

## POLICY ON EVALUATION PERFORMANCE REVIEW OF DIRECTORS AND THE BOARD

### **Introduction:**

Section 178 read with the Schedule IV of the Companies Act, 2013 and Clause 49 of the Listing Agreement, requires every listed companies to evaluate the performance of Independent director and Board as a whole.

The criteria for evaluation shall be determined by the Nomination & Remuneration Committee.

### **1. Background**

The Board of Directors (the “Board”) of Metropolitan Stock Exchange of India Ltd (“MSE/Exchange”) has, based on the recommendation of the Nomination and Remuneration Committee (NRC), adopted this Performance Review Policy (“Policy”) to comply with the provisions of the Companies Act, 2013 (the Act), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 [SECC Regulations, 2018] and SEBI Circular no. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 05, 2019 on Performance review of PIDs (as amended or re-enacted from time to time).

This Policy shall be effective from May 07, 2019.

### **2. Scope:**

The Nomination and Remuneration Committee (“NRC”) shall carry out the evaluation of performance of every Director. The performance evaluation of Public Independent Directors (PIDs) shall be done by the entire Board of Directors, excluding the director being evaluated and evaluation of the board as a whole shall be done by Public Independent Directors.

### **3. Frequency:**

Performance shall be evaluated annually and while renewing the tenure of a PID. PIDs shall also be subject to external evaluation during the last year of their term in the Exchange, by a management or a human resources consulting firm.

**4. Confidentiality:**

The discussions held during the session are to be kept confidential among those who attend the session. The written evaluation results are not public records. They will be kept in the confidential personnel file.

**5. Outcome:**

Based on the evaluation, the overall effectiveness shall be measured accordingly and the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors of the Company.

**6. Disclosure:**

The criteria of performance evaluation shall be disclosed in the annual report as well as on the website of the Company.

**7. Evaluation mechanism:**

- i. The NRC shall carryout the evaluation of every director's performance.
- ii. The PID Committee shall review the performance of the non-independent directors and the Board as a whole. The PID Committee shall also review the performance of the Chairperson, after taking in to account the views of the executive and the non-executive directors.
- iii. **External evaluation:** PIDs shall also be subject to external evaluation during their last year of the term in the Exchange, by a management or a human resources consulting firm. The consultant shall take into consideration the performance of the PID for the entire tenure served in a given Exchange, at least up to 4 months before expiry of his/ her term.
- iv. In order to avoid any bias or conflict of interest, external consultant should not be a related party or associated with the exchange, the concerned PID or any other board members.

**8. Evaluation of Managing Director /Executive Directors**

While evaluating the performance of the Managing Director/Executive Director and the Whole time Director, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards.

**9. Independent External Persons in Committees at Exchange:**

The independent external persons forming a part of Committees/Board shall be from amongst the persons of integrity, having a sound reputation and not having any conflict of interest. They shall be specialists in the field of work assigned to the committee; however they shall not be associated in any manner with the Exchange and its members

Extension of the tenure may be granted to independent external persons at the expiry of the tenure, subject to performance review in the manner prescribed by SEBI for PIDs. Further, the maximum tenure limit of Independent external persons in a Committee/Board of the Exchange shall be at par with that of PIDs, as prescribed under Regulation 24(3) of the SECC regulations 2018.

**10. Policy Review**

Subject to the approval of the Board, the NRC reserves its right to review and amend the Policy annually and more frequently, if required, to ascertain its appropriateness as per the needs of the Exchange.

**Types of evaluation:**

The following performance evaluation shall be carried out:

- i. Evaluation of Directors/PIDs as per the format mentioned in **Annexure 1**
- ii. Evaluation of Board as whole as per the format mentioned in **Annexure 2**,
- iii. Evaluation of committees of the Board as per the format mentioned in **Annexure 3**
- iv. Evaluation of the Chairperson as per the format mentioned in **Annexure 4**
- v. Evaluation of Managing Director as per the format mentioned in **Annexure 5**
- vi. Evaluation of Experts as per the format mentioned in **Annexure 6**

**PERFORMANCE EVALUATION SHEET OF DIRECTORS**

*[Rating Scale: 1. Outstanding, 2. Exceeds Expectation, 3. Meets Expectation, 4. Needs Improvement, 5. Poor]*

