

Performance Evaluation Framework for Board of Directors
of
Coal India Limited

Approval Date: 30th May'2019

Version No.: 1.0

Approved By: Board of Directors

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1. Introduction

The Board of Directors (the 'Board') of Coal India Limited (the 'Company') have adopted the Board Evaluation Framework (the "Framework") as per various provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations') and Companies Act, 2013 ('Act').

The Company is a government company, administratively under the Ministry of Coal. The directors of the Company are appointed by President of India in accordance with the Articles of Association of the Company. The Ministry has the practice of reviewing the performance of the directors on the expiry of the first year of their appointment in order to take a view on continuance or otherwise for the balance period of the tenure. The performance evaluation, done in accordance with this Framework, will be communicated by the Board to the Ministry as well.

2. Objective of the Policy

The Board believes in ensuring that directors continue to serve the interests of the stakeholders in line with their expectations, and set the best standards of corporate governance, objectivity and pursuit of sustainable business practices. Effectiveness of corporate governance depends, to a very large extent, on effective board processes.

The Board believes that regular evaluation of performance of the Board helps in many ways. First of all, there is an objective and comprehensible set of targets of performance to be achieved. These performance targets are set for the board as a whole, board's committees, and directors, including executive and whole time directors, as well as independent directors. In their pursuit towards these objectives, the Board and the directors individually evaluate their own achievements, and shortcomings, if any. The process of evaluation, thus, becomes a regular feedback process whereby the targets of performance are also re-evaluated based on past experience, and there is a regular journey towards meeting such targets.

Towards this purpose, the Board is of the view that adopting a performance evaluation framework will help in assessing and evaluating the performance of the Board members by laying down explicit and clear evaluation criteria and defining the role of the evaluators and reportees in the said framework. The policy aims to establish a standard procedure for evaluation of the performance of the Executive, Non-Executive and Independent Directors of the Company.

This policy has been adopted by the Board based on the recommendations made by the Nomination and Remuneration Committee ('NRC') of the Board. The Policy is subject to directions, if any, received from the Ministry.

3. Applicable Provisions of Law

I. Under the Companies Act, 2013

Schedule IV – Code for Independent Directors:

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“VII. Separate meetings:

(1) 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;

(2) All the independent directors of the company shall strive to be present at such meeting;

The meeting shall:

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(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.”

II. Under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Regulation 4: Principles governing disclosures and obligations:

“(2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.

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(f) Responsibilities of the board of directors: The board of directors of the listed entity shall have the following responsibilities:

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(9) Monitoring and reviewing board of director’s evaluation framework.”

Regulation 17 – Board of Directors ¹

“(10)The performance evaluation of independent directors shall be done by the entire board of director 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:”

¹ As per the SEBI Listing (Amendment) Regulations, 2018, Regulation 17 (10) shall be read as follows-
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:”

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Regulation 19 read with Schedule II Part D Para A - Role Of Nomination And Remuneration Committee:

“Role of committee shall, inter-alia, include the following:

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(2) formulation of criteria for evaluation of performance of independent directors and the board of directors;

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(5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors”

Regulation 25 (4) – Obligation with respect to independent directors

“The independent directors in the meeting referred in sub-regulation (3) shall, inter-alia-

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

(b) review the performance of the chairperson of the listed entity, 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 management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.”

Schedule V- Annual Report

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C. Corporate Governance Report: *The following disclosures shall be made in this section on the corporate governance of the annual report.*

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(4) Nomination and Remuneration Committee:

(a) brief description of terms of reference;

(b) composition, name of members and chairperson;

(c) meeting and attendance during the year;

(d) performance evaluation criteria for independent directors.

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4. Structure for Performance Evaluation

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5. Criteria for performance evaluation

IDs to evaluate

- Non-IDs;
- Board
- Chairperson
- Quality, quantity and flow of information

Board to evaluate

- IDs
- Board
- Committees of the Board
- Executive Directors
- Non-Executive Directors

The criteria / parameters for evaluating the performance of Board, IDs, Executive Directors and the quantity, quality, flow and timeliness of the information is approved by the NRC in its meeting dated [*].

