

**“PERFORMANCE EVALUATION POLICY”**

**[PTC India Limited (PTC)]**

*The following “Performance Evaluation Policy” is for the use to the Board of Directors of PTC (“Company”) and is drafted for approval and adoption by the Board as per statutory requirements given at Annex-I.*

## **INTRODUCTION**

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, listing agreement with stock exchanges, 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 as a whole 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”) 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.

## **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. The Company aspires to pay performance linked remuneration to its WTDs/CMD. It will be ensured that the remuneration is determined in such a way there exists a fine balance between fixed and incentive pay.

## **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:**

- I. 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.
- II. 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.

Independent Directors are required to evaluate the performance of non - independent directors and Board as a whole. The independent directors of the Company shall hold at least one meeting in a year to exercise the functions as mentioned in Act and its applicable Schedules.

**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 three point scale i.e. Below Expectations (1), Meets Expectations (2) and Surpasses Expectations (3).

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

**Rating Scale**

Scale	Performance
3	<i>Surpasses Expectations</i>
2	<i>Meets Expectations</i>
1	<i>Below Expectations</i>

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

**INDEPENDENT DIRECTORS**

Some of the specific issues and questions that should be considered in the performance evaluation of an Independent Director, (the exercise in which the concerned director being evaluated shall not be included) are **set out in the format as at Annexure 'A'**.



Based on the criteria set out in the format as at Annexure 'A', each of the Independent Directors has to be assessed by the other directors (including other Independent Directors) by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total of the ratings so awarded 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.

#### **NON – INDEPENDENT DIRECTORS / CMD / WTD**

Some of the specific issues and questions that should be considered in a performance evaluation of Non-Independent Director /WTD/ CMD are set out in the format as placed at Annexure 'B' (For Non-Independent Directors); Annexure 'C' for WTD and Annexure 'D' for CMD.

Based on the criteria mentioned in the respective Annexures, each of the Non – Independent Directors / CMD / WTD has to be assessed by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total number of ratings awarded 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.

#### **BOARD OF DIRECTORS**

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 in the format as at Annexure 'E'.

Based on the above criteria Board has to be assessed by giving a rating of Surpasses Expectations (3) or Meets Expectations (2) or Below Expectations (1). The total number of the ratings awarded will be averaged over the number of persons who have awarded the ratings.

The process of evaluation shall be done by Independent Directors only. 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.

The performance of Committees of Board shall also be reviewed from time to time as per the criterion listed in the format as at Annexure 'F'.

#### **REVIEW**

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.

## **DISCLOSURE**

**PTC** 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.



**“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*

*.....*

*(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 carry out evaluation of every director’s performance.*

*(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 sub-section (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: 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:

- (a) every listed company;
- (b) every other public company:
  - i. having paid up capital of ten crore rupees or more; or
  - ii. having turnover of one hundred crore rupees or more; or
  - iii. 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*

*.....*

#### ***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 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*

*.....*

#### ***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 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..."*



Proposed Parameters for Evaluating Performance of Independent Directors (To be Evaluated by the Full Board except the Director being Evaluated)		
Sl. No.	Evaluation Parameter	Rating
1	Attendance in the Board / Committee meetings	
2	Independence of behaviour or Objective and individual decision making	
3	Active participation and contribution in deliberations during meetings	
4	Continued and unwavering support to the cause of the Board (including guidance provided to Senior Management of Board / Committee meetings).	
5	<b>Integrity</b> (Consistent application of the highest standards of Professional Conduct to all activities affecting PTC).	

Rating Scale	Marks
Surpass Expectations	3
Meets Expectation	2
Below Expectation	1

Proposed Parameters for Evaluating Performance of Non-Independent Directors (To be Evaluated by the Full Board except the Director being Evaluated)		
Sl. No.	Evaluation Parameter	Rating
1	Attendance in the Board / Committee meetings	
2	Independence of behaviour or Objective and individual decision making	
3	Active participation and contribution in deliberations during meetings	
4	Continued and unwavering support to the cause of the Board (including guidance provided to Senior Management of Board / Committee meetings).	
5	<b>Integrity</b> (Consistent application of the highest standards of Professional Conduct to all activities affecting PTC).	

