HIMACHAL PRADESH STATE ELECTRICITY BOARD LIMITED
(A State Govt. undertaking)

Registered office	Vidyut Bhawan, HPSEBL, Shimla-171004(H.P)
C I N	**U40109HP2009SGC031255**
GST No.	**02AACCH4894EHZB**
Telephone Number	0177-2803600,2801675(Office), 2813563(Fax)
Website address	www.hpseb.com
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OFFICE ORDER

The Board of Directors of Himachal Pradesh State Electricity Board Limited in its meeting held on 30th May 2024 approved the Policy on Performance Evaluation of Board, Board Level Committees and Independent Directors of the HPSEBL as per **Annexure A**.

This Policy shall become operative from the date of issuance of this Order.

The Company Secretary, HPSEBL is hereby designated as Nodal Officer for the implementation of Policy on Performance Evaluation of Board, Board Level Committees and Independent Directors.

(Anurag Chander Sharma, IAS)
Director(Fin. & Persl.)
(DIN: 10497922)

No. HPSEBL/SECTT/NRC/2024- 11387–402 **Dated:** 12/8/2024
Copy forwarded for information and necessary action:-

1. The Specl. Pvt. Secretary of the Chairman, HPSEBL, Shimla-04 for information of Hon'ble Chairman.
2. All the Directors of HPSEBL.
3. Executive Director (Pers.), HPSEBL.
4. All the Chief Engineers/CAO/CA, HPSEB Ltd.
5. Managing Director, BVPCL, Jogindernagar, Mandi.
6. The Company Secretary, HPSEB Ltd., Shimla-4.
7. The Superintending Engineer (IT), HPSEB Ltd., Shimla-4 for uploading the same in the website of HPSEB Ltd.

Director (Fin. & Persl.)

Annexure-B

Himachal Pradesh State Electricity Board Limited

(CIN: U40109HP2009SGC031255)

Policy on Performance Evaluation of Board,

Board Level Committees

&

Independent Directors

"POLICY ON PERFORMANCE EVALUATION OF BOARD, BOARD LEVEL COMMITTEES AND INDEPENDENT DIRECTORS OF THE COMPANY"

The following "Policy on Performance Evaluation of Board, Board Level Committees and Independent Directors of the Company" formulated as per the provisions of the Companies Act, 2013 and Chapter II& IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR").

This Policy will be applicable to the Company with effect from the date of its notification i.e.,............ The Board may review and amend this policy from time to time.

1.0 INTRODUCTION

In an endeavour to safeguard the interest of the Company as prescribed under Companies Act, 2013, SEBI (LODR), 2015 and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors ("the Board") of Himachal Pradesh State Electricity Board Limited ("the Company") has formulated a policy setting out the criteria for the performance of Independent Directors including the performance of the Board level Statutory Committees and Board as a whole. 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. 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.

2.0 LEGAL BACKGROUND:

2.1 PROVISIONS CONTAINED IN COMPANIES ACT, 2013

As per **Section 149(8)** of Companies Act, 2013, The company and independent directors shall abide by the provisions specified in Schedule IV i.e. "Code for Independent Directors".

Part II of Schedule IV specifies the roles and functions of Independent Directors to include:

- independent directors shall bring an objective view in the evaluation of the performance of Board and Management
- Scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

Part V of Schedule IV provides that the re-appointment of independent director shall be on the basis of report of performance evaluation.

Part VII of Schedule IV stipulates that the independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting. The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Part VIII of Schedule IV postulates the evaluation mechanism for Independent Directors as under:-

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

2.2 PROVISIONS CONTAINED IN SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Regulation 4(2)(f) of Chapter II of SEBI (LODR), 2015 states that it is key function of Board of Directors to Monitor and review Board of Director's evaluation framework.

Regulation 17(10) of Chapter IV of SEBI (LODR), 2015, states that:-

The evaluation of independent directors shall be done by the entire board of directors which shall include –

(a) performance of the directors; and

(b) fulfillment of the independence criteria as specified in these regulations and their independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

Regulation 25 provide for the obligations regarding separate meeting of Independent directors exactly in line with the requirements specified under Companies Act, 2013.

