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## POLICY FOR

- BOARD DIVERSITY,
- APPOINTMENT,
- REMUNERATION,
- TRAINING
- AND
- EVALUATION

## OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

ONLY FOR INTERNAL USE

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## A. Document Control

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2	13/11/2018	Changes in clauses as per amended Regulation
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## 1. GENERAL

- 1.1 Section 178 of The Companies Act, 2013 requires the Company to formulate the criteria for determining qualifications, positive attributes and independence of directors. The Company is also required to adopt a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- 1.2 In addition, Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, requires listed companies to develop a policy on Board diversity, remuneration and evaluation criteria.

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### References:

#### Companies Act, 2013 - Section: 178

- (1) *The Board of Directors of every listed company and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors:*

*Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such 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.*

#### SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

19. (1) *The board of directors shall constitute the nomination and remuneration committee as follows:*

1.2.1 *the committee shall comprise of at least three directors ;*

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- 1.2.2 all directors of the committee shall be non-executive directors; and  
1.2.3 at least fifty percent of the directors shall be independent directors.

- (2) The Chairperson of the nomination and remuneration committee shall be an independent director:

*Provided that the chairperson of the listed entity, whether executive or non-executive, may be appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.*

- (3) The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.  
(4) The role of the nomination and remuneration committee shall be as specified as in Part D of the Schedule II.

### **SCHEDULE II, Part D - ROLE OF NOMINATION AND REMUNERATION COMMITTEE**

*Role of committee shall, inter-alia, include the following:*

- (1) *formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;*
- (2) *formulation of criteria for evaluation of performance of independent directors and the board of directors;*
- (3) *devising a policy on diversity of board of directors;*
- (4) *identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.*
- (5) *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.*

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## 2. DEFINITIONS

- 2.1 `Act' means The Companies Act, 2013 and the rules thereunder.
- 2.2 `Board' means the Board of directors of the Company.
- 2.3 `Company' means Varroc Engineering Limited and it's Wholly Owned Subsidiary viz. Varroc Polymers Limited.
- 2.4
- 2.5 `CHR' means the Corporate Human Resources Department of the Company.
- 2.6 `Executive Director' means any person occupying Board position as managing director, whole-time director or any other designation and is in whole-time employment of the Company
- 2.7 `Listing Regulations' means SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 2.8 `NRC' means the Nomination and Remuneration Committee of the Company.
- `Policy' means Nomination and Remuneration Policy.
- “Senior Management” means Officer/personnel of the listed entity who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the Chief Executive Officer/ Managing Director/ Whole time Director/ Manager (including Chief Executive office/Manager, in

## 3. BOARD DIVERSITY

- 3.1 The Company recognizes that a truly diverse Board will include and make good use of diversity in the skills, regional and industry experience, background, race, gender and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Board. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.
- 3.2 The Articles of Association of the Company provide that the Board shall comprise of a minimum of three directors and a maximum of twelve directors. The Board has to determine the size and composition of the Board within these limits.
- 3.3 The Board of Directors of the Company shall have an optimum combination of executive and non-executive directors with at least one-woman director and not less than fifty percent of the Board will comprise of non-executive.
- 3.4 Where the chairperson of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and where the Company does not have a regular non-executive chairperson, at least half of the Board should comprise of independent directors:

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Provided that where the regular non-executive chairperson is a promoter of the Company or is related to any promoter or person occupying management positions at the level of Board or at one level below the Board, at least half of the Board should consist of independent directors.

The term 'related to any promoter' shall have the same meaning as contained in Regulation 17 (1)(b) of Listing Regulations, as amended from time to time.

Any intermittent vacancy in office of an Independent Director shall be filled up by the Board before the immediately next Board meeting or 3 months from the date of vacancy, whichever is later. Provided where the composition of Board is optimum as required under the Listing Regulations, the requirement of replacement by a new independent director shall not apply.

- 3.5 The Company at all times shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year.
- 3.6 The Board shall have one or more Managing Directors. In addition, the Board will have the power to appoint, from time to time, one or more Whole-time Director or Directors upon such terms and conditions and for such term not exceeding five years at a time.
- 3.7 In compliance with the provisions of section 151 of the Act, the Company may have one director elected by small shareholders on conditions specified in The Companies (Appointment and Qualification of Directors) Rules, 2014.
- 3.8 The Promoters and the Lenders may have the right to appoint one or more nominees on the Board in terms of the Articles of Association of the Company and the loan agreements entered into between the Company and the lenders.
- 3.9 The NRC will review and assesses the composition of the Board and shall recommend the appointment of new Directors.
- 3.10 In reviewing the Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.
  - 3.10.1 In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.
  - 3.10.2 The Committee will discuss and agree on all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.
- 3.11 The criteria for maintaining diversity of the Board may among others include the following.
  - 3.11.1 Age of individual directors and the average age of the Board

