

# PERFORMANCE EVALUATION POLICY

## 1. Preface:

The Company conducts its operations under the overall direction of the Board of Directors within the framework laid down by various statutes, more particularly by the Companies Act, 2013; the Articles of Association, listing agreement with stock exchanges, internal code of conduct and policies formulated by the Company for its internal execution.

The Company's Board of Directors is dedicated to act in good faith; exercise their judgment on an informed basis and in the best interest of the company and its stakeholders. Accordingly, the present policy for performance evaluation is being put into place in accordance with the requirements of section 178 of the Companies Act, 2013 which provides that a policy is to be formulated and recommended to the Board, setting the criteria, based on which the performance of every director including the performance of the Board as a whole shall be assessed by the Board of Directors of the Company. Such an evaluation procedure will provide a fine system of checks and balances on the performance of the directors and will ensure that they exercise their powers in a rational manner.

## 2. Objectives:

The Performance Evaluation Policy ("**the Policy**") aims to maintain a proactive and effective Board. As one of the most important functions of the Board of Directors is to oversee the functioning of Company's top management, this Performance Evaluation Policy of Karnavati Finance Limited ("**the Company**") aims to ensure that individual directors ("**the Directors**") and the Board of Directors of the Company ("**the Board**") as a whole work efficiently and effectively in achieving Company's objectives.

The purposes of this policy are as under:

- Improving the performance of Board towards corporate goals and objectives.
- Assessing the balance of skills, knowledge and experience on the Board.
- Identifying the areas of concern and areas to be focused for improvement.
- Identifying and creating awareness about the role of Directors individually and collectively as Board.
- Building Team work among Board members.
- Effective Coordination between Board and Management.
- Overall growth of the organization.

## 3. Policy Statement:

The 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 director of the Company in order to effectively determine issues relating to remuneration of every director, key managerial personnel and other employees of the Company. 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.

#### **4. Responsibility of the Board:**

It shall be the duty of the chairperson of the board, who shall be supported by a Company Secretary to organize 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 maximize their strength and to tackle their shortcomings.

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

- The board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.
- To carry out performance evaluation of various committees on each of evaluation factor as provided in **Annexure I** and review the performance 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.
- Evaluation of every Independent Director shall be carried on by the entire Board of Directors of the Company, except the Director getting evaluated, on each of evaluation factor as provided in **Annexure II**.
- Review the various strategies of the company and accordingly set the performance objectives for directors.
- Ensure that adequate disclosure is made with regard to performance evaluation in the Board's Report.

#### **5. Responsibility of the Nomination & Remuneration Committee:**

It shall evaluate the performance of every individual Director of the Company on each of evaluation factor as provided in **Annexure III or Annexure IV**, as the case may be.

#### **6. Responsibility of Independent Directors:**

Independent Directors are duty bound to evaluate the performance of every non-independent directors and Board as a whole. 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 and Board as a whole, taking into account the views of executive directors and non-executive directors.

The independent directors at their separate meetings shall;

- Review the performance of every non-independent directors and the Board as whole on each of evaluation factor as provided in **Annexure III or Annexure IV**, as the case may be and **Annexure V** respectively;
- Review the performance of the Chairperson of the company on each of evaluation factor as provided in **Annexure VI**, taking into account the views of executive directors and non-executive directors;
- 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.

#### **7. 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 may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

**8. 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 directors 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 key features of this Policy have also been included in the corporate governance statement contained in the annual report of the Company.

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## EVALUATION OF BOARD COMMITTEES

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rating</b>	<b><i>How can the Committee do it better or differently</i></b>
1.	The Committees of the Board are appropriately constituted?		
2.	The terms of reference for the committee are appropriate with clear defined roles and responsibilities?		
3.	Observing Committees terms of reference.		
4.	The composition of the committee is in compliance with the legal requirement?		
5.	The amount of responsibility delegated by the Board to each of the committees is appropriate?		
6.	The reporting by each of the Committees to the Board is sufficient?		
7.	The performance of each of the Committees is assessed annually against the set goals of the committee?		
8.	Whether the terms of reference are adequate to serve committee's purpose?		
9.	The committee regularly reviews its mandate and performance?		
10.	Committee takes effective and proactive measures to perform its functions?		
11.	Committee gives effective suggestion and recommendation?		
12.	Committee meetings are conducted in a manner that encourages open communication and meaningful participation of its members?		
13.	Committee meetings have been organized properly and appropriate procedures were followed in this regard?		
14.	The frequency of the Committee meetings is		

	adequate?		
15.	Committee makes periodically reporting to the Board along with its suggestions and recommendations?		
16.	Overall rating of Committee's performance		
<b>Comment:</b> _____ _____ _____			
Please suggest three things that could improve Committee's performance.		Name of Director: _____	
1.		Signature: _____	
2.		Date: _____	

