



## DIRECTORS' PERFORMANCE EVALUATION POLICY

### 1. INTRODUCTION:

Khanna Paper Mills Limited (hereinafter referred to as “**the Company or KPML**”) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior, in consonance with the Company’s Code of Conduct policy for its employees and also for the Board of Directors. The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for success and for building a good reputation for the Company.

Thus, it is a Challenge for the Board to prevent Crisis in the Company they govern. Performance evaluation is a key means by which boards can recognize and correct corporate governance problems and add real value to the Company.

*“Behavioral psychologists and organizational learning experts agree that people and organisations cannot learn without feedback. No matter how good a Board is, it is bound to get better if it is reviewed intelligently.”*

### 2. APPLICABILITY:

The Company has made this policy to comply with various provisions under the Companies Act, 2013 which requires that “formal annual evaluation made by the Board of Directors of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of subsection (3) of Section 134 of the Companies Act, 2013.” The Nomination & Remuneration Committee shall evaluate the performance of each Board of Director as per subsection (2) of Section 178 and based on the functions of the Board of Directors as indicated under Schedule IV (as per section 149) annexed to the Companies Act, 2013 and the Rules made there under.

The Company’s Board of Directors is dedicated to acting in good faith, exercising their judgment on an informed basis and in the best interest of the company and its stakeholders. Accordingly, the present policy for performance evaluation is being put into place in accordance with the requirements of section 178 of the Companies Act, 2013 which provide that a policy is to be formulated and recommended to the Board, setting the criteria, based on which the performance of every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company. 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. With an aim to maintain a proactive and effective Board, the Board is committed to a continuing process of recommending and laying down the criteria to evaluate the performance of the entire Board of the Company.

This policy, which is framed to encourage open, unbiased, and objective evaluations of performance of Directors of Khanna Paper Mills Limited, lays down the guidelines and mechanism for undertaking programs of evaluation, and it is titled as the “**KPML Directors’ Performance Evaluation Policy**”.



### **3. DEFINITIONS:**

**A. “Act”**

The Act shall mean The Companies Act, 2013

**B. “Company”**

The Company shall mean Khanna Paper Mills Limited.

**C. “Director” or “the Board”:**

The Director or the Board, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.

**D. “Independent Director”:**

Independent Director shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (5) of the Act.

**E. “Policy” or “this Policy”:**

The policy or This Policy shall mean the Policy for Evaluation of performance of Board of Directors of the Company.

**F. “Committee” or “this Committee”:**

The Committee or This Committee shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

### **4. OBJECTIVE**

The Object of this policy is to formulate the procedures and to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

### **5. EVALUATION OF PERFORMANCE:**

The Committee shall evaluate the performance of each Board of Directors of the Company with reference to the authority under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Companies Act, 2013 and based on their functions as mentioned in the Code of Conduct of the Directors and the criteria for the evaluation of the performance as prescribed in the clause 6 of this policy.

Evaluation of the Executive / Non –Executive Directors of the Company shall be carried out by the entire Board except the Director being evaluated.

The evaluation of Independent Director shall also be carried out by the entire Board in the same way as it is done for the Executive Directors of the Company except the Director getting 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.

Based on the performance evaluation of each and every Director and the Chairman of the Company, the Committee shall provide the ratings based on each criterion and sub-criteria. The detailed process of evaluation and ratings thereon are mentioned in clause 6 and 7 of this policy respectively.

## **6. EFFECTIVENESS OF THE BOARD:**

Based on the ratings given by the Nomination & Remuneration Committee to each Director, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the Directors of the Company.

## **7. CRITERIA FOR EVALUATION OF PERFORMANCE:**

The following parameters are herein provided for the purpose of evaluating the performance: -

### **(A) FOR INDEPENDENT DIRECTORS**

Some of the specific issues and concerns that should be considered in the performance evaluation of an Independent Director's, (the exercise in which the concerned director being evaluated shall not be included) are set out below:

1. Attendance and participation in the Meetings and timely inputs on the minutes of the meetings.
2. Adherence to ethical standards & code of conduct of Company and disclosure of non – independence, as and when it exists and disclosure of interest.
3. Raising valid concerns to the Board and constructive contribution to resolution of issues at meetings.
4. Interpersonal relations with other directors and management
5. Objective evaluation of Board's performance, rendering independent, unbiased opinion.
6. Understanding of the Company and the external environment in which it operates and contribution to strategic direction.
7. Safeguarding interest of whistle-blowers under vigil mechanism and Safeguard of confidential information

### **(B) FOR CHAIRMAN / WTD / MD / NON- EXECUTIVE DIRECTOR**

Some of the specific issues and concerns that should be considered in a performance evaluation of Chairman / WTD / MD / Non-Executive Director are set out below.

