

POLICY FOR EVALUATION OF
PERFORMANCE OF THE BOARD OF DIRECTORS
OF SHRENUJ & COMPANY LIMITED



SHRENUJ

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**POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS
OF SHRENUJ & COMPANY LIMITED**

EFFECTIVE FROM 12TH DAY OF NOVEMBER 2014

1. INTRODUCTION:

Shrenuj & Company Limited (hereinafter referred to as “**the Company**”) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour, in consonance with the Company’s Code of Conduct policy for its employees and also for the Board of Directors. The honesty, integrity and sound judgement and performance of the Directors and the Senior Management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the Senior Management is expected to comply with the letter and spirit of this Policy. Apart from this Code, The Code of Conduct for Directors/Employees shall also be applicable, additionally and specifically to the Senior Management of the Company *Mutatis Mutandis*. Any actual or potential violation of these Codes by the Board Directors would be the matter of serious concern for the Company.

Therefore, the Company has made this policy to comply with various provisions under the clause 49 of the Listing Agreement entered into by the Company and Stock Exchanges in India as per the SEBI Regulations published vide its Circular No. CIR / CFD / POLICY CELL / 2 / 2014 dated April 17, 2014 as amended and published vide its Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 and also the formal annual evaluation made by the Board of Directors of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Companies Act, 2013. The Nomination & Remuneration Committee shall evaluate the performance of the each Board of Director as per sub-section (2) of Section 178 and based on the functions of the Board of Directors as indicated under Schedule IV (as per section 149) annexed to the Companies Act, 2013 and the Rules made there under.

2. DEFINITIONS:

- A. “**the Act**”:
The Act shall mean The Companies Act, 2013;
- B. “**the Company**”:
The Company shall mean Shrenuj & Company Limited.
- C. “**the Director**” or “**the Board**”:
The Director or the Board, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.

D. “the Independent Director”:

The Independent Director shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (5) of the Act.

E. “the Policy” or “this Policy”:

The policy or This Policy shall mean the Policy for Evaluation of performance of Board of Directors of the Company.

F. “the Committee” or “this Committee”:

The Committee or This Committee shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

3. OBJECTIVE:

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

4. VARIOUS KINDS OF PERFORMANCE EVALUATION:

A. APPRAISAL SYSTEM:

Appraisal of each Director of the Company shall be based on the criteria as mentioned herein below. This appraisal is mandatory and will be done under the provision of the clause (p) of sub-section (3) of Section 134.

CRITERIA FOR EVALUATION:

Rating scale shall be 1 to 10 (1 being least effective and 10 being most effective)

| <u>Criteria’s of Performance Evaluation</u> | <u>Sub-Criteria’s of Evaluation of Performance</u> | <u>Rating</u> |
|---|---|---------------|
| Based on Job Profile | <ol style="list-style-type: none"> 1. Knowledge of the Job Profile 2. Skills required to perform or to execute the job profile | |
| Based on Responsibilities & Obligations | <ol style="list-style-type: none"> 1. Attendance and participations in the Meetings 2. Expert opinions in respect of the serious issues | |
| Based on Strategies | <ol style="list-style-type: none"> 1. Strategies formulated and successfully implemented 2. Various Directions provided in the best interest of the Company on key issues | |

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| Based on Performance Management | <ol style="list-style-type: none"> 1. Performance of the Company on the Stock Exchanges 2. Financial Performance 3. Achievement of Domestic or International Award | |
| Based on Risk Management | <ol style="list-style-type: none"> 1. Avoidance of High Financial Risk while executing the functions and duties 2. Avoidance from any other high risk | |
| Based on Mergers & Acquisitions | <ol style="list-style-type: none"> 1. Number of Mergers & Acquisitions taken place 2. Number of brands undertaken from outsiders or competitors 3. Success rate in executing M&A | |
| Based on Talent Management | <ol style="list-style-type: none"> 1. Achievement in respect of Successful Negotiations 2. The level of Talent retained at Low, Mid and Top Level | |
| Based on Core Governance & Compliance Management | <ol style="list-style-type: none"> 1. Review of Detailed Compliances applicable under the various Laws, Rules & Regulations 2. Reviewing Whether the Business is running Legally or not | |
| Based on Annual Targets | <ol style="list-style-type: none"> 1. Targets achieved in Domestic & International Sales & Marketing 2. Targets achieved in Manufacturing Activity | |
| Based on Expansion & Diversification | <ol style="list-style-type: none"> 1. New successfully executed Business Expansions 2. New successfully executed Business Diversifications | |
| Based on Succession Planning | <ol style="list-style-type: none"> 1. Provision for Additional or Alternate Directors | |
| Based on Conflict of Interest Management | <ol style="list-style-type: none"> 1. Strategy to resolve the conflict of interest in other Directors 2. Strategy to resolve the conflict of interest in other Employees | |

