BOARD'S PERFORMANCE EVALUATION POLICY

BOARD'S EVALUATION PROCESS

1. PREAMBLE

PNB Gilts Limited (hereinafter referred to as the "**Company**") is a professionally managed organisation. The Board of Directors of the Company (hereinafter referred to as the "**Board**" or "**Board of Directors**") acknowledges that being a listed company, the Board has much more responsibility and accountability towards its shareholders and public at large. The shareholders, employees and other stakeholders of the Company reposes lot of confidence in the Board as their representatives for conducting and monitoring the affairs of the Company, and therefore expects its Board to be more engaged, responsive and accountable.

With ever increasing expectations of the stakeholders' in a company, volatile economic environment and increased regulatory requirements under various laws have brought the quality of performance of the board of directors under strict scrutinization process and necessitated timely performance evaluation, so that the board of directors can systematically and purposefully identify and overcome the obstacles that impede their effectiveness.

Accordingly, in order to set the highest ethical standards and good corporate governance practice in the Company, and to adhere to the statutory requirements of the provisions of the Companies Act, 2013 ("**Act**"**)** read along with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("**SEBI Regulations**"), it has become important for the Company to adopt and initiate the performance evaluation process of the Board of Directors, its Committees and individual members of the Board.

The Board has adopted following process and procedure with regard to evaluation of the Board including evaluation of its independent as well as non-independent directors ("**Board's Evaluation Process**"). This document is framed as per requirement of Sections 134(3), 178(2) and Schedule IV of the Act read with relevant rules under the Act and SEBI Regulations.

The members of the Board must understand that the purpose of the Board evaluation is to give them an opportunity to evaluate and discuss the Board's performance with candour and from multiple perspectives keeping in mind an overall objective i.e. growth of the Company.

2. APPLICABILITY

This Board Evaluation Process shall apply to, all the Directors of the Company, whether, Non-Executive, Independent and Nominee Directors (hereinafter referred to as "**Board Members**" or "**Directors**", as the context may require).

3. OBJECTIVE

The Board Evaluation Process will help to maintain a high level of performance of the Board and its Members. An illustrative list of key objectives for evaluation of performance is as under:

a) To ensure effective and efficient Board operations towards corporate goals and objectives;
b) To provide greater clarity with regard to Board Member's roles and responsibilities;
c) To identify ways to improve Board Member's functioning and operations;
d) To assess the balance of skills, knowledge, and experience on the Board;
e) To solicit feedback on Board Member's performance;
f) To provide equal opportunities to each Board Member to comment on Board's operations; and
g) To measure the efficiency of Board's Committee meetings.

4. EFFECTIVE DATE

The Board's Evaluation Process has come into effect from 26.07.2017.

5. EVALUATION METHODOLOGY

5.1 **Segregation of Board Evaluation Process:** The Board Evaluation Process is divided in three parts:

a) Evaluation of the Board as a whole. This evaluation is to be done by all the Members of the Board;
b) Evaluation of the Committees of the Board. This evaluation is to be done by all the Members of the Board; and
c) Evaluation of the individual Members (which include independent directors, Chairperson, non-independent directors). This evaluation of the Board will be carried out by the Nomination and Remuneration Committee (hereinafter referred to as "**NRC**").

Further, Board of Directors (including any committee thereto authorized in this behalf) may engage an external counsel/expert advisers/specialist etc. from to time,

a) to carry out the evaluation, as it may deem fit; and/ or

b) to obtain advice, reports or opinions etc. in connection with the evaluation process.

