

# SHALBY<sup>®</sup>

## MULTI-SPECIALTY HOSPITALS

### Performance Evaluation Policy

#### REGISTERED OFFICE

## Shalby Limited

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Near Prahlad Nagar Garden  
Ahmedabad – 380 015  
Gujarat, India

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## 1. INTRODUCTION

The following “Performance Evaluation Policy” is for the use of the Board of Directors of SHALBY LIMITED (“Company”) and is adopted by the Board as per statutory requirements given at Annex-I.

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, internal code of conduct and policies formulated by the Company for its internal execution.

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. 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 and Committee 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”), the Board of Directors of the Company (“Board”) and Committees constituted by the Board, 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.

## 2. EFFECTIVENESS OF THE BOARD

The overall effectiveness of the Board shall be measured on the basis of the ratings obtained by each Director and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors of the Company.

### Criteria for Board Evaluation

- I. Focus on strategic and policy issues
- II. Effectiveness of Board process and information sharing
- III. Nature of discussions

#### IV. Quality of decisions

##### **Responsibility of Board/Independent Director**

It shall be the duty of the Company to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the directors' and committees' effectiveness, to maximize their strength and to tackle their shortcomings.

##### **The Board of Directors shall undertake the following activities on an annual basis:**

1. Review the various strategies of the Company and accordingly set the performance objectives for directors, consistent with the varying nature and requirements of Company's business.
2. The Board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.

In conformity with the requirement of the Act, the performance evaluation of all the independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

All the members of the Board is required to evaluate the performance of all other directors, Board and Committees of the Board as a whole. The independent directors of the Company shall hold at least one meeting in a financial year to exercise the functions as mentioned in Act and its applicable Schedules.

### **3. EVALUATION FACTORS**

The Board of Directors shall take into consideration the following parameters for the purpose of evaluating the performance of a particular director:

In respect of each of the evaluation parameters, various descriptors have been provided to assist with the evaluation process in respect of performance of Board itself, and of its committees and individual directors, as such evaluation factors may vary in accordance with their respective functions and duties. The evaluation scale is a simple four point scale i.e. Excellent (4), Very Good (3), Good (2), Satisfactory (1) and Not Satisfactory (0).

Appraisal of each Director of the Company by the other Directors shall be based on the criteria as mentioned herein below.

**Rating Scale**

<b>Performance</b>	<b>Rating</b>
Excellent	4
Very Good	3
Good	2
Satisfactory	1
Not Satisfactory	0

The Company has chosen to adopt the following Board Performance Evaluation Process:

**4. EVALUATION OF DIRECTOR OTHER THAN CHAIRMAN AND MANAGING DIRECTOR / WHOLE-TIME DIRECTOR**

Criteria for Evaluation of Directors, other than Chairman and Managing Director / Whole-time Director

- I. Knowledgeable
- II. Diligence and Participation
- III. Leadership Team

Some of the specific issues and questions that should be considered in the performance evaluation of a Director, other than Chairman and Managing Director / Whole-time Director (the exercise in which the concerned director being evaluated shall not be included) are set out below:

<b>Sr. No.</b>	<b>Assessment criteria</b>
	<b>KNOWLEDGEABLE</b>
<b>1.</b>	Understands duties, responsibilities, qualifications, disqualifications and liabilities as a director.
<b>2.</b>	Having required Professional skills, problem solving approach and participates in decision making
<b>3.</b>	Maintained high standard of ethics and integrity.
<b>4.</b>	Leadership initiative
<b>5.</b>	Understands the vision and mission of the company, strategic plan and key issues.
<b>6.</b>	Staying abreast of issues, trends and risks affecting the Company
	<b>DILIGENCE &amp; PARTICIPATION</b>
<b>7.</b>	Regularly and constructively attend board, committee and general meetings
<b>8.</b>	Prepares in advance for board and committee meetings
<b>9.</b>	Reports concerns about unethical behavior, actual and suspected fraud
<b>10.</b>	Communicates opinions and concerns in a persuasive yet clear and concise manner.
<b>11.</b>	Raises appropriate issues at meetings and asking the appropriate questions for

