



## **KIRLOSKAR BROTHERS LIMITED**

A Kirloskar Group Company

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## **BOARD EVALUATION POLICY**

### **Introduction**

The Board of Directors of Kirloskar Brothers Limited (Board) acknowledges its intention to establish and follow “best practices” in corporate governance in order to fulfil its fiduciary obligation to the membership and its responsibility to other stakeholders.

Fundamental to sound governance is the practice of undertaking a board self-evaluation and an evaluation of every director on an annual basis.

The Companies Act, 2013 ('the Act') not only mandates board, its committees and director evaluation, but also requires the evaluation to be formal, regular and transparent. Subsequently, through two circulars (dated April 17, 2014 and September 15, 2014), the SEBI has revised the standard Listing Agreement, to bring the requirements in line with the Act's provisions. An important provision in the Listing Agreement and the Act is that the continuance of independent directors is made dependent upon their respective evaluations. This is a condition included in the terms and conditions of their appointment. The Board Report shall contain a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

### **Purpose**

Apart from the statutory requirements, the purpose of the Board and Committees' self-evaluation is to give all Board and respective committees' members an opportunity to evaluate and discuss the Board's and committees' performance with openness and from multiple perspectives. The evaluation is particularly helpful when the Board is functioning as per the expectations as a way forward to ensure continuous improvement in the manner in which the Board conducts its business. The Board believes the evaluation will lead to a closer working relationship among Board members, greater efficiency in the use of their time, and increased effectiveness of the Board as a governing body.

### **Process**

The process will be initiated each year by the Chairman and will normally be scheduled to take place during the last quarter of the year. At the Board's discretion, a board may designate Company Secretary to coordinate the Board / Committees' self-evaluation or a consultant may be appointed to assist with this process. Copies of the evaluation form will be distributed to each member approximately two weeks before the scheduled self-evaluation meeting. The members shall complete the forms and return them to the Chairman within one week of scheduled meeting date.

Results will be tabulated and analysed prior to the meeting and presented in a summary form to include composite scoring. The individually completed surveys will also be preserved and presented to the Board. Written comments will be attributed to individual members to facilitate discussion. Inputs will also be gathered from the executive staff, in case required, and shared in aggregated form during the evaluation.

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CIN No.: L29113PN1920PLC000670



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The Board will discuss areas that are working well and those that need attention. The Board will then decide, the changes if any, its governance practices and policies that need to be made going forward. Staff and/or the governance consultant will work with the Board or Board designee to implement necessary changes.

The evaluation form consists of two parts: A: Director Evaluation and B an Overall Board / Committee Evaluation.

In the Director Evaluation, each Director is encouraged to evaluate the performance of the fellow directors. This evaluation shall be done by the entire Board excluding the director being evaluated.

In the Overall Board / Committee Evaluation, each Board / Committee member is asked to provide his / her input; based on their inputs an overall evaluation of the Board / Committee shall be completed.

All the information gathered under this policy shall always be kept confidential and shall be circulated / disclosed only to the concerned Board members only, unless it is required to be disclosed in compliance with any statutory or contractual obligation.

#### **Evaluation Criteria**

The Board has adopted the evaluation criteria and forms that are appended below.

### **A: Director Evaluation**

Performance evaluation report of Director						
		Name of the Director				
A		Evaluation based on guidelines of professional conduct	Very Good	Good	Average	Remarks
	1	Upheld ethical standards of integrity and probity				
	2	Acted objectively and constructively while exercising his duties				
	3	Exercised responsibilities in a bona fide manner in the interest of the company				
	4	Devoted sufficient time and attention to his professional obligations for informed and balanced decision making				
	5	Not allowed any extraneous considerations that vitiated his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring to in or dissenting from the collective judgment of the Board in its decision making.				
	6	Not abused his 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	Refrained from any action that would lead to loss of his independence				
	8	Assisted the company in implementing the best corporate governance practices				



