

Swan Defence and Heavy Industries Limited

[Formerly known as Reliance Naval & Engineering Ltd]

Policy on Performance Evaluation of Board of Directors

INTRODUCTION

In an endeavor to safeguard the interest of the Company as prescribed under the Companies Act, 2013, LODR and based on the recommendation of the Nomination and Remuneration Committee, the Board of Directors (“the Board”) of Swan Defence and Heavy Industries Limited. (“the Company”) has formulated a Policy setting out the criteria for the performance evaluation of Board, Board Level Committees and Directors of the Company. The prescribed evaluation procedure will provide a fine system of checks and balances on the performance of the Board of Directors as a whole, Board Level Committees and Directors of the Company. This policy aims at establishing a procedure for conducting periodical evaluation of directors’ performance and formulating the criteria for determining qualification, positive attribute and independence of a director. This policy further aims at ensuring that the committees to which the Board of Directors has delegated specific responsibilities are performing efficiently in conformity with the prescribed functions and duties.

EVALUATION METHODOLOGIES

The Board evaluation process comprises of both assessment and review. This includes analysis of how the Board, its committees and directors are functioning, the time spent by the Board considering matters and whether the terms of reference of the Board committees have been met, besides compliance of the provisions of the Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In respect of each of the evaluation factors, various aspects have been formulated to assist with the evaluation process in respect of performance of Directors, the Board and its Committees separately. The evaluation factors may vary in accordance with their respective functions and duties.

PROCESS FOR PERFORMANCE EVALUATION

Role of the Nomination and Remuneration Committee (NRC):

- a. NRC shall formulate criteria for evaluation of performance of independent directors and the board of directors.
- b. NRC shall determine whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

Role of Independent Directors:

In the meeting of independent directors of the company (without the attendance of non-independent directors and management), such directors 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.

Role of Board of Directors:

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

RATING SCALE:

The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance.

Scale	Performance
5	Exceptionally Good
4	Good
3	Satisfactory
2	Needs Improvement
1	Unacceptable

The Board, its committees and Directors shall be evaluated on the criteria as given in the format for evaluation of Board, its committees and Individual directors prescribed at **Annexure-A**.

RESPONSIBILITY OF BOARD

The Company conducts its operations under the directions of the Board of the Company and within the framework laid down by the Companies Act, 2013, LODR, the Articles of Association of the Company and internal code of conduct and policies formulated by the Company, from time to time. The Company's Board of Directors are expected to act in good faith, exercise their judgment on an informed basis in the best interest of the Company and its stakeholders.

It shall be the duty of Chairman & Managing Director of the Company, who shall be supported by the Company Secretary, 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 effectiveness of Board and its Committees, to maximize their strength and tackle their shortcomings.

EVALUATION:

- a. There will be an annual evaluation of the performance of Board, Board Level Committees and Directors. The purpose of the evaluation is to determine how effectively the Board, Directors and its Committees are fulfilling their role and duties.
- b. All reviews are to include open discussion by the Board of the results of the evaluations and to decide any changes which are required to be made by the Board and to address any lack of

performance. If particular concerns arise from the evaluation in relation to any individual Director, or Committee, the Chairman of Nomination & Remuneration Committee (NRC) will meet with that Director, or Chairman of that Committee, to discuss the concerns and any actions to be taken as a result. If the concerns relate to the Chairman of NRC, then the Chairman (NRC) will discuss the matter as appropriate with the Board.

- c. Directors are also encouraged to provide feedback on a regular basis on the conduct of Board / Committee meetings, in order to assist in the continual improvement of the way the Board carries out its role.

Format of Performance Evaluation

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
Board Composition & Quality		
1. The Board has appropriate expertise and experience to meet the best interests of the company		
2. The board has appropriate combination of industry knowledge and diversity (gender, experience, background).		
3. The Board spends sufficient time in deliberating the vision, mission of the company and strategic and business plans, financial reporting risks, related internal controls and provides critical oversight on the same.		
4. The Board understands the legal requirements and obligations under which it acts as a Board; i.e. bye laws, corporate governance manual etc. and discharge its functions accordingly.		
5. The Board has set its goals and measures its performance against them on annual basis.		
6. The Board understands the line between oversight and management.		
7. The board monitors compliances with corporate governance regulations and guidelines.		
8. The Board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements		
Board Meetings and Procedures		
1. The Calendar of Board meetings is communicated well in advance and reviewed from time to time		
2. The Board meeting agenda and related background papers are concise and provide information of appropriate quality and detail.		
3. The information is received by board members sufficiently in advance for proper consideration		
4. Adequacy of attendance and participation by the board members at the board meetings.		
5. The Board meetings encourage a high quality of discussions and decision making		
6. Openness to ideas and ability to challenge the practices and throwing up new ideas		
7. The amount of time spent on discussions on strategic and general issues is sufficient		

