION

Board evaluation has emerged as a corporate governance priority and brought to the forefront many associated challenges. This is not a revolutionary change. Board assessment procedures are evolving as nations and companies formulate and test diverse requirements. In India, for example, the Companies Act of 2013 mandates that the code of conduct for independent directors include: “Bring an objective view in the evaluation of the performance of Board and management.”

Until recently effective Board evaluation was not regarded a Board priority. In 2002, Yale University Professor Jeffrey Sonnenfeld commented: “I can’t think of a single work group whose performance gets assessed less rigorously than corporate Boards.”

However, in the last 12 years the situation has substantially changed. Corporate governance practitioners have been applying Peter Drucker’s idea that “what gets measured gets managed,” and among senior leaders, what gets acknowledged and valued gets done even better.

India has moved to the forefront of this governance challenge with its new Companies Act of 2013, which states that the Board of every listed company and other public companies with paid-up capital of Rs 25 crore or more (approximately US\$ 4 million) shall report the annual performance evaluation of individual directors, the Board and its committees.³

Amendments made by the Securities and Exchange Board of India (SEBI) to Clauses 35B and 49 of the Equity Listing Agreement issued in April 2014 mention “Monitoring and reviewing Board Evaluation framework” as a key function of the Board.⁴

In the following pages, we examine features of Board evaluation and the challenges now facing Boards in India and beyond. “Board evaluation” is a term that commonly refers to the assessment of the Board as a whole, its committees and its individual members. At this stage, companies in India tend to emphasize the

³ Section 134(3)(p) of the Companies Act (2013)

⁴ Clause 49 Amendment (2014)

evaluation of the Board as a whole, and this article reflects that situation.

Recognizing the merits of various approaches, we highlight the Board's leadership culture – *the tone at the top* – as an essential feature of an effective assessment process. As described below, Board evaluation is driven by the values and performance expectations of senior leaders in Tata Group, Infosys and other well-known Indian companies.

Topics addressed in this article include:

- Incentives for Board evaluation
- Extent of Board evaluation globally
- Significant requirements in India
- Predictable barriers and challenges
- Case example of Board leadership from India
- Recommended practices worldwide
- Future trends and challenges

II. REASONS FOR BOARD EVALUATION

"If the chair and the Board perceive Board evaluation as an opportunity to get the Board to think smarter and work more effectively, Board evaluation can achieve great things!"⁵

What are the incentives for Board evaluation? This section recognizes the pressures associated with regulatory and investor requirements. Equally if not more significant are senior leaders' standards of excellence and their determination to strengthen the leadership culture and performance of the Board.

1. Compliance with legal requirements

There is a global trend toward mandatory provisions made by regulatory bodies such as stock exchanges, central banks and financial services commissions. The Ministry of Corporate Affairs, which has the responsibility to administer India's Companies Act (2013), now mandates the annual reporting of Board evaluations for designated companies.

⁵ Chairperson of a non-listed UK company

2. Investor and shareowner pressures

Board evaluation is increasingly used to demonstrate to investors the commitment to improving performance at the highest levels. Institutional investors consider Board evaluation a significant criterion in their governance ratings of companies. In the near future institutional investors are likely to be requesting Board evaluation reports (including a description of the process and a summary of the Board development plan arising from the evaluation) in the Annual Report to shareholders. Positive results from Board evaluations signal to shareholders and key stakeholders that the company is well governed. When the Board is able to demonstrate an ethical culture and effective practices, the evaluation process raises the profile and reputation of the Chairperson, senior leaders and the company as a whole.

3. To improve leadership and performance

The Chairperson of Infosys was among the first to champion the benefits of Board evaluation. Senior leaders at Tata Group, a global enterprise headquartered in India, have developed a business excellence model for the regular, systematic assessment of leadership systems, including Board governance. The assessment framework reinforces Tata's values, ethical behaviors and performance expectations. The Leadership category includes mechanisms for senior leaders to conduct self-examination, receive feedback, and improve. Studies in Europe and the US confirm that when senior leaders take ownership of the Board assessment process, their meetings proceed more smoothly, they make better decisions, and they have greater influence on long-term corporate strategy.

Benefits of engaging the Board include:

- *Improved decision-making* – In many cases, the assessment process leads the Board to reconsider Board practices, including priorities on the agenda and the efficiency of its communication systems and information architecture. The process of raising directors' concerns acts as an early warning system to the Board, which will allow changes to be implemented before more deep-rooted problems set in.
- *Improved performance* – Board and individual effectiveness improves as a result of developmental assessment. Improvements in Board practices and structures help to improve trust, respect and business confidence. Significant results may be recognized through corporate governance and Board leadership awards.

- *Improved accountability* – Board evaluation is a major method for a company to improve its accountability, transparency and disclosure. Positive results of ‘Board evaluation’ can be included in Annual Reports, which allow the Board to frame and provide evidence of the value it creates for the company and beyond.

III. SITUATION VARIES WORLDWIDE

“Approaches to evaluation are very diverse and there is little clarity and consistency on what constitutes an effective evaluation.”⁶

There is no global approach or model for Board evaluation. In some countries, such as the UK, the USA and India, Board evaluations are now mandatory for specified listed and public companies. In most countries, Board evaluation is a recommended practice. Within those countries conducting Board evaluations, priorities are influenced by regulatory requirements and leadership preferences. Much of the focus in US companies is upon how the Board deals with oversight of internal controls with particular reference to Sarbanes-Oxley (2002) requirements. Many of the UK companies are focusing upon Board behaviors.