	clarity.
12.	Encourages other members to contribute their opinions
13.	Maintains confidentiality
14.	Abide by the legal obligations attached with policies of the Company, ethics, Code of Conduct etc.
15.	Safeguarding of interest of whistle blowers under vigil mechanism.
16.	Timely give input to the minutes of the meetings of the Board and Committees.
	<b>LEADERSHIP TEAM</b>
17.	Listens attentively to the contributions of others
18.	Initiates discussions on issues in company's interest
19.	Shares good interpersonal relationship with other directors
20.	Insists on receiving information necessary for decision making to all the directors
21.	Manage conflict of interest in best interest of the Company and safeguard interest of stakeholders
22.	Initiative in terms of new ideas and planning for the Company

**Rating Scale:**

Performance	Rating
Excellent	4
Very Good	3
Good	2
Satisfactory	1
Not Satisfactory	0

Based on the above criteria each of the Directors (other than Chairman and Managing Director / Whole-time Director) has to be assessed by the other directors by giving a rating scale. The total of the ratings so awarded to a director will be averaged over the number of persons who have awarded the rating.

Assistance in conducting the process of evaluation shall be provided by a person as authorized by the Board and for this purpose, such person shall report to Board.

**5. EVALUATION OF CHAIRMAN AND MANAGING DIRECTOR / WHOLE-TIME DIRECTOR**

Criteria for Evaluation of Chairman and Managing Director / Whole-time Director are as under.

- I. Leadership
- II. Strategy
- III. Financial Planning and Performance
- IV. Relationship with Board
- V. External Relations
- VI. Human Resources Management / Relations
- VII. Succession
- VIII. Personal Qualities

Some of the specific issues and questions that should be considered in a performance evaluation of Chairman and Managing Director / Whole-time Director are set out below.

Sr. No.	Assessment criteria	Rating	Remarks/ Comments
	<b>LEADERSHIP</b>		
1.	CMD / ED has clearly translated his/her vision and strategy into feasible business or operational plans to achieve strategic success for the Company.		
2.	CMD / ED 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.	CMD / ED is open to constructive suggestions and exercised effective leadership for the organization.		
	<b>Strategy</b>		
4.	CMD / ED has accurately determined and assessed key success factors for formulating the Company's strategy.		
5.	CMD / ED 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.		
6.	CMD / ED has established an effective organization structure, ensuring that there is management focus on key functions necessary for the organization to align with its mission.		
7.	CMD / ED has consistently made sound decisions and made timely adjustments in strategies, if required.		
	<b>Financial Planning &amp; Performance</b>		
8.	CMD / ED has effectively implemented, monitored and evaluated financial planning, budget and administrative operations.		
9.	CMD / ED has possessed a good understanding of the company's financial measures relevant to its business and financial situation.		
	<b>Relationships with the Board</b>		
10.	CMD / ED 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.		
11.	CMD / ED 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.		
12.	CMD / ED 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>External Relations</b>		
13.	CMD / ED has served as an effective Company's representative in communicating with all stakeholders.		
14.	CMD / ED has assured that the Company maintains positive relationships in the community and cultivates good working relationships with community groups and organizations.		

15	CMD / ED has encouraged corporate social responsibility and community involvement in promoting a positive image of Company.		
<b>Human Resources Management/Relations</b>			
16	CMD / ED 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.		
17	CMD / ED effectively monitor procedures and practices pertaining to human resources, including appraisal process and rewarding systems for management and employees.		
18	The MD/ED has ensured that the company has good internal communication and treated all personnel fairly, without favoritism or discrimination.		
<b>Succession</b>			
19	CMD / ED has put in place the processes and programs required to create a pipeline of future leadership.		
20	The MD/ED has effectively reviewed the Company's succession plan, and, if appropriate, made necessary changes by taking into account conditions that are external or internal to the Company.		
<b>Personal Qualities</b>			
21	CMD / ED 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.		
22	CMD / ED has exercised good judgment in dealing with sensitive issues between people and between groups.		
23	CMD / ED 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.		