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
01.	<p><b>Qualification &amp; Experience:</b></p> <p>(The Director has relevant qualifications and experience in area of law, finance, accounting, economics, management, administration or any other areas relevant to the financial markets, including any recent updates in this regard )</p>					
02.	<p><b>Knowledge and Competency:</b></p> <p>(i) The Director has sufficient understanding and knowledge of the Exchange and the applicable regulatory norms.</p> <p>(ii) The Director has sufficient understanding of the role, responsibilities and obligations of Director under the relevant regulatory norms.</p> <p>(iii) The Director has core competencies for effective functioning of the Board such as follows:</p>					

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
	<ul style="list-style-type: none"> <li>o constructive and analytical decision making abilities</li> <li>o perform strategic thinking and planning</li> <li>o establish organizational values,</li> </ul> <p>(iv) The Director has sufficient understanding of the risk attached with the business structure.</p>					
03.	<p><b>Fulfillment of functions:</b></p> <p>(i) The Director understands and fulfils the functions as assigned to him/her by the Board and the regulatory norms.</p> <p>(ii) The Director gives views and opinions on various regulatory matters when comments are invited by SEBI through various means.</p>					
04.	<p><b>Ability to function as a team:</b></p> <p>(i) The Director is able to function as an effective team-member.</p> <p>(ii) The Director listens attentively to the contributions of others and gives adequate weightage to the views and perception of other Board Members.</p> <p>(iii) The Director shares good</p>					

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
	interpersonal relationship with other directors.					
05.	<p><b>Initiative:</b></p> <p>(i) The Director actively takes initiative with respect to various areas.</p> <p>(ii) The Director insists on receiving information necessary for decision making.</p> <p>(iii) The Director keeps himself/herself well informed about the functioning of Exchanges and the external environment in which it operates.</p> <p>(iv) The Director remains updated in terms of developments taking place in regulatory areas.</p> <p>(v) The Director has identified any important issues concerning any matter which may involve conflict of interest for the Exchange or may have significant impact on their functioning or may not be in the interest of securities market and reporting of the same to SEBI.</p> <p>(vi) The Director appropriately deals with critical matters.</p>					

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
06.	<p><b>Commitment:</b></p> <p>(i) The Director is adequately committed to the Board and the Exchange.</p>					
07.	<p><b>Contribution:</b></p> <p>(i) The Director has contributed effectively to the Exchange and in the Board Meetings.</p> <p>(ii) The Director participates in the proceedings of Board Meetings keeping in mind the interests of various stakeholders.</p> <p>(iii) The Director actively deliberates and contributes on proposed business propositions and strategic decisions taking into consideration pros and cons of such propositions, long term outlook, business goals, cost-benefit analysis, etc.</p>					
08.	<p><b>Integrity:</b></p> <p>(i) The Director demonstrates highest level of integrity (including conflict of interest, disclosures, maintenance of confidentiality, etc).</p> <p>(ii) The Director strictly adhere to the provisions of the SEBI SECC Regulations, 2018, SEBI (D &amp;P) Regulations, 2018 and other</p>					

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
	<p>regulatory provision, as applicable, along with the code of conduct and code of ethics prescribed under other applicable regulatory norms.</p> <p>(iii) The disclosures such as dealing in securities and other regulatory disclosures are provided by the Director on timely basis.</p> <p>(iv) The Director has provided confirmation of being a Fit &amp; Proper person.</p> <p>(v) The Director has provided confirmation about maintaining confidentiality of information, including technologies, unpublished price sensitive information, unless such disclosures are expressly approved by the Board or required under the applicable laws.</p>					
09.	<p><b>Independence:</b></p> <p>(i) The Director is independent from the exchange and the other directors and there is no conflict of interest.</p> <p>(ii) The Director has provided confirmation as to non-association with relevant exchanges and its member/s.</p> <p>(iii) The Director keeps regulators informed of material developments</p>					

Sr. No.	Criteria for Assessment	Directors To Be Evaluated				
		(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) PID	(Name of the Director) SHD	(Name of the Director) MD
	and functioning in the exchange from time to time.					
10.	<p><b>Independent views and judgment:</b></p> <p>(i) The Director exercises his/ her own judgment and voices opinion freely.</p> <p>(ii) The Director's participation in decisions taken during meetings are unbiased, based on ethical judgment and are in strict conformity to the applicable regulatory norms.</p> <p>(iii) The Director raises his/ her concern if anything is observed contrary to regulatory norms and the expected norms of ethical conduct.</p> <p>(iv) The Director is committed to ensure that there is fairness and integrity in letter as well as spirit.</p>					
	<b>Total</b>					

