

SHIVA CEMENT LIMITED

BOARD EVALUATION POLICY

DOCUMENT CONTROL

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Preparation/Revision History

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| 1 | 03/08/2017 | 1.1 | Company Secretary | |

Issuing Authority

This policy document is approved by the Board of the Company

Author and Responsible Official

This policy document is to be maintained and updated by way of additions, deletions and modifications, only by the Company Secretary. Every time the policy document is edited, the version increases by one unit and the version is to be mentioned on every page.

Applicability and Usage

This policy document applies to members of Board of Director of the **Shiva Cement Limited**.

1. PREFACE

The Board acknowledges its intention to establish and follow “best practices” in Board governance in order to fulfil its fiduciary obligation to the Company. Fundamental to sound governance is the practice of undertaking a Board evaluation on an annual basis.

2. POLICY OBJECTIVES

This policy has been framed in compliance with the provisions of the Companies Act, 2013, as amended from time to time and approved by the Board.

The purpose of the Board evaluation is to give all Board members an opportunity to evaluate and discuss the Board’s performance with candour and from multiple perspectives. The evaluation will be maintained whether or not the Board is functioning well as a way to ensure continuous improvement in the way the Board conducts its business. The Board believes the evaluation will lead to a close working relationship amongst Board members, greater efficiency in the use of the Board’s time, and increased effectiveness of the Board as a governing body.

In terms of the provisions of the Companies Act, 2013, the Nomination and Remuneration Committee is required to carry out evaluation of every Director’s Performance. Further the Board is also required to undertake a performance evaluation of its Independent Directors on an annual basis for determining whether to extend or continue the term of appointment of the independent director. Also the Board’s Report of the Company shall include 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.

3. PROCESS FOR EVALUATION

The process will be initiated each year by the Chairman of the Board. At the Board's discretion, a person designated by the Board, with staff assistance, will co-ordinate the Board self-evaluation or an external consultant may be appointed to assist with this process.

The evaluation form will consist of three parts: An Independent Director Evaluation (Annexure 1), a Board Member Self Evaluation (Annexure 2) and an Overall Board Evaluation (Annexure 3).

- In the Board Member Self Evaluation, each Board member is encouraged to be introspective about the personal responsibility of being a fiduciary.
- In the Independent Director evaluation, each Board member (excluding the Independent Director being evaluated) is urged to assess the performance of the said Independent Director in his capacity as such, objectively
- In the Overall Board and Committees Evaluation, each Board / Committee member will be asked to provide written inputs and which will be submitted for evaluation.

Copies of the Board evaluation forms as mentioned at Annexures 2 and 3 will be distributed to each Board Member approximately two weeks before the meeting scheduled for the purpose of evaluation. Board members shall complete the forms and return them to the Chairman or Board designee or the consultant within one weeks of receipt of the forms.

Results will be tabulated and analysed prior to the meeting and presented in a summary report to include composite scoring.

The individually completed forms will also be preserved and presented to the Board and NRC for evaluation. Written comments will be attributed to individual Board members to facilitate discussion.

The Board will discuss areas that are working well, and those that need attention. The Board will then decide if changes in its governance practices and policies need to be made going

forward. Staff and/or the governance consultant will work with the Board or Board designee to implement necessary changes.

4. PROCESS FOR EVALUATION OF INDEPENDENT DIRECTORS

The performance evaluation of independent directors shall be carried out by the entire Board excluding the independent director being evaluated in the same manner as above in the form provided at Annexure 1.

5. PROCESS FOR EVALUATION OF THE DIRECTORS BY THE NRC

Apart from the above, the NRC will also independently carry out an evaluation of every director's performance in the form provided at Annexure 4 and for this purpose; the NRC would also review the self-evaluation form of each Director. The NRC would provide feedback to the Board for its consideration.

6. MODIFICATION TO THE EVALUATION CRITERIA

The evaluation criteria for the Board, its Committees and its Directors may be changed at any time by the Board.

ANNEXURE 1

PERFORMANCE EVALUATION FOR INDEPENDENT DIRECTORS TO BE EVALUATED BY THE BOARD ON BELOW PARAMETERS

| Evaluation criteria | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| <Name of Independent director>: | | | | | |
| Helps 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 | | | | | |
| Brings an objective view in the evaluation of the performance of board and management | | | | | |
| Undertakes to regularly update and refresh his skills, knowledge and familiarity with the Company | | | | | |
| Seeks appropriate clarification / information and, where necessary, takes appropriate professional advice and opinion of outside experts at the expense of the company | | | | | |
| Strives to attend all meetings of the Board of Directors / Board committees of which he is a member / general meetings | | | | | |
| Communicates governance and ethical problems to the Chairman of the Board. | | | | | |
| Pays sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company | | | | | |
| Ensures that the Company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use | | | | | |
| Satisfies himself on the integrity of financial information and that financial controls and the systems of risk management are robust and | | | | | |

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| defensible | | | | | |
| Assists in determining appropriate levels of remuneration of executive directors, key managerial personnel and senior management and has a prime role in appointing / recommending removal of executive directors, key managerial personnel and senior management. | | | | | |
| Does not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making. | | | | | |
| Refrains from any action that may lead to loss of his independence and immediately informs the Board where circumstances arise which makes him lose his independence. | | | | | |
| Assists the company in implementing the best corporate governance practices | | | | | |
| Prepares for the Board meeting by reading the materials distributed before the Board meeting. | | | | | |
| Adheres to all other standards of the Code for Independent Directors as per the Schedule IV to the Companies Act, 2013. | | | | | |

| <u>Rating Mechanism</u> | |
|-------------------------|-------------------|
| 1 | Strongly Disagree |
| 2 | Disagree |
| 3 | No opinion |
| 4 | Agree |
| 5 | Strongly Agree |