1.

a. Parameters for evaluating the performance of IDs are as follows:

Sr. No	Criteria	Grade/ Score
1.	Diligently prepares for and participates in meetings of the Board and Committees on which he/ she is member, reads Agenda , effectively participates in discussions and contributes to decision making .	
2.	Demonstrates a willingness to devote time and effort to understand the Company and its business	
3.	Contributions at Board / Committee meetings are of high quality and innovative and support the achievement of Company's performance goals.	
4.	Performance and behaviour promotes mutual trust and respect within the Board / Committee.	

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5.	Effective and successful in managing relationships with fellow Board members and senior management	
6.	Understands governance, regulatory, financial, fiduciary and ethical requirements of the Board /Committee.	
7.	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.	
8.	Able to present his/her views convincingly yet diplomatically.	
9.	Listens and takes on Board the views of other members of Board.	
10.	Maintains high standard of ethics and integrity.	
11.	Exercises independent judgement in decision making in the best interests of the Company	
12.	Effectively assists the Company in implementing best corporate governance practice and then monitors the same.	
13.	Helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.	
14.	Keeps himself/ herself well informed about the Company and external environment in which it operates.	
15.	Acts within his authority and assists in protecting the legitimate interest of the Company, Shareholder and employees.	
16.	Maintains high level of confidentiality.	
17.	Adheres to the applicable code of conduct for independent directors	
18.	Propose initiatives in terms of new ideas and planning for the Company	

b. Evaluation of the fulfilment of the independence criteria as specified in these regulations and their independence from the management:²

The Board shall be evaluating the fulfilment of the independence criteria as laid under Regulation 16 (1) (b) of the Listing Regulations based on the declaration received from the independent directors.

² To be evaluated from FY 2019 onwards.

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II. Parameters for evaluating the performance of the Executive Directors are as follows:

Sr. No.	Criteria	Grade / Score
1.	Shown clear vision in correctly anticipating business trends, opportunities, and priorities affecting the Company's prosperity and operations and takes timely action to safeguard Company's interests.	
2.	Diligently prepares for and participates in Board and Committee Meetings. Is well informed on Agenda items related to his area of work, answers questions well and provides additional information as required, thus effectively contributing to discussions and sound decisions.	
3.	Has ability to translate Company's strategy into feasible business or operational plans and communicate his concepts, strategies, and goals for the Company to the stakeholders.	
4.	Facilitates team-building and cohesiveness among the Company's employees to achieve the Company's goals.	
5.	Identifies problems and issues confronting the Company, analyzes and finds solutions to them, Open to constructive suggestions and is responsive to the need of timely decision making.	
6.	Has been an initiator, sets high working standards and pursuing goals with a high level of personal drive and energy.etc	
7.	Possesses good understanding of Company's financial position, current strategy, risk management and key business operations	
8.	Exercises good judgement in managing the financial affairs of the organization, effectively monitors and evaluates financial planning and administrative operations.	
9.	Ensures that company's operations complied with the requirements from all pertinent laws and regulations	
10.	Builds strong working relationships with Board Members and works closely and cooperatively with the Board in developing the short, medium, and long term strategic plans for the Company.	
11.	Demonstrates a sound knowledge of Board Governance procedures and consistently follows them.	
12.	Presents information to the Board on items requiring Board opinions and decisions in a professional manner, with recommendations based on thorough study and sound principles	