5.2 **Questionnaire Based Analysis:** The Board Evaluation Process shall be a questionnaire based assessment, which will set broad parameters for evaluation of the Board, Committee of the Board and Board Members. Following principles are to be adopted for the evaluation process:

a) The Board Evaluation Process shall comprise of following three annexures:

Annexure I: **Board's Self-Evaluation Questionnaire**: this questionnaire shall be used to assess the functioning of the Board, in its entirety and all Board Members are required to fill the same individually;

Annexure II: **Committee Evaluation Questionnaire**: this questionnaire shall be used to assess the functioning of the Committees of the Board and all Board Members are required to fill the same individually; and

Annexure III: **Member Evaluation Questionnaire** ***(****Individual Directors, Chairperson, Independent Directors, Non-independent directors, etc.):* this questionnaire shall be used for evaluation of individual Board Members by NRC.

b) The following performance rating scale is to be used to evaluate the Board and Committees thereof in **Annexure I** and **Annexure II**:

Assessment Description	Rating Reference Code
Meets Expectation	1
Needs Improvement	2
Does Not Meet Expectation	3

c) The following performance rating scale is to be used to assess an individual Member of the Board by NRC in Annexure III:

Assessment Description	Rating Reference Code
Knowledgeable and Contributes for the Betterment of the Company	1
Needs Improvement	2
Does Not Meet Expectation	3

d) All assessment results, shall be kept confidential. The results of the process shall not be disclosed to anyone except to the Board by placing a report on the appraisal results in the Meeting. The identity of individual directors participating in this process shall not be disclosed to anyone other than the Chairperson of the NRC or the Chairperson of the Board, in case of absence or non-availability of Chairperson of the NRC.

6. PROCESS FLOW

6.1. Board Evaluation Process shall be conducted on yearly basis.

6.2. The Chairperson of the Board or any other person authorised by the Chairperson ("**Authorised Person**") – at present the Company Secretary, shall initiate the Board Evaluation Process in the last quarter of each financial year.

6.3. Relevant questionnaire for the purposes of the evaluation will be circulated by the Authorised Person to all the Board Members including the members of the NRC.

6.4. The completed questionnaire shall be submitted through the Company's Board Portal within 10 days of the circulation of the questionnaire. The timeline for submission of questionnaire shall be extended by the Chairperson of NRC or by the Chairperson of Board in case of absence or non-availability of Chairperson of the NRC , with the reason(s) recorded in writing.:

(a) The individual Members after completing their assessment of the Board and its Committees shall directly submit their respective through the Company's Board Portal within the aforesaid time frame; and

(b) The NRC members shall, after completing their evaluation of performance of individual directors, shall submit their report through the Company's Board Portal within the aforesaid time frame.

Members may submit the questionnaires only in a sealed envelope to NRC- Chairperson or in his/her absence/non-availability to Chairperson of Board, if the Board Portal is not working/unavailable due to technical issues.

6.5. After the receipt of all responses, the NRC- Chairperson or the Chairperson of Board, as the case may be, shall prepare a summary of the respective assessments, and brief the same to the Chairperson of the Board first. After taking views of the Chairperson of Board, the Chairperson of NRC shall brief the NRC and Board in its next meeting the findings of the evaluation and shall also prepare a list of areas of improvements in respect of functioning of the Board, Committees and individual Members for an action plan in respect of the areas identified for improvement ("**Action Plan**"). If the process has been handled by the Chairperson of Board himself/herself in the situation where the Chairperson of NRC was not available, then he/she may entrust this responsibility of any other member of NRC.

6.6. The management shall take necessary steps to implement the Action Plan and directions received from the Board. Company Secretary shall place status of Action Plan and Board's directions.

Further, the Board of Directors (including any committee thereto authorized in this behalf) may engage an external counsel/expert advisers/specialist etc. from to time,

a) to carry out the evaluation, as it may deem fit; and/ or

b) to obtain advice, reports or opinions etc. in connection with the evaluation process.

7. REVIEW, AMENDMENTS AND WAIVERS OF THE BOARD'S EVALUATION PROCESS

The Board Evaluation Process shall be reviewed by the Board as and when required but shall mandatorily review once at least every 3 (three) years for its adequacy and for any amendment, if any required.