ANNEXURE-2

SELF- EVALUATION FOR ALL BOARD MEMBERS OTHER THAN INDEPENDENT DIRECTORS

Evaluate the following statements in relation to your involvement as a Board Member and provide a rating mechanism:

| Evaluation criteria | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| <Name of director other than Independent Director>: | | | | | |
| I attend the Board and Committee meetings, as expected to attend, and I arrive on time and stay until meetings conclude. | | | | | |
| I contribute to the discussion in a meaningful and helpful way, listening to others and making my points concisely. | | | | | |
| I fully understand my fiduciary duties and act for the benefit of all members | | | | | |
| I make an effort to be educated on the aspects of the business of the Company that I do not understand | | | | | |
| I am adequately well-versed on Company's activities. | | | | | |
| I avoid conflicts of interest and ask questions if I am unsure if a conflict exists. | | | | | |
| I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions. | | | | | |
| I work with the other Board members as a team, striving for consensus when it is called for. | | | | | |
| I understand that certain work requests of staff and outside consultants need to be agreed to by the Board and I act accordingly. | | | | | |
| I work with the other Directors in a way that creates an atmosphere of trust and | | | | | |

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| cooperation. | | | | | |
| I communicate governance and ethical problems to the Chairman of the Board. | | | | | |

| <u>Rating Mechanism</u> | |
|-------------------------|-------------------|
| 1 | Strongly Disagree |
| 2 | Disagree |
| 3 | No opinion |
| 4 | Agree |
| 5 | Strongly Agree |

ANNEXURE 3

OVERALL BOARD AND COMMITTEES EVALUATION

Evaluate the following statements in relation to overall Board performance and provide a rating mechanism:

| Evaluation criteria | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| The Board knows and understands the Company's mission and reflects this understanding when addressing key issues throughout the year. | | | | | |
| The Board engages in long-range strategic thinking and planning. | | | | | |
| The Board has achieved what it set out to accomplish the past year. | | | | | |
| The Board stays abreast of issues and trends affecting the plan, using this information to assess and guide the organization over the long term. | | | | | |
| The Board ensures that new Board members receive a prompt, thorough orientation. | | | | | |
| Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues. | | | | | |
| The Board meeting agendas are well-balanced, allowing appropriate time for the most critical issues. | | | | | |
| The Board and Committee meetings are of reasonable length. | | | | | |
| The composition, terms of reference, roles and responsibilities of the committees are in line with the prevalent regulations and are actively adhered to by the members. | | | | | |
| The Committees are comprised of the right number and type of members. | | | | | |
| The Committees are effective, focusing on pertinent topics and allocating reasonable | | | | | |

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| time. | | | | | |
| The Committees report back to the Board as they should and do not exceed their authority. | | | | | |
| The Board recognizes its policy-making role, and reconsiders and revises policies as necessary. | | | | | |
| The Board is consistent about being prepared for meetings and staying engaged. | | | | | |
| The Board receives timely, accurate, and useful information upon which to make decisions. | | | | | |
| The Board as a whole (and Board members as individuals) evaluates its performance on an annual basis and in a meaningful way. | | | | | |
| The Board reviews and adopts a reasonable operating budget that is followed and monitored throughout the year. | | | | | |
| Board goals, expectations, and concerns are promptly, candidly, and effectively communicated to the Chairman of the Board. | | | | | |
| The Board anticipates issues and does not often find itself reacting to “crisis” situations. | | | | | |
| The Board speaks in “one voice” when directing or delegating to staff and Board members respect the majority votes on issues. | | | | | |
| The Board brings discussions to a conclusion with clear direction to staff. | | | | | |
| The Board is collegial and polite during meetings. | | | | | |
| New board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization’s activities. | | | | | |

| <u>Rating Mechanism</u> | |
|-------------------------|-------------------|
| 1 | Strongly Disagree |
| 2 | Disagree |
| 3 | No opinion |
| 4 | Agree |
| 5 | Strongly Agree |

ANNEXURE 4

EVALUATION FOR EACH DIRECTOR BY NRC

Name of the Director: _____

| Evaluation criteria | 1 | 2 | 3 | 4 | 5 |
|--|----------|----------|----------|----------|----------|
| The Director attends the Board and Committee meetings as expected to attend, and arrives on time and stay until meetings conclude. | | | | | |
| The Director contributes to the discussion in a meaningful and helpful way, listening to others and making his / her points concisely. | | | | | |
| The Director understands his / her fiduciary duties and acts for the benefit of all members | | | | | |
| The Director makes an effort to be educated on the aspects of the business of the Company that he / she does not understand | | | | | |
| The Director is adequately well-versed on Company's activities. | | | | | |
| The Directors works with the other Board members as a team, striving for consensus when it is called for. | | | | | |
| The Director works with the other Directors in a way that creates an atmosphere of trust and cooperation. | | | | | |
| The Directors communicates governance and ethical problems to the Chairman of the Board. | | | | | |

| <u>Rating Mechanism</u> | |
|-------------------------|-------------------|
| 1 | Strongly Disagree |
| 2 | Disagree |
| 3 | No opinion |
| 4 | Agree |
| 5 | Strongly Agree |