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Sr. No.	Criteria	Grade / Score
13.	Is available to individual board members, whenever necessary, as well as supports the Board in its governance duties by providing necessary resources and other facilities	
14.	Communicates effectively with all stakeholders and ensures that the Company maintains a positive image in pursuing community relations and business development for the Company'	
15.	Has effectively reviewed the Company's succession plan for Senior Management Personnel, and, if appropriate make necessary changes by taking into account conditions that are external or internal to the Company.	
16.	Has put in place the processes and programs required to create pipeline of future leadership	
17.	Has demonstrated a thorough knowledge and understanding about the key aspects of the Company's business, management and operations	
18.	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.	
19.	Has exercised good judgement in dealing with sensitive issues between people and between groups	
20.	Has maintained a high standards of ethics and integrity, as well as a healthy balance of time management and priorities in both work related and personal matters	

III. Parameters for evaluating the performance of the Non-Executive Directors are as follows:

Sr. No.	Criteria	Grade / Score
1.	Diligently prepares for and participates in meetings of the Board and Committees on which he/ she is member, reads Agenda , effectively participates in discussions and contributes to decision making .	
2.	Demonstrates a willingness to devote time and efforts to understand the Company and its business	
3.	Maintains objectivity in evaluating Company's Performance in various key areas of operation, expressing views frankly and suggestion for improvements	
4.	Contributions at Board / Committee meetings are of high quality and innovative and adds value to decision making process by the Board.	
5.	Proactively contributes in to development of strategy and to risk management of the Company.	

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Sr. No.	Criteria	Grade / Score
6.	Performance and behaviour promotes mutual trust and respect within the Board / Committee	
7.	Effective and successful in managing relationships with fellow Board members and senior management	
8.	Understands governance, regulatory, financial, fiduciary and ethical requirements of the Board /Committee.	
9.	Actively and successfully refreshes his 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.	Able to present his views convincingly yet diplomatically.	
11.	Listens and takes on Board the views of other members of Board.	
12.	Has maintained high standard of ethics and integrity.	
13.	Expresses concerns about Company operations and management, when such concerns come to light , ensures they are noted , and monitors their redressal by senior management.	

IV. Parameters for evaluating the performance of the Board are as follows:

Sr. No.	Criteria	Grade / Score
	Part A Board Composition	
1.	Appropriateness of qualification of Board members in respect of the expertise that they bring to the Board.	
2.	Appropriateness of size of the Board commensurate with the size of the Company and its operations. and mix of Executive and Non-executive Directors therein	
3.	Appropriateness of professional and inter-personal skills possessed by Board Members, ability to support management in implementing corporate strategy and manage conflict and crisis in the Company's best interests.	
4.	Extent of diversity in the knowledge and related industry expertise of the Board members and satisfactory disposal of knowledge.	
5.	Opportunities provided for orientation and continued training of Board Members to improve knowledge of the Company, it's industry and external environment, besides their own roles and	

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Sr. No.	Criteria	Grade / Score
	responsibilities and frequency and the suitability of content of such programmes to achieve these objectives.	
6.	Extent of participation of Board members in such familiarization programmes.	
7.	Degree of clarity on the part of the Board members on what is expected of them and what are their roles and responsibilities.	
8.	Extent to which board members use their skill, knowledge and experience to support CEO and Senior Management in fulfilment of the Company's Mission Statement and Vision and to improve performance and brand image.	
9.	Extent of parity between the Board size and size of the Company and area of its operation.	
	Part B Meetings of Board and participation of Board members	
10.	Frequency of conducting Board meeting during the year so as to effectively carry out its duties.	
11.	Amount of the time devoted to Board deliberations and participation level in Board functioning by the Board members.	
12.	Practice of regularly updating and reviewing the schedule of its items to be dealt with by the Board.	
13.	Timeliness in sending meeting agenda and supporting materials for adequate advance review.	
14.	Extent of satisfactory inputs provided in preparing the agenda for the Board meeting by the Board members, the committee members, the management, the internal auditors and the statutory auditor.	
15.	Percentage of Board Meetings with full attendance	
16.	Extent of encouragement provided for open participation and discussion so that each member of the Board gets adequate opportunity to put up his views before the Board and have his views taken into account before a conclusion is arrived at.	
17.	Ability of Board Meetings to enhance effectiveness of the Board.	
18.	Practice of keeping the Board meeting minutes precise, complete, clear and accurate.	

