

POLICY FOR EVALUTION OF PERFORMANCE OF BOARD

Commissioned by: Secretarial Department

Approved by: Board of Directors

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1. BACKGROUND

Jana Small Finance Bank Limited (the Bank) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour, in consonance with the Bank's Code of Conduct for Board and Senior Management Personnel. The regulatory framework for evaluation of Board of Directors' (Board) performance is provided for in the Companies Act, 2013 ("Act") and in the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as follows:

- i) Section 178(2) of the Act requires the Nomination and Remuneration Committee (NRC) to specify the manner for effective evaluation of performance of Board's committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.
- ii) Section 134(3)(p) provides that the Board's Report shall contain a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made.
- iii) Clause VII of Schedule M to the Act which mandates that the Independent Directors hold at least one separate meeting in a financial year to:
 - 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.Clause VIII further provides the evaluation mechanism viz. the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the Director being evaluated and 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.
- iv) Regulation 19(4) of the listing Regulations read with Part D of Schedule II provides that the NRC shall formulate a criteria for evaluation of performance of independent directors and the Board and determine whether to extend or continue the term of appointment of an independent director based on the evaluation reports.

2. OBJECTIVE OF THE POLICY

Performance evaluation is an effective tool by which the Board can measure the overall effectiveness of the Board processes and serves as a means to consolidate and improve the functioning of the Board and its Committees by creating awareness regarding the role of Directors - individually and collectively, facilitating identification of areas of concern and areas for improvement, team building, enhancing coordination amongst the Board members and the management and achieving its objectives.

The Objective of this Policy is to formulate the procedures and prescribe the criteria to evaluate the performance of the entire Board of the Bank and to adopt best practices to manage the affairs of the Bank in a seamless manner and ensure sustained long-term value creation for stakeholders by achieving good corporate governance.

3. EVALUATION MECHANISM

3.1 The objective of the evaluation process is to assess the following:

- i. roles and responsibilities of the Board and its Committees;
- ii. diversity of the Board;
- iii. implementation of Board processes;
- iv. contribution of the Board & Committee members in the discussions and decisions at meetings;
- v. adequate flow of information between the management and the Board;
- vi. delegation of powers and well-defined terms of reference and reporting requirement of Committees;
- vii. independence of Board & Committees and its members;
- viii. the status of Corporate Governance in the Bank.

3.2 As mentioned above in para I (i) of this Policy, the NRC shall specify the manner in which evaluation of performance of Board of Directors, its Committees and individual Directors may be carried out viz., by the NRC itself, the Board, or by an independent external agency and review its implementation and compliance.

3.3 Where the evaluation exercise is carried out by the Board, the mechanism to be followed will be as follows:

- i. The performance evaluation of independent Directors including the Chairperson shall be carried out by the entire Board of Directors. The Director who is subject to evaluation shall not participate in the performance evaluation. The performance evaluation shall include—
 - (a) Performance of the directors; and
 - (b) Fulfilment of the independence criteria as specified in the Listing Regulations and their independence from the management.

- ii. At a separate meeting, the Independent Directors shall evaluate the performance of non-independent directors including the Managing Director and Chief Executive Officer, and the Board as a whole and shall submit its report to the Chairperson of the Board who shall in turn place it before the Board for necessary comments and suggestive course of action arising out of the evaluation.
- iii. The performance evaluation of the Committees of the Board shall be conducted by the respective Committees and the Chairpersons of the respective Committees shall submit the report to the Chairperson of the Board who shall in turn place it before the Board for necessary comments and suggestive course of action arising out of the evaluation.
- iv. The Board as a whole shall discuss and evaluate its own performance during the year together with suggestions for improvement thereon.

3.4 The evaluation may be carried out by way of:

- a. Questionnaires provided by email or through access to a weblink provided to the directors. Questionnaires shall be based on the evaluation criteria given in the Policy and evaluation may be carried out by way of assigning scores for each question as per instructions provided in the questionnaire.
- b. Interviews with the Chairperson to understand the viewpoints of all the directors.
- c. Facilitated discussions amongst the Board members.
- d. A combination of one or more of the above methodologies.

3.5 Where the evaluation exercise is carried out by an independent external agency, the NRC shall specify the evaluation mechanism to be followed.