Australia (2014)⁷

Listed companies should disclose the process for evaluating the performance of the Board, its committees and individual directors and should disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. The Australian Stock Exchange (ASX) states that “it is essential that the Board has in place a formal and rigorous process for regularly reviewing the performance of the Board, its committees and individual directors and addressing any issues that may emerge from that review.” The ASX recommends that the Board should consider periodically using external facilitators to conduct its performance reviews. The Stock Exchange also recommends that when a listed company discloses whether a performance evaluation has been undertaken the entity should, where appropriate, also disclose any insights it has gained from the evaluation and any governance changes it has made as a result.

South Africa (2009)⁸

The King 3 Report states that the evaluation of the Board, its committees and the

⁶ Armstrong (2014)

⁷ Australian Stock Exchange (2014)

⁸ King (2009)

individual directors should be performed every year. The Institute of Directors in Southern Africa has undertaken over 80 Board evaluations since the publication of the King 3 Report in 2009 and has identified that Board evaluations are associated with:

- Assisting Boards in assessing how well they have performed through benchmarking their performance against established best practice
- Allowing for reflection on the role of the Board, what its objectives are and how it has fulfilled those objectives
- Creating the opportunity for enhancing Board effectiveness
- Informing the recruitment and appointment of directors
- Providing a basis for identifying future development needs of the Board

United Kingdom (2014⁹)

The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The UK Code of Corporate Governance requires large companies to have a Board evaluation undertaken by an external independent evaluator at least every three years.

The Financial Reporting Council (FRC)¹⁰ encourages companies to disclose the main actions that were agreed following the Board effectiveness review and, where relevant, how those actions identified in previous years had been implemented. The FRC does not wish to be prescriptive and believes this approach potentially enables Boards to demonstrate to shareholders how they are working to improve their effectiveness in a way that does not require them to disclose sensitive information.

In the UK it is becoming increasingly common for companies to provide at least some information on what actions will be taken as a result of the review. A survey in 2013¹¹ found that 56 per cent of FTSE 100 companies and 32 per cent of FTSE 250 companies disclosed outcomes of their evaluation in 2013, up from 44 and 30 per cent respectively in the previous year.

United States¹²

Under New York Stock Exchange (NYSE) listing rules, the charters of the audit,

⁹ FRC (2013)

¹⁰ FRC (2013)

¹¹ Grant Thornton (2013)

¹² New York Stock Exchange Listing Rules

compensation and nominating/ corporate governance committees of domestic listed companies are required to provide for annual performance evaluations of these committees. In addition, the NYSE listing rules require domestic listed companies' Boards to address annual performance evaluation in their corporate governance guidelines.

A survey in 2012¹³ identified that 92% of survey respondents conducted full Board evaluations, 83% conduct committee evaluations, and 48% conduct individual director evaluations. Another survey¹⁴ in the same year identified that only 2% of S&P 500 Boards (versus 10% in 2008) did not conduct some kind of annual performance evaluation. More than 50% of those that did undertake annual evaluations examined both the full Board and individual committees, 13% evaluated only the full Board and 31% (up from 29% in 2011) reviewed performance of the full Board, committees and individual directors.

Saudi Arabia (2014)¹⁵

The Saudi Arabian Monetary Agency requires that the Boards of all banks operating in Saudi Arabia shall carry out, on a periodical basis, regular assessment of both the Board members as a whole and of the individual Board members. The Agency requires that bank Boards should periodically review the effectiveness of its own controls and work procedures and identify weak points and make any necessary changes whenever the need arises. The Agency recognizes that entrusting an external entity to carry out a Board assessment can contribute to the objectivity of the process.

Spain (2005)¹⁶

The Principles of Good Corporate Governance for Unlisted Companies in Spain recommends that the Boards of all unlisted companies should periodically assess its performance, its directors' performance and Board committees' performance (if any). The Board should also make an annual evaluation of its chief executive and this evaluation should be coordinated by the non-executive Chairperson (or by the senior independent director/lead director/principal director when the Chairperson is an executive) who will subsequently submit the results to the chief executive.

Approaches to Board evaluation are also influenced by sector requirements, ownership structures, and the role expectations of senior leaders.

¹³ NACD (2012)

¹⁴ Spencer Stuart (2012)

¹⁵ SAMA (2014)

¹⁶ ICA (2005)

- **Different sectors**

Different sectors tend to differ in their priorities. Board evaluations in the public sector often focus upon the Board's oversight of service provisions to key stakeholders (e.g. value for money audits), which often have a current or historical orientation. Board evaluations in the private sector tend to focus upon the Board's performance with an eye on value creation and its involvement in management oversight, with present and future orientations.

- **Different ownership structures**

Different ownership structures also tend to differ in approaches to Board evaluation. Companies with a widely dispersed ownership structure tend to focus upon the Board's reporting to shareholders, which often has a current or historical orientation. Companies with a highly concentrated ownership structures often focus upon the Board's treatment of related party transactions, abuse of minority shareholder interests, conflicts of interests, and other business issues.