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Sr. No.	Criteria	Grade / Score
19.	Instances of proper and timely circulation of Board meeting minutes.	
20.	Degree of follow up on implementing post Board meeting actions.	
21.	Frequency and Effectiveness of monitoring of ATR of Board Minutes.	
	Part C Functions of the Board	
22.	Practice of fair and equitable manner of distribution of committee assignment among Board members.	
23.	Effectiveness of the Board Committee structure and their functioning.	
24.	Appropriateness in creating adequate number of committees for effective delegation of functions by the Board.	
25.	Instances of excessive delegation of powers of the Board to the Committees such that the balance of distribution between Board powers and Committee powers is distorted.	
26.	.Effectiveness of action taken by the Board on Committees recommendations.	
27.	Extent of supervision by the Board on each committee such that the same is regular and effective.	
28.	Appropriateness of succession plan in the place for senior management.	
29.	Instances of having proper information systems in place, such that the Board gets timely and reliable information to be discussed at Board meetings.	
30.	Effectiveness of information flow from Management to Board on matters affecting the Company.	
31.	Effectiveness of ATR monitoring systems to review follow up on Board's decision.	
32.	Effectiveness of Board in identifying strategic and other risks applicable to the Company and providing timely directions to manage the same.	
33.	Effectiveness of Board in giving timely approval.	

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Sr. No.	Criteria	Grade / Score
34.	Instances of practice of defining documenting the roles and responsibilities of each level/ hierarchy of the Board/ Management.	
35.	Instances of providing sufficient option and facilities to the Board for seeking independent legal advice, accounting or financial consultancy whenever needed.	
36.	Extent of adequate processes in place to identify, assess and manage risks.	
37.	Practice of the Board to regularly review the risk scenarios in light of the dynamic internal and external environment.	
38.	Review of risk scenario and its consideration in decision making.	
39.	Practice of informing the Board members about the risk areas not covered under the D&O liability insurance.	
40.	Adequacy in benchmarking for comparing the performance of the company with that of its competitors.	
41.	Degree of collective responsibility taken by the Board for the performance of the Company.	
42.	Compliance of various laws applicable to the Company and periodic intimation to the Board.	
43.	Appropriateness of systems to keep the Board aware of all the communications received from governmental or regulatory authorities related to regulatory violations or non-compliances.	
44.	Appropriateness of systems to address cases of violation of code of conduct.	
45.	Effectiveness of whistle blower mechanism of the Company.	
46.	Adequacy of safeguards framed to protect whistle-blowers.	
47.	Instances of the Board reviewing significant accounting policies of the Company at regular intervals.	
48.	Practice of inviting the views of statutory auditors, internal auditors and the management on the sufficiency of accounting staff.	
49.	Effectiveness of Board in their interaction with management to address significant issues raised by Auditors and to put in place robust systems for financial control and management.	
50.	Effectiveness of the Board in considering audit reports (internal and external) and responses of the management to the same.	

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Sr. No.	Criteria	Grade / Score
51.	Effectiveness of the Board in monitoring key financial and performance indicators.	
52.	Review of Company's performance in carrying out the stated mission on a periodic basis.	

V. Parameters for evaluation of the performance of the Committees of the Board are as follows:

Sr. No.	Criteria	Grade / Score
1.	The Committees of the Board are appropriately constituted	
2.	The terms of reference for the committees are appropriate with clearly defined roles and responsibilities.	
3.	The composition of the committee is in compliance with the legal requirement.	
4.	Committee gives effective suggestion and recommendation.	
5.	Committee meetings are conducted in a manner that encourages open communication and meaningful participation of its members	
6.	Committee meetings have been organized properly and appropriate procedures were followed in this regard?	
7.	The frequency of the Committee meetings is adequate.	
8.	Committee periodically reports to the Board its suggestions and recommendations and reviews follow up action by Senior Management.	