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- 3.11.2 Automobile Industry representation adequately covering experience of professionals in automobile components, automobile technology, plastic technology and other associate business activities.
- 3.11.3 Experts from various fields including but not limited to finance and taxation, banking, corporate governance, administration, corporate social responsibility, risk management and human resources.
- 3.11.4 Diversity based on geographical background.
- 3.11.5 The needs of the Company's business currently and going forward.
- 3.12 The NRC has been constituted ensuring that composition is maintained as per the requirements of the Act and the Listing Regulations.

## 4. SELECTION, IDENTIFICATION AND APPOINTMENT OF DIRECTORS

- 4.1 The NRC is responsible for evaluating the qualifications of each director candidate and of those directors who are to be nominated for election by shareholders at each Annual General Meeting of shareholders, and for recommending duly qualified director nominees to the full Board for election. The qualification criteria set forth herein are designed to describe the qualities and characteristics desired for the Board as a whole and for Board members individually.
- 4.2 **Director Selection Procedures**
  - 4.2.1 The **Managing Director** shall, at the instance of an in consultation with NRC members, initiate the process for identification and shortlisting of prospective candidates for election to the Board based on directors' qualification criteria.
  - 4.2.2 For each shortlisted director candidate considered for election to the Board, the NRC shall evaluate the candidate and recommend to the Board such duly qualified director candidates.
  - 4.2.3 To aid in the short listing and screening process, the NRC may take the support of professional agencies, conduct interviews or have a personality check undertaken or take any other steps to ensure that the right candidates are identified.
  - 4.2.4 A determination of a director's qualifications to serve on the Board shall be made by the Board, upon the recommendation of the NRC, prior to nominating a director for appointment/election at the Company's forthcoming annual general meeting.
  - 4.2.5 Appointment of all Directors, other than directors appointed pursuant to nomination by Financial Institutions under section 161(3) of the Act will be approved by shareholders at a general meeting or through postal ballot.



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4.2.6 The Company shall issue a formal letter of appointment to independent directors in the manner as provided in Paragraph IV (4) of Schedule VI the Act.

## 4.3 Director qualification criteria

4.3.1 The director candidates should have completed the age of 21 years. The maximum age of executive directors shall not be more than 70 years at the time of appointment / re-appointment. However, a candidate who has attained the age of 70 years may be appointed if approved by shareholders by passing of special resolution.

4.3.2 The Board has not established specific education, years of business experience or specific types of skills for Board members, but, in general, expects qualified directors to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values.

4.3.3 The candidate to be appointed as Director shall have a Director Identification Number allotted under section 154 of the Act.

4.3.4 A person shall not be eligible for appointment as director of the Company if:

4.3.4.1 He/She is disqualified for being appointed under section 164 of the Act.

4.3.4.2 The number of directorships post appointment as director in the Company exceed the total number of directorships permitted under section 165 of the Act and regulation 25 of the Listing Regulations.

4.3.4.3 In addition, any person to be appointed as Executive Director in the Company shall have to meet the requirements set out in Part I of Schedule V of the Act and the limits of directorships set out in the Listing Regulations.

4.3.5 Further, while selecting Independent Directors:

4.3.5.1 the Company may select the candidate from data bank(s) containing names, address, qualification of persons who are eligible and willing to act as Independent Directors maintained by any body, institute or association as may be notified by the Central Government having expertise in creation and maintenance of such data bank.

4.3.5.2 The prospective candidates for appointment as Independent Directors shall have to meet the criteria of Independence laid down in sub-section (6) of section 149 of the Act and regulation 16 (b) of the Listing Regulations.

4.3.5.3 The number of Independent directorships in listed companies post appointment as Director in the Company and the Committee positions held by them would be within the limits prescribed in regulation 25 of the Listing Regulations.

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4.3.6 In the process of short listing of Independent Directors, the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

#### 4.4 Tenure in office

4.4.1 The appointment of all directors by the Board, except for directors appointed under section 161(3) of the Act shall be upto the date of the next Annual General Meeting and shall be subject to approval of shareholders at the Annual General Meeting unless approved by the shareholders earlier.

4.4.2 The Company shall appoint or re-appoint any person as its Executive Director for a term not exceeding five years at a time.

4.4.3 Subject to the provisions of the Act and the Articles of Association of the Company, all Executive Directors other than the Managing Director and all Non- Executive Directors, other than the independent directors, shall be liable to retire by rotation.