PART D of Schedule II of SEBI (LODR), 2015 prescribes the Role of Nomination & Remuneration Committee to include formulation of the criteria for evaluation of performance of independent directors and the board of directors.

Schedule V of SEBI (LODR), 2015 requires disclosures regarding performance evaluation criteria for independent directors to be made in the Annual Report of the Company.

3.0 EVALUATION METHODOLOGIES

The Board evaluation process comprises of both assessment and review. This includes analysis of how the Board and its committees are functioning, the time spent by the Board considering matters and whether the terms of reference of the Board committees have been met, besides compliance of the provisions of the Act.

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, the Board and its Committees separately. The evaluation factors may vary in accordance with their respective functions and duties.

4.0 PROCESS FOR EVALUATION

An annual evaluation of performance of the Board, Board level Statutory Committees and all Independent Directors shall be carried out **within 60 days** of end of each financial year in the following manner:-

1. The Performance Evaluation Proformas shall be forwarded to all the Directors by the Company Secretary by 15th **day of March** every year.
2. Every Director would be required to return the duly filled up Performance Evaluation Proformas for all Independent Directors (except his own), Board level Statutory Committees and Board as a whole to the Company Secretary before **15th day of April** every year.
3. The Company Secretary shall compile summary reports on basis of evaluation reports received containing the total scores and average scores separately for each of following :-
    a. Board of Directors – **Format A1**
    b. Board Level Statutory Committees – **Format A2**
    c. Independent Directors – **Format A3**
4. To ensure fair and unprejudiced evaluation, the Company Secretary shall maintain complete secrecy of reports and names of evaluating Directors shall not be disclosed in summary reports or annual report or to any person through any written, verbal or other means of communication. However,

all record pertaining to performance evaluation of Directors shall be preserved for a period of 8 years from date of generation and shall be subject to Secretarial Audit.

5. A Board Meeting and a Separate Meeting of Independent Directors shall be convened **within 45 days of receipt** of Performance Evaluation Proformas from all the Directors, to inter alia carry out the Annual Performance Evaluation as under:-
    a. The performance evaluation of the Board (as a whole) shall be carried out in Separate Meeting of Independent Directors and also in the Board Meeting as per criteria & format prescribed under **Clause 7.1** of this Policy.
    b. The performance evaluation of Statutory Committees shall be carried out by the entire Board as per criteria & format prescribed under **Clause 7.2** of this Policy.
    c. The performance evaluation of Independent Directors shall be carried out by the entire Board (except the Director being evaluated) as per criteria & format prescribed under **Clause 7.3** of this Policy.

Provided that, the first evaluation may be carried out within 60 days of approval of this policy by the Board.

Provided further that, if Separate Meeting of Independent Directors could not be held due to reason of non-availability of adequate number of Independent Directors caused by non-filling of posts by the Govt. of Himachal Pradesh or for any other reason, performance evaluation of Board shall be carried out by the entire Board of Directors and the evaluation reports can be placed in the Separate Meeting of Independent Directors as and when the same is convened.

Provided further that, non-submission (intentional or unintentional) of performance evaluation report(s) by any of Director(s) would not invalidate the Performance Evaluation Proceedings, however, the facts of such non-submission should be duly disclosed in the Performance Evaluation Reports.

5.0 RATING SCALE

Appraisal shall be carried out through an objective system of rating the Independent Directors, Board and Committees on separate and pre-defined parameters for each category.

The evaluation shall be done on a rating scale of 1 to 5 for evaluation of each parameter/ criteria as under:-

Scale	Performance
5	Excellent
4	Very Good
3	Good
2	Below Average
1	Unsatisfactory

The overall rating of the Board, Board level Statutory Committees and Independent Directors shall be derived in percentile terms and rated using methodology specified at **Annexure A1, A2 and A3** respectively.

6.0 REVIEW

(a) Annual Reviews:

There will be an annual evaluation of the performance of Board, Board Level Committees and of Independent Directors. The purpose of the evaluation is to determine how effectively the Board, Directors and the Committees are fulfilling their role and duties.