VI. Parameters for assessing the quantity, quality and timeliness of the flow of information and timeliness between the management and the Board are as follows:

Sr. No.	Criteria	Grade / Score
1.	Timeliness in circulating the agenda to the meeting in order to assist the directors to effectively take decisions	
2.	Timely furnishing of any additional document requested by the director.	
3.	Efficacy of matters placed before the Board in keeping the members informed about the Company as a whole	
4.	Timely submission of ATR by the Management to the Board to take an appropriate decision.	

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Sr. No.	Criteria	Grade / Score
5.	Timely submission of urgent proposals approved by Chairman in between two Board meetings to the members seeking their ratifications.	
6.	timely flow of information from the Management to the Board in order to enable the Board to exercise diligence and take an informed decision	
7.	Practice of placing matters which are not statutorily required for the information of the Board .	
8.	Timeliness in conducting Board Meetings to keep the Directors informed about the activities in the Company in a continued	
9.	Extent of reporting by Committee for the powers delegated by Board	
10.	correct drafting of information shared with the Board so as to enable the Board to take an informed and reasoned decision	
11.	Instances of adequate and timely furnishing of any additional document requested by the director.	

VII. Parameters for evaluating the performance of the Chairman are as follows:

Sl. No.	Criteria	Grade / Score
1.	Ability to effectively manage Board Meetings ensuring all views are brought on table and clear decisions are reached and acted upon.	
2.	Effectively implements the corporate governance.	
3.	Ability of Chair to deal with conflicting views from Board Members and resolve the same presenting a consensus solution acceptable to all	
4.	Effectiveness of communication with Board Members, to answer queries and willingness to be challenged on his views on issues affecting the Company's image and performance	
5.	Effectiveness of Chairman's communication with all stakeholders in communicating Company's strategy for improving long term performance	
6.	Extent of Chairman's understanding of the business, the environment in which it operates, the Company culture, its people and processes	
7.	Ensures proper compliance, integrity and conduct of the meeting in case of video conferencing facility granted at Board or Committee Meetings.	

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Sl. No.	Criteria	Grade / Score
8.	Extent of availability and presence in meetings.	
9.	Ability to listen , ask questions , frame issues, and provide feedback	
10.	Honesty , reliability and commitment to role	
11.	Ability to influence others without dominating	
12.	Level of confidence and sensitivity while dealing with the Board	
13.	Level of Decisiveness and using the best information to make decisions, balancing the needs of all stakeholders and which are in the best interests of the Company	

6. Frequency of such evaluation

The performance evaluation will be carried out annually in the manner stated below.

7. Methodology for evaluation

The evaluators shall be grading the evaluatees on the following grade scale, which shall mean the comment as mentioned below:

A / 1	B / 2	C / 3	D / 4	E / 5
High Effectiove/Excellent	Very Good	Good	Satisfactory	Least Effective/Unsatisfactory

- **Internal Facilitator**

A questionnaire containing the above mentioned parameters shall be distributed to the Board members either by way of an e-mail or physical delivery which shall be duly filled in the manner instructed in the questionnaire. The same shall be returned to the Company within a specified time so as to enable the concerned/ authorised person, usually the Company Secretary, to collate the evaluations and prepare the reports for the purpose of placing the same in the respective meetings of the Board, and the IDs.

For the purpose of ensuring confidentiality of the evaluations received from the Board members, the Company secretary shall not discuss the evaluations with any person except for the final report which shall be placed before the respective meetings.

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8. Reportees

As soon as the performance evaluation reports are taken note of by the Board, and the IDs, the Chairman of the Board or any other authorised person shall forward the copy of the evaluation report to the Secretary of Government of India, Ministry of Coal, New Delhi for their due consideration and course of action, if any.

On the basis of such evaluation, the Government can decide on the continuance or otherwise of any director appointed by it on the Board of the Company.

9. Review

The framework for performance evaluation mentioned herein shall be reviewed by the Board or NRC from time to time.