4.4.4 Independent directors shall hold office for a term up to 5 consecutive years on the Board of a Company but shall be eligible for reappointment on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.

4.4.5 Independent directors shall not hold office for more than 2 consecutive terms. Each such term may be of 5 years or less.

4.4.6 After expiry of the 2 terms, the Independent director would be eligible for appointment only after expiry of 3 years from ceasing to be an independent director.

4.4.7 While appointing the Independent Directors, the Board shall decide the term in office of the Independent Directors which may vary depending on the age of the candidate, the professional background, the outcome of evaluation of the individual Director and the Committees of which he is a member.

## 5. CRITERIA FOR APPOINTMENT OF SENIOR MANAGEMENT EXECUTIVES

5.1 The NRC is responsible for the appointment of senior management executives in accordance with the laid down criteria.

5.2 The criteria laid down for the appointment of senior management executives one level below the Executive Directors including the Key Managerial Personnel is set out below.

5.3 The senior management executives may be sourced from either Internal or external sources. The resumes are shortlisted by the hiring manager and the shortlisted candidates will be scheduled for Interviews to be managed by CHR.

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- 5.4 An interview panel for selection of senior management executives may comprises of the following members:
- (a) Managing Director
  - (b) Head of CHR
  - (c) Chief Executive Officer
  - (d) Any outside expert of the subject function, if invited
- 5.5 The interview panel will be responsible for leading the talent acquisition process and to ensure timely fulfilment of such vacancy. The CHR Team will provide requisite support in the timely fulfilment of each step of the talent acquisition process.
- 5.6 The role and responsibilities of the interview panel shall be as under:
- 5.6.1 Review and approve Job Description for the vacant position.
  - 5.6.2 Determine internal options
  - 5.6.3 Suggest/approve the list of companies to be hired from and recommend possible candidates from known contacts/sources.
  - 5.6.4 Brief the Recruitment Partner/Executive Search Firm, where applicable, on the expectations of the Company.
  - 5.6.5 Review and approve the long list shared by the talent acquisition team and short list the candidates.
  - 5.6.6 Interview and evaluate the shortlisted candidates.
  - 5.6.7 Engage with the talent acquisition team for offer and compensation finalization
- 5.7 The candidate shortlisted by the interview panel will be recommended for further evaluation and appointment by the Nomination & Remuneration Committee after completion of the reference check process.
- 5.8 The primary responsibility for hiring of these roles will lie with the interview panel. The final selection shall be made based on the decision taken by the Nomination & Remuneration Committee.

## 6. REMUNERATION

- 6.1 All remuneration /fees/compensation, payable to directors shall be fixed by the Board and payment of such remuneration fees/compensation shall require approval of shareholders in general meeting except for sitting fee payable to non-executive directors for attending meetings of Board or committee thereof.
- 6.2 The Board shall decide on the remuneration/fees/compensation, payable to directors and senior management based on the recommendations of the NRC.
- 6.3 The total managerial remuneration payable, to its directors, including Executive Directors, (and its manager as defined in the Act) in respect of any financial year shall not exceed eleven per

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cent of the net profits of the Company for that financial year computed in the manner laid down in section 198 of the Act or such other limits as applicable under the Act.

Provided that the Company in general meeting may, with the approval of the Central Government, authorize the payment of remuneration exceeding eleven per cent of the net profits of the Company or such other limits as applicable under the Act, subject to the provisions of Schedule V of the Act.

6.4 The NRC shall ensure the following while recommending the remuneration/fee/compensation payable to Directors:

6.4.1 Executive Directors

6.4.1.1 The remuneration payable to any one managing director; or whole-time director or manager shall not exceed five per cent of the net profits of the Company or such other limits as applicable under the Act and if there is more than one such director remuneration shall not exceed ten per cent of the net profits or such other limits as applicable under the Act, to all such directors and manager taken together. Else the remuneration will be subject to requirements laid down in Schedule V of the Act.

- In case of inadequacy of profits mentioned in 6.3 and 6.4.1.1 above, The NRC, while approving the remuneration for executive directors, shall -
- take into account, financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc.
- be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

6.4.1.2 While considering payment of remuneration / increase in remuneration payable to executive directors, key managerial personnel and other executives, the NRC may among other factors consider the following:

- 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
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors, key managerial personnel and senior management executives 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.
- the factors mentioned in The Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, may be considered, which are required to be disclosed in the Directors Report.

