



**POLICY FOR EVALUATION OF THE BOARD, COMMITTEES OF THE BOARD AND THE INDIVIDUAL MEMBERS OF THE BOARD**

**VERSION CONTROL**

Version	Approval Date	Approving Authority	Owner
1.0	24-03-2023	Board	Secretarial Department
2.0	02-02-2024	Board	Secretarial Department

**PREAMBLE:**

The Policy for evaluation of the Board, Committees of the Board and the individual members of the Board is formulated by the UNITY SMALL FINANCE BANK LIMITED (hereinafter referred to as “the Bank” or “UNITY”) in accordance with the requirements of the Companies Act, 2013 (hereinafter referred to as “Act”).

**INTRODUCTION:**

As one of the most important functions of the Board of Directors is to oversee the functioning of Bank’s top management. This policy aims at establishing a procedure for conducting periodical evaluation of directors’ performance and formulating the criteria for determining qualification, positive attribute and independence of each and every director of the Bank in order to effectively determine issues relating to remuneration of every director.

This policy further aims at ensuring that the committees to which the Board of Directors has delegated specific responsibilities are performing efficiently in conformity with the prescribed functions and duties. In addition, the Independent Director shall carry out the evaluation of performance of every Non-Independent Director and Managing Director including Whole Time Director/s, Board as a whole and Chairperson of the Company taking into account the views of Executive Directors and Non-executive Directors in accordance with the criteria laid down.

Accordingly, the Policy provides a criteria for evaluation of the performance of:

1. Individual Directors (Independent Directors, Non-Independent Director);
2. Managing Director and Whole Time Director (WTD);
3. The Board as a whole;
4. The Chairperson of the Company (taking into account the views of executive directors and non-executive directors); and
5. The committees of the Board (done by Board)

**OBJECTIVE:**

The object of this policy is to formulate the framework and also to prescribe and lay down the broader criteria to evaluate the performance of the entire Board of the Company, individual Directors, Board Committees and Chairperson of the Company.

**RESPONSIBILITY:****A. Responsibility of the Board:**

It shall be the duty of the chairperson of the Board, who shall be supported by a Company Secretary to organise the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the directors’ and committees’ effectiveness, to maximise their strength and to tackle their shortcomings.

The evaluation may be done internally or through external agency and may be suggested by the Chairperson.

The Board of Directors shall undertake the following activities on an annual basis:

- The board as a whole shall discuss and analyse its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives. Illustrative list of criteria/form for Performance Evaluation of Board as a whole is enclosed as **Annexure D**.
- Review performance evaluation reports of individual Director and provide the suggestions, if any, on improving the effectiveness of performance of each Director. Illustrative list of criteria/form for Performance Evaluation of Director is enclosed as **Annexure A** and criteria/form for Performance Evaluation of Managing Director is enclosed as **Annexure B**.
- While doing the performance evaluation of independent director following shall be considered by the Board:
  - a. Performance of respective Director
  - b. Fulfilment of the independence criteria and their independence from the management

Evaluation of Director shall be carried on by the entire Board of Directors of the Company except by the Director who is getting evaluated.

- Review performance evaluation reports of various committees along with their suggestions on improving the effectiveness of the committee. Also, the requirement of establishing any new committees shall be reviewed by the Board on an annual basis. Illustrative list of criteria/form for Performance Evaluation of Committee is enclosed as **Annexure C**.
- Review the various strategies of the Company
- Ensure that adequate disclosure is made with regard to performance evaluation in the Board's Report.
- 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
- Discuss on the observations of Independent Directors w.r.t Performance Evaluation of Non-Independent Director and Managing Director, Board as a Whole and Chairperson of the Company.

#### **B. Responsibility of the Nomination & Remuneration Committee**

It shall be the duty of Nomination and Remuneration Committee to determine whether to extend or continue the term of appointment of the independent director inter alia basis the report of performance evaluation.

#### **C. Responsibility of the Independent Director:**

Independent Directors are duty bound to evaluate the performance of non-independent directors, Board as a whole and Chairman of the Company, taking into account the views of Executive Directors and Non-executive Directors. The independent directors of the Company shall hold at least one meeting in a year to review the performance of non-independent directors, performance of the chairperson of the Company, taking into account the views of Executive Directors and Non-executive Directors and Board as a whole. The independent directors at their separate meetings shall:

- a) review the performance of non-independent directors and Managing Director. Illustrative list of criteria/form for Performance Evaluation of Director and Managing Director is enclosed as **Annexure A and Annexure B** respectively.
- b) review the performance of Board as a whole. Illustrative list of criteria/form for Performance Evaluation of Board as a whole is enclosed as **Annexure D**.
- c) review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors. Illustrative list of criteria/form for Performance Evaluation of Chairperson is enclosed as **Annexure E**.
- d) 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.