- **Role definitions and expectations**

It is interesting to note from a 2014 survey of opinions among European Listed Companies (Table 1), that only 41% of Board members and 30% of CEOs believe that it is the Chairperson's job to lead Board evaluation among listed companies in Europe. In fact, only 4% of Chairpersons perceive it as their responsibility.

Table 1: Survey of Board, Chairpersons and CEOs of European Listed Companies

WHO LEADS THE EVALUATION?	RESPONSES FROM BOARD	RESPONSES FROM CHAIRPERSONS	RESPONSES FROM CEOs
The Chairperson	41%	4%	30%
A committee	13	12	18
Senior/Lead Independent director	4	14	3
Board members	33	53	52
External consultant/facilitator	17	11	5
Other	4	5	5
No one/not applicable	5	11	6

Source: Heidrick and Struggles (2014)

Increasingly, companies are amending their terms of reference and committee charters to incorporate Board evaluation and define roles for this additional

responsibility. For example, the 2013 – 2014 annual report of Dr. Reddy's Laboratories Limited states:

*"The Nomination, Governance and Compensation Committee periodically oversee an evaluation of the Board, and recommend desirable changes in Board size, composition, committee structure and processes, and other aspects of the Board's functioning."*¹⁷

Nomination, governance and remuneration committees can play a key role in organizing the design, presenting Board strengths and gaps, and linking the performance review to the Board's strategic responsibilities.

Recent surveys also indicate that there is an increased use of external advisors and evaluators.¹⁸

- 21% of European listed companies use external consultants/facilitators every year
- 10% use them once every two years
- 36% use them once every 3 years or less often
- 33% never use one

An experienced evaluator/advisor should be able to adapt and design Board evaluation to meet these different circumstances and contexts.

IV. REQUIREMENTS IN INDIA

The Ministry of Corporate Affairs¹⁹ regulates corporate governance in India through the Companies Act of 1956 and the Companies Act of 2013. Strengthening director's independence is a distinctive governance priority in the Companies Act of 2013.

Board composition

Companies in India must now have at least one-third of the Board as independent directors. Also, for public and private firms with an annual turnover of at least three billion rupees (approximately US\$50 million), one female director is mandatory.

Board performance

A director of a company shall exercise his duties with due and reasonable care, skill

¹⁷ Dr. Reddy's Laboratories Limited, Nomination, Governance and Compensation Committee Charter (<http://www.dreddys.com/investors/pdf/charters/charter-compensation-comm.pdf>)

¹⁸ Heidrick and Struggles (2014)

¹⁹ <http://www.mca.gov.in/>

and diligence and shall exercise independent judgment.²⁰ The financial expertise required of directors has been increased with the reporting of consolidated financial statements and depreciation methods having been much altered.

Legal duties and responsibilities of directors

Independent directors are now liable for acts or omissions that occurred with their knowledge, attributable through Board processes, and with consent or connivance or where the independent director had not acted diligently.

Governance structures

The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.²¹ Also, the role of the Audit Committee has been tightened and new rules concerning auditor appointment and rotation have been introduced.

The Nomination and Remuneration Committee²² shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The Board Chairperson may be appointed as a member of this committee but shall not chair the Committee. This Committee formulates the criteria for determining qualifications, positive attributes and independence of a director and recommends remuneration packages. Many Indian companies are now required to have a Corporate Social Responsibility (CSR) committee with a specified committee mandate.

Board evaluation

The Board's Nomination and Remuneration Committee has the responsibility to carry out the evaluation of each director's performance. The annual Board of Directors' report to the general meeting shall include the results of the formal evaluation with a statement indicating the manner in which the Board conducts the formal evaluation of the Board's performance, the Committees' performance, and the performance of individual directors.

The Companies Act of 2013 now mandates that independent directors be evaluated against the Code for Independent Directors. Independent directors assume significant duties and responsibilities, as summarized below.

SEBI puts special emphasis on the performance evaluation of independent directors, to the extent that the decision to extend or continue the term of appointment of

²⁰ Section 166 (3) Duties of Directors of the Companies Act (2013)

²¹ Section 177 of the Companies Act (2013)

²² Section 178 of the Companies Act (2013)

independent directors should be based on their performance evaluation report. SEBI also outlines the role of the Nomination and Remuneration Committee to formulate criteria for evaluation of the independent director and the Board and the evaluation criteria needs to be disclosed in the Annual Report.²³

SEBI issued a Circular (2014) that expands the role of the independent director in the amendments made to Clause 49. The amendment requires independent directors to have at least one meeting a year without the attendance of non-independent directors and members of management where the performance evaluation of the non-independent directors will be made.²⁴ This addition is the main difference between the Companies Act of 2013 relating to Board evaluation and Clause 49. SEBI's amendment to Clause 49 stipulates that:

"The independent directors in the meeting shall, inter-alia:

- i. *Review the performance of non-independent directors and the Board as a whole;*
- ii. *Review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors*
- iii. *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."*

The new requirements are designed to strengthen corporate governance structures and the performance of legal and fiduciary duties. However, regulators have not provided guidance on how to undertake the evaluation process, giving the companies in India flexibility in choosing a process that's appropriate for them.