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## 6.5 Non- executive Directors including Independent Directors

- 6.5.1 The remuneration payable to non-Executive directors shall not exceed 1% of the net profits of the Company or such other limits as applicable under the Act.
- 6.5.2 A Non-Executive director may be paid remuneration by way of fee for attending meetings of the Board or committee thereof or for any other purpose whatsoever. The amount of such fee shall not exceed Rs.1,00,000 or such other limits as applicable under the Act for attending each meeting of the Board or committee thereof or such higher amount as may be prescribed by the Central Government from time to time.
- 6.5.3 An independent director shall not be entitled to any stock option.

## 7. TRAINING

- 7.1 The Company shall provide suitable training to independent directors to familiarize them with the Company, its subsidiaries, nature of the industry in which the company operates, business model of the company vis-à-vis their roles, rights, responsibilities and obligations as board members and towards shareholders under Act and Listing Regulations, etc.
- 7.2 Every new Director, on appointment,
- Will be provided with an Induction Manual
  - Will undertake an induction Programme. It will provide an opportunity to the inductee to interact with the senior management team and help understand the strategy, operations, products, markets, organization structure, finance, human resources and risk management among others.
  - will undertake visits to the Company's key manufacturing facilities to familiarize them with the Company's operations.
  - Will be guided by the Company Secretary on the role and responsibilities of directors, the constitution and role of the Board and its Committees, the frequency of meetings and time commitment expected from them, decision making process being followed and compliance monitoring and reporting processes.
- 7.3 On an ongoing basis, training will be provided to directors to update on developments in industry, technology and statutory, regulatory, economic environment, new accounting policies, corporate governance developments etc. Specific training requirements of directors will also be met depending on the role and responsibilities they have to take up in the Company and the performance evaluation. Training will be imparted to directors through participation in conferences, seminars and workshops. The Company may also organize for training programmes conducted by internal / external faculty.
- 7.4 Details of such trainings provided shall be disclosed in the Annual report

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## 8. PERFORMANCE EVALUATION AND REAPPOINTMENT

8.1 The Board will annually evaluate its performance through a self-evaluation process. The evaluation identifies enhancements to director skill sets and ensures that board members are performing to expectations.

### 8.2 Evaluation review process

8.2.1 The NRC will annually oversee a review of the Board's performance, which shall include a self-evaluation by the Board, and will discuss the results of this review with the full Board following the end of each fiscal year.

8.2.2 Evaluation of the Board and committees thereof – formal annual evaluation has to be made by the Board of its own performance and that of its committees.

8.2.2.1 Evaluation of Chairperson - A separate meeting of Independent Directors will review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors. They will forward their recommendations to the NRC.

8.2.3 Evaluation of Other Non-Independent Directors - The Independent Directors will also review the performance of non-independent directors and the Board as a whole and submit their recommendations to the NRC.

8.2.4 Evaluation of Executive Directors - The NRC conducts an annual review of the performance of the Managing Director, wholetime directors against the Company's goals and objectives based on the approved financial budget for the year.

8.2.5 Evaluation of Independent Directors - The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the director being evaluated).

8.3 A statement indicating the manner of formal annual evaluation of the Board, its committees and individual directors will be made will be included in the Report of the Board of Directors each year.

### 8.4 Criteria for evaluation

8.4.1 Evaluation of Board as a whole

8.4.1.1 The Independent Directors and the NRC while undertaking Board evaluation will decide on the criteria of evaluation of the Board and its committees which among others may include:

- the extent to which the Board and its committees are successful in fulfilling their key roles and responsibilities.

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- the extent to which individual directors contribute to the achievement of these objectives.
- the extent to which the Board and its Committees adhere to best practices in structure and procedure.
- the Committee will consider the balance of skills, experience, independence and knowledge requirements of the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

### 8.4.2 Non- Executive Directors

8.4.2.1 The criteria for evaluation shall be determined by the NRC and disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / committees. An indicative list of factors that may be evaluated as part of this exercise is:

- Participation in meetings and contribution by director
- Commitment including guidance provided to senior management executives outside of Board / committee meetings
- Effective deployment of expertise and knowledge
- Effective management of relationship with stakeholders
- Integrity and maintenance of confidentiality
- Independence of behavior and judgement
- Impact and influence.

### 8.4.3 Executive Directors

8.4.3.1 Annual Business Plan and goals are aligned and cascaded across the organization, and linking to every Executive Director's performance. Assessment parameters will be defined for each of the goals and performance will be measured against the goals at the end of each financial year. The compensation will be finalized by the NRC based on evaluation of the individual director and the performance of the Company.

## 8.5 Structure of evaluation process

8.5.1 The structure of the evaluation process will be finalized by the NRC either on its own in consultation with Corporate Human Resources Department or by engaging the services of external consultants.

