IndusInd Bank Limited

PERFORMANCE EVALUATION POLICY

1. Background:

The Board of Directors (the “Board”) of IndusInd Bank Limited (“Bank”) has, basis the recommendation of the Compensation and Nomination & Remuneration Committee, formulated and adopted this Performance Evaluation Policy (“Policy”), in terms of Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) read with SEBI circular dated January 5, 2017, which provides further clarity on the process of board evaluation (“SEBI Guidance Note”), the relevant provisions of the Companies Act, 2013 and the relevant rules made thereunder (“Companies Act”), as amended, from time to time.

2. Introduction:

In an endeavour to enhance governance levels in the Bank and in compliance with the aforesaid applicable laws, the Board of the Bank, has 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. Chairperson of the Board; and
e. Managing Director & CEO.

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 and 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 Chairperson of the Board and Managing Director.

The Chairperson of the C&NRC and of the Board, shall with the assistance of any external agency appointed by the C&NRC, for the said purpose, conduct the evaluation process.

3. Objective:

The purposes of the Board Evaluation exercise are enumerated below:

(a) To enhance performance of the Board in line with Bank’s business plans.
(b) Balance of knowledge, skills and experience in the Board.
(c) To facilitate the identification of the areas of concern and the areas to be focussed upon for enhancing the functioning of the Board.
(d) To create awareness about the role of Directors individually, and collectively as a Board.
(e) To steer the Board in direction of achieving the Bank’s Mission and Vision.

4. **Responsibility of the 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 Chairperson 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.

5. **Responsibility of the Independent Directors:**

Independent Directors shall review the

   a. Performance of Non-Independent Directors and of the Board as a whole, and shall review the performance of the Chairperson of the Board, taking into account the views of Executive Directors and Non-Executive Directors excluding the Chairperson.
   c. 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.
   d. The said review, shall be conducted by the Independent a separate meeting, without the attendance of non-independent directors and members of the management.

Independent Directors of the Bank, shall meet at-least once during the financial year for the said purpose.

6. **Responsibility of the Board:**

   a. The Chairperson of the Board may communicate with every Director individually to discuss his / her performance during the year.
   b. The Board shall review the performance evaluation of individual directors, Committees of the Board (including C&NRC), of Chairperson of the Board and of the Managing Director.
   c. 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.
   d. 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.
   e. The Chairperson of the Board shall provide feedback either verbally or through a written assessment to every Board Member.
f. The Board based on recommendation of C &NRC is required to monitor and review Board evaluation framework for Directors on an annual basis.

7. Parameters for evaluating performance:

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

1. Parameters for evaluating the performance of the Board:

a. Development of suitable strategies and business plans at appropriate time and their effectiveness;
b. Review of Implementation of robust policies and procedures;
c. Size, structure, composition and expert knowledge;
d. Oversight of the Financial Reporting Process, including Internal Audit and Internal Controls;
e. Willingness to spend time and efforts in learning about the Bank, its subsidiaries and associate company and their businesses;
f. Awareness about the latest developments in the areas such as Corporate Governance framework, financial reporting, industry and market conditions, etc.;
g. Effectiveness of suggestions and recommendations to the subsidiary and associate companies;
h. Communication with the Bank’s management in relation to Board matters;
i. 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.

2. Parameters for evaluating the performance of the Committees:

a. Discharge functions as per Terms of Reference of the respective Committees;
b. Processes followed for discharging the functions;
c. Effectiveness of responses to suggestions and recommendations received;
d. Procedures followed in the conduct of its meetings.
e. Communication with the Bank’s management in relation to Committee matters;
f. Frequency of meetings and attendance of Directors.

The Performance Evaluation of the Committees shall be reviewed by C&NRC, the Independent Directors and the Board. However, the C&NRC shall not review its own performance.

3. Parameters for evaluating the performance of the individual director(s):

a. Participation in Board / Committee meetings;
b. Attendance in Board / Committee meetings;
c. Effective utilisation of knowledge and expertise;
d. Willingness to spend time and efforts in the various familiarisation programs/ training programs organised/ referred by the Bank.
e. Effective management of relationships with stakeholders;
f. Integrity and maintaining of confidentiality;
g. Independence of behaviour and judgment.
h. 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 the Board.

4. **Parameters for evaluating the performance of the Chairperson of the Board:**

a. Managing relationships with Board members and the Bank’s management;
b. Communication within the Board members;
c. Conduct of proceedings of Board Meetings.
d. Providing ease of raising of issues and concerns by the Board members;
e. Relationship and effectiveness of communication with the shareholders and other stakeholders.

Performance Evaluation of the Bank’s Chairperson shall be conducted by the Board based on the recommendation of the C&NRC and the Independent Directors.

8. **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 Chairperson of the Board and Managing Director.

9. **Action Plan:**

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

a. Areas of improvement including training, skill building, etc. as may be required for Board members
b. List of actions required detailing:
   - Nature of actions
   - Timeline
   - Person responsible for implementation
   - Resources required, etc.
c. 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 shall review the progress of the implementation of Action Plan, periodically but not later than the subsequent annual evaluation performance.
10. **Review of the Policy:**

The Policy which has been reviewed and approved by the Committee on May 6, 2022, was reviewed and approved by the Board at its meeting held on May 10, 2022.

The Policy shall be reviewed at-least annually or pursuant to changes in the applicable laws, whichever is earlier. The Policy shall be submitted for its annual review by April 30, 2023.

The Board may review and approve amendments proposed to the Policy, as recommended by the Compensation and Nomination & Remuneration Committee or necessitated due to change in applicable laws.

In the event of change in the applicable laws, amendments to the Policy may be carried out, subject to approval by the Managing Director & CEO of the Bank. The revised Policy shall be effective from the date of said approval and placed at the ensuing meeting of the Compensation and Nomination & Remuneration Committee / Board, for its noting.

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