

LIBAS DESIGNS LIMITED

MECHANISM FOR THE PERFORMANCE EVALUATION OF THE INDEPENDENT DIRECTORS

Introduction

The Company conducts its operations under the overall direction of the Board of Directors within the framework laid down by various statutes, more particularly by the Companies Act, 2013; the Articles of Association, listing agreement with stock exchanges, internal code of conduct and policies formulated by the Company for its internal execution.

The Company's Board of Directors are dedicated to act in good faith; exercise 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 provides 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.

As one of the most important functions of the Board of Directors is to oversee the functioning of Company's top management, this Board Performance Evaluation process aims to ensure that individual directors ("Directors") and the Board of Directors of the Company ("Board") as a whole work efficiently and effectively in achieving Company's objectives. This policy aims at establishing a procedure for the Board to conduct periodic evaluation of its own performance and of its committees and individual directors. Hence it is important that every individual Board Member effectively contributes in the Board deliberations.

1. Performance Evaluation Parameters:

i. Statutory Duties:

Perform the duties specified in Sections 149, 166 and Schedule IV of the Companies Act, 2013.

ii. Business Contribution:

- a)** Strive to Participate in all the Board and General Meetings of the Company and the meetings of the Committees (where Member); and particularly to have active participation in the following matters:

- (1) Approval of financial statements (half yearly and/or annual)
- (2) Approval of related party transactions, if any

b) Actively deliberate on and ensure adequate deliberations are held with respect to the following matters:

- (1) Business Strategy, Business Performance and Business Risk
- (2) Related Party Transactions: Pay sufficient attention and ensure that adequate deliberations are held before approving related party transaction and assure them that the same are in the interest of the company.
- (3) Resource Management

c) Satisfy them on the integrity of financial information and that financial controls and the system of risk management are robust and defensible.

d) Ascertain and ensure that company has an adequate and functional vigil mechanism and to ensure that the interest of a person who uses such mechanism is not prejudicially affected on account of such use.

iii. Management's Performance Monitoring and Feedback:

- a) Actively monitor the performance of the Management on both tactical and strategic plans
- b) Provide prompt feedback to Management on its performance vis-à-vis the Business Plan and provide guidance on course correction
- c) Scrutinize the performance of management in meeting the agreed goals and objectives and monitor the reporting of performance.

iv. Committee Management

- a) Actively participate in the Committee that the Independent Director is responsible for
- b) The Chairperson of the Committee would be accountable for the performance of the respective Committee. The Chairman of the Committee will sign and submit the minutes of the Meeting of the Committee promptly to the Board
- c) Arrive at threshold for closure of the repeat Audit observations, if any and ensure meeting the timelines given for the closure of the Audit observations
- d) Safeguard the interest of all the stakeholders, particularly the minority shareholders. Also make efforts to balance the conflicting interest of the stakeholders.

v. Disclosures, Documentation and Reporting

Ensure that all the documents and disclosures that directors are required to provide to the Company under Companies Act, 2013 and under any other law applicable, if any and are reported within the timelines as per prescribed formats.

vi. Financial and Operational Controls

Familiarize themselves with the system of the Internal Financial Controls followed by the Company as mentioned in the Listing agreement and Section 134 of the Companies Act, 2013 and satisfy themselves that such Internal Financial Controls are adequate and operating effectively.

vii. Appointment, Removal, Remuneration and Evaluation of Executive Directors:

- a) Determine the levels of the remuneration of Executive Directors, key managerial personnel and senior management.
- b) Have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management and to see that the hiring as well as the removal is in line with the business requirement and as per the Policy adopted by the Company
- c) Objectively evaluate the performance of Executive Directors and the Key Managerial Personnel in view of Policy and or the Performance Appraisal parameters adopted by the Company for the Executive Directors and the Key Managerial Personnel

viii. Integrity and maintenance of confidentiality & independence of behaviour and judgement

- a) He should uphold ethical standards of integrity and probity.
- b) He must have applied highest standard of confidentiality and should not have disclosed to any person or company any confidential information concerning the company and any group companies with which he comes into contact by virtue of position of director.
- c) He should have refrained from any action that would lead to loss of his independence and where circumstances arise which makes him lose his independence, he must have immediately informed the board

2. Performance Evaluation Matrix for Independent Directors

Performance Criteria	Target	Evaluation Tool/s
1. Statutory duties and Business Contribution		
Attending all meetings scheduled	100% Attendance	Attendance Sheet
a) Actively deliberate on the business strategy, business performance, risk, resource management	Notable contributions to be evaluated by Board	Minutes of Meeting
b) All the independent director should hold separate meetings	Atleast one meeting should be held in a year.	Minutes of the meeting.
2. Management's Performance Monitoring and Feedback		
a) Actively monitor performance of the Management on both tactical and strategic plans	No major deviations from Tactical and Strategic plans	Minutes of Meeting
b) Provide prompt feedback to management on their performance vis-à-vis the plan and provide guidance on course correction	No major deviations from Tactical and Strategic plans not flagged earlier	Minutes of Meeting
3. Committee Management		
a) Actively participate in the committee that you are responsible for	a) 100% Attendance b) Level of contribution	a) Attendance Sheet b) Minutes of Meeting
b) Committee Chairman accountable for performance of the committee	No material deviation from performance targets and deadlines	Committee Minutes
c) Arrive at threshold for closure of repeat observations and ensure meeting timelines	Declare the threshold formally by 3rd repeat observation and adhere to the deadline	Committee Minutes
4. Disclosures, Documentation and Reporting		
a) Ensure that all the disclosure required as per norms have been made and reported within the timelines as per prescribed formats	No major observations	Audit Report
b) Oversee documentation	No major observations	Audit Report

5. Financial and Operational Controls		
a) Actively satisfy themselves on integrity of financial data, financial controls and risk management frameworks	a) 100% correct financial statements b) No major financial risk exposure due to oversight	Minutes of Meeting
6. Appointment, Removal, Remuneration and Evaluation of Executive Directors		
a) Determine appropriate levels of remuneration of Executive Directors	100% adherence to the norms	Audit Report Minutes of N&R Committee
b) Oversee the hiring of Executive Directors and Key Management Personnel in line with business requirement and as per governance norms	Participate candidate interviews as far as possible	Candidate evaluation sheet
c) Objectively evaluate performance of Executive Directors and some Key Management Personnel in view of set parameters	Timely and periodic formal performance feedback	Performance Evaluation Sheet
7. Integrity and maintenance of confidentiality & independence of behaviour and judgement		
a) Uphold ethical standards of integrity and probity. b) Applied highest standard of confidentiality. c) Refrained from any action that would lead to loss of his independence and where circumstances arise which makes him lose his independence, he must have immediately informed the board.	100 % adherence to the performance criteria.	As adopted by the Board of the Directors of the Company or person(s) authorised by the Board for the same.

3. Evaluation mechanism:

- i. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- ii. 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.