

POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

OF PNB FINANCE & INDUSTRIES LIMITED

Effective date: 06th February, 2015

I. Introduction

M/s PNB Finance & Industries Limited (hereinafter know as “the Company”) believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior in consonance with the Company’s Code of Conduct policy for its employees and also for the Board of Directors. 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 is expected to comply with the letter and spirit of this Policy. Any actual or potential violation of these Codes by the Board Directors would be the matter of serious concern for the Company.

Investors, regulators, stakeholders and the society at large are increasingly demanding that the Board demonstrate leadership and control and they deliver their responsibilities for the best possible Company’s results – the expectations from the Board is to go beyond compliance.

As a result there is an increased demand for battle-tested directors – who fully understand the company’s strategy and operations. However, it is equally important for the Board members to be able to work as a cohesive group to be able to engage with all aspects of their job – strategic, succession planning and capital allocation. The right composition of directors with the optimum specialized skills is the only way towards an effective Board.

Board evaluations can contribute significantly to performance improvements at three levels:

- the organizational
- board and
- individual director level.

Accordingly, it is necessary for the Company to have in place an evaluation mechanism for evaluating the performance of the directors on its Board. Such an evaluation procedure will provide a fine system of checks and balances on the performance of the directors on the Board and will ensure that they exercise their powers in a prudent manner.

Comprehensive governance evaluations can entail reviewing the performance of a wide range of individuals and groups. Following three groups will be considered for the evaluation:

- the Board as whole (including committees)
- Non Independent directors
- Independent Directors.

Accordingly, the Company has developed a mechanism for the evaluation of performance of its Board, Committees and Individual Directors so that the interest of its stakeholders shall be served in the best possible manner.

II. Regulatory framework / requirement

Pursuant to provision of Section 178 of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Nomination & Remuneration Committee of the Board shall evaluate the performance of all Directors on the Board and lay down evaluation criteria for the evaluation of the performance of each individual Director and the Board as a whole.

III. Objective

The Object of this policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the entire Board of the Company.

IV. Criteria for evaluation:

i) Personal Traits for Individual Directors

- Highest personal and professional ethics, integrity and values
- Inquisitive and objective perspective, practical wisdom and mature judgment
- Demonstrated intelligence, maturity, wisdom and independent judgment
- Self-confidence to contribute to Board deliberations, and stature such that other board members will respect his or her views.

ii) Organisational Traits for Non Independent Directors

- Knowledge of the affairs of the Company;
- Contribution towards growth strategies of the Company;
- Expert opinion in respect of key issues brought to their attention;
- Resolution of conflict of interest issues of other Directors;
- Maintaining the corporate culture of the Company;
- Adhering to the Code of Conduct, SEBI Regulations and timely furnishing to the Company required disclosures under various applicable laws, change of interest and change in personal information.

iii) Organisational Traits for Independent Directors

- Attendance and participations in the Meetings
- Raising of valid concerns to the Board and constructive contribution to resolution of issues at Meetings
- Cordial interpersonal relations with other directors and management while maintaining a firm stance on governance issues
- Objective evaluation of Board's performance, rendering independent and unbiased opinion on matters brought to their attention.
- Adherence to ethical standards and code of conduct including code of conduct as specified in Schedule IV to the Companies Act, 2013 and timely furnishing to the Company required disclosures under various applicable laws, change of interest and change in personal information.

iv) Traits for Board/Committees

Improvement in effectiveness goes beyond imposing a structure, or requiring attendance at Board meetings. Surely these contributes to the Board governance building blocks, but to evaluate the Board's/committee's effectiveness in the organizational context, the following four criteria need to be examined:

- **Structural:** Right composition with elements which goes beyond what is prescribed by regulators; brings diversity, experience, specialized skills and expertise.
- **Strategic and performance orientation:** This demonstrate good understanding of strategy and staying focused on relevant areas; engages in important company matters at oversight level and not management level.
- **Governance and organizational focus:** Rigorously monitors the Company's performance along with the ability to understand and deal with factors having a significant bearing on the operations of the Company.
- **Board functioning and team dynamics:** Manner in which directors interact with each other and with the management and also consider the framework and conduct of the Board.

V. Evaluation mechanism

The Committee shall evaluate the performance of each Board of Directors of the Company with reference of the authority under the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Companies Act, 2013 and based on their functions as mentioned in the Code of Conduct of the Directors and the criteria for the evaluation of the performance as prescribed in the clause IV of this policy.

Evaluation of Independent Director shall be carried on by the entire Board in the same way as it is done for the Executive Directors of the Company except the Director getting evaluated.

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. The detail process of evaluation and ratings thereon are mentioned in the clause IV and clause VII of this policy respectively.

Based on the ratings given by the Nomination & Remuneration 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.

VI. Separate meeting for evaluation of performance of Board members:

The Independent Directors in their separate meeting shall evaluate the performance of Non-independent directors and the Board as a whole. 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 Nomination and Remuneration Committee for

performance evaluation on its web site for the reference and also in the Annual Report of the Company.

VII. Effectiveness of the Board and Committees of Board:

The overall effectiveness of the Board shall be measured on the basis of the ratings obtained from the Board Evaluation exercise and accordingly the Board shall decide the Appointments, Re-appointments and Removal of the non-performing Directors.

Rating parameters:

1. Good
2. Satisfactory
3. Average

VIII. Review

The Board shall monitor and review its Evaluation Mechanism once a year.