Table 2: Code for Independent Directors in India

DETAILED GUIDELINES FOR PROFESSIONAL CONDUCT, ROLES AND RESPONSIBILITIES INCLUDE:

- Upholding ethical standards of integrity and probity;
- Acting objectively and constructively while exercising director duties;
- Exercising responsibilities in the interest of the company;
- Devoting sufficient time and attention to professional obligations for informed and balanced decision making;

²³ Clause 49 Amendment (2014)

²⁴ Clause 49, section 6, Part B

- Not allowing any considerations to vitiate objectivity and independent judgment;
- Not abusing position to the detriment of the company or its shareholders or for personal advantage;
- Bringing an objective view in the evaluation of the performance of Board and management;
- Safeguarding the interests of all stakeholders, particularly the minority shareholders;
- Undertaking induction and regularly updating and refreshing skills, knowledge and familiarity with the company;
- Keeping well informed about the company and the external environment;
- Satisfying themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- Seeking appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts;
- Paying sufficient attention and ensure that adequate deliberations are held before approving related party transactions and be assured that they are in the interest of the company;
- Reporting concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

Source: Schedule IV. The Companies Act (2013)

V. UNDERSTANDING THE CHALLENGES

“Boards have to want to change. And many Boards are working very hard to avoid it.”²⁵

According to an informal survey of corporate governance professionals representing more than 42 countries²⁶, directors continue to approach ‘Board evaluation’ with caution and resistance. A recent study in Belgium²⁷ revealed that the requirement for periodic Board evaluation is one of the least

²⁵ Korn Ferry (2011)

²⁶ IFC’s Global Institute of Directors Meeting and Consultation. May 2014. Istanbul, Turkey.

²⁷ Van den Berghe L and Levrau A. (2013)

respected governance recommendations.

What are the barriers and challenges? To begin, Board evaluation is not a familiar international practice. Most of the countries at the forefront of governance change have only introduced Board evaluation in the last 12 years.

There are predictable reasons why performance evaluations do not take place or are ineffective. Patterns of resistance include three barriers: defensive attitudes, legal and procedural concerns, and perceived business risks.

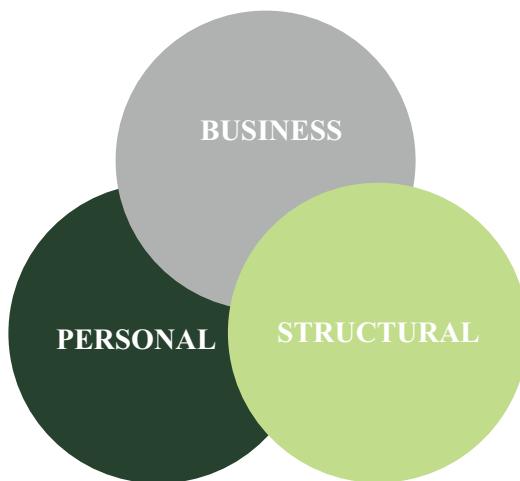
Personal ('mindsets' or attitudes, egos, status, reputations, relationships, competence)

Structural (rules and regulations, bylaws, authority roles, procedures, policies, laws, acts, rules)

Business (strategy, investments, costs, shareowner value, conflicts of interest)

These factors are interrelated, as indicated in Figure 1. For example, personal animosity, especially within family-founded firms, may undermine Board deliberations, reporting procedures, and business decisions. When the assessment reveals a business risk, the Board needs to identify the root of the problem. Is it *personal* (including incompetence, ethical violations), or *structural* (ineffective procedures, policies, etc.)? The way the problem is defined sets the stage for remedial action.

Figure 1: Board Challenges



Personal

Attitudes are the first and greatest challenge, particularly when 'mindsets' include

indifference or inflexibility – unwillingness to change. The duty to exercise independent judgment also poses distinct challenges. Many directors prefer to go along with the majority (“group think”) to get along.

Directors who have served with the same Board members over an extended period of time may be uncomfortable judging or being judged by colleagues. They are accustomed to evaluating the CEO and other senior executives, but when asked to engage in Board evaluation, they raise a wide range of objections.

Some argue that it is impossible to establish objective criteria concerning a director’s skill, experience and attributes. A common claim is that directors have established track records and reputations, and they do not need to “prove” themselves any further. Directors may also fear that the evaluation results will be used against them, particularly if they lack IT, financial or other technical expertise.

One technique for reducing directors’ opposition to an “evaluation” is to recast them as “performance enhancement plans” (PEPs). The focus of the process is to enhance the Board’s performance rather than criticize behaviour. Treating reviews as a forward-looking planning process re-frames the exercise as goal-oriented and positive.

Structural concerns

There is little clarity about what constitutes a proper evaluation procedure. Board members have questions about the reasons, their roles, the rules and the potential impact on relationships and remuneration. Questions include: Who are the right people to lead the evaluation? What is the right process? Which information to gather? How is the data analyzed and reported? How is confidentiality enforced? What is the benchmark?

In India, the Companies Act of 2013 requires independent directors to assume significant Board evaluation responsibilities. Independent director duties include bringing an objective view in the evaluation of the performance of Board and management. These directors hold significant positions on the Nomination and Remuneration Committee, which has the responsibility to carry out the evaluation of every director’s performance. Board evaluation responsibilities may pose dilemmas and risks for independent directors, as their re-appointment as Board members depends upon the report of their performance in the evaluation. An independent director who has concerns about actual or suspected business fraud must weigh the potential consequences of reporting such concerns, including the possibility that re-appointment to the Board will be denied.