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<b>Performance evaluation report of Director</b>					
<b>B</b>		<b>Evaluation based on Role and functions</b>	<b>Very Good</b>	<b>Good</b>	<b>Average</b>
					<b>Remarks</b>
	9	Helped 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			
	10	Brought an objective view in the evaluation of the performance of board and management			
	11	Scrutinized the performance of management in meeting agreed goals and objectives and monitored the reporting of performance			
	12	Confirmed on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible			
	13	Safeguarded the interests of all stakeholders, particularly the minority shareholders			
	14	Balanced the conflicting interest of the stakeholders			
	15	Helped in determining appropriate levels of remuneration of executive directors, key managerial personnel and senior management and had a prime role in appointing and where necessary, recommend removal of executive directors, key managerial personnel and senior management			
	16	Moderated and arbitrated in the interest of the company as a whole, in situations of conflict between management and shareholder's interest			
<b>C</b>		<b>Evaluation based on duties</b>	<b>Very Good</b>	<b>Good</b>	<b>Average</b>
					<b>Remarks</b>
	17	undertook appropriate induction and regularly updated and refreshed his/her skills, knowledge and has a familiarity with the company			
	18	Sought appropriate clarification or amplification of information and, where necessary, took and followed appropriate professional advice and opinion of outside experts at the expense of the company			
	19	Strived to attend all meetings of the Board of Directors and of the Board committees of which he/she is a member			
	20	Participated constructively and actively in the committees of the Board in which he/she is a chairpersons or members			
	21	Strived to attend the general meetings of the company			
	22	Wherever he/she had concerns about the running of the company or a proposed action, ensured that these were addressed by the Board and to the extent that they were not resolved, insisted that his/her concerns were recorded in the minutes of the Board/Committee meeting, if applicable			
	23	Kept himself/herself well informed about the company and the external environment in which it operates			
	24	Not unfairly obstructed the functioning of an otherwise proper Board or committee of the Board			
	25	Paid sufficient attention and ensured that adequate deliberations were held before approving related party transactions and assured himself/herself that the same were in the interest of the company			



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Performance evaluation report of Director						
	26	Ascertained and ensured that the company had an adequate and functional vigil mechanism and to ensure that the interests of a person who used such mechanism, wherever applicable, were not prejudicially affected on account of such use				
	27	Reported concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy, wherever applicable				
	28	Acting within his/her authority, assisted in protecting the legitimate interests of the company, shareholders and its employees				
	29	Not disclosed confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure was expressly approved by the Board or required by law yet maintaining the operational transparency in Board process				

Name:

Signature:

Date:

## B: Board / Committee Overall Evaluation

Performance evaluation report of the Board						
A		Composition and Quality	Very Good	Good	Average	Remarks
	1	Members have the appropriate qualifications to meet the objectives of the board's charter, including appropriate financial literacy.				
	2	The board/ Committee demonstrates integrity, credibility, trustworthiness, active participation, an ability to handle conflict constructively, strong interpersonal skills, and the willingness to address issues proactively.				
	3	The board demonstrates appropriate industry knowledge and includes a diversity of experiences and backgrounds.				
	4	Members meet all applicable independence requirements.				
	5	The board/ Committee participates in a continuing familiarization program to enhance its members' understanding of relevant risk, reporting, regulatory, and industry issues.				
	6	The board/committee monitors compliance with corporate governance regulations and guidelines.				
	7	The board/committee reviews its charter annually to determine whether its responsibilities are described adequately.				
	8	The board / committee chairman is an effective leader.				