*\*It must be ensured that the concerned PID hasn't remained absent for three consecutive meetings of the board and has attended seventy five per cent of the total meetings of the board in each calendar year; failing which the PID shall be liable to vacate office.*

**Signature:** \_\_\_\_\_

**Name of the Evaluating Director**

**PERFORMANCE EVALUATION OF THE BOARD AS A WHOLE**

Sr. No.	Criteria	Yes/No
1	The Board monitors compliances with all laws, orders, regulations, and corporate governance rules.	
2	Board members have appropriate qualification to meet with the objectives of board charter and are having appropriate financial literacy.	
3	The Board is able to take into consideration all the stakeholders concerns i.e. shareholders, employees, suppliers, & consumers.	
4	Act objectively and constructively while exercising their duties.	
5	The track record of Board demonstrates integrity, credibility, trustworthiness and ability to handle conflicting situations constructively.	
6	Board meetings are conducted as per the Companies Act, 2013 secretarial standards and relevant rules.	
7	Duration of the Board Meetings and other Committee Meetings are adequate. Meetings are well planned.	
8	The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information.	
9	Strive to attend all meetings of the Board and Committee.	
10	Strive to attend all General Meetings.	
11	The Board maintains proper minutes of each meeting.	
12	Maintains confidentiality.	
13	Maintain transparency.	
14	The Board has established management's fraud risk assessment and has ability to cure identified fraud risks.	



Sr. No.	Criteria	Yes/No
15	Devote sufficient time and attention towards the Company.	
16	Contributes towards positive growth of the Company.	

**Signature:** \_\_\_\_\_

**Name of the Evaluating Director:**

ANNEXURE-3

PERFORMANCE EVALUATION OF THE COMMITTEES OF THE BOARD OF DIRECTORS

Sr. No.	Assessment Criteria and Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree	Remarks if any about any specific Committee
	Rating	(1)	(2)	(3)	(4)	(5)	
1	The composition of the committees are appropriate, with right mix of knowledge and skills to optimize its performance						
2	The number and length of committees meetings is sufficient, adequate and commensurate with the size and nature of business to be transacted by the committees						
3	The committees seek adequate information with sufficient advance notice prior to its meetings and discussions						

Sr. No.	Assessment Criteria and Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree	Remarks if any about any specific Committee
	Rating	(1)	(2)	(3)	(4)	(5)	
4	The Committees are generally up to date with latest developments in the business and regulatory environment and the market						
5	The committees are constructive in suggesting to the board the need for enhancing the committee's terms of reference						
6	The Committees have performed well against performance objectives set for it for the year						
7	Disregarding the statutory requirement for establishing the committee, the Board could not have managed without the committee fulfilling						

Sr. No.	Assessment Criteria and Question	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly agree	Remarks if any about any specific Committee
	Rating	(1)	(2)	(3)	(4)	(5)	
	its assigned responsibilities						

Signature: \_\_\_\_\_

Name of the Evaluating Director:

**CHAIRPERSON ASSESSMENT**

(By each Board member)

*[Rating Scale: 1. Outstanding, 2. Exceeds Expectation, 3. Meets Expectation, 4. Needs Improvement, 5. Poor]*

Sr. No	EVALUATION FACTOR	Rating					COMMENTS
		1	2	3	4	5	
<b>A</b>	<b>Managing Relationships</b>						
1.	The Chairperson actively manages shareholder, board, management and employee relationships and interests.						
2.	The Chairperson meets with potential providers of equity and debt capital, if required.						
3.	The Chairperson manages meetings effectively and promotes a sense of participation in all the Board meetings.						
<b>B</b>	<b>Leadership</b>						
1.	The Chairperson is an effective leader.						
2.	The Chairperson promotes effective participation of all Board members in the decision making process.						
3.	The Chairperson promotes the positive image of the Company.						
4.	The Chairperson promotes continuing training and development of directors.						
<b>Overall rating of Chairperson's performance</b>							

Comment:

Please suggest three things that could improve performance

Name of Director:

a)

b)

c)

\_\_\_\_\_

Signature:

\_\_\_\_\_

Date:

**MANAGING DIRECTOR /EXECUTIVE DIRECTOR ASSESSMENT FORM**

(By all the Board members)