ANNEXURE I

Board's Self-Evaluation Questionnaire

The purpose of this evaluation questionnaire is to improve the operation and functioning of the Board as a whole. Please use following reference codes for evaluation:

Assessment Description	Rating Reference Code
Meets Expectation	1
Needs Improvement	2
Does Not Meet Expectation	3

Note: *In case, the evaluator assigns rating reference code 2 or 3, the evaluator must also submit his/her suggestions for improvement. A separate sheet may be attached for the suggestions, if required.*

S.no.	Evaluation Factor	Rating
1.	**Competency of Directors**	
1.1.	Whether the composition of the Board is a proper mix of competencies and qualifications to conduct its affairs effectively considering the scale of business operations of the Company?	
1.2.	Whether Board has directors with enough experience to conduct its affairs effectively?	
1.3.	Whether the process of appointment to the board of directors of the Company is clear, transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender in the board of directors?	
2.	**Meetings of the Board**	
2.1.	Whether meetings of the Board are being regularly held?	
2.2.	Whether the frequency of such meetings is enough for the Board to undertake its duties properly?	
2.3.	Whether the logistics for the board meeting are being handled properly? (with specific reference to venue, format, timing)	
3.	**Agenda for the Board Meeting**	
3.1.	Whether the agenda is circulated well before the meeting and has all the relevant information which is necessary for the Board Members to take an informed decision on the matter under deliberation?	
3.2.	Whether the Board is able to complete its discussion and decision on all agenda items in its meetings?	
3.3.	Whether adequate and timely inputs are taken from the Board Members for finalisation of agenda for the meeting?	
3.4.	Whether the agenda includes adequate information on Committee's activities to enable the Board Members to take an informed decision?	

4.	**Discussions and Logistics**	
4.1.	Whether the Board properly deliberates on all the matters?	
4.2.	Whether the environment of the meeting is congenial, encouraging free and fair discussions, and contribution by everyone without any fear?	
4.3.	Whether the discussions generally add value to the decision making?	
4.4.	Whether the Board tends towards collective thinking and whether critical and dissenting suggestions are welcomed?	
4.5.	Whether all Members actively participate in the discussions?	
4.6.	Whether the Board collectively functions constructively as a team?	
5.	**Recording of minutes**	
5.1.	Whether the minutes are being properly & consistently recorded giving complete and accurate description of the proceedings?	
5.2.	Whether the minutes are approved in accordance with the provisions of applicable law and practices followed in the Company?	
5.3.	Whether the minutes are timely circulated to all the Board members?	
5.4.	Whether dissenting views during the meetings are duly recorded in the minutes?	
6.	**Dissemination of information**	
6.1.	Whether Board is adequately informed of material matters in between meetings?	
7.	**Role and responsibilities of the Board**	
7.1.	• Whether role and responsibilities of the Board are clearly documented? • Whether the roles and responsibilities of Chairperson and board reserved matters are clearly demarcated?	
7.2.	Whether the Board monitors the implementation of Board resolutions on a regular basis?	
8.	**Strategy and performance evaluation**	
8.1.	Whether significant time of the Board is being devoted to attend current and potential strategic issues?	
8.2.	Whether strategic risks are properly evaluated?	
8.3.	Whether the Board overall reviews corporate strategy, major plans of action, risk assessment and mitigation policy, annual budgets and business plans, performance objectives, performance of the Company, major capital expenditures, etc.?	
9.	**Governance and compliance**	
9.1.	Whether adequate time of the Board is being devoted to analyse and examine corporate governance and compliance issues?	