8.5.2 Each board evaluation may have slight differences in focus, priority and outcomes but will broadly follow a similar approach.

8.5.3 Board evaluation to be finalized by the NRC may cover the following areas :

- Briefing of the Board
- Gathering of evidence using a questionnaire
- Drafting of Board evaluation report
- Discussion of the Board evolution report by the entire Board

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- Meetings between the Chairman and individual directors to discuss individual director evaluation
- Determination of Board development strategy

### 8.6 Reappointment of Directors

8.6.1 The reappointment of directors will not be automatic.

8.6.2 Before the expiry of term in office on account of retirement by rotation of non-Executive non-Independent Directors or the completion of term in office of the Executive Directors or Independent Directors, the NRC will make recommendations to the Board.

8.6.3 In determining whether the directors should be submitted to reappointment, the NRC should:

- Consider extending or continue the term of appointment of the Directors on the basis of performance evaluation;
- Assess the current Board's skills and qualities;
- The needs of the Company's business currently and going forward;
- Measure the retiring directors' skills against the selection criteria set by the NRC .

8.6.4 The directors eligible to retire by rotation shall be determined based on the provisions of section 152 of the Act,

8.6.5 Shareholders' approval for reappointment of Executive Directors shall not be taken more than 1 year before expiry of their present term.

### 8.7 Disclosure

8.7.1 Summary of results of performance evaluation shall be disclosed in the Annual Report / Corporate Governance report and re-appointment of Independent directors shall be basis the outcome of such evaluation.

## 9. MECHANISM FOR EVALUATION OF BOARD, CHAIRMAN AND DIRECTORS

9.1 The NRC has at its meeting held on 06<sup>th</sup> February 2018 formulated the following mechanism for evaluation of the entire Board & committees.

9.2 The Head of CHR shall facilitate the performance evaluation process. He / She shall circulate questionnaire to the Directors, seek their responses and compile the feedback of the directors.

- The evaluation of the Board as a whole shall be done by all the directors.
- The evaluation of the Independent Directors shall be done by the entire Board excluding the director being evaluated



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- The evaluation of the Non-Independent Directors shall be done by only the Independent Directors
- The evaluation of performance of the Chairman shall be done by the Independent Directors.

9.3 The performance evaluation shall be undertaken based on the feedback provided by Board members as per the following questionnaires.

- Annexure 1 : Evaluation of the performance of entire Board
- Annexure 2 : Evaluation of the performance of Audit Committee by the Board
- Annexure 3 : Evaluation of the performance of NRC
- Annexure 4 : Evaluation of the performance of Stakeholders Relationship Committee
- Annexure 5 : Evaluation of the performance of Corporate Social Responsibility Committee
- Annexure 6 : Evaluation of Individual directors
- Annexure 7 : Evaluation of performance of the Chairman

9.4 The questionnaires can be answered by rating the statements set out there in on a scale of 1 to 3 as per the following parameters:

- Score of 1: Excellent
- Score of 2: Good
- Score of 3: Satisfactory
- Score of 4: Fair
- Score of 5: Need Improvement

9.5 The Company Secretary shall forward details of composition of the Board and committees and a report of attendance of directors at Board and committee meetings to the Head of CHR. The Head of CHR, based on the feedback of the directors, prepare a consolidated report on Board/committee evaluation and evaluation of individual directors. The formats of the reports shall be as under:

- Annexure 8 : Report of Board evaluation
- Annexure 9 : Report of evaluation of individual directors

9.6 The Head of CHR shall submit his/her report as under:

- Evaluation report of the performance of the Board shall be submitted to the Chairman of the NRC, who shall present it to the Board.
- Evaluation report of Individual Directors (excluding the Chairman of the NRC) shall be submitted to the Chairman of the NRC, who will have it submitted to the committee. The evaluation report of the Chairman of the committee will be forwarded to the Chairman of the Board who will have it submitted to the Board or committee.
- Evaluation report of the Chairman shall be submitted to the Chairman of the NRC, who will discuss the same with the Chairman and thereafter submit it to the Board.

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## Varroc Engineering Limited (Privileged and Confidential) EVALUATION OF THE AUDIT COMMITTEE FOR FINANCIAL YEAR 2018-19

- Notes:**
- i. Each Board member to complete the evaluation by selecting the appropriate rating that most closely reflects the components being evaluated.
  - ii. Please assess, evaluate each question and provide rating against each component by putting a tick mark ( ✓ ) in the appropriate column.
  - iii. You are requested not to put your name or signature on this form to maintain confidentiality.
  - iv. Ratings against each component is mandatory.
  - v. For any comments or suggestions kindly feed the details in soft copy.