1. Attendance, participations in the Meetings and timely inputs on the minutes of the meetings.
2. Contribution towards growth of the Company including actual vis-à-vis budgeted performance.
3. Leadership initiative, like new ideas and planning towards growth of the Company and steps



- initiated towards Branding of the Company.
4. Adherence to ethical standards & code of conduct of Company.
  5. Teamwork attributes and supervising & training of staff members.
  6. Compliance with policies, Reporting of frauds, violation etc. and disclosure of interest.
  7. Safeguarding of interest of whistle blowers under vigil mechanism and Safeguard of confidential information.
  8. 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.
  9. Adherence with the code of conduct for Directors and duties prescribed under the Companies Act, 2013.

**(C) FOR THE BOARD AND THE COMMITTEES (AS A WHOLE)**

The Nomination and Remuneration Committee has laid down the certain general criteria for evaluation of the performance of the Board, Committees and the Individual Directors: -

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 colleagues 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 harmonize 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/procurement of roughs, 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 with integrity of the financial controls and systems in place by ensuring the right level of contact with external stakeholders.
11. His/her contribution to enhance overall brand image of the Company.



## 8. PROCEDURE TO RATE THE PERFORMANCE

Based on evaluation criteria, the Nomination & Remuneration Committee and the Board shall rate the performance of the each and every Director. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.

### 8.1. Method of Evaluation

The evaluation will be conducted using a structured questionnaire or survey that assesses each of the evaluation criteria. The questionnaire or survey will be designed to elicit both quantitative and qualitative feedback.

An evaluation of performance shall be carried out at least once a year.

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 Board itself, and of its committees and individual Directors as, such evaluation factors may vary in accordance with their respective functions and duties.

The appraisal of each Director of the Company shall be based on the criteria mentioned herein below.

#### *Rating Scale*

1	Outstanding
2	Exceeds Expectation
3	Meets Expectation
4	Needs Improvement
5	Poor

### **BOARD OF DIRECTORS**

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board by the Independent Directors are set out below:

Sr. No.	Evaluation Criteria for Board
<b><u>Board Structure</u></b>	
1	The Board has appropriate expertise and experience to meet the best interests of the company.
2	All the independent directors are independent in true letter and spirit i.e., whether the independent Director has given declaration of independence and they exercise their own judgement, voice their concerns and act freely from any conflicts of interests.
3	Composition of the Board is appropriate and diversified and the Board functions as a team.



4	Board members demonstrate highest level of integrity (including maintaining confidentiality and identifying, disclosing and managing conflicts of interests).
5	The Board members spend sufficient time in understanding the vision, mission of the company and strategic and business plans, financial reporting risks and related internal controls and provides critical oversight on the same.
6	The Board understands the legal requirements and obligations under which they act as a Board, i.e., bylaws, corporate governance manual etc. and discharge their functions accordingly.
7	The board monitors compliances with corporate governance regulations and guidelines.
8	The Board has set its goals and measures its performance against them on annual basis.
9	The Board has defined its stakeholders and has appropriate level of communication with them.
10	The Board understands the line between oversight and management.
11	The board monitors compliances with corporate governance regulations and guidelines.
12	The Board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements
<b><u>Meetings of the Board</u></b>	
13	The meeting agenda is circulated in a timely manner covering all relevant information and circulation allows sufficient time to members to review and provide inputs.
14	The information is received by board members sufficiently in advance for proper consideration.
15	Adequacy of attendance and participation by the board members at the board meetings.
16	Frequency of Board Meetings is adequate.
17	The facility for video conferencing for conducting meetings is robust.
18	Location of Board Meeting (As a good governance practice the Board meeting should be held at different places).
19	The Board meetings encourage a high quality of discussions and decision making.
20	Openness to ideas and ability to challenge the practices and throwing up new ideas.
21	The amount of time spent on discussions on strategic and general issues is sufficient.
22	How effectively does the Board works collectively as a team in the best interest of the company?
23	The minutes of Board meetings are clear, accurate, consistent, complete and timely.
24	The actions arising from board meetings are properly followed up and reviewed in subsequent board meetings
25	The processes are in place for ensuring that the board is kept fully informed on all material matters at meetings (including appropriate external information e.g., emerging risks and material regulatory changes).
26	Adequacy of the separate meetings of independent directors.
27	Appropriateness of secretarial support made available to the Board.
28	All proceedings and resolutions of the Board are recorded accurately, adequately and on a timely basis.
<b><u>Board Development</u></b>	
29	Adequate training and updation/ familiarization programmes are provided to members.
<b><u>Board Strategy and Risk Management</u></b>	



