



## Maxwell Industries Limited

### **Policy on Performance evaluation of non-executive/Independent directors:**

#### **PREFACE**

Independent directors are now confronted with complex oversight accountability, corporate performance and they might also have to endure greater personal risks and liability. Investors, regulators, stakeholders and the society at large are increasingly demanding that boards demonstrate leadership, control and deliver on their responsibilities and their company's results – the expectation from the board is to go beyond compliance.

In this context, it is often seen that despite illustrious names on boards, they fail to deliver on the expectations due to a variety of reasons including:

- Lack of clarity on the roles of directors and the board as a whole; role ambiguity slows decision-making and causes unnecessary director conflicts
- Poor process management hinders effective board preparation, meeting management and communications
- Lack of alignment and agreement on company strategy which hampers a board's ability to prioritize issues and set their near term agenda
- Weak team dynamics fracture boards and lead to power struggles

Such failures underscore the fact that boards must be concerned with, in addition to organizational and management performance, their own performance. Companies today are facing scarcity of talented directors who demonstrate the right skills, courage and expertise.

With a view to improving performance and effectiveness, progressive boards are now increasingly deploying board performance evaluation tools to identify areas of improvement benchmarking themselves against leading practices. Realizing the trends and challenges, the regulators around the world have mandated board evaluations.

With reference to the evaluation mechanism of non-executive/Independent directors, since the non-executive/Independent directors are not involved on day to day operation of the company. The performance evaluation of the non-executive/Independent director should be an assessment of the individual Director continuing commitment to the role, in terms of commitment of time for board and committee meetings and other duties and attendance at the Board and committee meetings.

The Draft parameters on which the evaluation of performance of non-executive/independent Director could be adopted as under:

1. Are the non-executive/independent director are well informed and prepared for the board and committee meetings?
2. Attendance at Board and committee meetings of non-executive/Independent director is satisfactory?
3. Does the non-executive/independent director is showing willingness to spend time and effort regarding the learning about the company and its business?
4. Does the non-executive/Independent director is willing to participate in events outside board meetings such as site/location/plant visits?
5. Does the quality and value of non-executive/Independent director's contribute at the Board and committee meetings?
6. How successfully the non-executive/independent director brought their knowledge and experience to bear in the consideration of strategy?
7. What has been their contribution to the development of
  - (i) Strategy for growth
  - (ii) risk management
  - (iii) financial position
  - (iv) value creation for stake holders
8. Where necessary, how resolute are they in holding to their views and resisting pressure from others?
9. Does the non-executive/Independent Director are effective in follow up the matters about which they have expressed the concern?
10. How good are their relationship with other board members, the company secretary and senior management?
11. How actively and successfully do they refresh their knowledge and skill?
12. Are they up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the industry and market conditions?
13. How well do they communicate with other board members, senior management and others? (e.g. shareholders)
14. Can they present their views convincingly, yet diplomatically?

15. Do they listen to the views of others?

The performance evaluation of non-executive directors is done through a peer – to peer performance evaluation of the board of directors. The directors are marked on a scale of 1 to 5 with respect to three broad parameters namely – guiding strategy, monitoring management performance and development / compensation and statutory compliance & corporate governance.

The board evaluates the performance of non-executive / independent directors through a peer evaluation process every year. Each external board member has to represent before the entire board on how they have performed / added value to us. Every board member evaluates each external board member on a scale 1 to 10 based on the performance indicators.

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