Sr.No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Need Improvement
		1	2	3	4	5
1.1	In terms of skill and expertise, how well represented do you think the Board is in terms of each of the following:					
	o Automotive Expertise					
	o Marketing Expertise					
	o Financial Expertise					
	o International Expertise					
	o Corporate Governance					
	o Acquisition Expertise					
	o Overall Business Leadership					
	o Safety and Sustainability					
1.2	How would you rate relations between executive and non-executive directors?					

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<b>2.</b>	<b>BOARD PROCESS</b>				
2.1	How would you rate each of the following in relation to the way in which we conduct and manage our Board meetings?				
	○ Effectiveness of decision-making				
	○ Important issues are properly discussed				
	○ Timely circulation of Board papers				
	○ Quality of the Board papers and presentations by management				
	○ Participation by non-executive directors				
	○ Report on Action taken on Board decisions				
2.2	Is the frequency of Board meetings appropriate?				
2.3	Is the length of Board meetings appropriate?				
2.4	Quality content and timeliness of preparation of minutes of meetings				
<b>3.</b>	<b>INFORMATION</b>				
3.1	How would you rate the level of access to management enjoyed by Board through its various committees?				
3.2	How does the Board rate the level of general / financial information provided (including performance reports, budgets, forecasts and financial statements)?				
3.3	Do you consider that during last financial year, the Company has kept you sufficiently up to date with developments that affect your responsibilities as a director?				
3.4	Have you attended any internal or external training or development courses?				
3.5	How well informed are you about the major competitors?				

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<b>4.</b>	<b>STRATEGY / KPIs / RISK MANAGEMENT</b>					
4.1	How effective is the Board at discussing issues related to the Company's strategy and its long-term competitiveness?					
4.2	How effective is the Board at regularly reviewing business and financial risk factors?					
4.3	How effective has the Board been at ensuring that the Company's risk management systems and procedures are reviewed and updated regularly?					
<b>5.</b>	<b>BOARD COMMITTEES</b>					
5.1	How would you describe the performance of the Board Committees in discharging their duties for Committees?					
5.2.1	Audit & Risk Management Committee					
5.2.2	Nomination and Remuneration Committee					
5.2.3	Stakeholders Relationship Committee					
5.2.3	CSR Safety and Sustainability Committee					
<b>6.</b>	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>					
6.1						

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**Varroc Engineering Limited**  
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**Evaluation of the performance of AUDIT COMMITTEE by the Board**  
**FOR FINANCIAL YEAR 2018-19**

Sr. No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
1.	<b>AUDIT &amp; RISK MANAGEMENT COMMITTEE MEETINGS</b>					
1.1	How would you rate the composition of the Committee?					
1.2	Is the scope and terms of reference of the Committee adequate?					
1.3	Is the frequency of committee meetings appropriate?					
1.4	Is information presented at committee meetings are sufficient or adequate and in line with the terms of reference of the committee?					
1.5	Is quality of Information presented at committee meetings is good enough to take informed decision?					
1.6	Quality of decisions taken (as understood from minutes of the Committee meetings)?					
1.7	Overall performance					
2.	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>					
2.1						

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## Varroc Engineering Limited (Privileged and Confidential)

### Evaluation of the performance of NOMINATION & REMUNERATION COMMITTEE by the Board FOR FINANCIAL YEAR 2018-19

Sr. No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
1.	<b>NOMINATION &amp; REMUNERATION COMMITTEE MEETINGS</b>					
1.1	How would you rate the composition of the Committee?					
1.2	Is the scope and terms of reference of the Committee adequate?					
1.3	Is the frequency of Committee meetings appropriate?					
1.4	Is the information presented at committee meetings are sufficient or adequate and in line with the terms of reference of the committee?					
1.5	Is the quality of Information presented at committee meetings good enough to take informed decision?					
1.6	Quality of decisions taken (as understood from minutes of the Committee meetings)?					
1.7	How effective is the Board through the Nominations and Remuneration Committee at selection, appointment, evaluation and reviewing succession plans for the directors and/or Key Managerial Personnel?					
1.8	Overall performance					
2.	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>					
2.1						

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## Varroc Engineering Limited (Privileged and Confidential)