The Chairperson has a duty to ensure that independent director contributions are valued and fairly assessed, particularly when perceived or actual Board violations are revealed through the evaluation process.

Business concerns

The assessment may reveal questionable transactions, inappropriate loans, or concerns about the fairness of remuneration packages (annual, per meeting fees, etc.). Highly sensitive business concerns include related party transactions and perceived conflicts of interest, which give undue advantages to Board members, their relatives or associates. A comprehensive evaluation also addresses strategic, financial, IT, safety and environmental responsibilities.

Business issues do come to the surface. The manner and extent to which the Board investigates such issues is strongly influenced by the Board's leadership culture. The Chairperson plays a crucial role, ensuring that Board evaluation has legitimacy and that it is being undertaken with authority and fairness. As noted by IFC's Phil Armstrong: "If the Chairperson is not committed or waivers at a critical point, the whole thing will likely fail!"

VI. CASE EXAMPLE FROM INDIA²⁸

*"Only a forward looking Chairman, who is prepared to move out of his comfort zone and get the whole Board to commit energy and resources, can help raise the Board's performance bar. In this context, Board evaluation becomes a powerful instrument to help companies to step back and take a closer look at their performance."*²⁹

This section describes a Board evaluation conducted by Rallis India Limited in 2008. The Chairman, Mr. R. Gopalakrishnan, initiated the informal self-assessment process to identify "areas of improvement for greater engagement between the Board and management." This case analysis illustrates the Chairperson's leadership role, how the evaluation process was tailored for this Board, and the significance of the Board's culture – "the ecology in the Boardroom."

Steps in the Rallis Board evaluation process:

Preparation: The Chairman had considerable experience serving on the Boards of other companies. He was aware of effective practices and wanted to use a self-

²⁸ Kar and TMT Team (2009). The authors wish to acknowledge and express their gratitude to Pratip Kar and TMT team for making this detailed Board evaluation case analysis available

²⁹ Kar and TMT Team (2009)

evaluation process to determine how the Rallis Board could become more effective. The Chairman considered Board dynamics and relations with management before launching this exercise.

- *Board dynamics* – the Boardroom atmosphere was conducive to open, productive deliberations. The Chairman made sure that all directors had an opportunity to contribute, and the directors were able to express candid opinions.
- *Relations with management* – the level of engagement between Board members and management was high. In preparation, the Chairman made sure that the

CEO understood and was comfortable as an active participant in the evaluation process.

Orientation: In March 2008, during a Rallis Board meeting, the Chairman announced that the timing was right to “step back and take a look at ourselves and determine how we have done and what are the areas we still need to improve.” Directors were told that the Chairman would send each an email requesting their views.

Implementation: After the report of the 2007-2008 financial results, the Chairman sent a personal email to all directors. The Chairman asked that all directors send to him, confidentially, their views on (1) the functioning of the Board, and (2) suggestions for improvement. In addition, the Chairman asked the CEO, Mr. Shankar, to capture management’s views of the Board’s performance. The CEO surveyed 10 managers (in a meeting) and used a questionnaire to gather data for statistical analysis. Findings were analyzed and sent to the Chairman.

Analysis: The Chairman analyzed the comments from directors and the summary findings from management. He divided his report into two sections, one with director responses and the other from management. Both included “Positives” and “Suggested Areas of Improvement.” In May 2008, the Chairman reported the summary of findings to the Board of Directors immediately after the Annual General Meeting. The CEO attended and took notes at the meeting. In-depth discussions resulted in action points to improve Board practices, financial oversight, and the Board’s involvement in strategy formulation.

Follow up: In July 2008, the action points were presented to the Board. The follow-up plan included placing the action points on every Board meeting agenda.

As a result, recommended actions have helped to improve the functioning of the Board and the engagement between the Board and management.

The Chairman played a vital leadership role in this Board's self-evaluation. Board members and senior managers responded to the exercise with confidence in his objectives and intentions. According to Mr. E.A. Kshirsagar, a non-executive director on the Board, the Chairman was the main reason that all Board members could give their views freely...³⁰

Table 3: Examples of areas of improvement and action proposed for greater engagement between Board and management

AREAS FOR IMPROVEMENT	ACTION PROPOSED
Minutes to be circulated more promptly after the Board meeting	Draft to be sent to the Chairperson within three days and emailed to others after approval
Give more authority to the CEO and other senior managers	CEO to identify areas where this can be done, e.g. in routine operational approvals subject to statutory requirements
Audit Committee meet without CEO	CEO to stay out of at least one meeting during the year; Audit Committee may have some time separately with the Chief Auditor or CFO in any of the meetings
Annual Strategy meeting with the Board	CEO will organize annual strategy meeting with both Board members and executive committee members
Audit on corporate responsibilities (environment, health and safety)	CEO will organize the audit

VII. INTERNATIONAL TRENDS

“Defining governance and Board effectiveness is not a straightforward exercise.”³¹

The Rallis case is not intended as a model that will fulfill all company or regulatory requirements. The Board's self-assessment was tailored for a specific stage in the Board's renewal to address specific company priorities. The Chairperson launched the evaluation as the company began to improve its performance. Significantly: “the Board continues to conduct the evaluation exercise even now when the company continues to do well.”³²

³⁰ Kar and TMTC team (2009)

³¹ Van den Berghe and Levrau (2013)

³² Update from Pratip Kar (2014)

The strengths of the Rallis case example are worth repeating:

- Confidence and trust in the Chairperson's leadership
- Candor and trust among Board members
- Inclusion of all senior leaders (Board and management)
- Commitment to improve Board performance and engagement with management

Typically, as the Board continues to strengthen governance skills and structures, more formalized evaluation systems evolve. They include the Board performance, the Committees' performance, and the performance of each director.