(b) Outcome of Reviews:

All reviews are to include open discussion by the Board of the results of the evaluations and to decide any changes which are required to be made by the Board to address any lack of performance and to agree the goals for the Board and, separately, for its Committees for the ensuing year. Board and Committee goals will always be set having regard to the approved strategy of the Company.

If, particular concerns arise from the evaluation in relation to any individual Director, or Committee, the Chairman will meet with that Director, or Chairman of that Committee, to discuss the concerns and any actions to be taken as a result. If the concerns relate to the Chairman, then the Chairman will discuss the matter as appropriate with the Board.

7.0 EVALUATION CRITERIA

7.1 BOARD OF DIRECTORS

The criteria & format for evaluating performance of the Board as a whole shall be as under:-

Performance Evaluation Format - Board of Directors (To be filled by all Directors individually)		
Sr. No.	**Evaluation Criteria**	**Rating (1 to 5)**
1.	Operational Management - Performance of Operational Plant, Substations, Transmission lines and Distribution system.	
2.	Project Management - Progress of projects in Construction and operation.	
3.	Financial Management – Financial Performance and Financial Position of Company.	
4.	Business development - Growth, Expansion & Diversification initiatives.	
5.	Standards of Statutory Compliance, Corporate Governance	

	& Ethical Conduct.	
6.	Social and Environmental Impact - CSR, R&R, Environment	
7.	Research and Development, Technology adoption, Quality Control and Innovation.	
8.	Human Resource Management and Industrial Relations	
9.	Public Relations Management - Company's public & social image, recognition and acceptability.	
10.	Implementation of decisions of Directors	

Signature.......................
Name: ....
DIN: ....

Place: ....
Date:.............................

7.2 STATUTORY COMMITTEES

The criteria & format for evaluating performance of the Board level Statutory Committees shall be as under:-

Performance Evaluation Format - Board level Statutory Committees (To be filled by all Directors individually for each Committee)		
Sr. No.	Evaluation Criteria	Rating (1 to 5)
1.	Proper constitution and composition of Committee.	
2.	Well defined Terms of Reference / charter	
3.	Committee members possess adequate knowledge & expertise for effective discharge of their responsibilities.	
4.	Frequency of Meetings and attendance of Members	
5.	Quality and adequacy of deliberations and participation by Members.	
6.	Effectiveness, quality and timeliness of recommendations/ decisions of the Committee.	
7.	The minutes of Committee meetings are clear, accurate, consistent, complete and timely.	
8.	Effective discharge of statutory & functional roles / responsibilities by the Committee.	
9.	Statutory and procedural compliance by the Committee	
10.	Value addition/ special contribution to Board's decision making process.	

Signature.......................
Name: ....
DIN: ....

Place: ....
Date:.............................

7.3 INDENDENT DIRECTORS

The criteria & format for evaluating performance of Independent Directors shall be as under:-

Performance Evaluation Format – Independent Directors (To be filled by all Directors other than the Independent Director being evaluated)		
Sr. No.	Evaluation Criteria	Rating (1 to 5)
1.	Fulfillment of the independence criteria as specified in SEBI (LODR) regulations, 2015 & Companies Act, 2013 and their independence from the management:	
2.	Attendance and participations in the Meetings and timely inputs on the minutes of the meetings	
3.	Knowledge, Expertise and Understanding of the Company, Business/ Industry and the external environment.	
4.	Adherence to ethical standards & code of conduct of Company and disclosure of interests.	
5.	Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings	
6.	Bringing independent judgment during board deliberations on strategy, performance, risk management etc	
7.	Director is effective and successful in managing relationships with fellow Board/ Committee members and senior management	
8.	Objective evaluation of Board's performance, rendering independent, unbiased opinion.	
9.	Protection of legitimate interests of Company, Shareholders, whistle-blowers under vigil mechanism and other Stakeholders.	
10.	Integrity and safeguard of confidential information.	

Place: ....

Date:..............................

Signature........................

Name: ....

DIN: ....

8.0 REVIEW AND AMENDMENT OF POLICY

Chairman/ Managing Director is authorized to review and amend this policy from time to time in accordance with and for the purpose of compliance with any law of the land in force or Government Direction under intimation to the Board.

