

PERFORMANCE EVALUATION POLICY

SRU STEELS LIMITED

SRU Steels Limited – Performance Evaluation Policy

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The following “Performance Evaluation Policy” is addressed to the Board of Directors of the SRU Steels Limited (“Company”) and is only for the internal use of the Company.

A. INTRODUCTION:

SRU Steels Limited (“the Company”) conduct 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, Articles of Association of the Company SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended from time to time. The Company’s Board of Directors is dedicated to act in good faith; exercise their judgment on an informed basis and in the best interest of the company and its stakeholders.

As one’s of the most important function of the Board of Directors of the Company is to oversee the functioning of the 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. The evaluation process will be used constructively as a system to improve the Board and committees effectiveness, to maximize their strength and to tackle shortcomings, if any.

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. For this purpose, the Nomination and Remuneration Committee shall be responsible to identify the persons who are qualified to become directors and who may be appointed in the senior management of the Company and recommend to the Board their appointment and removal.

In addition, the Nomination and Remuneration Committee shall carry out the evaluation of performance of every director, key managerial personnel and other employees in accordance with the criteria contained herein, based on which their remuneration shall be determined. Further, it shall be ensured by the Nomination and Remuneration Committee that the remuneration to be paid to the directors, key managerial personnel and senior management have a balance between fixed and incentive pay.

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Therefore, the Company has made this policy to comply with the provisions of the Listing Regulations and the Companies Act, 2013, with respect to evaluation of the performance of the Board, its Committee and Individual Directors.

B. OBJECTIVE:

The objective of this policy is to formulate the procedure and also to prescribe and lay down the criteria to evaluate the performance of the entire Board, each individual Director, and the committees of the Board of the Company.

C. DEFINITIONS & INTERPRETATIONS

1. **“Director/Board Members”** shall mean Directors on the Board of directors of the company.
2. **“Whole- time Director/ Executive Director”** shall mean Directors on the Board of Director of the Company who is in whole time employment of the Company, including the Managing Director of the Company.
3. **“Non- Executive Director”** shall mean Directors on the Board of Directors of the Company who are not in the whole time employment of the company.
4. **“Performance Evaluation Policy” or “Policy”** shall mean **“SRU Steels Limited Performance Evaluation Policy** pursuant to Section 178 of the Companies Act, 2013.
5. The term “Committee” or “NRC” shall mean **“The Nomination and Remuneration Committee”** of the Board of Directors of the Company.
6. **“Board”** shall mean Board of Directors of the SRU Steels Limited.
7. **“Company”** shall mean the SRU Steels Limited.

D. EVALUATION MECHANISM (Regulation 17(10))

1. In conformity with the statutory requirement, the performance evaluation of independent directors shall be carried out by the entire Board of Directors. The Director who is subject to evaluation shall not participate in the performance evaluation. The performance evaluation shall include –
 - a) Performance of the directors; and
 - b) Fulfillment of the independence criteria as specified in the Listing regulations and their independence from the management.
2. Independent Directors shall evaluate the performance of non-independent directors, Chairman of Board and Board as a whole and shall submit its report to the Chairman of Board who shall in turn place it before the Board for necessary comments and suggestive course of action arising out of the evaluation.
3. The performance evaluation of the Committees of the Board shall be conducted by the entire Board.

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- At least one Meeting of the Independent Directors on the Board of the Company shall be held every year to review the performance of non-Independent directors including the Chairman and the Board as a whole.

E. EVALUATION PROCESS (Previous Policy)

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 independent directors, non-independent directors, other employees of the Company and committees of directors separately, as, such evaluation factors may vary in accordance with their respective functions and duties.

RATING SCALE

SCALE	PERFORMANCE
5	EXCEPTIONALLY GOOD
4	GOOD
3	SATISFACTORY
2	NEEDS IMPROVEMENT
1	UNACCEPTABLE

1) INDEPENDENT DIRECTORS EVALUATION (OLD + J&K Policy)

- Whether the Director does compliance with Articles of Association, Companies Act & other laws
- Whether the Director does Compliance with ethical standards & code of conduct of Company
- Whether the Director assist in implementing corporate governance practices
- Whether the Director exercises his/ her own judgement and voices opinion freely.
- Attendance & presence of Directors in the meetings of Board & committees
- Attendance & presence of director in general meetings

Overall Rating

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- Whether the Director shows leadership qualities
- Qualifications
- Whether Director is independent from the entity and the other directors and there is no conflict of interest
- Independent view on key appointments & strategy formulation
- Objective evaluation of Board's performance
- Review of integrity of financial information & risk management
- Safeguard of stakeholders' interests
- Appointment & removal of KMPs
- Determination of level of remuneration of KMPs
- Updation of skills and knowledge
- Punctuality
- Information regarding external environment
- Seeking expert opinion, when required
- Raising of concerns to the Board
- Safeguarding interest of whistle-blowers under vigil mechanism
- Reporting of frauds, violation etc.
- Team work attributes
- Safeguard of confidential information