Rating Scale	Marks
Surpass Expectations	3
Meets Expectation	2
Below Expectation	1



Proposed Parameters for Evaluating Performance of Whole Time Directors (To be Evaluated by the N&R Committee Separately for each WTD)		
Sl. No.	Evaluation Parameter	Rating
1	Achievement of Financial / Business targets	
2	Developing policies and strategic plans and managing /executing the business plans, operational plans, risk management and financial affairs aligned with the vision and mission of Company	
3	Display of Team effectiveness, Leadership qualities and independence of views.	
4	Human Resources Management / Relations / Talent Development / Management and Succession Planning for the Leadership Band	
5	Working association with the Board, Management Team, Regulators, Bankers, Industry Representatives and other Stakeholders	
6	Advising on Sector Specific Matters	
7	<b>Integrity</b> (Consistent application of the highest standards of Professional Conduct to all activities affecting PTC).	
8	<b>Communication</b> (Ability to convey information during Board meetings effectively and efficiently)	

Rating Scale	Marks
Surpass Expectations	3
Meets Expectation	2
Below Expectation	1

Proposed Parameters for Evaluating Performance of Chairman & Managing Director (To be Evaluated by the N&R Committee)		
Sl. No.	Evaluation Parameter	Rating
1	Achievement of Financial / Business targets	
2	Developing and managing /executing the business plans, operational plans, risk management and financial affairs of the organisation in line with the vision & mission of the Company	
3	Display of Team effectiveness, Leadership qualities and independence of views.	
4	Establishment of an effective organization structure and Succession Planning for the Organization.	
5	Human Resources Management / Relations / Talent Development and Accessibility to employees.	
6	Managing relationships, communication with the Board, Management Team, Regulators, Bankers, Industry Representatives and other Stakeholders.	
7	Encouraging the discussion on issues and concerns by the Board members in a transparent manner and providing leadership to Board.	
8	Promoting constructive debate and effective decision making at the Board.	
9	Compliance & implementation of the Board decisions.	
10	<b>Integrity</b> application of the highest standards of Professional Conduct to all activities affecting PTC Group. (Consistent	



Annexure - 'E'

Proposed Parameters for Evaluating Performance of the Board of Directors (To be Evaluated by Independent Directors only)		
Sl. No.	Evaluation Parameter	Rating
1	Composition of the Board and the Sub Committees (In terms of conformity to the Companies Act and other applicable provisions, if any)	
2	Conduct of Board Meetings and Conducting review of Company operations (In terms of Regularity and Process / Procedures to be followed as per applicable provisions of Companies Act)	
3	Board and its Strategy (In terms of anticipated/expected impact achievement)	
4	Working association with Management (in terms of Effectiveness).	
5	Board Plan for the development of next possible leaders by enhancing appropriate skills (Only for Board Level Roles and Executive Leadership).	
6	<b>Integrity</b> (Consistent application of the highest standards of Professional Conduct to all activities affecting PTC).	
<b>Rating Scale</b>		<b>Marks</b>
<b>Surpass Expectations</b>		<b>3</b>
<b>Meets Expectation</b>		<b>2</b>
<b>Below Expectation</b>		<b>1</b>

Proposed Parameters for Evaluating Performance of Different Board Sub Committees (Separately for each Sub Committee - To be Evaluated by Board)		
Sl. No.	Evaluation Parameter	Rating
1	Discharge of its functions and duties as per its terms of reference (In terms of Effectiveness).	
2	Process and procedures followed for discharging its functions	
3	Achievement of Anticipated/Expected impact of suggestions and recommendations received.	
4	Working association with Management (In terms of Effectiveness).	
5	<b>Integrity</b> (Consistent application of the highest standards of Professional Conduct to all activities affecting PTC).	

Rating Scale	Marks
Surpass Expectations	3
Meets Expectation	2
Below Expectation	1

Mandatory Sub Committees	
1	Audit Sub Committee
2	Nomination & Remuneration Committee
3	Corporate Social Responsibility Committee
4	Stakeholder's Relationship Committee