30	The time spent on issues relating to the strategic direction and not day-to- day management responsibilities
31	The Board has sufficient understanding of the risk attached with the business structure and the Board uses appropriate risk management framework and whether board reviewed and understood the risks provided in the internal audit report and the management is taken sufficient steps to mitigate the risk.
32	The Board has developed a strategic plan / policies and the same would meet the future requirement of the Company.
33	Engaging with management in the strategic planning process, including corporate goals, objectives and overall operating and financial plans to achieve them.
34	The Board evaluates the strategic plan/ policies periodically to assess the Company's performance, considers new opportunities and responds to unanticipated external developments.
35	The Risk management framework is subject to review.
36	Monitoring the implementation of the long-term strategic goals.
37	Monitoring the company's internal controls and compliance with applicable laws and regulations.
38	Appropriateness of effective vigil mechanism.
39	The adequacy of Board contingency plans for addressing and dealing with crisis situations.
40	Comprehensive discussions (in order of priority) are held which results in effective contribution to the development of strategy(ies) etc. for the Company and all decisions are taken in the best interest of the shareholders.
41	The Board focuses its attention on long-term policy issues rather than short- term administrative matters.
42	The Board periodically reviews the actual result of the Company vis-à-vis the plan/ policies devised earlier and suggests corrective measures, if required.
43	The Board discusses thoroughly the annual budget of the Company and its implications before approving it.
<b><u>Board and Management Relations</u></b>	
44	The Board sets the overall tone and direction of the Company.
45	The Board has approved comprehensive policies and procedures for smooth conduct of all material activities by Company.
46	The Board has a range of appropriate performance indicators that are used to monitor the performance of management.
47	The Board adequately reviews proposed departures from the long-and short- term business plans of the Company before they take place.
<b><u>Succession Planning</u></b>	
48	The Succession plan is reviewed periodically by the Board.

## **BOARD COMMITTEES**

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board Committees are set out below:

S. No.	Evaluation Criteria for Committee(s)
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<b><u>Function and Duties</u></b>	
1	The Committee of the Board are appropriately constituted.
2	The terms of reference for the committee are appropriate with clear defined roles and responsibilities.
3	Observing Committees terms of reference.
4	The composition of the committee is in compliance with the legal requirement.
5	The amount of responsibility delegated by the Board to each of the committees is appropriate.
6	The reporting by each of the Committees to the Board is sufficient.
7	The performance of each of the Committees is assessed annually against the set goals of the committee.
8	Whether the terms of reference are adequate to serve committee's purpose?
9	The committee regularly reviews its mandate and performance
10	Committee takes effective and proactive measures to perform its functions.
<b><u>Management Relations</u></b>	
11	Committee gives effective suggestion and recommendation.
12	Committee meetings are conducted in a manner that encourages open communication and meaningful participation of its members.
<b><u>Committee Meetings and Procedures</u></b>	
13	Committee meetings have been organized properly and appropriate procedures were followed in this regard?
14	The frequency of the Committee meetings is adequate.
15	Committee makes periodically reporting to the Board along with its suggestions and recommendations.

