



Ester Industries Ltd

Performance Evaluation Policy

1. INTRODUCTION

Evaluation of Directors, Board or its Committee is recognized as a good corporate governance practice. Corporate Governance Voluntary Guidelines, 2009 recommended that the Board should undertake evaluation of its own performance and that of its committee and individual directors. Erstwhile Clause 49 of Listing Agreement as a non-mandatory requirement provided for evaluation of non-executive directors.

Now Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) mandate for evaluation of the Board of Directors as a whole, that of its Committee and individual Directors. Accordingly, Nomination & Remuneration and Board hereby formulates the criteria for evaluation of every Director's performance individually, the Board as a whole and that of its Committees.

2. DEFINITIONS

- **Act** means the Companies Act, 2013 and rules made thereunder.
- **Board** means the Board of Directors of Ester Industries Limited
- **Committees** mean the following committees of the Board of Directors of Ester Industries Limited, constituted under provisions of the Companies Act, 2013 and Listing Regulations:
 - 1) Audit Committee;
 - 2) Stakeholders' Relationship Committee;
 - 3) Nomination and Remuneration Committee
 - 4) Borrowing Committee
 - 5) Corporate Social Responsibility Committee
 - 6) Any other Committee as constituted by the Board after approval of this policy
- **Independent Director** shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and Regulation 16(1) (b) of the Listing Regulations;
- **Policy** means this Performance Evaluation Policy.

Words and definitions not defined herein, shall have the same meaning as provided in the Companies Act, 2013 read with relevant rules, Listing Regulations or other relevant provisions, as may be applicable.

3. MANNER OF EVALUATION

A. LEGAL FRAMEWORK

Regulation 17(10) of the Listing Regulations requires that the performance evaluation of independent directors shall be done by the entire Board of Directors; which shall include –

- (a) performance of the directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their independence from the management

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

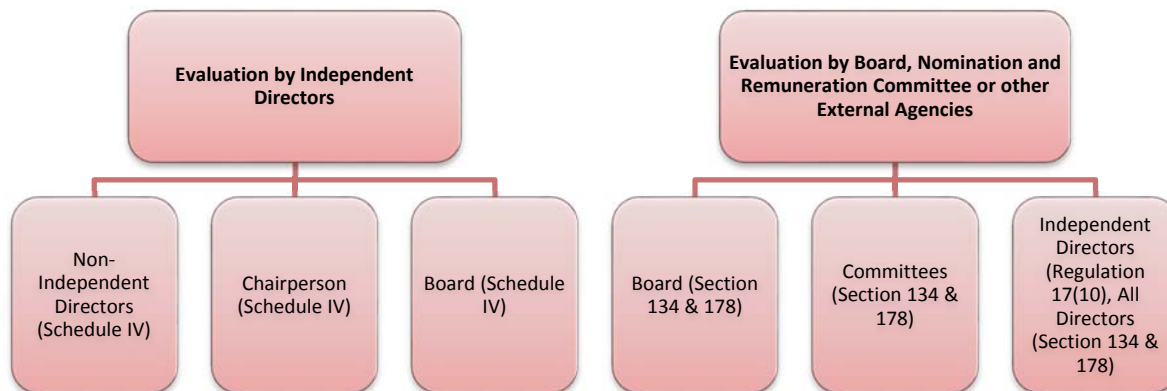
In terms of the Section 178 of the Act, Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

Section 134 of the Act requires the Board to disclose a statement in its report indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made

Section 149 of the Act read with Schedule IV of the Act requires that the Independent Directors of the Company should hold at least one meeting in a year without the attendance of Non-Independent Directors and members of management. The meeting shall -

- 1) review the performance of non-independent directors and the Board as a whole
- 2) review the performance of Chairperson of the Company taking into account the views of executive directors and non-executive directors

Evaluation requirement as envisaged under various sections of the Companies Act, 2013, its Schedule and applicable provisions of the Listing Regulations is summarized as below -