9.2.	Whether the Board monitors the effectiveness of its governance procedures and practices, and make changes, if required?	
9.3.	Whether the Board ensures integrity of the Company's accounting and financial reporting systems, including the independent audit, and ensures that appropriate systems of control are in place, *in particular*, systems for risk management, financial and operational control, and compliance with the law and relevant standards?	
9.4.	Whether the Board oversees the process of disclosures and communications?	
9.5.	Whether the Board evaluates and analyses the compliance certificate regarding compliance of conditions of corporate governance?	
10.	**Evaluation of Risks**	
10.1.	Whether Board regularly conducts a review exercise to evaluate high risk issues impacting or which may impact the Company?	
10.2.	Whether the risk assessment policies of the Company are robust and timely helps the Board and management to carry out proper SWOT analysis?	
11.	**Grievance redressal for Investors**	
11.1.	Whether the Board regularly reviews the grievance redressal mechanism of investors, details of grievances received, disposed of and those remaining unresolved?	
12.	**Conflict of interest**	
12.1.	Whether the Board monitors and manages potential conflicts of interest of management, Board Members and shareholders, including misuse of corporate assets and abuse in related party transactions?	
12.2.	Whether a sufficient number of non-executive members of the board of directors capable of exercising independent judgement are assigned to tasks where there is a potential for conflict of interest?	
13.	**Stakeholder value and responsibility**	
13.1.	Whether the Board acts on a fully informed basis, in good faith, with due diligence and care, with high ethical standards and in the best interest of the Company and its stakeholders?	
13.2.	Whether the Board strikes a proper balance between different groups of shareholders/ stakeholders of the Company while taking decisions impacting any particular group?	
13.3.	Whether the Board regularly reviews the Business Responsibility Reporting / related Corporate Social Responsibility initiatives of the Company and contribution to its shareholders, society, environment etc.?	
14.	**Review of Board evaluation**	
14.1.	Whether the Board monitors and reviews the Board evaluation framework?	
15.	**Facilitation of independent directors**	

15.1.	Whether the Board facilitates the independent directors to perform their role effectively as a member of the Board of Directors of the Company and also a member of a Committee of Board of Directors and any criticism by such Directors is taken constructively?	
16.	**Board and Management (Evaluation of performance of the Management and feedback)**	
16.1.	Whether the measures used are broad enough to monitor performance of the management of the Company?	
16.2.	Whether the management's performance is benchmarked against industry peers?	
16.3.	Whether remuneration of the management is in line with its performance and with industry peers?	
16.4.	Whether remuneration of the Board and the management is aligned with the long term interests of the Company and its shareholders?	
16.5.	Whether the Board selects, compensates, monitors and, when necessary, replaces key managerial personnel based on such evaluation?	
17.	**Independence of the Management from the Board**	
17.1.	Whether the level of independence of the management from the Board is adequate?	
18.	**Access of the Management to the Board and Board access to the Management**	
18.1.	Whether the Board and the management are able to actively access each other and exchange information?	
19.	**Secretarial support**	
19.1.	Whether adequate secretarial and logistical support is available for conducting Board meetings?	
20.	**Fund availability**	
20.1.	Whether sufficient funds are made available to the Board for conducting its meeting effectively, seeking expert advice e.g. legal, accounting, etc.?	
21.	**Succession plan**	
21.1.	Whether an appropriate and adequate succession plan is in place and is being reviewed and supervised regularly by the Board?	
22.	**Professional development**	
22.1.	Whether adequate induction and professional development programmes are made available to the directors?	
22.2.	Whether training is provided to the directors to ensure that they are kept up to date with the recent developments in the banking, finance and primary dealer industry?	

Name: ……. **Signature:……..** **Date:……..**

Annexure II

Committee Evaluation Questionnaire

The purpose of this evaluation questionnaire is to improve the operation and functioning of the Committee of Board. Please use following reference codes for evaluation:

Assessment Description	Rating Reference Code
Meets Expectation	1
Needs Improvement	2
Does Not Meet Expectation	3

Note: *In case, the evaluator assigns rating reference code 2 or 3, the evaluator must also submit his/her suggestions for improvement. A separate sheet may be attached for the suggestions, if required.*

Name of the Committee: …….

S.no.	Evaluation Factor	Rating
1.	**Mandate and composition**	
1.1.	Whether the mandate, composition and working procedures of Committees of the Board of Directors is clearly defined and disclosed?	
2.	**Effectiveness of the Committee**	
2.1.	Whether the Committee has fulfilled its functions as assigned by the Board and applicable laws?	
3.	**Structure of the Committee and meetings**	
3.1.	Whether the Committees have been structured properly and regular meetings are being held?	
3.2.	Whether the Committee discusses every issue comprehensively and depending on the importance of the subject?	
3.3.	Whether the environment of the meeting induces free-flowing discussions, healthy debate and contribution by everyone without any fear?	
3.4.	Whether the discussions generally add value to the decision making?	
3.5.	Whether the Committee follows the best practices of collective thinking and whether critical and dissenting suggestions are welcome?	
3.6.	Whether all members actively participate in the discussions?	
4.	**Independence of the Committee from the Board**	
4.1.	Whether adequate independence of the Committee is ensured from the Board?	
5.	**Contribution to decisions of the Board**	
5.1.	Whether the Committee's recommendations contribute effectively to decisions of the Board?	