### Evaluation of the performance of the STAKEHOLDERS RELATIONSHIP COMMITTEE by the Board FOR FINANCIAL YEAR 2018-19

Sr. No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
1.	<b>STAKEHOLDERS RELATIONSHIP COMMITTEE MEETINGS</b>					
1.1	How would you rate the composition of the Committee?					
1.2	Is the scope and terms of reference of the Committee adequate?					
1.3	Is the frequency of Committee meetings appropriate?					
1.4	Quality of decisions taken (as understood from minutes of the Committee meetings)?					
1.5	Overall performance					
2.	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>					
2.1						

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**Evaluation of the performance of the CSR COMMITTEE by the Board**  
**FOR FINANCIAL YEAR 2018-19**

Sr. No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
1.	<b>CSR COMMITTEE MEETINGS</b>					
1.1	How would you rate the composition of the Committee?					
1.2	Is the scope and terms of reference of the Committee adequate?					
1.3	Is the frequency of Committee meetings appropriate?					
1.4	Quality of decisions taken (as understood from minutes of the Committee meetings)?					
1.5	Overall performance					
2.	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>					
2.1						



**Varroc Engineering Limited**  
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**Evaluation of Individual directors**  
**FOR FINANCIAL YEAR 2018-19**

Sr. No.	Components	Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
	<b>EVALUATION OF DIRECTORS</b>					
1.	<b>Leadership</b>					
1.1	Character and Personal Integrity: Consistently demonstrates professional and ethical leadership character.					
1.2	Investment: Invests time, talents and resources in board meetings.					
2	<b>Board Contribution</b>					
2.1	Organizational Knowledge: Demonstrates knowledge of the structure, history, mission, and ethos of the company.					
2.2	Governance Wisdom: Contributes positively to discussion and debate through thoughtful, wise and clearly stated observations and opinions. Remains policy focused rather than operationally focused.					
2.3	Committee Contribution: Adds value and unique perspective and insight to committee assignments.					
3	<b>Interpersonal Skills</b>					
3.1	Relational Integrity: Communicates appropriately and positively both during and between board meetings. Listens to the ideas of others.					
3.2	Commitment to Diversity: Displays behaviour that values the culture and theological diversity of the board, circle thinkers, have a diversity of talents, attitudes, skills, and emotions. Affirms the diverse gifts of colleagues.					
4	<b>Strategic Thinking</b>					
4.1	Vision and Values Focus: Engages with and keeps the board focused on core values, mission, and vision.					
4.2	Solution and Innovation Focus: Identifies problems and suggests potential solutions.					

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4.3	Open to change and new ideas. Values both long-term vision and outcomes as well as short-term ideas and solutions. Receptive and adaptive.					
5	<b>Overall participation in meetings</b>					
6.	<b>Overall contribution</b>					
2.1	How do you rate each Director's overall contribution and value to the Board?					
7.	Any other Comments					

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**Varroc Engineering Limited**  
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**Evaluation of Performance of the Chairman**  
FOR FINANCIAL YEAR 2018-19

		Ratings				
		Excellent	Good	Satisfactory	Fair	Needs Improvement
		1	2	3	4	5
<b>1.</b>	<b>BOARD PROCESS</b>					
1.1	Does he ensure the Board meetings address key business issues and meetings are run efficiently?					
1.2	Does he provide a proper forum for the Board to discuss and implement the Company's strategy?					
1.3	Does he provide a proper forum to enable high standards of Corporate Governance and internal controls to be maintained?					
<b>2.</b>	<b>STYLE OF CHAIRMANSHIP</b>					
2.1	How well does he provide effective leadership to the Board?					
2.2	Does he create a positive, team-orientated atmosphere among Board members?					
2.3	How effective is the separation of roles between the Chairman and the Chief Executive?					
2.4	Does he encourage all Board members to contribute to discussions in the Board room?					
<b>3.</b>	<b>KNOWLEDGE</b>					
3.1	How good is the Chairman's understanding of the workings and issues affecting the Company's business?					
3.2	How effective is the Chairman in understanding and interpreting financial information?					

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3.3	How good is the Chairman's understanding of the industry and the Company's competitors?					
4.	SUGGESIONS, IF ANY					
4.1						

## Annexure 8

### Evaluation report on Board performance

[to be submitted by CHR to the Chairman]