The result of the same evaluation may be placed before the Board for their noting and action.

## **POLICY REVIEW**

Subject to the approval of Board of Directors, the “Nomination and Remuneration Committee” reserves its right to review and amend this policy, if required, to ascertain its appropriateness as per the needs of the Company.

The Policy shall be reviewed by the Nomination and Remuneration Committee at least once in a year and changes made therein, if any, shall be approved by the Board.

## **DELEGATION OF AUTHORITY:**

The Board of Directors of Bank delegates to the Chairperson of Nomination and Remuneration Committee, the task of incorporating the modification in the illustrative list of performance evaluation forms provided in this policy. The said modification as incorporated in the performance evaluation forms will be ratified by the Nomination and Remuneration Committee and Board at the time of annual review of policy.

## **DISCLOSURE**

In accordance with the requirement under the Act, disclosure regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various committees of Board, performance of Chairperson of the Company and individual directors’ performance, will be made by the Board of Directors in the Board’s Report.

Further, the Board’s Report containing such statement will be made available for the review of shareholders at the general meeting of the Company.

The Policy has been made available on Company’s official website and the key features of this Policy have also been included in the in the annual report of the Company.

**Annexure A**

## **ILLUSTRATIVE LIST OF CRITERIA FOR EVALUATION**

### **PERFORMANCE EVALUATION OF DIRECTOR (INDEPENDENT AND NON-INDEPENDENT DIRECTOR EXCEPT MANAGING DIRECTOR)**

**BY THE BOARD OF DIRECTORS AND INDEPENDENT DIRECTOR**

Sr. No.	Parameters	Rating in the Scale of 1 to 5 with '5' being the highest rating					Comments	
		Name of Director						
		Dir 1	Dir 2	Dir 3	Dir 4	Dir 5		
<b>Participation at Board/ Committee Meetings</b>								
1.	Director comes well prepared and informed for the Board / committee meeting(s)							
2.	Director demonstrates a willingness to devote time and effort to understand the Company and its business and a readiness to participate in events outside the meeting room, such as site visits.							
3.	Director has ability to remain focused at a governance level in Board/ Committee meetings.							
4.	Director contributions at Board / Committee meetings are of high quality and innovative.							
5.	Director proactively contributes in to development of strategy and to risk management of the Company.							
<b>Managing Relationship</b>								
6.	Director performance and behaviour promotes mutual trust and respect within the Board / Committee.							
7.	Director is effective and successful in managing relationships with fellow Board members and senior management							
<b>Knowledge and Skill</b>								
8.	Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board /Committee and helps monitor the same.							
9.	Director actively and successfully refreshes his/ her knowledge and skills and is up to date with the latest developments in areas such as corporate governance framework, financial reporting and the industry and market conditions.							
10.	Director is able to present his/ her views convincingly yet diplomatically.							
11.	Director listens and considers the views of other members of Board.							
12.	Director has sufficient understanding of the risk attached with the business structure.							
<b>Personal Attributes</b>								

13.	Director has maintained high standard of ethics and integrity.						
14.	Director maintains high level of confidentiality.						
15.	Director actively takes initiative with respect to various areas						
16.	Director is committed to ensure that there is fairness and integrity in functioning of Bank, in letter as well as spirit.						
17.	Director displays initiative with respect to follow up and closure of critical issues						
<b>Miscellaneous (Applicable only for Independent Director)</b>							
18.	Director exercises objective independent judgment in the best interest of Company.						
19.	Director helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.						
20.	Director keeps himself/ herself well informed about the Company and external environment in which it operates.						
21.	Director acts within his authority and assists in protecting the legitimate interest of the Company, Shareholders and employees.						
22.	Director adheres to the applicable code of conduct for independent directors.						

**General Comments/ Suggestions:**

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**Annexure B**

**PERFORMANCE EVALUATION OF MANAGING DIRECTOR/WHOLE TIME DIRECTOR  
BY INDEPENDENT DIRECTORS' COMMITTEE**

Sr. No.	Parameters	Rating in the Scale of 1 to 5 with '5' being the highest rating	Comments
<b>Leadership</b>			
1	The MD/WTD has shown clear vision in correctly anticipating business trends, opportunities and priorities affecting the Company's prosperity and operations		
2	The MD/WTD is open to constructive suggestions and exercised effective leadership for the organization.		
3	The MD/WTD has been an initiator, setting high working standards and pursuing goals with a high level of personal drive and energy.		
<b>Strategy Formulation &amp; Execution</b>			
4	The MD/WTD has developed policies, and strategic plans that harmoniously balance the needs of shareholders, clients, employees, and other stakeholders.		
5	The MD/WTD has accurately identified and analysed problems and issues confronting the Company		
6	The MD/WTD has ensured that Board members, senior management and other employees had participated in the formulation of strategic plans so that they had the ownership of the plans.		
7	The MD/WTD has assured that Company's resources and budgets are aligned to the implementation of the organization's strategic plan.		
8	The MD/WTD has established an effective organization structure, ensuring that there is management focus on key functions necessary for the organization to align with its mission.		
9	The MD/WTD has organized and delegated work accurately, and has performed his or her functions within his/her scope of responsibility.		
10	The MD/WTD has consistently made sound decisions and made timely adjustments in strategies, if required.		