**Rating Scale:**

Performance	Rating
Excellent	4
Very Good	3
Good	2
Satisfactory	1
Not Satisfactory	0

Based on the above criteria each of the Non – Independent Directors / CMD / WTD has to be assessed by giving a rating scale. The total number of ratings awarded to Chairman and Managing Director / Whole-time Director will be averaged over the number of persons who have awarded the rating.

This process of evaluation shall be done by Independent Directors only. Assistance in handling the process will be provided by a person so authorized by the Board, and for this purpose, the person will report to the Board.



## 6. REVIEW OF PERFORMANCE OF ENTIRE BOARD OF DIRECTORS OF THE COMPANY

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board by the Independent Directors are set out below :

Sr. No.	Assessment criteria	Rating	Remarks/ Comments
	<b>Board Composition &amp; Quality</b>		
1.	The Board has appropriate combination of industry knowledge and diversity (gender, experience, background and competence)		
2.	The process of appointment to the Board of Directors is clear and transparent		
	<b>Governance</b>		
3.	The Board of Directors of the company is effective in decision making.		
4.	The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.		
5.	The Board members spend sufficient time in understanding the vision, mission of the company and strategic and business plans, financial reporting risks and related internal controls and provides critical oversight on the same.		
6.	The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law.		
7.	The Board reviews the organization's performance in carrying out the stated mission on a regular basis.		
8.	The Board of Directors is effective in providing necessary advice and suggestions to the company's management.		
9.	Is the board as a whole up to date with latest developments in the regulatory environment and the market?		
	<b>Board Meetings &amp; Procedure</b>		
10.	The information provided to directors prior to Board meetings are concise and provide information appropriate quality and meets your expectations in terms of length and level of detail.		
11.	Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.		
12.	The Board Chairman effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the board.		
13.	The Board appropriately considers internal audit reports, management's responses, and steps towards improvement.		
14.	The Board oversees the role of the independent auditor from selection to termination and has an effective process to evaluate the independent auditor's qualifications and		

	performance.		
15.	The board considers the independent audit plan and provides recommendations.		
16.	The Board has a succession plan for Chairperson / Managing Director		
17.	The information is received by board members sufficiently in advance for proper consideration.		
18.	How effectively does the Board works collectively as a team in the best interest of the company?		
19.	The minutes of Board meetings are clear, accurate, consistent, complete and timely and records dissenting views.		
20.	The Board members are aware the terms and conditions of D & O insurance.		
21.	The time spent on issues relating to the strategic direction and focuses its attention on long term policy rather than day-today short term administrative management responsibilities		
22.	The Board discusses thoroughly the annual budget of the Company and its implications before approving it.		

**Rating Scale:**

Performance	Rating
Excellent	4
Very Good	3
Good	2
Satisfactory	1
Not Satisfactory	0

Please suggest 3 things that could improve Board's Performance

1. ....
2. ....
3. ....

Based on the above criteria Board has to be assessed by giving a rating scale The total number of the ratings awarded to the Board will be averaged over the number of persons who have awarded the ratings.

The process of evaluation shall be done by all the Directors of the Company. Assistance in the process will be provided by a person so authorized by the Board, and for this purpose the person will report to the Board.

**7. REVIEW OF PERFORMANCE OF COMMITTEES**

The performance of Committees of Board shall also be reviewed from time to time considering

the following, inter alia, criteria.

