



POLICY FOR EVALUATION OF PERFORMANCE OF THE BOARD OF DIRECTORS

NAGA LIMITED

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INTRODUCTION

In an endeavor to safeguard the interest of public at large, the Companies Act, 2013 ('Act') provides that the performance of the Board of Directors of listed companies and prescribed class of companies must be reviewed regularly against appropriate measures. For this purpose, the Nomination and Remuneration Committee of a company is required under **Section 178 of the Act** to formulate a policy for recommending it to the Board of Directors of the company, setting the criteria, based on which the performance of each and every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company. Based on such performance evaluation, remuneration of directors, key managerial personnel and employees shall be determined. Such an evaluation procedure will provide a fine system of checks and balances on the performance of the directors and will ensure that they exercise their powers in a rational manner.

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

In addition, the Nomination and Remuneration Committee shall carry out the evaluation of performance of every director, key managerial personnel and other employees in accordance with the criteria contained herein, based on which their remuneration shall be determined.

RESPONSIBILITY OF BOARD

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

The Board of Directors shall undertake the following activities on an annual basis:

- I. The Chairman of the Company shall meet with each and every director individually to discuss his / her performance throughout the year.
- II. Review performance evaluation reports submitted by the Chairperson of various committees along with their suggestions on improving the effectiveness of the committee. Also, the requirement of establishing any new committees shall be reviewed by the Board on an annual basis.
- III. Review the various strategies of the Company and accordingly set the performance objectives for directors, in consistency with varying nature and requirements of Company's business.
- IV. The Board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.

In conformity with the requirement of the Act, the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

RESPONSIBILITY OF INDEPENDENT DIRECTORS

Independent Directors shall evaluate the performance of non - independent directors and board as a whole. The independent directors of the Company shall hold at least one meeting in a year to review the performance of the non- independent directors, performance of chairperson of the Company and Board as a whole, taking into account the views of executive directors and non-executive directors.

SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS:

Evaluation of the Executive Directors of the Company shall be carried out by entire Board except the Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Nomination and Remuneration Committee for performance evaluation on its web site for the reference and also in the Annual Report of the Company.

EVALUATION FACTORS

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

In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of independent directors, non-independent directors, other employees of the Company and committees of directors separately, as, such evaluation factors may vary in accordance with their respective functions and duties.

Rating Scale

Scale	Performance
5	<i>Exceptionally good</i>
4	<i>Good</i>
3	<i>Satisfactory</i>
2	<i>Needs improvement</i>
1	<i>Unacceptable</i>

CRITERIA FOR EVALUATION OF PERFORMANCE OF BOARD OF DIRECTORS:

The Nomination and Remuneration Committee has laid down the criteria for evaluation of performance of the Board.

1. Attendance and contribution at Board and Committee meetings
2. His/her stature, appropriate mix of expertise, skills, behavior, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
3. His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/ hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.

4. His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
7. Recognize the role which he/she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His/her global presence, rational, physical and mental fitness, broader thinking, vision on corporate social responsibility etc.
9. Quality of decision making on source of raw material and its procurement, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
10. His/her ability to monitor the performance of management and satisfy himself/herself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
11. His/her contribution to enhance overall brand image of the Company.

CRITERIA FOR EVALUATING INDEPENDENT DIRECTORS:

Guidelines of professional conduct :

- 1 Uphold ethical standards of integrity and probity.
- 2 Act objectively and constructively while exercising his/her duties.

- 3 Exercise his/her responsibilities in a *bona fide* manner in the interest of the company.
- 4 Devote sufficient time and attention to his/her professional obligations for informed and balanced decision making.
- 5 Not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making.
- 6 Not abuse his/her position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person.
- 7 Refrain from any action that would lead to loss of his/her independence.
- 8 Where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly.
- 9 Assist the company in implementing the best corporate governance practices.

Role and functions:

- 1 Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- 2 Bring an objective view in the evaluation of the performance of board and

management.

- 3 Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.
- 4 Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
- 5 Safeguard the interests of all stakeholders, particularly the minority shareholders.
- 6 Balance the conflicting interest of the stakeholders.
- 7 Determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management.
- 8 Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

Duties:

- 1 Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company.
- 2 Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company.

- 3 Strive to attend all meetings of the Board of Directors and of the Board committees of which he/she is a member.
- 4 Participate constructively and actively in the committees of the Board in which they are chairpersons or members.
- 5 Strive to attend the general meetings of the company.
- 6 Where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting.
- 7 Keep themselves well informed about the company and the external environment in which it operates.
- 8 Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board.
- 9 Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company.
- 10 Ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use.
- 11 Report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

- 12 Acting within his/her authority, assist in protecting the legitimate interests of the company, shareholders and its employees.

- 13 Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

REVIEW

Subject to the approval of Board of Directors, the "Nomination and Remuneration Committee" reserves its right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

DISCLOSURE

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

The Company shall disclose the evaluation criteria in its Annual Report.