What gets assessed?

Board evaluation systems will focus attention on specific corporate governance categories, including:

- *Board leadership* – Chairperson's approach; Board culture (principled, independent minded); inclusion in deliberations and decision making, etc.
- *Board structure* – Appropriate number and types of committees; reporting lines between the Board and management, etc.

Board composition – Size, mix of skills, relevant experience; attributes (diversity, independence); selection process, etc.

- *Company strategy* – Board's understanding, contributions and oversight
- *Financial oversight and management reporting* – Right information, appropriate tools, key risk indicators
- *Board practices* – Board meeting frequency, agendas, efficiency, minutes, etc.
- *Board development* – Evaluation of senior leaders (CEO, directors), succession planning, professional development opportunities

More simply stated, the following elements contribute to Board effectiveness:

- The right structures
- The right people
- The right issues
- The right process

- The right culture
- The right information
- The right remuneration
- The right follow through

Walton (2014) observes that Board evaluations tend to be either people focused or task focused. People-focused Board evaluations can shape Board leader roles, build insights, create openness (address ‘the elephant in the room’ or ‘undiscussability’), enhance development, and strengthen team effectiveness. Task-focused Board evaluations can facilitate compliance, help achieve systems improvements, and send a message to key shareholders and stakeholders.

Senior managers in India caution that the focus on tasks must reinforce distinctions between director and manager roles. Directors provide strategic leadership. They have oversight responsibilities (strategy, finance, compliance, etc.) – not direct control of operations. The concern: “Directors may get into high gear and into management... there is a very thin line between directing and managing.”

Who leads the evaluation process?

The Chairperson plays a vital leadership role, establishing the spirit of inquiry and standards for a process that engages all senior leaders. Confidence in the Chairperson encourages directors and senior managers to freely contribute their observations, concerns and recommendations.

Increasingly, a trusted third party (such as a corporate governance specialist) assists in the evaluation process, providing guidance for an approach that is efficient, constructive, confidential and implemented fairly, as planned.

In India and other countries, depending on regulator requirements, the Nomination and Remuneration Committees (primarily independent directors³³) are required to carry out the formal evaluation of every director’s performance.

In some companies, the company secretary provides technical support. If the Board is concerned about the quality of the Board’s papers, it is clearly inappropriate for the company secretary to administer the process.

³³ Recall that in India, in designated companies, the Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors.

Good practice recommends an impartial third party advisor, since the Chairperson and the company secretary role and functions are part of the performance assessment and they are therefore conflicted in terms of objectivity. The third party advisor or consultant must sign a non-disclosure agreement.

Steps in the evaluation process?

Board evaluation typically involves the following steps:

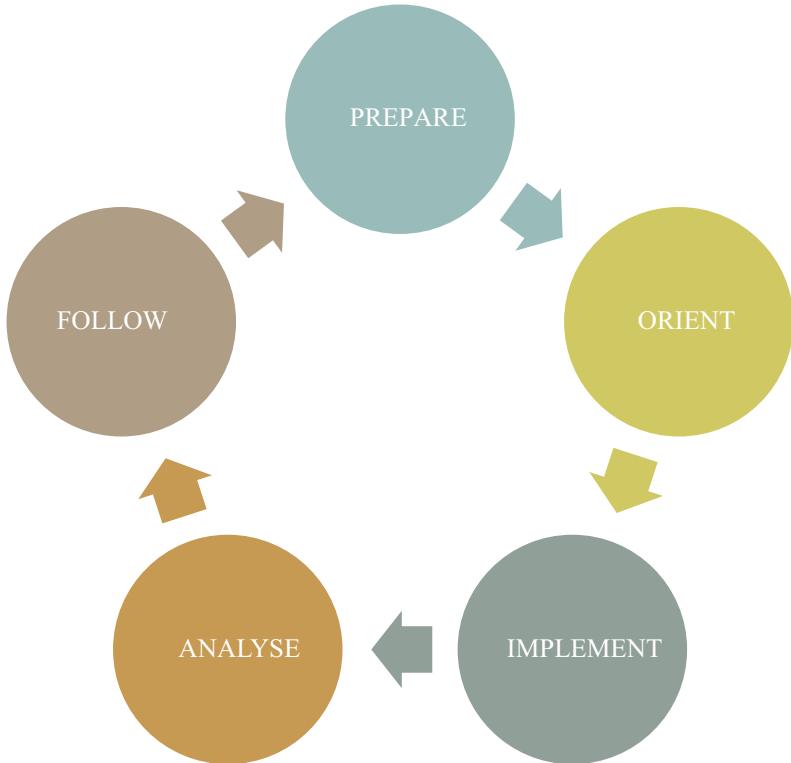
- **Prepare** with the Chairperson
- **Orient** senior leaders
- **Implement a confidential process**
- **Analyze findings, prepare report**
- **Follow up with remedial and development plans**