11	The MD/WTB has ensured that the Company's operations complied with requirements from all pertinent laws and regulations.		
<b>Financial planning / performance</b>			
12	The MD/WTB has possessed a good understanding of the Company's financial measures relevant to its business and financial situation.		
13	The MD/WTB has effectively monitored and evaluated financial planning, budget and administrative operations.		
<b>Relationships with the Board</b>			
14	The MD/WTB has built strong working relationships with Board members and has worked closely and cooperatively with the Board in developing the mission, and short, medium and long-term strategic plans.		
15	The MD/WTB has demonstrated a sound knowledge of Board governance procedures and has consistently followed them.		
16	The MD/WTB has presented information to the Board on items requiring Board opinions and decisions in a professional manner, with recommendations based on thorough study and sound principles.		
17	The MD/WTB has been available to individual Board members whenever necessary, as well as supported the Board in its governance duties by providing necessary resources and other facilities		
<b>Human Resources Management/Relations/ External Relations</b>			
18	The MD/WTB has created and maintained an organizational culture and climate which attracts, keeps and motivates staff to carry out the Company's mission, strategic directions and organizational goals.		
19	The MD/WTB has ensured that the Company has good internal communication and treated all personnel fairly, without favoritism or discrimination		
20	The MD/WTB has effectively reviewed the Company's succession plan, and, if appropriate, made necessary changes by taking into account conditions that are external or internal to the Company.		



21	The MD/WTB has served as an effective Company's representative in communicating with all stakeholders.		
<b>Product/Service Knowledge</b>			
22	The MD/WTB has demonstrated a thorough knowledge and understanding about key aspects of the Company's products and services.		
23	The MD/WTB has a good understanding of the Company's business model and allocation of its resources, as well as business and industry environment.		
<b>Personal Qualities</b>			
24	The MD/WTB has attained an image that reflects positively on the Company, as well as demonstrated a personality, outlook, and attitude that wins trust and support from all stakeholders.		
25	The MD/WTB has maintained a high standard of ethics and integrity, as well as a healthy balance of time management and priorities in both work-related and personal matters		

**General Comments/ Suggestions:**

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## Annexure C

### PERFORMANCE EVALUATION OF COMMITTEES OF BOARD

#### BY THE BOARD OF DIRECTORS

Sr. No.	Parameters	Rating in the Scale of 1 to 5 with '5' being the highest rating	Comments
<b>Function and Duties</b>			
1.	The Committee of the Board are appropriately constituted.		
2.	The terms of reference for the committee are appropriate with clear defined roles and responsibilities.		
3.	The composition of the committee is in compliance with the legal requirement in terms of expertise and experience vis a vis terms of reference of Committee.		
4.	The amount of responsibility delegated by the Board to the committees is appropriate		
5.	The reporting by the Committees to the Board is sufficient.		
6.	The performance of Committees is assessed annually against the set goals of the committee.		
7.	Whether the terms of reference are adequate to serve committee's purpose?		
8.	The committee regularly reviews its mandate and performance.		
9.	Each Committee takes effective and proactive measures to perform its functions.		
<b>Management Relations</b>			
10.	Each Committee ensures its adequate independence		
11.	Meetings of the Committee are conducted in a manner that encourages open communication and meaningful participation of its members.		

Sr. No.	Parameters	Rating in the Scale of 1 to 5 with '5' being the highest rating	Comments
<b>Committee Meetings and Procedures</b>			
12.	Meetings of the Committee have been organized properly and appropriate procedures were followed in this regard		
13.	Frequency of the Committee meetings is adequate.		
14.	Committee makes periodically reporting to the Board along with its suggestions and recommendations.		
15.	Please inform in comments if there is a requirement to constitute any additional committee of the Board		