### **EXECUTIVE DIRECTORS**

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board Committees are set out below:

<b>Sr. No.</b>	<b>Evaluation Criteria</b>
<b><u>Leadership</u></b>	
1	The Executive Director has shown clear vision in correctly anticipating business trends, opportunities, and priorities affecting the Company's prosperity and operations.
2	The Executive Director has clearly translated his/her vision and strategy into feasible business or operational plans to achieve strategic success for the Company.
3	The Executive Director has accurately communicated his/her concept, vision, mission, strategies, goals, and directions for the Company to stakeholders.
4	The Executive Director has motivated and encouraged high employee morale and loyalty to the organization and facilitated team building and cohesiveness among the Company's employees to achieve the Company's vision.
5	The Executive Director is open to constructive suggestions and exercised effective leadership for the organization.





6	The Executive Director has been an initiator, setting high working standards and pursuing goals with a high level of personal drive and energy.
<b><u>Strategy Formulation</u></b>	
7	The Executive Director has developed clear mission statements, policies, and strategic plans that harmoniously balance the needs of shareholders, clients, employees, and other stakeholders.
8	The Executive Director has accurately identified and analyzed problems and issues confronting the Company
9	The Executive Director has accurately determined and assessed key success factors for formulating the Company's strategy.
10	The Executive Director has ensured that board members, senior management and other employees had participated in the formulation of strategic plans so that they had the ownership of the plans.
11	The Executive Director has assured that company's resources and budgets are aligned to the implementation of the organization's strategic plan.
12	The Executive Director has established processes that did the monitoring and controlling works, thus ensuring that the effectiveness of organizational performance, including risk management, was achieved.
<b><u>Strategy Execution</u></b>	
13	The Executive Director has established an effective organization structure, ensuring that there is management focus on key functions necessary for the organization to align with its mission.
14	The Executive Director has organized and delegated work accurately and has performed his or her functions within his/her scope of responsibility.
15	The Executive Director has consistently made sound decisions and made timely adjustments in strategies, if required.
16	The Executive Director has timely and effectively executed strategies on priorities and with measures set by the Board.
17	The Executive Director has accurately supervised performance monitoring and performance control to ensure accountability at all levels of the organization
18	The Executive Director has ensured that the company's operations complied with requirements from all pertinent laws and regulations.
<b><u>Financial Planning</u></b>	
19	The Executive Director has possessed a good understanding of the company's financial measures relevant to its business and financial situation.
20	The Executive Director has exercised good judgment in managing the financial affairs and budgets of the organization.
21	The Executive Director has effectively monitored and evaluated financial planning, budget and administrative operations.
<b><u>Relationships with the Board</u></b>	
22	The Executive Director has built strong working relationships with Board members and has worked closely and cooperatively with the board in developing the mission, and short, medium and long-term strategic plans.
23	The Executive Director has demonstrated a sound knowledge of Board governance procedures and has consistently followed them.
24	The Executive Director has presented information to the board on items requiring Board opinions and decisions in a professional manner, with recommendations based on thorough



	study and sound principles.
25	The Executive Director has been available to individual Board members whenever necessary, as well as supported the board in its governance duties by providing necessary resources and other facilities.
<b><u>External Relations</u></b>	
26	The Executive Director has served as an effective Company’s representative in communicating with all stakeholders.
27	The Executive Director has encouraged corporate social responsibility and community involvement in promoting a positive image of Company.
28	The Executive Director has assured that the Company maintains positive relationships in the community and cultivates good working relationships with community groups and organizations.
<b><u>Human Resources Management/Relations</u></b>	
29	The Executive Director has created and maintained an organizational culture and climate which attracts, keeps and motivates staff to carry out the Company’s mission, strategic directions and organizational goals.
30	The Executive Director effectively monitors procedures and practices pertaining to human resources, including appraisal process, and rewarding systems for management and employees.
<b><u>Succession</u></b>	
31	The Executive Director has effectively reviewed the Company’s succession plan, and, if appropriate, made necessary changes by considering conditions that are external or internal to the Company
32	The Executive Director has put in place the processes and programs required to create a pipeline of future leadership.
<b><u>Product Knowledge</u></b>	
33	The Executive Director has demonstrated a thorough knowledge and understanding about key aspects of the Company’s products and services.
34	The Executive Director has demonstrated a thorough knowledge and understanding of Company management and operations.
35	The Executive Director has a good understanding of the company’s business model and allocation of its resources, as well as business and industry environment.
36	The Executive Director has regularly demonstrated creativity and initiative in creating new products and services.
<b><u>Personal Qualities</u></b>	
37	The Executive Director has attained an image that reflects positively on the company, as well as demonstrated a personality, outlook, and attitude that wins trust and support from all stakeholders.
38	The Executive Director has exercised good judgment in dealing with sensitive issues between people and between groups.
39	The Executive Director has shown skills at analyzing and addressing problems, challenges and conflicts, and has been comfortable with ambiguity and complexity.
40	The Executive Director has maintained a high standard of ethics and integrity, as well as a healthy balance of time management and priorities in both work-related and personal matters.



## NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Non-Executive and Independent Directors are set out below:

Sr. No.	Evaluation Criteria
<b><u>Participation at Board/ Committee Meetings</u></b>	
1	Director comes well prepared and informed for the Board / committee meeting(s).
2	Director demonstrates a willingness to devote time and effort to understand the Company and its business and a readiness to participate in events outside the meeting room, such as site visits?
3	Director has ability to remain focused at a governance level in Board/ Committee meetings.
4	Director's contributions at Board / Committee meetings are of high quality and innovative.
5	Directors proactively contributes into development of strategy and to risk management of the Company
<b><u>Managing Relationship</u></b>	
6	Director's performance and behavior promotes mutual trust and respect within the Board / Committee.
7	Director is effective and successful in managing relationships with fellow Board members and senior management?
<b><u>Knowledge and Skill</u></b>	
8	Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board / Committee.
9	Director actively and successfully refreshes his/ her knowledge and skills and up to date with the latest developments in areas such as corporate governance framework, financial reporting and the industry and market conditions.
10	Director is able to present his/ her views convincingly yet diplomatically.
11	Director listens and takes on Board the views of other members of Board.
<b><u>Personal Attributes</u></b>	
12	Director has maintained high standard of ethics and integrity

If concerned director is Independent Director, then in addition to the above form following issues and concerns for the performance evaluation should be considered:

Sr. No.	Evaluation Factor
1	Director upholds ethical standards of integrity and probity.
2	Director exercise's objective independent judgment in the best interest of Company.
3	Director has effectively assisted the Company is implementing best corporate governance



	practice and then monitors the same.
4	Director helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.
5	Director keeps himself/ herself well informed about the Company and external environment in which it operates.
6	Director acts within his authority and assists in protecting the legitimate interest of the Company, Shareholder, and employees.
7	Director maintains high level of confidentiality.
8	Director adheres to the applicable code of conduct for independent directors

## **8.2. Feedback to individual directors**

All the Directors of the company will be given due feedback for proper transparency and professionalism with potency of improvement in future.

## **8.3. Action Plan**

Appropriate actions according to each and every situation will be recommended to the Board of Directors for taking necessary steps and measures in accordance with recommendation.

## **9. REPORTING TO THE BOARD**

The report on the evaluation process undertaken by the Nomination and Remuneration Committee shall be placed before the Board of Directors and it shall be approved by the Board of Directors in their meeting.

## **10. DISCLOSURE THROUGH ANNUAL REPORT**

The Company will disclose the details of its Board Performance Evaluation Processes in its Board's Report and the key features of the Policy will also be included in the Corporate Governance Report contained in the Annual Report of the Company.

Further, the Board's report containing such a statement will be made available to shareholders at the general meeting of the Company. The Policy will be available in the public domain i.e., on the website of the Company.

## **11. GENERAL**

In case of any doubt regarding any provision of the policy and also in respect of matters not covered herein, a reference to be made to the Chairman or Managing Director or the Secretarial Department of the Company. In all such matters, the interpretation & decision of the Chairman or/and Managing Director shall be final.



Any or all provisions of this Directors' Performance Evaluation Policy would be subject to revision/ amendment in accordance with the guidelines on the subject as may be issued by Government, from time to time.

The Board of Directors of the Company reserves the right to review the policy from time to time based on the changing needs and aspirations of the target beneficiaries and make suitable modifications, as may be necessary.

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