Sample Document Request

- Board charter
- Code of ethics
- Organization chart of Board and committees
- Biographies and status of directors e.g. nominees
- Latest Annual Report
- Agendas of Board meetings for last year
- Attendance at board meetings for last year
- Minutes of Board meetings for last year
- Terms of reference of all committees
- AGM agenda and minutes
- Induction policy
- Related party policy
- Communication policy
- Details of off balance sheet policy
- Other policies including conflicts
- Risk policy, risk assessment register, risk registers

- IFRS application details
- Internal audit reports
- Management letter from external auditors
- Company secretary job description
- Chairperson's job description
- Anticipated retirements/ succession plans

Figure 2: Steps in Board Evaluation



1. **Preparation:** Working with the Chairperson, determine objectives, procedures, roles and responsibilities. Draft the performance assessment instrument(s), which may include questionnaires and one-to-one confidential interviews.

Good timing is essential. Ideally, the Board's performance assessment will take place prior to the annual off-site strategy meeting. At some point during the latter part of the strategy meeting, the Chairperson can then devote appropriate time for the discussion of the Board's performance and the skills

and expertise required to move the strategy forward. As noted by Elise Walton: “...Board assessments are not independent or separate from strategy work or the basic business of the Board; they can be and are an essential supplement to that work.”³⁴

2. Orientation: Meet with Board members to review and finalize the assessment instruments. It is essential that the Board members understand, in advance, on what basis they will be assessed. During the orientation:

- The Chairperson speaks as a ‘champion’ for the evaluation process – valuing candor and emphasizing the forward-looking benefits.
- Relate the assessment process and objectives to the formal descriptions of what the Board of Directors are officially expected to do, including role definitions defined in the company’s constitution (the memorandum and articles of association and By laws); Board mandate or charter, terms of reference and schedule of reserved powers; Terms of reference and Board committee mandates; Role of the non-executive directors as defined in their letters of appointment.
- Describe the content, procedures and performance metrics (e.g., rating scale).

The orientation meeting is an opportunity to build confidence in the scope, objectives and benefits of the Board evaluation process. Following the orientation, with the Chairperson’s approval, make recommended adjustments.

3. Implementation: Elicit observations, questions and recommendations from all senior leaders (Board and management). The confidential process may include:

- A questionnaire being completed individually and privately by directors, including open-ended questions; and
- Confidential interviews on a one-to-one basis being undertaken with discussions focusing upon issues raised in the questionnaire.

Typical areas of review include Board composition, structure and practices; strategy and financial oversight; quality and precision of management reports and reporting; the control environment: relationships with shareholders and key stakeholders; and commitment to corporate governance. Through open-ended questions, consider the candor and trust among Board members, and the performance of the Board as

³⁴ Walton (2014)

a whole. Maintain strict confidentiality at all times.

Choosing the right methodology is critical, it is also critical to determine and identify appropriate criteria for Board evaluation. The performance matrix and procedure for Board evaluation depends on the type of organization and objective of the evaluation. Many companies choose to do this only to fulfill regulatory requirements.

The objective of Board evaluation should certainly not only be to achieve compliance with stock exchange requirements; it should be to enhance Board performance. However, if the company is constrained by resources, a simple survey may provide a quick and easy solution. In fact, many companies do choose to conduct a confidential survey.

If the objective of the Board evaluation is to enhance Board performance, it is appropriate to invest in an interview process with an experienced third party and include management feedback. A unique combination would be a survey supplemented by a focus group discussion.

Innovative Boards use different methodologies to see the Board's performance through different lenses³⁵.

4. Analysis: Collate and analyze the results, which must be handled properly. Confidentiality in the method of collection and storage of information is extremely important. All contributions by directors in the final evaluation report and assessment results should be anonymous and non-attributable. This can be quite problematic with small sized Boards since it is often very difficult to disguise the source of sensitive and critical comments. Procedures should include a feedback loop with immediate responses to any concerns. The assessment results should be distributed to directors in time for deliberations during the off-site annual strategy meeting.

5. Follow Up: Present results to the Board for discussion, recommendation, and concrete action, including:

- Action items to remedy any deficiencies;
- Changes in structures and practices to improve Board and management engagement;
- Review of the Board evaluation process itself to elicit improvements for the following year;

³⁵ Beverly A Behan (2009) Best Practices in Board Evaluation and Individual Director Evaluation

- Include action items on Board meeting agendas and the annual off-site strategy meeting with senior managers;
- Ensure that the annual calendar includes an off-site strategy meeting, annual Board evaluation, and engaging opportunities for continuous learning and development.

Board development is a logical outcome of Board evaluation. Professional director development is now occurring. For example, the Brazilian Institute of Corporate Governance (IBGC) offers professional seminars and regularly organizes study tours for its members to benchmark their performance against international best practice standards.

Figure 3: Example of Board composition question and rating scale:

BOARD COMPOSITION

How would you rate the effectiveness of the Board in terms of...?

