

IndusInd Bank Limited

POLICY ON PERFORMANCE EVALUATION OF THE BOARD

Background:

The Board of Directors (the “Board”) of IndusInd Bank Limited (“Bank”) has, basis the recommendation of the Compensation and Nomination & Remuneration Committee, adopted this Policy on Performance Evaluation of the Board (“Policy”) to comply with the various provisions under Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) and the Companies Act, 2013 (“Companies Act”).

The Policy is based on the SEBI circular dated January 5, 2017 which provides further clarity on the process of board evaluation (“SEBI Guidance Note”)

Introduction:

In an endeavour to enhance governance levels in the Bank in line with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors have formulated a policy for the performance evaluation of:

- (a) Independent and Non-Independent Directors;
- (b) Board of Directors as a whole;
- (c) Committees of the Board;
- (d) Chairman of the Board; and
- (e) Managing Director

This Policy aims at establishing a procedure for conducting periodical evaluation of Directors’ performance and formulating the criteria for determining the qualifications, positive attributes and independence of each Director, in order to effectively identify the persons who are qualified to continue as Directors, and to recommend to the Compensation & Nomination & Remuneration Committee (‘C&NRC’) and thereafter to the Board, their appointment or removal, determination of their remuneration, etc. and to enhance the functioning of the Committees and maximize their effectiveness.

Board Evaluation as an exercise is required to be conducted by the Directors of the Bank in line with the criteria for performance evaluation devised by the C&NRC. The Directors will be required to evaluate the other Directors, the Board of Directors as a whole, the Committees of the Board, the Chairman of the Board and Managing Director.

The Chairman of the C&NRC and of the Board shall, with the assistance of the Company Secretary or an external agency recommended by the C&NRC, conduct the evaluation process.

Objective:

The purposes of the Board Evaluation exercise are enumerated below:

- (i) To enhance performance of the Board in line with Bank's business plans.
- (ii) Balance of knowledge, skills and experience in the Board.
- (iii) To facilitate the identification of the areas of concern and the areas to be focussed upon for enhancing the functioning of the Board.
- (iv) To create awareness about the role of Directors individually, and collectively as a Board.
- (v) To steer the Board in direction of achieving the Bank's Mission and Vision.

Responsibility of the Compensation & Nomination & Remuneration Committee (C&NRC):

- a. C&NRC shall formulate the criteria for evaluation of performance of Board, Committees and individual Directors.
- b. C&NRC may carry out evaluation exercise on its own or through an external agency, based on defined parameters such as scope, timeframe, cost, etc.
- c. C&NRC shall review the process of conducting performance evaluation.
- d. C&NRC shall review the reports on evaluation of the Board, Committees (except NRC) and individual Directors (including Chairman of the Board and Managing Director.
- e. C&NRC shall determine whether to extend the term of appointment of the Independent Director, on the basis of the performance evaluation exercise.

Responsibility of the Independent Directors:

Independent Directors shall review the performance of Non-Independent Directors and of the Board as a whole, and shall review the performance of the Chairman of the Board, taking into account the views of Executive Directors and Non-Executive Directors.

Independent Directors shall also review the performance of Managing Director.

Independent Directors shall assess the quality, quantity and timeliness of flow of information between the Bank's management and the Board that is necessary for the Board to effectively perform their duties.

Responsibility of the Board of Directors:

1. The Chairman of the Board may communicate with every Director individually to discuss his / her performance during the year.
2. The Board shall review the performance evaluation of individual directors, Committees of the Board (including C&NRC), of Chairman of the Board and of the Managing Director.

3. The Board shall review the strategies of the Bank and shall set the performance objectives for Directors, consistent with the requirements of the Bank's business plans.
4. The Board, as a whole, shall discuss and evaluate their own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.
5. The Chairman of the Board shall provide feedback either verbally or through a written assessment to every Board Member.

Evaluation Factors and Parameters:

The following broad parameters shall be considered for the purposes of evaluating the performance of Directors, Chairman of the Board, Committees of the Board and the Board.

Parameters for evaluating the performance of the Board:

- Development of suitable strategies and business plans at appropriate time and their effectiveness;
- Implementation of robust policies and procedures;
- Size, structure, composition and expert knowledge;
- Oversight of the Financial Reporting Process, including Internal Audit and Internal Controls;
- Willingness to spend time and efforts in learning about the Bank and its businesses;
- Awareness about the latest developments in the areas such as Corporate Governance framework, financial reporting, industry and market conditions, etc.;
- Effectiveness of suggestions and recommendations to the subsidiary and associate companies;
- Communication with the Bank's management in relation to Board matters;
- Frequency of meetings and attendance of Directors.

The Performance Evaluation of the Board shall be reviewed by the Compensation and Nomination & Remuneration Committee and in the meeting of Independent Directors.

Parameters for evaluating the performance of the Committees:

- Discharge functions as per Terms of Reference of the respective Committees;
- Processes followed for discharging the functions;
- Effectiveness of responses to suggestions and recommendations received;
- Procedures followed in the conduct of its meetings.

The Performance Evaluation of the Committees shall be reviewed by C&NRC, the Independent Directors and in the Board.

The C&NRC shall not review its own performance.

Parameters for evaluating the performance of the Director(s):

- Participation in Board / Committee meetings;
- Attendance in Board / Committee meetings
- Effective utilisation of knowledge and expertise;
- Effective management of relationships with stakeholders;
- Integrity and maintaining of confidentiality;
- Independence of behaviour and judgment.
- Suggestions and recommendations to the Bank Management based on experience and expertise knowledge.

Performance Evaluation of Non-Independent Directors shall be reviewed by the Independent Directors, C&NRC and the Board.

Performance Evaluation of Independent Directors shall be reviewed by the C&NRC and by the Board.

Parameters for evaluating the performance of the Chairman of the Board:

- Managing relationships with Board members and the Bank’s management;
- Communication within the Board members;
- Providing ease of raising of issues and concerns by the Board members;
- Relationship and effectiveness of communication with the shareholders and other stakeholders.

Performance Evaluation of the Bank’s Chairman shall be conducted in meetings of C&NRC, of Independent Directors, and of the Board.

Disclosure in Board’s Report:

In accordance with the requirement under the Companies Act, 2013 and the Rules made thereunder, disclosures will be made in the Board’s Report forming part of the Annual Report regarding the manner in which the Performance Evaluation exercise has been conducted by the Board of Directors for its own performance, performance of various Committees, of individual Directors, of the Chairman of the Board and Managing Director.

Action Plan:

Based on the analysis of the responses, the Board, if thinks fit, may prepare an action plan on:

- Areas of improvement including training, skill building, etc. as may be required for Boardmembers
- List of actions required detailing:
 - Nature of actions
 - Timeline
 - Person responsible for implementation
 - Resources required, etc.

- Review of the actions within a specific time period

The action plan may be prepared by the Board in a comprehensive manner. Suggestions under the external assessment, individual member feedback, etc. may be taken into account while drafting the action plan. The Action Plan so prepared shall be placed before the Board and be circulated to all the board members who are responsible for its implementation. Further, the Board may review the progress of its implementation periodically but not later than the subsequent annual evaluation performance.

Review of the Policy:

The Policy shall accordingly be reviewed by March 31, 2026 by the Board, based on the recommendations of the Compensation and Nomination & Remuneration Committee.