3.6 The NRC shall irrespective of the manner of evaluation formulate the criteria for evaluation of performance of Independent directors and the Board as also the performance of the Board Committees and the individual directors.

4. CRITERIA FOR EVALUATION OF PERFORMANCE

4.1 Criteria for evaluating performance of Individual Directors :

- a. Attendance, participation in the meetings and timely inputs on the minutes of the meetings;
- b. Adherence to Code of Conduct of the Bank ;
- c. Exercise of objective independent judgment in the best interest of the Bank ;
- d. Effective deployment of their individual and collective knowledge and expertise;
- e. Leadership initiatives like new ideas and planning for the growth of the Bank;
- f. Understanding of the Bank's business and the external environment in which it operates and contribution to setting strategic direction;

- g. Contribution towards growth of the Bank including actual vis-a-vis budgeted performance;
- h. Raising of valid concerns to the Board and constructive contribution to resolution of issues in meetings;
- i. Ability to contribute to and monitor corporate governance principles;
- j. Safeguarding of interest of whistle blowers under vigilance mechanism and safeguarding of confidential information.
- k. Commitment, including guidance provided to senior management outside of Board/ Committee meetings;
- l. Effective management of relationship with stakeholders;
- m. Integrity and maintaining of confidentiality.

4.2 In addition, the Chairperson may be evaluated on the following Criteria:

- a. Managing relationship with the members of the Board and management;
- b. Demonstration of leadership qualities and able steering of meetings;
- c. Managing relationship and communication with shareholders and other stakeholders;
- d. Ensuring conducive environment in the Board meetings for members to raise issues and concerns with ease;
- e. Promoting constructive debate and effective decision making at the board meetings;
- f. Strengthening confidence and trust of shareholders in the Board.

4.3 Criteria for evaluating the Managing Director and Chief Executive Officer

The detailed KPI of the MD & CEO would be placed before Nomination & Remuneration Committee for the approval.

- a. Achievement of financial/business targets prescribed by the Board;
- b. Developing and managing/executing business plans, operational plans, risk management, and financial affairs of the organization;
- c. Display of leadership qualities i.e. anticipating business trends, opportunities, and priorities affecting the Bank's prosperity and operations;
- d. Development of policies and strategic plans aligned with the vision and mission of the Bank which harmoniously balance the needs of shareholders, customers, employees, and other stakeholders;
- e. Establishment of an effective organizational structure to ensure that there is management focus on key functions necessary for the organisation to align with its **mission**;
- f. Managing relationships with the Board, management team, regulators, bankers, industry representatives and other stakeholders;
- g. Demonstrate high ethical standards and integrity, attendance at meetings and commitment to the organization.

4.4 Criteria for evaluating performance of Committees

- a. Discharge of its functions and duties as per its terms of reference;
- b. Process and procedures followed for discharging its functions;

- c. Effectiveness of suggestions and recommendations of the Committees ;
- d. Size, structure and expertise of the Committee;
- e. Timely and effective conduct of its meetings and procedures followed in this regard.

4.5 Criteria for evaluating performance of the Board as a whole

- a. Structure of the Board : its composition, constitution and diversity, competencies and experience of the members.
- b. Frequency of Board and Committee meetings and processes followed to enable proper consideration of issues
- c. Quality of agenda papers in terms of length and level of detail to enable Board members have meaningful discussions and take informed decisions.
- d. Cohesiveness and the quality of participation in Board discussions by the Board members
- e. The Board's role in Business Strategy Governance
- f. Financial Reporting Process, Internal Audit and Internal Controls, the integrity and the robustness of the financial and other controls regarding related party transactions, vigil mechanism and risk management;
- g. Establishing a corporate environment that promotes timely and effective disclosure, accountability, high ethical standards and compliance with applicable laws and regulations.
- h. Effectiveness of the functioning of Board committees
- i. Effectiveness of control systems for identifying material risks and reporting material violations of policies and law.
- j. Effectiveness in developing a corporate governance structure that allows and encourages the Board to fulfil all its responsibilities.

5. REVIEW OF THE POLICY

The Policy may be reviewed and amended by the Board.

6. DISCLOSURE

In accordance with the requirements of the Act and the Listing Regulations, disclosures shall be made in the Directors' Report regarding the manner in which the performance evaluation exercise has been carried out by the Board of Directors of its own performance, performance of the various Board Committees and that of the independent/other directors.