6.	**Recordings of the decisions of the Committee**	
6.1.	Whether proper minutes of the Committee are recorded and circulated amongst its members?	
6.2.	Whether dissenting views are recorded in the minutes?	
6.3.	Is the mechanism regarding escalation of any matter to the Board of Directors which remain unresolved at the Committee level is acceptable and working?	

Name: ……. Signature:…….. Date:……..

Annexure III

Member Evaluation Questionnaire

The purpose of this evaluation questionnaire is to evaluate an individual member of the Board of Directors and their functioning. Please use following reference codes for evaluation:

Assessment Description	Rating Reference Code
Knowledgeable and Contributes for the Betterment of the Company	1
Needs Improvement	2
Does Not Meet Expectation	3

Note: *In case, the evaluator assigns rating reference code 2 or 3, the evaluator must also submit his/her suggestions for improvement. A separate sheet may be attached for the suggestions, if required.*

Name: ……

S.no.	Evaluation Factor	Rating
1.	**Qualifications**	
	Professional qualifications of the Member**.**	
2.	**Experience**	
	Prior experience of the Member, especially the experience relevant to financial sector in which the Company operates.	
3.	**Knowledge and Competency**	
3.1	Assessment of the members across different competencies as identified for effective functioning of the Company and the Board on the following parameters:	
	a) Knowledge of the industry in which the Company operates	
	b) Analytical skills	
	c) Ability to act as a leader	
	d) Ability to mentor second line of command	
	e) Contribution in enhancement of brand image of the Company	
	f) Management Skills	
4.	**Fulfilment of functions**	
4.1.	Whether the Member understands and fulfils the functions assigned to him/her by the Board and as may be required under the applicable law?	
5.	**Ability to function as a team**	
5.1.	Whether the Member is able to function as an effective team-member?	
6.	**Initiative**	
6.1.	Whether the Member actively takes initiative for the growth and development of the Company?	
7.	**Regularity and Punctuality**	
7.1.	Whether the Member is regular and punctual in attending meetings of the Board of Directors of the Company and/ or the Committees in which he/she is a member?	

8.	**Commitment**	
8.1.	Whether the Member is adequately committed to the Board and the Company?	
9.	**Contribution**	
9.1.	Whether the Member contributes to strategy and other areas impacting performance of the Company?	
9.2.	Whether the member brings his/her experience to deal with critical area of operations of the Company?	
10.	**Integrity**	
10.1.	Whether the Member demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.)?	
	ADDITIONAL CRITERIA FOR INDEPENDENT DIRECTORS	
a.	**Independence**	
	Whether Member is independent from the Company, its management and the other directors so that there is no conflict of interest and such Member discharge his/her obligations as an independent director without any influence?	
b.	**Independent views and judgement**	
	Whether the Member exercises his/ her own judgement and voices opinion freely?	
c.	**Criteria of Independence**	
	Whether the Member fulfill the criteria of independence as per Listing Regulations and the Companies Act, 2013 and Rules made thereunder?	
	ADDITIONAL CRITERIA FOR CHAIRPERSON	
a.	**Effectiveness of leadership and ability to steer the meetings**	
	Whether the Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meetings effectively?	
b.	**Impartiality**	
	Whether the Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc.?	
c.	**Commitment**	
	Whether the Chairperson is sufficiently committed to the Board and its meetings?	
d.	**Ability to keep shareholders' interests in mind**	
	Whether the Chairperson is able to keep shareholders' interest in mind during discussions and decisions?	

Name: ……. **Signature:……..** **Date:……..**