**General Comments/ Suggestions:**

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## Annexure D

### PERFORMANCE EVALUATION OF BOARD AS A WHOLE BY THE BOARD OF DIRECTORS AND INDEPENDENT DIRECTOR

Sr. No.	Considerations	Rating in the Scale of 1 to 5 with '5' being the highest rating	Comments
<b><u>Board Composition &amp; Quality</u></b>			
1	The Board has appropriate qualifications, expertise and experience to meet the best interests of the Company.		
2	The Board has appropriate combination of industry knowledge and diversity (gender, experience, background, competence).		
3	The Board has appropriate understanding of its duties, roles and responsibilities.		
4	All the independent directors are independent in true letter and spirit i.e. whether the independent Director has given declaration of independence and they exercise their own judgement, voice their concerns and act freely from any conflicts of interests.		
5	The tenure of members of the Board is adequately balanced between long tenured members providing continuity and new members bringing in fresh perspective.		
6	The Board uphold integrity, confidentiality, trustworthiness and high ethical standards.		
7	The Board members spend sufficient time in understanding the vision of the Company and strategic and business plans, financial reporting risks and related internal controls and provides critical oversight on the same.		
8	The Board understands the legal requirements and obligations under which they act as a Board; i.e. by laws, corporate governance manual etc. and discharge their functions accordingly.		

9	The Board monitors compliances with corporate governance regulations and guidelines		
10	An effective succession plan of Board is in place.		
<b><u>Board Meetings and Procedures</u></b>			
11	The Board meeting agenda and related background papers are concise and provide information of appropriate quality and detail		
12	The information is received by Board members sufficiently in advance for proper consideration.		
13	Adequacy of attendance and participation by the Board members at the Board meetings		
14	Frequency of Board Meetings is adequate		
15	The facility for video conferencing for conducting meetings is robust		
16	Openness to ideas and ability to challenge the practices and throwing up new ideas		
17	The amount of time spent on discussions on strategic and general issues is sufficient		
18	How effectively does the Board works collectively as a team in the best interest of the Company?		
19	The minutes of Board meetings are clear, accurate, consistent, complete and timely and records dissenting views.		
20	The actions arising from Board meetings are properly followed up and reviewed in subsequent Board meetings.		
<b><u>Board Strategy and Risk Management</u></b>			
21	The time spent on issues relating to the strategic direction and not day-to- day management responsibilities.		
22	The Board effectively reviews and guides corporate strategy, annual budget, capital structure, acquisitions & divestments and business plans and policies of the Company.		

23	The Board has developed a strategic plan / policies and the same would meet the future requirement of the Company.		
24	The Board has sufficient understanding of the risk attached with the business structure and the Board uses appropriate risk management framework and whether Board reviewed and understood the risks provided in the internal audit report and the management is taken sufficient steps to mitigate the risk.		
25	The Board evaluates the strategic plan/ policies periodically to assess the Company's performance, considers new opportunities and responds to unanticipated external developments.		
26	Monitoring the Company's internal controls and compliance with applicable laws and regulations.		
27	The Board periodically reviews the actual result of the Company vis-à-vis the plan/ policies devised earlier and suggests corrective measures, if required.		
<b><u>Board and Management Relations</u></b>			
28	The Board is well informed on all issues (short and long-term) being faced by the Company .		
29	The Board and the management are able to actively access each other and exchange information.		
30	The level of independence of the management from the Board is adequate.		
31	The Board monitors and effectively manage potential conflict of interest of management, Board members and shareholders including misuse of corporate assets and abuse in related party transactions.		
32	The Board members make decisions objectively and collaboratively in the best interest of the Company and feel collectively responsible for achieving Company goals.		
<b><u>Miscellaneous</u></b>			
33	Is the allocation of time by the Board optimal for meeting both the current challenges and future growth opportunities?		

34	The Board has established a Committee structure that enables clear focus on the important issues of the Company and such committees meet as and when required.		
35	The Board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements.		
36	Appropriateness of secretarial support made available to the Board.		
37	The Board regularly reviews the grievance redressal mechanism of investors.		

**General Comments/ Suggestions:**

## Annexure E

### PERFORMANCE EVALUATION OF CHAIRPERSON OF THE COMPANY BY INDEPENDENT DIRECTORS' COMMITTEE

Sr. No.	Parameters	Rating in the Scale of 1 to 5 with '5' being the highest rating	Comments
<b>Managing Relationships</b>			
1	The Chairperson actively manages shareholder, board, management and employee relationships and interests		
2	The Chairperson meets with stakeholders and statutory authorities, as and when required.		
3	The Chairperson manages meetings effectively and promotes a sense of participation in all the Board meetings.		
<b>Leadership</b>			
4	The Chairperson is an effective leader.		
5	The Chairperson promotes effective participation of all Board members in the decision making process.		
6	The Chairperson promotes the positive image of the Company.		
<b>Miscellaneous</b>			
7	Chairperson sets an example for all other board members on how to conduct themselves ethically in business		
8	Chairperson exhibits independent judgment while conducting the board meeting		
9	The Chairperson is effective in terms of focus, use of time and overall efficiency of Board meetings in taking informed decisions		
10	Chairperson is conscious of stakeholder interests and balances different interests effectively.		

#### General Comments/ Suggestions:

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