2) NON – INDEPENDENT DIRECTORS / EXECUTIVE DIRECTORS

- Compliance with Article of Association, Companies Act & other laws
- Initiation with respect to various areas.
- Strategic planning- financial & business
- Monitoring performance against plans
- Compliance with ethical standards & code of conduct
- Exercising duties diligently
- Qualifications including the Professional Qualification, if any
- Punctuality
- Disclosure of interest
- Leadership skills
- Motivating employees, providing assistance & directions
- Establishment of internal control processes
- Communication skills
- Attendance & presence in meetings of Board & committees
- Attendance of general meetings
- Team work attributes

Overall Rating

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- Monitoring policies, encouraging suggestions
- Supervising & training the staff members
- Safeguard of confidential information

3) CHAIRMAN & MD

- Compliance with Article of Association, Companies Act & other laws
- Leadership
- Decisive
- Courteous
- Displays professionalism
- Ability to steer the Meeting Effectively
- Impartial in conducting discussions, seeking views and dealing with dissent
- Sufficiently committed to the Board and its meetings
- Safeguard of stakeholders' interests

Overall Rating

4) COMMITTEES OF BOARD

The Board has constituted the following committees:

- A. Audit Committee;
- B. Corporate Social Responsibility Committee;
- C. Nomination and Remuneration Committee; and
- D. Stakeholders Relationship Committee

For evaluating the performance of each committee, the Board of Directors shall pay regards to the following aspects:

- Compliance with Article of Association, Companies Act & other laws
- Compliance with ethical standards & code of conduct of Company
- Committee's accomplishments w.r.t. performance objectives
- Composition and working procedures of committees
- Fulfillment of functions assigned
- Attendance & presence in meetings of committees
- Adherence to Company's policies and internal procedures

Overall Rating

5) COMPANY SECRETARY

- Compliance with Article of Association, Companies Act & other laws

Overall Rating

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- Compliance with ethical standards & code of conduct of Company
- Reporting to the Board about compliance with applicable laws
- Ensuring compliance with secretarial standards
- Assistance to the board of directors
- Facilitate the convening of meetings and attend Board, committee and general meetings
- Advise the Board in ensuring good corporate governance
- Preparation of minutes
- Discharge of duties assigned by Board
- Assistance in obtaining required approvals from Board, shareholders, Government and other authorities
- Representation before various regulators on behalf of the company
- Advising Board on corporate governance and compliance thereunder
- Punctuality

6) EMPLOYEES

- Compliance with Article of Association, Companies Act & other laws
- Compliance with ethical standards & code of conduct of Company
- Achievement of target fixed
- Punctuality
- Fulfillment of functions assigned

Overall Rating

F. REMUNERATION

The Company aspires to pay performance linked remuneration to its directors, senior management personnel and other employees. For this reason, based on the fore stated criteria of evaluation of performance of directors (independent as well as non-independent directors), Company Secretary and other employees, their remuneration shall be determined and reviewed from time to time. It will be ensured that the remuneration is determined in such a way there exists a fine balance between fixed and incentive pay. Apart from a fixed remuneration, the said persons will be entitled to performance linked bonus, which shall be determined in accordance with their respective performance evaluation report prepared on the basis on the fore-mentioned criteria.

G. ACTION PLAN

Based on the analysis of the person, the Board, if think if, may prepare an action plan on:

- Areas of improvement including training, skill building etc. as may be required for Board members
- List of actions required detailing:

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- Nature of actions
- Timeline
- Person responsible for implementation
- Resources required, etc.

- Review of the actions within a specific time period

The action plan may be prepared by the Board in a comprehensive manner. Suggestions under the external assessment, individual member feedback etc may be taken in to account while drafting the action plan. The Action Plan so prepared shall be placed before the Board and be circulated to all the board members who are responsible for its implementation. Further, the Board may review the progress of its implementation periodically but not later than the subsequent annual evaluation performance.

H. REVIEW

Subject to the approval of Board of Directors, the “Nomination and Remuneration Committee” reserves its right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company.

I. DISCLOSURE OF POLICY

In accordance with the requirement under the Act, disclosure regarding the manner in which the performance evaluation has been done by the Board of directors of its own performance, performance of various committees of directors and individual directors’ performance will be made by the Board of Directors in the Board report. Further, the Board’s report containing such statement will be made available for the review of shareholders at the general meeting of the Company.

The Policy has been made available on Company’s official website and the key features of this Policy have also been included in the “**Corporate Governance**” contained in the Annual report of the Company.