- I. Functions and Duties
- II. Management Relations
- III. Committee meetings and procedure

Some of the specific issues and questions that should be considered in a performance evaluation of the Committees are set out below:

Sr. No.	Assessment criteria	Rating	Remarks/ Comments
<b>Function and Duties</b>			
1.	The Committees of the Board are appropriately constituted and are in compliance with legal requirement.		
2.	The terms of reference for the committee are appropriate with clear defined roles and responsibilities.		
3.	The amount of responsibility delegated by the Board to each of the committees is appropriate.		
4.	The reporting by each of the Committees to the Board is sufficient.		
5.	The committee regularly reviews its mandate and performance		
6.	Committee takes effective and proactive measures to perform its functions		
<b>Management Relations</b>			
7.	Adequate independence of the Committee is ensured from the Board.		
8.	Committee meetings are conducted effectively, with sufficient time spent on significant or emerging issues.		
9.	Committee meetings are conducted in a manner that encourages open communication and meaningful participation of its members.		
<b>Committee Meetings and Procedures</b>			
10.	Committee meetings have been organized properly and appropriate procedures were followed in this regard?		
11.	Committee gives effective suggestion and recommendation.		
12.	The frequency of the Committee meetings is adequate.		
13.	Committee makes periodically reporting to the Board along with its suggestions and recommendations.		

**Rating Scale:**

Performance	Rating
Excellent	4
Very Good	3
Good	2
Satisfactory	1
Not Satisfactory	0

## 8. REVIEW OF EVALUATION PROCESS

The performance evaluation process and related tools will be reviewed by the “Nomination and Remuneration Committee” on need basis, and the Committee may periodically seek independent external advice in relation to the process.

The committee may amend the Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

## 9. DISCLOSURE

The Company will disclose details of its Board Performance Evaluation processes in its Board’s Report and the key features of this Policy would also be included in the corporate governance statement contained in the annual report of the Company.

Further, the Board’s report containing such statement will be made available to shareholders at the general meeting of the Company. The Policy will be available in the public domain i.e. on the website of the Company.

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### Footnote

1. The Board of Directors of Shalby Limited at its meeting held on December 20, 2016 has adopted this Policy first time.
2. The Board of Directors of Shalby Limited at its meeting held on January 28, 2019 has modified this Policy in view of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 notified on May 9, 2018. The said revised policy is effective from April 1, 2019.

## **“Mechanism for Performance Evaluation of Directors” (Legal Framework)**

In an endeavor to safeguard the interest of public at large, the Companies Act, 2013 ('Act') provides that the performance of the board of directors of listed companies and prescribed class of companies must be reviewed regularly against appropriate measures. For this purpose, the Nomination and Remuneration Committee of a company has been obligated under **Section 178 of the Act** to formulate a policy for recommending to the Board of directors of the company, 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. 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 follows:

### **Section 178 of Companies Act, 2013**

“Section 178- Nomination and Remuneration Committee and Stakeholders Relationship Committee

.....

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 carry out evaluation of every director's performance.

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.

The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that-

- i. 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;
- ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- iii. 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:

Provided that such policy shall be disclosed in the Board's report.....”

Every listed company and specified class of companies are obliged to constitute Nomination and Remuneration Committee; consisting of three or more non-executive directors out of which not less than one-half shall be independent directors. As per **Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014**, the board of directors of the following classes of companies shall constitute a Nomination & Remuneration committee of the board:

- i. very listed company;
- ii. every other public company:
  - having paid up capital of ten crore rupees or more; or
  - having turnover of one hundred crore rupees or more; or
  - which have, in aggregate, outstanding loans or borrowings or debentures or 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 the 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.

Above Clause reads as:

### **Schedule IV to Companies Act, 2013**

“Schedule IV- CODE FOR INDEPENDENT DIRECTORS

.....

#### **Evaluation mechanism:**

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

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 for standards of 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 professional conduct and to use their skills and independence for implementing the best corporate 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 the 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

.....

#### **Role and functions:**

#### **SHALBY India - Performance Evaluation policy**

The independent directors shall:

.....

1. bring an objective view in the evaluation of the performance of board and management;
2. scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

.....

#### **Re-appointment:**

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

.....

#### **Separate meetings:**

- I.* The independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management;
- II.* All the independent directors of the company shall strive to be present at such meeting;

The meeting shall:

- i.* review the performance of non-independent directors and the Board as a whole;
- ii.* review the performance of the Chairperson of the company, taking into account the

views of executive directors and non-executive directors;

- iii. 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 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

....

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

....

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..."

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