	NEEDS MAJOR IM- PROVEMENT	NEEDS IMPROVE- MENT	APPROPRI- ATE	VERY APPRO- PRIATE
MIX OF SKILLS, EXPERTISE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
GENDER	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
BACKGROUND	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EXPERIENCE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
AGE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
INDEPENDENT DIRECTOR MIX	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ETC.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

VIII. LOOKING AHEAD

“What is important for the success of the Board’s performance review is that it is done transparently with the right intention and in the proper manner.”

Worldwide, Board evaluations are moving beyond ‘box-ticking’ and compliance checklists. Instead, senior leaders are tailoring assessment instruments to highlight strengths, identify gaps and produce recommendations that are formally discussed on an annual basis.

At present most of the Board evaluations only require input from the Board members. However, as demonstrated by the Rallis case, the assessment process

is an opportunity to strengthen Board and management engagement. This requires trust and candor among Board members and senior managers. Companies that take a more comprehensive view of evaluation seek feedback from:

- **The executive management team**

The Board may wish to widen the assessment to include formal feedback from this essential resource. The Board's relationship with executive management influences every aspect of the company's strategy, financial oversight and performance. Senior managers' understanding, trust and confidence in the Board are essential. Otherwise, managers may not be willing to engage candidly in the Board evaluation process.

- **The shareholders**

The relationship between the Board and shareholders is very important in order for the Board to advance the strategic interests of the company. To enhance confidence in senior leaders' performance, the Board may wish to include a description of the Board's evaluation procedures in the annual report, moving toward greater disclosure and transparency the future. This is only recommended when an independent external facilitator assists in the process, and when there is clarity, in advance, about the degree and extent of public reporting.

- **The Regulators**

In highly regulated sectors such as banking and financial services, the regulator's relationship with the Board is very important and the Board may therefore wish to engage an independent third party evaluator to elicit feedback from this important stakeholder.

- **Other key stakeholders**

The Board may also wish to engage an independent third party evaluator to assess feedback from key stakeholders such as market analysts, the media, customers, NGO's, employees, and environmental groups. When undertaking an independent evaluation, it is always useful to research what is being said by designated stakeholders as this sheds some light on the questions to raise in the one-on-one interviews.

Over time, Boards can expect increased access to standardized instruments such as web-based evaluations. When, with who and how best to use? Benefits of on-line Board evaluations could include efficiencies in cost, convenience and accessibility. Some claim that long-distance communication is less emotional, and

less threatening. It may be easier, for example, for directors to review and manage their responses. A major concern, and priority, is to maintain confidentiality.

In the future, Boards will increasingly be put under pressure from shareholders and other stakeholders to describe the Board evaluation process that has been undertaken in detail. This may involve describing in the Annual Report how an external evaluator was selected and appointed and the processes that were employed (e.g. questionnaires, one-on-one interviews, etc.). Disclosure in the Annual Report of the findings of the Board evaluation (or at least a summary of the findings) and details of the Board development plan may also become more common. It can be argued that publication of this information will signal to key stakeholder groups that the company is taking seriously its governance responsibilities¹ and the effective performance of its Board.

In the future, as approaches to Board assessment continue to evolve. Important reminders include:

- The Chairperson plays a vital leadership role – orienting senior leaders to the benefits of Board evaluation and ensuring a fair, legitimate process.
- Engage all concerned parties in the discussion of the purpose, objectives, process, and outcomes. Summarize understandings in a written format.
- The Chairperson and the CEO play a key role in developing and approving the process.
- Benchmarks of Board, committee, executive, and company effectiveness are used as performance indicators.
- The Chairperson provides the full Board with a report.
- The assessment process itself should be reviewed for improvements to be undertaken in the following year.
- Reserve time on the Board's calendar for regular annual reviews.

A Board evaluation issue that deserves more focused, country-specific attention relates to the independent director's role. In India and beyond, independent directors are now required to lead the evaluation of their peers. Board members then evaluate the independent director to decide whether he or she will be reappointed to the Board. The risks? Board members may decide not to reappoint an independent director if they are threatened by the evaluation results. Thus, independent directors may be tempted to take the easy way out, perhaps resorting

to ‘box ticking’ assessments that focus more heavily on compliance. Such findings are important, but they rarely contribute to the Board’s development and improved performance.

The challenge remains: how to ensure that independent directors can bring “an objective view” to the evaluation of the Board? Ultimately, independent directors need to trust the Chairperson’s intentions, authority and judgment. Negative leadership attitudes, such as indifference and defensiveness, are powerful psychological threats to the Board evaluation process and its potential impact.

In the near future, we recommend that independent directors and other senior leaders in India engage with impartial facilitators for a careful analysis of potential Board evaluation conflicts: personal, structural and business. Pragmatic solutions will clarify governance roles, rules and procedures by taking into account differing Board leadership cultures.

What is valued most is the spirit of inquiry. Advancing the quality and impact of Board evaluation requires a new level of senior leader commitment and engagement. In the future, effective Boards will continuously reassess and improve their performance, including the review of traditional roles and established procedures. The Chairperson plays a vital role in orchestrating this performance improvement process. Simply stated: Board leadership – the tone at the top – will continue to matter.

Annexure C: References

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