



POLICY ON SUCCESSION PLANNING FOR THE BOARD AND SENIOR MANAGEMENT

I. BACKGROUND

The Securities and Exchange Board of India has mandated the need for a succession policy pursuant to Regulation 17(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “**SEBI Listing Regulations**”). Whereas under Section 178 of the Companies Act, 2013 (“**Companies Act**”), the Company is required to constitute a Nomination and Remuneration Committee and development of a succession plan for the Board and senior management is an object of the Nomination and Remuneration Committee. It is a significant attempt to ensure that investors do not suffer due to sudden or unplanned gaps in leadership. It is a mandate for boards of all listed companies to develop an action plan for successful transition of key executives.

Scan Steels Limited (the “**Company**”) recognises the importance of the process to succession planning to provide for continuity in the smooth functioning of the Company. It is an essential component to the efficient operation and growth of any business. Succession planning is a tool for an organization to ensure its continued effective performance through leadership continuity. A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with talents.

There are certain positions in the Company that are key to its current and future growth. It is, therefore, important that these positions are assigned to duly skilled and best possible incumbents. It is critical to fill any vacancy(ies) in such position(s) well in time to avoid any leadership gap. The Company has therefore put in place a Policy on Succession Planning for the Board and Senior Management (the “**Policy**”) which was adopted in the Board meeting held on 27.08.2020.

II. OBJECTIVES

- a. To identify and nominate suitable candidates for the approval of the board of directors of the Company (“**Board**”) to fill any vacancy(ies) which may arise in the Board, from time to time;
- b. To identify the competency requirements of critical and key positions in the Company, assess potential candidates and develop required competency through planned development and learning initiatives;
- c. To ensure the Group is prepared with a plan to support operation and service continuity when the Board, KMP's and Senior Management Personnel or key business leader leave their positions;
- d. To identify the key job incumbents in Senior Management and recommend whether the concerned individual: (a) be granted an extension in term/ service; or (b) be replaced with an identified internal or external candidate or recruit other suitable candidate(s); and

e. To ensure the systematic and long-term development of individuals in the Senior Management level and to replace when the need arises due to resignations, death, disabilities, retirements, and other unexpected occurrence.

The key considerations in the succession planning process are as follows:

- Identify the long-term vision and direction of the organization. (Strategic Plan)
- Review the mission and values of the organization.
- Determine who the key leadership people are to be developed and nurtured for the future.
- Determine which positions need a succession plan.
- Identify core competencies and skills needed to lead the organization.

The Company recognizes the below benefits of having in place the visible Succession Plan:

- It signals to their employees that company is focused on their long-term future by protecting the organization from the havoc that unwelcome departures can create.
- It assures clients and customers and helps preserve their confidence in the organization because they know that it will continue to provide products and/or services without interruption.
- It helps focus people's attention on the competencies they need to do an excellent job.
- It puts more focus on developing talent from within the organization. People will know that with targeted education, training, and coaching, they could move into key positions. This boosts overall motivation, morale, and satisfaction in the organization.

III. **APPLICABILITY OF THE POLICY**

The Policy shall be applicable for succession planning of the members of the Board, Senior Management and any other positions within the Company at the discretion of the Whole-Time director in consultation with the Board.

Explanation: The term "Senior Management" (as defined in Regulation 16(1)(d) of the LODR) shall mean officers / personnel of the Company who are members of its core management team excluding the Board and normally this shall comprise all members of management one level below the Whole Time Director and shall specifically include Company Secretary and Chief Financial Officer.

IV. SUCCESSION PLAN FOR THE BOARD AND SENIOR MANAGEMENT

The Nomination and Remuneration Committee of the Board (the “Committee”) shall review the leadership needs of the Company, from time to time.

a. Succession plan for the Board:

The Committee shall apply a due diligence process determine the suitability of every person who is being considered for appointment or re-appointment as a director based on his/ her educational qualification, experience, track record and contribution to the Board, as applicable, and every such person shall meet the ‘fit and proper’ criteria as may be stipulated by the Committee , from time to time, and accordingly any appointment or re-appointment of a director shall be subject to prior approval / recommendation by the Committee.