**EVALUATION OF INDEPENDENT DIRECTOR**  
(PEER REVIEW- by Directors other than director being evaluated)

Name of the Director: \_\_\_\_\_;

Category: Independent Director

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rating</b>	<b>How can the Independent Director do it better or differently</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's contributions at Board / Committee meetings are of high quality and innovative.		
5.	Director's proactively contributes in to development of strategy and to risk management of the Company.		
6.	Director's 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?		
8.	Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board / Committee.		
9.	Director actively and successfully refreshes his/ her knowledge and skills and 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 takes on Board the views of other members of Board.		
12.	Director has maintained high standard of ethics and integrity.		
13.	Director upholds ethical standards of integrity and probity.		
14.	Director exercises objective independent judgment in the best interest of Company.		
15.	Director has effectively assisted the Company in implementing best corporate governance practice and then monitors the same.		
16.	Director helps in bringing independent judgment during board deliberations on strategy, performance, risk management etc.		
17.	Director keeps himself/ herself well informed about the Company and external environment in which it operates.		
18.	Director acts within his authority and assists in protecting the legitimate interest of the Company, Shareholder and employees.		
19.	Director maintains high level of confidentiality.		
20.	Director adheres to the applicable code of conduct for independent directors		
21.	Overall rating of Independent Director's performance		

**Comment:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Please suggest two things that could improve Independent Director's performance.	Name of Director: _____
	Signature: _____
	Date: _____

**EVALUATION OF NON-EXECUTIVE DIRECTOR**  
(PEER REVIEW- by Directors other than director being evaluated)

Name of the Director: \_\_\_\_\_

Category: Non-executive Director

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

Sr. No.	Particulars	Rating	<i>How can the Non-Executive Director do it better or differently</i>
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's contributions at Board / Committee meetings are of high quality and innovative.		
5.	Director's proactively contributes in to development of strategy and to risk management of the Company.		
6.	Director's 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?		
8.	Director understands governance, regulatory, financial, fiduciary and ethical requirements of the Board / Committee.		
9.	Director actively and successfully refreshes his/ her knowledge and skills and 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 takes on Board the views of other members of Board.		
12.	Director has maintained high standard of ethics and integrity.		
13.	Overall rating of Non-Executive Director's performance		
<b>Comment:</b> _____ _____ _____			
Please suggest three things that could improve Non-Executive Director's performance.		Name of Director: _____	
1.		Signature: _____	
2.		Date: _____	

**EVALUATION OF  
MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR/EXECUTIVE DIRECTOR**

**Name of Director:** \_\_\_\_\_;

**Category:** Managing Director/ Whole-Time Director

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

Sr. No.	Evolution factor	Rating	<i>How can the MD/WTD/ED do it better or differently</i>
1.	Attendance, participations in the Meetings and timely inputs on the minutes of the meetings.		
2.	Contribution towards growth of the Company including actual vis-a-vis budgeted performance.		
3.	Leadership initiative, like new ideas and planning towards growth of the Company and steps initiated towards Branding of the Company.		
4.	Adherence to ethical standards & code of conduct of Company.		
5.	Team work attributes and supervising & training of staff members.		
6.	Compliance with policies, Reporting of frauds, violation etc. and disclosure of interest.		
7.	Safeguarding of interest of whistle blowers under vigil mechanism and Safeguard of confidential information.		
8.	Achievement of financial/business targets prescribed by the Board.		
9.	Developing and managing / executing business plans, operational plans, risk management, and financial affairs of the organization.		
10.	Display of leadership qualities i.e. correctly anticipating business trends, opportunities, and priorities affecting the Company's		

	prosperity and operations.		
11.	Development of policies, and strategic plans aligned with the vision and mission of Company and which harmoniously balance the needs of shareholders, clients, employees, and other stakeholders.		
12.	Establishment of an effective organization structure to ensure that there is management focus on key functions necessary for the organization to align with its mission; and		
13.	Managing relationships with the Board, management team, regulators, bankers, industry representatives and other stakeholders.		
14.	Overall rating of MD/WTD/ED's performance		
<b>Comment:</b> _____ _____ _____			
Please suggest two things that could improve MD/WTD/ED's performance.		Name of Director: _____	
1.		Signature: _____	
2.		Date: _____	

**EVALUATION OF BOARD**

(By all the directors or externally facilitated)

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rating</b>	<b>How can the board do it better or differently</b>
1.	The Board has appropriate 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).		
3.	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 judgment, voice their concerns and act freely from any conflicts of interests.		
4.	Board members demonstrate highest level of integrity (including maintaining confidentiality and identifying, disclosing and managing conflicts of interests).		
5.	The Board members spend sufficient time in understanding the vision, mission of the company and strategic and business plans, financial reporting risks and related internal controls and provides critical oversight on the same.		
6.	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.		
7.	The Board has set its goals and measures its performance against them on annual basis.		
8.	The Board has defined its stakeholders and has appropriate level of communication with them.		
9.	The Board understands the line between oversight and management.		

