

FEDBANK FINANCIAL SERVICES LIMITED

POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

Document approvals

Document Title	POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS
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1. Introduction

Fedbank Financial Services Limited (the “**Company**”) 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 Company’s Code of Conduct for Board and Senior Management Personnel.

The honesty, integrity and sound judgement and performance of the Directors and the senior management are key criteria for the success and for building a good reputation of the Company. Each Director and executive in the senior management are expected to comply with the letter and spirit of this Policy for Evaluation of the Performance of the Board of Directors (“**Policy**”). Any actual or potential violation of the Code of Conduct for Board and Senior Management Personnel and this Policy by the Directors would be a matter of serious concern for the Company.

Therefore, the Company has formulated this Policy to comply with various provisions under the Companies Act, 2013 (“**Act**”) and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its committees and individual directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act. The Committee shall evaluate the performance of each of the director as per sub section (2) of Section 178 of the Act and based on the functions of the Independent Directors as indicated under Schedule IV (as per Section 149) annexed to the Act.

2. Definitions

- i. “**Act**” means the Companies Act, 2013, as amended from time to time and the rules made thereunder.
- ii. “**Company**” means Fedbank Financial Services Limited.
- iii. “**Committee**” shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of the Act.
- iv. “**Director**” or “**Board**” means the Director or the Board, in relation to the Company, and deemed to include the collective body of the Board of the Company including the Chairman of the Company.
- v. “**Independent Director**” shall mean an Independent Director as defined under Section 2 (47) to be read with Section 149 (5) of the Act.
- vi. “**Listing Regulations**” means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- vii. “**Policy**” shall mean this Policy for Evaluation of performance of Board of Directors of the Company.

3. Objective

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

4. Various Kinds of Performance Evaluation

- A. **APPRAISAL SYSTEM:** Appraisal of each Director of the Company shall be based on the criteria as mentioned herein below. This appraisal is mandatory and will be done under the provision of the clause (p) of sub section (3) of Section 134 of the Act.

CRITERIA FOR EVALUATION

Rating scale shall be 1 to 5 (1 being strongly disagree and 5 being strongly agree)

			How to interpret the scale 1. Strongly disagree 2. Disagree 3. Somewhat agree 4. Agree 5. Strongly agree				
Parameter	Sr.	Question	1	2	3	4	5
Strategic	1.1	Understands the Company's strategic direction and critical issues					
	1.2	Prompts and contributes to the board discussion on strategic issues					
Ethical	2.1	Understands the Company's values and beliefs					
	2.2	Manages conflicts of interest in the best interest of the Company					
	2.3	Acts ethically					
Knowledge	3.1	Understands the roles, responsibilities and duties as director					
	3.2	Brings in the relevant experience to the table					
	3.3	Understands and keeps abreast with the external operating environment of the Company					
Behavior	4.1	Prepares adequately for the meetings					
	4.2	Is succinct, to the point and contributes effectively to the deliberations					
	4.3	Is cooperative, is respected and is a team player					
	4.4	Has a positive way to sort out differences, if					
		Any					

Development	5.1	Seeks opportunities for self-development					
	5.2	Is open to feedback and takes action to rectify					

The Committee shall evaluate the performance of each Director as per the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of Section 178 of the Act and based on their functions as mentioned in the Code of Conduct of the Directors and Senior Management Personnel and the criteria for the evaluation of the performance as prescribed in the clause 6 of this Policy.

Evaluation of Independent Director shall be carried on by the entire Board which 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. The Directors who are subject to evaluation shall not be allowed to participate.

Based on the performance evaluation of each and every Director and the Chairman of the Company, the Committee shall provide the ratings based on each criteria and sub-criteria.

B. EFFECTIVENESS OF THE BOARD

Based on the ratings given by the Committee to each Director, the overall effectiveness of the Board shall be measured and accordingly the Board shall decide the appointments, re-appointments and removal of the non-performing Directors of the Company.

5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS

Evaluation of the executive Directors shall be carried out by entire Board except the executive Director being evaluated. The meeting for the purpose of evaluation of performance of Board members shall be held at least once in a year and the Company shall disclose the criteria laid down by the Committee for performance evaluation on its web site for the reference and also in the annual report of the Company.

6. CRITERIA FOR EVALUATION OF PERFORMANCE

The Committee has laid down the criteria for evaluation of performance of executive Directors, Independent Directors, Chairman and the Board:

1. Attendance and contribution at Board and Committee meetings.
2. His / her stature, appropriate mix of expertise, skills, behaviour, experience, leadership qualities, sense of sobriety and understanding of business, strategic direction to align company's value and standards.

3. His / her knowledge of finance, accounts, legal, investment, marketing, foreign exchange / hedging, internal controls, risk management, assessment and mitigation, business operations, processes and corporate governance.
4. His / her ability to create a performance culture that drives value creation and a high quality of debate with robust and probing discussions.
5. Effective decisions making ability to respond positively and constructively to implement the same to encourage more transparency.
6. Open channels of communication with executive management and other colleague on Board to maintain high standards of integrity and probity.
7. Recognize the role which he / she is expected to play, internal board relationships to make decisions objectively and collectively in the best interest of the Company to achieve organizational successes and harmonizing the Board.
8. His / her global presence, rational, physical and mental fitness, broader thinking, vision on corporate social responsibility etc.
9. Quality of decision making on source of raw material / procurement of roughs, export marketing, understanding financial statements and business performance, raising of finance, best source of finance, working capital requirement, forex dealings, geopolitics, human resources etc.
10. His / her ability to monitor the performance of management and satisfy himself with integrity of the financial controls and systems in place by ensuring right level of contact with external stakeholders.
11. His / her contribution to enhance overall brand image of the Company.

COMPANY – BOARD MEMBER FEEDBACK

The Company believes in value for its stakeholders through ethical processes and integrity. The Board plays a very important role in ensuring the Company's performance is monitored and timely inputs are given to enhance its performance and set the right direction for growth. Hence, it is important that every individual Board member effectively contributes to the Board deliberations.

Name of the Director: _____

Rating scale shall be 1 to 5 (1 being strongly disagree and 5 being strongly agree)

			How to interpret the scale 1. Strongly disagree 2. Disagree 3. Somewhat agree 4. Agree 5. Strongly agree				
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Development	5.1	Seeks opportunities for self-development					
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7. PROCEDURE TO RATE THE PERFORMANCE

Based on evaluation criteria, the Committee and the Board shall rate the performance of the each and every Director. The performance rating shall be given within minimum 1 and maximum 5

categories, the rating 1 being strongly disagree and 5 being strongly agree. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top-level management of the Company for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Company.