J. FREQUENCY OF BOARD EVALUATION

Board Evaluation will be carried out once in a financial year. Since Board evaluation is a continuous process, the Board of Directors may if felt desirable conduct board evaluation more frequently, if is felt that feedback provided to the members during meetings and otherwise, whether oral or written, is more effective for continuous improvement and ideally complements the annual evaluation process. In order to impart objectivity to the process the Board may also desire to complement the internal assessment with external assessment at regular intervals.

K. RESPONSIBILITY

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The responsibility of Board evaluation lies on different persons depending on the subject of evaluation as per Companies Act, 2013 and Listing Regulations.

However, it is found that on a global basis, generally the primary role of steering the whole process of Board evaluation and of ensuring its effectiveness in improving the Board efficiency lies on the Chairperson. Therefore, to achieve maximum benefit of the process, the role and function of Chairperson in Board Evaluation needs to be laid out clearly in advance.

L. OWNERSHIP & REVIEW

The Policy shall be subject to the annual review and the review of the policy will be put up to the Nomination and Remuneration Committee for their recommendation to the Board for approval. The Board shall be responsible for placing the review of the Policy before the Nomination and Remuneration Committee.

Approved revised Policy & Guidelines will remain in force till next review. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

Any guideline(s) issued by Regulator/s with regard to Performance Evaluation and/or any other matter dealt with by this Policy shall be deemed to be part & parcel of this policy for operational purpose with immediate effect.

“Mechanism for Performance Evaluation of Directors”

(Legal Framework)

The Nomination and Remuneration Committee of a company has been obliged under Section 178 of the Act to formulate a draft policy for recommending it to the Board of directors of the company, setting the criteria, based on which the performance of each and every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company. Based on such performance evaluation, remuneration of directors, key managerial personnel and employees shall be determined. 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. Relevant extracts of Section 178 of the Act reads as:

Section 178 of Companies Act, 2013

Section 178- Nomination and Remuneration Committee and Stakeholders Relationship Committee

- 1) The Board of Directors of every listed public company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors
- 2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- 3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- 4) The Nomination and Remuneration Committee shall, while formulating the policy under subsection (3) ensure that—
 - a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

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Provided that such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

As per **Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014** read with **Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014** the board of Directors of the following classes of companies shall constitute a Nomination & Remuneration committee of the board:

- a) every listed company;
- b) every other public company:
 - i. the Public Companies having paid up share capital of ten crore rupees or more; or
 - ii. the Public Companies having turnover of one hundred crore rupees or more; or
 - iii. the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees:

The Act, under clause VIII of Schedule IV, casts an obligation on part of the board of directors for evaluating the performance of independent directors. All the directors on the board of a company, except the independent director whose performance is being evaluated, will assess the performance of independent director. Accordingly, a report of performance evaluation of each independent director of the company would be prepared, which would determine whether to extend or continue the term of appointment of the concerned independent director or not. However, no provisions relating to separate meetings or evaluation of the performance of independent directors is provided under the Act. Clause IV of Schedule IV of the Act reads as:

Schedule IV to Companies Act, 2013

“Schedule IV- CODE FOR INDEPENDENT DIRECTORS”

.....

VIII. Evaluation mechanism:

(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.”

The Act, under Schedule IV, prescribes a code of conduct, other functions and duties of independent directors, which strives to raise the bar of standards and performances of independent directors. The spirit of the code of conduct for independent directors and their performance evaluation is that they are expected to adhere to the professional conduct and to use their skills and independence for implementing the best corporate

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governance practices in the interest of shareholders, particularly minority shareholders.

Independent Directors are also duty bound to evaluate the performance of non-independent directors, chairperson of the company and board as a whole. The Act empowers the independent directors to hold separate meeting without the presence of other directors to assess the performance of Board. In fact, the Act provides under Schedule IV of the Act, that the independent directors of the company **shall** hold at least one meeting in a year, without the presence of non-independent directors and members of management.

Schedule IV to Companies Act, 2013

“Schedule IV- CODE FOR INDEPENDENT DIRECTORS

.....

II. Role and functions:

The independent directors shall:

.....

(2) bring an objective view in the evaluation of the performance of board and management;

(3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

.....

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

.....

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;

(3) 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.

In addition, as per the requirement of Section 134 of the Act, disclosures are required to be made in the board's report, which shall contain a statement indicative of the manner in which directors' performance, performance of various committees and performance

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of the Board as a whole have been assessed by the Board. Such Board's report will be laid before the shareholders in the general meeting of the Company. The relevant abstract of Section 134 of the Act have been provided below:

Section 134 of Companies Act, 2013

“Section 134 - Financial statement, Board's report, etc

....

(3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include-

....

(p) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, 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...”