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
8. The minutes of Board meetings are clear, accurate, consistent, complete and timely		
9. The actions arising from board meetings are properly followed up and reviewed in subsequent board meetings.		
10. The processes are in place for ensuring that the board is kept fully informed on all material matters between meetings		
11. Adequacy of the separate meetings of independent directors		
12. Appropriateness of secretarial support made available to the Board.		
Board Strategy and Risk Management		
1. The Board has sufficient understanding of the risk attached with the business structure and the Board uses appropriate risk management framework and whether board reviewed and understood the risks provided in the internal audit report and the management has taken sufficient steps to mitigate the risk.		
2. Monitoring the company's internal controls and compliance with applicable laws and regulations		
3. Adequacy of effective vigil mechanism		
4. The Board discusses thoroughly the annual budget of the Company and its implications before approving.		
5. The Board periodically reviews the actual result of the Company vis-à-vis the plan/ policies devised earlier and suggests corrective measures, if required		

	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					
Suggestions					

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.

EVALUATION OF BOARD COMMITTEES

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
1. The Committees of the Board are appropriately constituted.		
2. The terms of reference for the committees are appropriate with clear defined roles and responsibilities.		
3. The reporting by each of the Committees to the Board is sufficient.		
4. Whether the terms of reference are adequate to serve committee's purpose?		
5. Whether Committees provide effective suggestions and recommendations.		
6. Whether the Committee meetings are conducted in a manner that encourages open communication and meaningful participation from its members.		
7. Whether the Committee meetings have been properly organized, and appropriate procedures have been followed in this regard		
8. Whether the Committee periodically reports to the Board along with its suggestions and recommendations.		

	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					
Suggestions					

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.

Evaluation of Individual Directors

Name of Director being evaluated:

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
General		
Whether possess appropriate skills and experience.		
Whether has an understanding of the vision, mission and values of the company and the laws & regulations governing the Company.		
Whether has an understanding of the industry in which the Company operates and the core business of the company.		
Whether has understanding of the roles, duties and responsibilities as a Board Member.		
Whether exercised his/her duties with due and reasonable care, skill and diligence.		
Whether attends meetings of the Board and Committees regularly and contributes effectively.		
Whether has ability to listen to the views of others and openness to modify his/her views, relationship with colleagues in the Board and Members of the Senior Management, able to function as an effective team member.		
Whether actively takes initiative in respect of various areas and committed to the Board and Company.		
Whether demonstrates highest level of integrity including conflict of interest, disclosures and maintenance of confidentiality, etc.		
Additional Criteria for Independent Director		
Whether involved in a situation in which he / she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.		
Whether the person exercises his/her own judgment and voice their concerns and act freely from any conflicts of interests.		
Whether the person brings independent judgment during board deliberations on strategy, performance, risk management etc.		
Additional Criteria for Chairperson of the Board		
Whether displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, conduct proceedings in suitable and fair manner, facilitate decision making and is overall able to steer meeting effectively		

Criteria	Scale (1,2,3,4,5)	How can the board do it better or differently
Whether impartial in conducting discussions, seeking views and dealing with dissent, etc.		
Additional Criteria for Managing Director/Executive Director		
Whether accurately communicates the concept, vision, mission, strategies, goals, and directions for the Company to stakeholders.		
Whether possesses a good understanding of the company's financial measures relevant to its business and financial situation and monitoring budget of the organization.		
Whether demonstrates a thorough knowledge and understanding about key aspects of the Company's products and services and has regularly demonstrated creativity and initiative in creating new products and services.		

	Exceptionally Good	Good	Satisfactory	Needs Improvement	Unacceptable
Overall Rating of the Performance					
Comments					
Suggestions					

Note: In case, an evaluation factor is assigned 'not applicable' or 'adequate information not available' then, the score may be calculated by excluding the marks for that particular evaluation factor.

Document Control:

Version	Author	Approved by	Date
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