10.	The board monitors compliances with corporate governance regulations and guidelines.		
11.	An effective succession plan of board in place.		
12.	The Board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements.		
13.	The Board meeting agenda and related background papers are concise and provide information of appropriate quality and detail.		
14.	The information is received by board members sufficiently in advance for proper consideration.		
15.	Adequacy of attendance and participation by the board members at the board meetings.		
16.	Frequency of Board Meetings is adequate.		
17.	The Board meetings encourage a high quality of discussions and decision making.		
18.	Openness to ideas and ability to challenge the practices and throwing up new ideas.		
19.	The amount of time spent on discussions on strategic and general issues- is sufficient.		
20.	How effectively does the Board works collectively as a team in the best interest of the company?		
21.	The minutes of Board meetings are clear, accurate, consistent, complete and timely.		
22.	The actions arising from board meetings are properly followed up and reviewed in subsequent board meetings.		
23.	The processes are in place for ensuring that the board is kept fully informed on all material matters between meetings (including appropriate external information eg. Emerging risks and material regulatory changes).		
24.	Adequacy of the separate meetings of independent directors.		
25.	Appropriateness of secretarial support made available to the Board.		
26.	All proceedings and resolutions of the Board are recorded accurately, adequately and on a timely basis.		
27.	Appropriateness of the induction programme given to the new board members.		
28.	Timeliness and appropriateness of ongoing development programmes to enhance skills of its members.		

29.	Appropriate development opportunities are encouraged and communicated well in time.		
30.	The time spent on issues relating to the strategic direction and not day-today management responsibilities.		
31.	Engaging with management in the strategic planning process, including corporate goals, objectives and overall operating and financial plans to achieve them.		
32.	The Board has developed a strategic plan / policies and the same would meet the future requirement of the Company.		
33.	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.		
34.	The Board evaluates the strategic plan/ policies periodically to assess the Company's performance, considers new opportunities and responds to unanticipated external developments.		
35.	The Risk management framework is subject to review.		
36.	Monitoring the implementation of the long term strategic goals.		
37.	Monitoring the company's internal controls and compliance with applicable laws and regulations.		
38.	The adequacy of Board contingency plans for addressing and dealing with crisis situations.		
39.	Appropriateness of effective vigil mechanism.		
40.	The Board focuses its attention on long-term policy issues rather than short-term administrative matters.		
41.	The Board discusses thoroughly the annual budget of the Company and its implications before approving it.		
42.	The Board periodically reviews the actual result of the Company vis-à-vis the plan/ policies devised earlier and suggests corrective measures, if required.		
43.	The Board sets the overall tone and direction of the Company.		
44.	The Board has approved comprehensive policies and procedures for smooth conduct of all material		

	activities by Company.		
45.	The Board has a range of appropriate performance indicators that are used to monitor the performance of management.		
46.	The Board is well informed on all issues (short and long-term) being faced by the Company.		
47.	The Board adequately reviews proposed departures from the long-and short- term business plans of the Company before they take place.		
48.	The Board has a succession plan for the Chairperson and the Chief Executive Officer / Managing Director.		
49.	The Board reviews the existing succession plan and if appropriate, make necessary changes by taking into account the current conditions.		
<b>Comment:</b> _____ _____ _____			
Please suggest three things that could improve Board's performance.		Name of Director: _____	
1.		Signature: _____	
2.		Date: _____	

## EVALUATION OF CHAIRPERSON

**Rating Scale:**

<i>Outstanding</i>	<i>Exceeds Expectation</i>	<i>Meets Expectation</i>	<i>Needs Improvement</i>	<i>Poor</i>
5	4	3	2	1

<b>Sr. No.</b>	<b>Particulars</b>	<b>Rating</b>	<b>How can the Chairman do it better or differently</b>
1.	The Chairperson actively manages shareholder, board, management and employee relationships and interests.		
2.	The Chairperson meets with potential providers of equity and debt capital, if required.		
3.	The Chairperson manages meetings effectively and promotes a sense of participation in all the Board meetings.		
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.		
7.	The Chairperson promotes continuing training and development of directors.		
8.	Overall rating of Chairperson's performance		
<b>Comment:</b> _____ _____ _____			
Please suggest three things that could improve Chairperson's performance.		Name of Director: _____	
1.		Signature: _____	
2.		Date: _____	