The Company has also framed a Nomination and Remuneration Policy for Directors and other Senior Management and a Policy on Diversity of the Board to guide the Board in relation to the appointment/ re-appointment/ removal of the directors to ensure adequate diversity in the board to make good use of the varied skills, regional and industry experience, background, gender, and other qualities of the directors and to devise criteria for performance evaluation of Independent Directors. Accordingly, the appointment/ re-appointment/ removal and tenure of Directors shall be governed by the provisions of the Nomination and Remuneration Policy for Directors and Senior Management.

b. Succession plan for the Senior Management:

The human resource department of the Company (the “HR”) in consultation with Committee shall periodically review and consider the list of Senior Management due for retirement/ attrition within the year. HR shall also consider the new vacancies that may arise because of business needs/ up-gradation of department(s). Considering the above, HR shall assess the availability, internally and / or externally as the case may be, of suitable candidates for the Company’s future growth and development.

For Key Managerial Personnel & Senior Management Personnel appointment shall be considered and recommended by the Nomination and Remuneration Committee and thereafter approved by the Board by considering the following factors:

a. shall evaluate the incumbent after considering all relevant criteria like experience, qualification, age, health, leadership quality etc., and recommend whether the concerned individual (i) be granted an extension in term/ service; or (ii) be replaced with an identified internal or external candidate;

b. shall identify the competency requirements of the key positions, assess potential candidates and develop required competency through planned development and learning initiatives. HR may utilise the services of professional search firms to assist in identifying and evaluating potential candidates;

c. may recommend to appoint other suitable external candidate(s) as special recruitment in Senior Management based on the profiles and competency in order to provide a continuous flow of talented people to meet the organisational needs; and Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate so that the appointment is made well before the retirement /relieving of the concerned officer to ensure the smooth transition.

d. periodically reviews the list of high performer employees within the Company that may be potential candidates for elevation to the position of senior management position, the prevailing promotion or related policy of the Company shall be designed in such a way that the existing/ proposed Senior Management shall get all-round exposure in various domains to facilitate career progression, prepare them for administrative responsibilities and to discharge their functions effectively in senior positions;

e. every member of the Senior Management shall always endeavour to add capability in-house and mentor officials with potential working under him/ her to handle his responsibility in his/ her absence by exposing him/ her to all aspects of work being handled by him/ her; and

f. in addition to the above, the appointment of key managerial personnel as defined under Section 2(51) of the Companies Act shall be made in compliance with the applicable provisions of the Companies Act, read with the SEBI Listing Regulations.

Emergency Succession:

If a director's slot /senior management's position suddenly becomes vacant by reason of death or other unanticipated occurrence, the Committee shall convene a special meeting as early as possible to implement the process described herein.

In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart (as far as practicable) shall take interim charge of the position, pending a regular appointment in terms of this Policy.

For a temporary change in executive leadership (i.e., illness or leave of absence for long time), the immediate junior officer, reporting to such executive, shall take charge in place of his/her senior until the senior executive re-joins the office or if he/she is not competent in the view of the Chairperson and Whole-Time Director or the Committee, then such other person who is competent to take the charge as may be decided by the Whole-Time Director or the Committee will take charge until the senior executive re-joins the office.

V. CONFLICT IN POLICY

In the event of any conflict between the Companies Act or the SEBI regulations or any other statutory enactments ("**Regulations**") and the provisions of this Policy, the Regulations shall prevail over this Policy.

VI. AMENDMENTS

Any subsequent amendment/modification in the Companies Act, SEBI Listing Regulations and/or other applicable laws in this regard shall automatically apply to the Policy and this Policy shall stand amended to that extent.

VII. REVIEW OF POLICY

The Board has the power to review/amend this Policy, from time to time, on the recommendation of the Committee.

VIII. DISCLOSURE OF THE POLICY

This Policy shall be posted on the website of the Company, and wherever applicable if required under the Companies Act, 2013 and rules thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and any other regulatory requirements.