*[Rating Scale: 1. Outstanding, 2. Exceeds Expectation, 3. Meets Expectation, 4. Needs Improvement, 5. Poor]*

Sr. No	EVALUATION FACTOR	Rating					COMMENTS
		1	2	3	4	5	
<b>A</b>	<b>Leadership</b>						
1.	The MD has accurately communicated his/her concept, vision, mission, strategies, goals, and directions for the Company to stakeholders.						
2.	The MD has motivated and encouraged high employee morale and loyalty to the organization, and facilitated team-building and cohesiveness among the Company's employees to achieve the Company's vision.						
3.	The MD is open to constructive suggestions, and exercised effective leadership for the organization.						
4.	The MD has been an initiator, setting high working standards and pursuing goals with a high level of personal drive and energy.						
<b>B.</b>	<b>Strategy Formulation</b>						
1.	The MD has developed clear mission statements, policies, and strategic plans that harmoniously balance the needs of shareholders, clients, employees, and other stakeholders.						

2.	The MD has accurately identified and analyzed problems and issues confronting the Company.						
3.	The MD has accurately determined and assessed key success factors for formulating the Company's strategy.						
4.	The MD has ensured that board members, senior management and other employees had participated in the formulation of strategic plans so that they had the ownership of the plans.						
5.	The MD has established processes that did the monitoring and controlling works, thus ensuring that the effectiveness of organizational performance, including risk management, was achieved.						
<b>C.</b>	<b>Strategy execution</b>						
1.	The MD has established an effective organization structure, ensuring that there is management focus on key functions necessary for the organization to align with its mission						
2.	The MD has organized and delegated work accurately, and has performed his or her functions within his/her scope of responsibility.						
3.	The MD has consistently made sound decisions and made timely adjustments in strategies, if required.						
4.	The MD has accurately supervised performance monitoring and performance						

	control to ensure accountability at all levels of the organization.						
5.	The MD has ensured that the company's operations complied with requirements from all pertinent laws and regulations.						
<b>D.</b>	<b>Financial planning / performance</b>						
1.	The MD has possessed a good understanding of the company's financial measures relevant to its business and financial situation.						
2.	The MD has exercised good judgment in managing the financial affairs and budgets of the organization.						
3.	The MD has effectively monitored and evaluated financial planning, budget and administrative operations.						
4.	The MD has built strong working relationships with Board members and has worked closely and cooperatively with the board in developing the mission, and short, medium and long-term strategic plans.						
5.	The MD has demonstrated a sound knowledge of Board governance procedures and has consistently followed them.						
6.	The MD has presented information to the board on items requiring Board opinions and decisions in a professional manner, with recommendations based on thorough study and sound principles.						
7.	The MD has been available to individual Board members whenever necessary, as						

	well as supported the board in its governance duties by providing necessary resources and other facilities.						
<b>E.</b>	<b>External Relations</b>						
1.	The MD has served as an effective Company's representative in communicating with all stakeholders						
2.	The MD has encouraged corporate social responsibility and community involvement in promoting a positive image of Company.						
<b>F.</b>	<b>Human Resources Management/Relations</b>						
1.	The MD has created and maintained an organizational culture and climate which attracts, keeps and motivates staff to carry out the Company's mission, strategic directions and organizational goals.						
2.	The MD effectively monitors procedures and practices pertaining to human resources, including appraisal process and rewarding systems for management and employees.						
3.	The MD has ensured that the company has good internal communication and treated all personnel fairly, without favoritism or discrimination.						
<b>G.</b>	<b>Personal Qualities</b>						
1.	The MD 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.						
2.	The MD has exercised good judgment in dealing with sensitive issues between people and between groups.						
3.	The MD has shown skills at analyzing and addressing problems, challenges and conflicts, and has been comfortable with ambiguity and complexity.						
4.	The MD has maintained a high standard of ethics and integrity, as well as a healthy balance of time management and priorities in both work-related and personal matters.						
<b>Overall rating of Managing Director performance</b>							
Comments :							
Please suggest three things that could improve performance				Name of Director:			
a)				_____			
b)							
c)				Signature:_____			
Date:							

**PERFORMANCE EVALUATION SHEET OF INDEPENDENT EXTERNAL PERSONS**

*[Rating Scale: 1. Outstanding, 2. Exceeds Expectation, 3. Meets Expectation, 4. Needs Improvement, 5. Poor]*

