

# **MEGASTAR FOODS LIMITED**

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## **“PERFORMANCE EVALUATION OF DIRECTORS”**

### **INTRODUCTION**

In an endeavor to safeguard the interest of the Company and as prescribed under section 178 of the Companies Act, 2013 ('Act') based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors ("the Board") of MEGASTAR FOODS LIMITED. ("the Company") has formulated a policy setting out the criteria for the performance of directors including the performance of the Board as a whole. Based on the performance evaluation to be carried out by the Board, 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.

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 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 assisted by the Company Secretary of the Company 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 objective 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.

**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.

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

**INDEPENDENT DIRECTORS OVERALL RATING**

<b><u>PARTICULARS</u></b>	<b><u>RATING</u></b>
Compliance with Companies Act & other Laws, ethical standards & code of conduct of Company	
Rendering independent, unbiased opinion	
Attendance & presence in meetings of Board, committees and general meetings	
Assistance in implementing corporate governance practices	
Leadership qualities	
Independent view on key appointments & strategy formulation	
Objective evaluation of Board's performance	
Review of integrity of financial information & risk management	
Safeguard of stakeholders' interests	
Appointment, removal and determination of remuneration of KMPs	
Updation of skills and knowledge	
Information regarding external environment	
Seeking expert opinion, when required	
Raising of concerns, if any, to the Board	
Reporting of frauds, violation etc	
Team work attributes	

Safeguard of confidential information	
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### **NON - INDEPENDENT DIRECTORS / EXECUTIVE DIRECTORS OVERALL RATING**

<b><u>PARTICULARS</u></b>	<b><u>RATING</u></b>
Compliance Companies Act & other laws	
Strategic planning- financial & business	
Operational performance of the company	
Monitoring performance against plans	
Attendance & presence in meetings of Board, committees and general meetings	
Assistance in implementing corporate governance practices	
Steps initiated towards Business Development and Branding of the Company	
Compliance with ethical standards & code of Conduct	
Exercising duties diligently	
Qualifications, and Leadership skills	
Motivating employees, providing assistance & directions, Supervising & training the staff members, Monitoring policies, encouraging suggestions	
Establishment of internal control processes	
Communication skills	
Safeguard of confidential information	

### **COMMITTEES OF BOARD**

The Board has constituted the following committees: 1. Audit Committee; 2. Stakeholders Relationship Committee; 3. Nomination and Remuneration Committee; 4. Corporate Social Responsibility Committee and Finance and Investment Committee.

For evaluating the performance of each committee, the Board of Directors shall take into consideration the following aspects:

- Compliance with the Companies Act & other laws
- Compliance with its charter documents
- Compliance with ethical standards & code of conduct of Company
- Committee's accomplishments with respect to performance objectives
- Redressal of complaints & grievances
- Coordination with other committees and Board of Directors
- Fulfillment of roles & responsibilities
- Adherence to Company's policies and internal procedures.

### **COMPANY SECRETARY OVERALL RATING**

- Compliance with Article of Association, Companies Act & other laws
- Compliance with ethical standards & code of conduct of Company
- Reporting to the Board about compliance with applicable laws
- Ensuring compliance with secretarial standards
- Assistance to the board of directors
- Discharge of duties assigned by Board
- Success of meetings convened
- Preparation of minutes
- Attendance & presence in meeting of board, committees of Board and general meeting.

- Assistance in obtaining required approvals from Board, shareholders, Government and other authorities
- Representation before various regulators on behalf of the company
- Advising Board on corporate governance and compliance thereunder

#### **OTHER KEY MANAGERIAL PERSONNEL AND SENIOR EMPLOYEES OVERALL RATING**

- Compliance with laws
- Compliance with ethical standards & code of conduct of Company
- Fulfillment of roles and responsibilities granted to them
- Achievement of target fixed
- Punctuality and other personality related aspects
- Preparation of Annual Accounts
- Preparation of financial information & risk management
- Follow up action based on reports of Internal and Statutory Audit
- Reporting on Frauds, violations of laws
- Safeguard of confidential information

#### **REMUNERATION**

The Company aspires to pay performance linked remuneration to its executive directors, key managerial personnel and other senior employees. For this reason, based on the afore stated criteria of evaluation of performance of directors (non-independent directors), Company Secretary and other Key Managerial Personnel and senior employees, their remuneration shall be determined and reviewed from time to time by the Chairman & Managing Director.

#### **AMENDMENTS**

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 requirement of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee of the Company..

#### **DISCLOSURE**

In accordance with the requirement under the Companies Act, 2013, Rules made thereunder and SEBI (LODR), 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.