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Format – A1

Summary Evaluation Report – Board of Directors
Financial Year ……………………………

Sr. No.	Evaluation Criteria	Score by all Directors															Total Score	Average Score
		D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12	D!3	D14	D15		
1.	Operational Management - Performance of Operational Plant, Substations, Transmission lines and Distribution system.																	
2.	Project Management - Progress of projects in Construction and operation.																	
3.	Financial Management – Financial Performance and Financial Position of Company.																	
4.	Business development - Growth, Expansion & Diversification initiatives.																	
5.	Standards of Statutory Compliance, Corporate Governance & Ethical Conduct.																	
6.	Social and Environmental Impact - CSR, R&R, Environment																	
7.	Research and Development, Technology adoption, Quality Control and Innovation.																	
8.	Human Resource Management and Industrial Relations																	
9.	Public Relations Management - Company's public & social image, recognition and acceptability.																	
10.	Implementation of decisions of Directors																	
	Total score																	
	Average score																	
		AVERAGE OF AVERAGE SCORES																

RATING PERCENTAGE = $\frac{\text{AVERAGE OF AVERAGE SCORES}}{5} \times 100 =$

81% to 100%	Excellent
61% to 80%	Very Good
41% to 60%	Good
21% to 40%	Below Average
0% to 20%	Unsatisfactory

Format – A2

Summary Evaluation Report – Board Level Statutory Committees

Financial Year ....

Sr. No.	Evaluation Criteria	Score by all Directors															Total Score	Average Score
		D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12	D13	D!$	D15		
1.	Proper constitution and composition of Committee.																	
2.	Well defined Terms of Reference / charter																	
3.	Committee members possess adequate knowledge & expertise for effective discharge of their responsibilities.																	
4.	Frequency of Meetings and attendance of Members																	
5.	Quality and adequacy of deliberations and participation by Members.																	
6.	Effectiveness, quality and timeliness of recommendations/ decisions of the Committee.																	
7.	The minutes of Committee meetings are clear, accurate, consistent, complete and timely.																	
8.	Effective discharge of statutory & functional roles / responsibilities by the Committee.																	
9.	Statutory and procedural compliance by the Committee																	
10.	Value addition/ special contribution to Board's decision making process.																	
	Total score																	
	Average score																	
	AVERAGE OF AVERAGE SCORES																	

RATING PERCENTAGE = $\frac{\text{AVERAGE OF AVERAGE SCORES}}{5} \times 100 =$		81% to 100%	Excellent
		61% to 80%	Very Good
		41% to 60%	Good
		21% to 40%	Below Average
		0% to 20%	Unsatisfactory

Format – A3

Summary Evaluation Report – Independent Directors

Financial Year ....

Name of Director : .... DIN :...............

Sr. No.	Evaluation Criteria	Score by other Directors D1	D2	D3	D4	D5	D6	D7	D8	D9	D10	D11	D12	D13	Total Score	Average Score
1.	Fulfillment of the independence criteria as specified in SEBI (LODR) regulations, 2015 & Companies Act, 2013 and their independence from the management:															
2.	Attendance and participations in the Meetings and timely inputs on the minutes of the meetings															
3.	Knowledge, Expertise and Understanding of the Company, Business/ Industry and the external environment.															
4.	Adherence to ethical standards & code of conduct of Company and disclosure of interests.															
5.	Raising of valid concerns to the Board and constructive contribution to resolution of issues at meetings															
6.	Bringing independent judgment during board deliberations on strategy, performance, risk management etc.															
7.	Director is effective and successful in managing relationships with fellow Board/ Committee members and senior management															
8.	Objective evaluation of Board's performance, rendering independent, unbiased opinion.															
9.	Protection of legitimate interests of Company, Shareholders, whistle-blowers under vigil mechanism and other Stakeholders.															
10.	Integrity and safeguard of confidential information.															
	Total Score															
	Average Score															
	AVERAGE OF AVERAGE SCORES															

RATING PERCENTAGE = $\frac{\text{AVERAGE OF AVERAGE SCORES}}{5} \times 100 =$

81% to 100%	Excellent
61% to 80%	Very Good
41% to 60%	Good
21% to 40%	Below Average
0% to 20%	Unsatisfactory