Sr. No.	Criteria for Assessment	Experts To Be Evaluated		
		(Name of the Expert)	(Name of the Expert)	(Name of the Expert)
01.	<p><b>Qualification &amp; Experience:</b></p> <p>(The Expert has relevant qualifications and experience in area of law, finance, accounting, economics, management, administration or any other areas relevant to the financial markets, including any recent updates in this regard )</p>			
02.	<p><b>Knowledge and Competency:</b></p> <p>(i) The Expert has sufficient understanding and knowledge of the Exchange and the applicable regulatory norms.</p> <p>(ii) The Expert has sufficient understanding of the role, responsibilities and obligations of Expert under the relevant regulatory norms.</p> <p>(iii) The Expert has core competencies for effective functioning of the Board such as follows:</p> <ul style="list-style-type: none"> <li>• constructive and analytical decision making abilities</li> <li>• perform strategic thinking and planning</li> <li>• establish organizational values,</li> </ul> <p>(iv) The Expert has sufficient understanding of</p>			

Sr. No.	Criteria for Assessment	Experts To Be Evaluated		
		(Name of the Expert)	(Name of the Expert)	(Name of the Expert)
	the risk attached with the business structure.			
03.	<p><b>Fulfillment of functions:</b></p> <p>(i) The Expert understands and fulfills the functions as assigned to him/her by the Board and the regulatory norms.</p> <p>(ii) The Expert gives views and opinions on various regulatory matters when comments are invited by SEBI through various means.</p>			
04.	<p><b>Ability to function as a team:</b></p> <p>(i) The Expert is able to function as an effective team-member.</p> <p>(ii) The Expert listens attentively to the contributions of others and gives adequate weightage to the views and perception of other Board Members.</p> <p>(iii) The Expert shares good interpersonal relationship with other experts.</p>			
05.	<p><b>Initiative:</b></p> <p>(i) The Expert actively takes initiative with respect to various areas.</p> <p>(ii) The Expert insists on receiving information necessary for decision making.</p> <p>(iii) The Expert keeps himself/ herself well informed about the functioning of Exchanges</p>			

Sr. No.	Criteria for Assessment	Experts To Be Evaluated		
		(Name of the Expert)	(Name of the Expert)	(Name of the Expert)
	<p>and the external environment in which it operates.</p> <p>(iv) The Expert remains updated in terms of developments taking place in regulatory areas.</p> <p>(v) The Expert appropriately deals with critical matters.</p>			
06.	<p><b>Commitment:</b></p> <p>(i) The Expert is adequately committed to the Exchange.</p>			
07.	<p><b>Integrity:</b></p> <p>(i) The Expert demonstrates highest level of integrity (including conflict of interest, disclosures, maintenance of confidentiality, etc).</p> <p>(ii) The Expert strictly adhere to the provisions of the SEBI SECC Regulations, 2018 and other regulatory provision, as applicable.</p> <p>(iii) The Expert has provided confirmation of being a Fit &amp; Proper person.</p> <p>(iv) The Expert has provided confirmation about maintaining confidentiality of information, including technologies, unpublished price sensitive information, unless such disclosures are expressly approved by the Board or required under the applicable laws.</p>			

Sr. No.	Criteria for Assessment	Experts To Be Evaluated		
		(Name of the Expert)	(Name of the Expert)	(Name of the Expert)
08.	<p><b>Independence:</b></p> <p>(i) The Expert is independent from the exchange and the other experts and there is no conflict of interest.</p> <p>(ii) The Expert has provided confirmation as to non-association with relevant exchanges and its member/s.</p>			
9.	<p><b>Independent views and judgment:</b></p> <p>(i) The Expert exercises his/ her own judgment and voices opinion freely.</p> <p>(ii) The Expert's participation in decisions taken during meetings are unbiased, based on ethical judgment and are in strict conformity to the applicable regulatory norms.</p> <p>(iii) The Expert raises his/ her concern if anything is observed contrary to regulatory norms and the expected norms of ethical conduct.</p> <p>(iv) The Expert is committed to ensure that there is fairness and integrity in letter as well as spirit.</p>			
	<b>Total</b>			

Signature: \_\_\_\_\_

Name of the Evaluating Expert



---X---

*\*The Performance Evaluation was initially approved by the NRC in its meeting held on June 27, 2015.*

**Reference: Company Act, 2013**

***Listing Regulation 2015***

***SECC Regulation 2018***

***SEBI Circular February 05, 2019***