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<b>Performance evaluation report of the Board</b>						
	9	The board, in conjunction with the nominating committee (or its equivalent), creates a succession and rotation plan for board members, including the board chairman.				
	10	Strive to set a corporate culture and values by which executives throughout the group will behave				
B		<b>Understanding the Business, including Risks</b>	Very Good	Good	Average	Remarks
	11	The board takes into account significant risks that may directly or indirectly affect the organization.				
	12	The board considers, understands, and approves the process implemented by management to effectively identify, assess, and respond to the organization's key risks.				
	13	The board considers the organization's performance. These may include benchmarking information comparing the organization's performance and ratios with industry and peers, industry trends, and budget analysis with explanations for areas where significant differences are apparent.				
	14	Board feels it is sufficiently able to lead, direct and safeguard the organization, and ensure the achievement of its mission statement.				
	15	The composition of the Board and its committees appropriate, with the right mix of knowledge and skills to maximize performance				
	16	Board/ Committee provide helpful feedback to management on its requirements				
	17	Board/ Committee focuses sufficiently on matters relating to strategy and ensuring overall organizational impact				
C		<b>Process and Procedures</b>	Very Good	Good	Average	Remarks
	18	The board/ committee develops a calendar that dedicates the appropriate time and resources needed to execute its responsibilities.				
	19	Are working procedures of the committees are well defined and disclosed by the Board				
	20	Board / committee meetings are conducted effectively, with sufficient time spent on significant or emerging issues.				
	21	The level of communication between the board / committee and relevant parties is appropriate; the board/ committee chairman encourages input on meeting agendas from committee and board members, management, the internal auditors, and the independent auditor.				
	22	Meetings are held with enough frequency to fulfill the board's/ committees' duties and at least quarterly, which should include periodic visits to organization locations with key members of management.				
	23	The board and the NR committee regularly review management incentive plans to consider whether the incentive process is appropriate.				
	24	Board / committee members come to meetings well prepared.				



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<b>Performance evaluation report of the Board</b>						
<b>D</b>	<b>Oversight of the Financial Reporting Process, including Internal Controls</b>	<b>Very Good</b>	<b>Good</b>	<b>Average</b>	<b>Remark</b>	
	25 The board / Audit & Finance Committee (A&F) considers the quality and appropriateness of financial accounting and reporting, including the transparency of disclosures.					
	26 The board / A&F reviews the organization's significant accounting policies.					
	27 The board / A&F makes inquiries of the independent auditor, internal auditors, and management on the depth of experience and sufficiency of the organization's accounting and finance staff.					
	28 The board / A&F reviews the management replies to the observations of Internal Auditors and monitors the process to determine that all significant matters are addressed.					
	29 Adjustments to the financial statements that resulted from the audit are reviewed by the A&F, regardless of whether they were recorded by management.					
	30 The board understands the coordination of work between the independent and internal auditors and clearly articulates its expectations of each.					
	31 The board / A&F oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and performance.					
	32 The board/ A&F considers the independent audit plan and provides recommendations.					
	33 The board / A&F reviews / approves the audit fees paid to the independent auditor.					
	34 The board / A&F reviews / approves other fees paid to the independent auditor					
<b>E</b>	<b>Ethics and Compliance</b>	<b>Very Good</b>	<b>Good</b>	<b>Average</b>	<b>Remark</b>	
	35 Board / Committee members oversee the process and are notified of communications received from governmental or regulatory agencies related to alleged violations or areas of non-compliance.					
	36 The board oversees management's procedures for enforcing the organization's code of conduct.					
	37 The board / A&F oversees the organization's hotline or whistleblower process, reviews the log of incoming calls that relate to possible fraudulent activity, and understands the procedures to prohibit retaliation against whistleblowers.					
	38 The board ensures that the control are in place towards compliance with law and relevant standards					

Name:

Signature:

Date:



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### **Review of the Policy**

The Board will review the Policy annually, which will include an assessment of the effectiveness of the Policy and in particular the questioner. The Board will discuss and approve any revisions that may be required based on statutory and other requirements from time to time.

For Kirloskar Brothers Limited

A handwritten signature in black ink, appearing to read "Sanjay C. Kirloskar".

Sanjay C. Kirloskar

Chairman & Managing Director

A handwritten date in black ink, appearing to read "20th January 2015".