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| Based Financial & Operational Control Mechanism | <ol style="list-style-type: none"> 1. Control on Financial Dealings 2. Control on internal Operational Activities | |
| Based on maintaining of Corporate Culture and Moral Values | <ol style="list-style-type: none"> 1. Initiative to maintaining Corporate Culture of the Company 2. Initiative to maintaining Moral Values of the Company | |
| Based on Maintaining High Level of Integrity and Ethics | <ol style="list-style-type: none"> 1. Initiative to maintaining High level of Integrity 2. Initiative to maintaining High level of Ethics | |
| Based on Compliance with the Code of Conduct of Directors | <ol style="list-style-type: none"> 1. Functioning of Duties and Responsibilities as per the Code of Conduct for Directors 2. Abidance and behavior in accordance with Code of Conduct for Directors | |
| Based on the in-general knowledge & Skills | <ol style="list-style-type: none"> 1. Knowledge of old tactics in the field of Diamond & jewelry Sector 2. Skills required for carrying out Business Activities in the field of Diamond & jewelry Sector 3. Communication skills and quick responsiveness | |

B. EVALUATION OF THE PERFORMANCE:

The Committee shall evaluate the performance of each Board of Directors of the Company with reference of the authority under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Companies Act, 2013 and based on their functions as mentioned in the Code of Conduct of the Directors and the criteria for the evaluation of the performance as prescribed in the clause 6 of this policy.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the Executive Directors of the Company except the Director getting evaluated.

Based on the performance evaluation of each and every Director and the Chairman of the Company, the Committee shall provide the ratings based on each criteria and sub-criteria. The



detail process of evaluation and ratings thereon are mentioned in the clause 6 and 7 of this policy respectively.

C. EFFECTIVENESS OF THE BOARD:

Based on the ratings given by the Nomination & Remuneration Committee to each Director, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors of the Company.

5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS:

Evaluation of the Executive Directors of the Company shall be carried out by entire Board except the Director being evaluated. The meeting for the purpose of evaluation of performance of Board Members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Nomination and Remuneration Committee for performance evaluation on its web site for the reference and also in the Annual Report of the Company.

6. CRITERIA FOR EVALUATION OF PERFORMANCE:

The Nomination and Remuneration Committee has laid down the criteria for evaluation of performance of Independent Directors and the Board.

1. Attendance and contribution at Board and Committee meetings
2. His/her stature, appropriate mix of expertise, skills, behaviour, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.
3. His/her knowledge of finance, accounts, legal, investment, marketing, foreign exchange/ hedging, internal controls, risk management, assessment and mitigation, business operations, processes and Corporate Governance.
4. His/her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
7. Recognize the role which he/she is expected to play, internal Board Relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His/her global presence, rational, physical and mental fitness, broader thinking, vision on corporate social responsibility etc.
9. Quality of decision making on source of raw material/procurement of roughs, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
10. His/her ability to monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
11. His/her contribution to enhance overall brand image of the Company.

SHRENUJ – BOARD MEMBER FEEDBACK:

Shrenuj believes in value for its stakeholders through ethical processes and integrity. The Board plays a very important role in ensuring the Company's performance is monitor and timely inputs are given to enhance its performance and set the right direction for growth. Hence it is important that every individual Board Member effectively contributes in the Board deliberations.

Name of the Director: _____

Rating scale shall be 1 to 10 (1 being least effective and 10 being most effective)

| <u>Question</u> | <u>Rating</u> | <u>Remark</u> |
|---|---------------|---------------|
| 1. Participation and attendance in Board and Committee Meetings actively and consistently | | |
| 2. Prepares adequately for Board and Committee Meetings | | |
| 3. Contributes to strategy and other areas impacting company's performance | | |
| 4. Brings his/her experience and credibility to bear on the critical areas of performance of the organization | | |
| 5. Keeps updated knowledge of his/her areas of expertise and other important areas | | |
| 6. Communicates in open and constructive manner | | |
| 7. Gives fair chance to other members to contribute, participates actively in the discussions and is consensus oriented | | |
| 8. Helps to create brand image of the Company and helps the company wherever possible to resolve issues, if any | | |
| 9. Actively contributes toward positive growth of the Company | | |
| 10. Conduct himself /herself in a manner that is ethical and consistent with the laws of the land. | | |
| Total Ratings... | | |

Note: Rating 90 and above - excellent, between 75 to 89 – Very good, between 60 to 74 – Good, between 35 to 59 – Satisfactory and Less than 35 – Unsatisfactory.



7. PROCEDURE TO RATE THE PERFORMANCE:

Based on evaluation criteria, the Nomination & Remuneration Committee and the Board shall rate the performance of the each and every Director.

The performance rating shall be given within minimum 1 and maximum 10 categories, the rating 1 being least effective and 10 being most effective. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or Retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.