B. EVALUATION PROCESS

1. Independent Directors will, at their meeting, review the performance of the Chairperson of the Board, the Non-Independent Directors and the Board;
2. Nomination and Remuneration Committee/the Board will evaluate the performance of the Board, the Committees as defined in this Policy and each Director (Independent and Non-Independent Directors) and while doing so, may also consider the inputs received from the Independent Directors.
3. The Board will evaluate the performance of the independent directors; which shall include –
 - (a) performance of the directors; and
 - (b) fulfillment of the independence criteria as specified in these regulations and their independence from the management

Some of the assessment criteria, that should be considered by the Board, Nomination and Remuneration Committee, Independent Directors or by any independent external agency for evaluation of the performance of Board, its committees and individual directors, are as follow

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I. Assessment Criteria for performance evaluation of Board

- Size, structure, diversity, experience, skills and expertise of the Board
- Willingness to spend time to discuss the matters put up before the Board for discussion
- Development of Strategy and Business plans at appropriate time and check its effectiveness

- Implementation of policies and procedure according to changing business practices and market conditions
- Proper number of committees as required by legislation and guidelines
- Setting up of Company's strategic aims and financial goals
- Guidance to drive financial and business performance of the Company and periodic review of the same
- Strategic and business risk evaluation, assessment and timely action
- Corporate Governance standards adopted by the Board and its implementation
- Understanding roles and responsibilities of Directors
- Code of conduct and Ethics and adherence thereto
- Independence of Board functioning
- Adequacy of number and length of meetings, commensurate with the size and nature of Company's business

II. **Assessment Criteria for performance evaluation of Committees**

In addition to the principles stated above for evaluation of Board to the extent applicable to the respective committee, the following criteria may also be kept in mind for evaluation of committee –

- Appropriateness of the responsibilities delegated to the committee
- Corporate Governance standards adopted and implemented by the Committee
- Implementation of the policies and procedure according to changing business practices and market conditions
- Adequacy of terms of reference stated by the Board for the Committee and the role played by the committee according to such terms of reference
- Effectiveness of suggestions and recommendation made to the Board

III. **Assessment Criteria for performance evaluation of Non-Independent Director**

Evaluation of Non-Executive Directors

- Participation at the Board/Committee meetings and willingness to spend time during the meeting
- Integrity and maintaining of confidentiality
- Knowledge and expertise
- Independent judgment in relation to decision making
- Understanding about roles, responsibilities and disqualification as a director

Evaluation of Executive Directors

In addition to the parameter decided for Non-Executive Directors, evaluation of Executive Directors should also be based on following parameters –

- Skill, expertise, experience, knowledge about the operations and products of the Company
- Development and management of business plan, operational plans and financial affairs of the Company
- Achievement of financial/business targets prescribed by the Board
- Managing relationship with the Board, management team, bankers and other stakeholders
- Establishment of an effective organization structure to ensure management focus on key functions necessary for the growth of the Company
- Development of policies and strategies aligned with industrial practice, need of shareholders, customers, employees and other stakeholders
- Ensuring to provide information on item requiring Board decisions with recommendation based on supporting documents and thorough study

IV. Assessment Criteria for performance evaluation of Independent Director

In addition to the criteria laid down for Non-Executive Directors, for performance evaluation of an Independent Director, other criteria like objective evaluation of Board's performance, unbiased opinion on various matters, compliance of Code of Conduct and Ethics, Code for Independent Directors, Insider Trading Code, Independence Criteria etc. may also be considered.

V. Assessment Criteria for performance evaluation of Chairperson

In addition to the above, the following criteria may be kept in mind while evaluating the performance of the Chairman:

- Relationship and Communication within the Board
- Leadership quality
- Promoting constructive debate and discussion in the meeting
- Effectiveness of communication with the shareholders and other stakeholders
- Promoting effective participation of all Board members in decision making process
- Promoting shareholders confidence in the Board
- Ensuring ease of raising issue and concern by the Board Members

4. REVIEW AND AMENDMENT

The Policy may be reviewed by the Nomination and Remuneration Committee on need basis. The Committee may amend the policy due to change in law or as may be felt appropriate by the Committee and will recommend the changes in policy to the Board.

In case of any amendment, changes in the Companies Act, 2013, Listing Regulations or any other law which makes any of the provisions in the policy inconsistent with their provisions then the provisions of the Listing Regulations or such law would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.