Board evaluation	Aggregate score
------------------	-----------------

<b>1.</b>	<b>BOARD COMPOSITION</b>	
1.1	In terms of skill and expertise, how well represented do you think the Board is in terms of each of the following:	
	<input type="radio"/> Automotive Expertise	
	<input type="radio"/> Marketing Expertise	
	<input type="radio"/> Financial Expertise	
	<input type="radio"/> International Expertise	
	<input type="radio"/> Corporate Governance	
	<input type="radio"/> Acquisition Expertise	
	<input type="radio"/> Overall Business Leadership	
	<input type="radio"/> Safety and Sustainability	
1.2	How would you rate relations between executive and non-executive directors?	
<b>2.</b>	<b>BOARD PROCESS</b>	
2.1	How would you rate each of the following in relation to the way in which we conduct and manage our Board meetings?	
	<input type="radio"/> Effectiveness of decision-making	
	<input type="radio"/> Important issues are properly discussed	
	<input type="radio"/> Timely circulation of Board papers	
	<input type="radio"/> Quality of the Board papers and presentations by management	
	<input type="radio"/> Participation by non-executive directors	
	<input type="radio"/> Report on Action taken on Board decisions	
2.2	Is the frequency of Board meetings appropriate?	
2.3	Is the length of Board meetings appropriate?	
2.4	Quality content and timeliness of preparation of minutes of meetings	
<b>3.</b>	<b>INFORMATION</b>	

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3.1	How would you rate the level of access to management enjoyed by Board through its various committees?	
3.2	How does the Board rate the level of general / financial information provided (including performance reports, budgets, forecasts and financial statements)?	
3.3	Do you consider that in 2017-18, the Company has kept you sufficiently up to date with developments that affect your responsibilities as a director?	
3.4	Have you attended any internal or external training or development courses?	
3.5	How well informed are you about the major competitors?	
<b>4.</b>	<b>STRATEGY / KPIs / RISK MANAGEMENT</b>	
4.1	How effective is the Board at discussing issues related to the Company's strategy and its long-term competitiveness?	
5.2	How effective is the Board at regularly reviewing business and financial risk factors?	
5.3	How effective has the Board been at ensuring that the Company's risk management systems and procedures are reviewed and updated regularly?	
<b>5.</b>	<b>BOARD COMMITTEES</b>	
5.1	How would you describe the performance of the Board Committees in discharging their duties for Committees?	
5.1.1	Performance of Audit & Risk Management Committee	
5.1.2	Performance of Nomination & Remuneration Committee	
5.1.3	Performance of Stakeholders Relationship Committee	
5.1.4	Performance of CSR Safety & Sustainability Committee	
<b>7.</b>	<b>ANY OTHER COMMENTS NOT COVERED IN THE EVALUATION SHEET</b>	

\_\_\_\_\_  
Signature

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**Annexure 9**  
**Report of evaluation of individual directors**

Directors	Average Scores / Attendance in numbers ( x / y )						
	Leadership	Board Contribution	Interpersonal Skills	Strategic Thinking	Overall participation in meetings	Overall Contribution	Attendance at the meetings
Chairman							
Managing Director							
Executive Director 1							
Executive Director 2							
Independent Director 1							
Independent Director 2							
Independent Director 3							
Independent Director 4							

\_\_\_\_\_  
Signature

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### Report to be given by Company Secretary to CHR for evaluation of individual directors

[Attendance at the meetings during Financial Year - to be forwarded by the Company Secretary to CHR]

Sl. No.	EVALUATION OF DIRECTORS (attendance at meetings)	No. of Meetings	Attendance at Meeting	Percentage attendance
1	Chairman (Naresh Chandra0			
1.1	o Board			
1.2	o Finance Committee			
2	Managing Director (Tarang Jain)			
2.1	o Board			
2.2	o Audit Committee			
2.3	o Finance Committee			
3	Executive Director 1 (Ashwani Maheshwari)			
3.1	o Board			
3.2	o Stakeholders Relationship Committee			
3.3	o Finance Committee			
4	Non-Executive Director 1 (Padmanabh Sinha)			
4.1	o Board			
4.2	o CSR Committee			
4.3	o IPO Committee			
5	Independent Director 1 (Gautam Khandelwal)			
5.1	o Board			
5.2	o Independent Directors' meeting			
5.3	o Audit Committee			
5.4	o Nomination & Remuneration Committee			
5.5	o Stakeholders Relationship Committee			
5.6	o CSR Committee			
6	Independent Director 2 (Vijaya Sampath)			
6.1	o Board			
6.2	o Independent Directors meeting			
6.3	o Audit Committee			



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6.4	<input type="radio"/> Nomination & Remuneration Committee			
6.5	<input type="radio"/> Stakeholders Committee			
7	Independent Director 3 (Mark Szulewicz)			
7.1	<input type="radio"/> Board			
7.2	<input type="radio"/> Independent Directors meeting			
7.3	<input type="radio"/> Nomination & Remuneration Committee			
8	Independent Director 4 (Vinish Kathuria)			
7.1	<input type="radio"/> Board			
7.2	<input type="radio"/> Independent Directors meeting			

\_\_\_\_\_  
Signature