



NOMINATION AND REMUNERATION POLICY

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1. Introduction

Tamilnad Mercantile Bank (Bank) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and other shareholders. The Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Bank for appointment of directors and their remuneration.

The objective of the nomination and remuneration policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Regulations under the Act.

The policy shall ensure that the Bank has a Board with diverse background and experience in areas that are relevant for the Bank. It also seeks to lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board of the Bank.

2. DEFINITIONS

(a) "Committee" -Committee means Nomination and Remuneration Committee of the bank as constituted or reconstituted by the Board, from time to time.

(b) "Independent Director" - An Independent Director in relation to a Bank, means a director other than a managing director or a whole-time director or a nominee director —

1) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

2) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

3) who has or had no (pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten percent of his total income or such amount as may be prescribed) with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

4) none of whose relatives –

(i) is holding any security of or interest in the company, its holding subsidiary or associate company during the two immediately pre-ceding financial years or during the current financial year.

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two percent of the paid- up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed.

(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year.

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial year or during the current financial year or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub- clause (i) , (ii), or (iii)

5) who, neither himself nor any of his relatives—

(1) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years)

(2) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(i) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(ii) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non profit organization that receives twenty- five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

6) who possesses such other qualifications as may be prescribed.

(c) “Key Managerial Personnel” - Key Managerial Personnel means—

- (i) Chief Executive Officer or the Managing Director or the Manager;
- (ii) Company Secretary,
- (iii) Whole-time Director;
- (iv) Chief Financial Officer;
- (v) Such other Officer, not more than one level below the directors who is in whole time employment, designated as KMP by Board and
- (v) Such other Officer as may be prescribed.

(d) “Senior Management” – “senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the “executive directors, including all **Functional Heads** [“chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer].

The Functional Head means Deputy General Manager & above cadre, can be treated as functional head.

3. Applicability

The policy shall be applicable to the following:

- Directors
- Key Managerial Personnel
- Senior Management

The Policy covers the appointment, re-appointment, extension of tenure, removal and remuneration of above personnel.

4. Objectives

The key objectives of this policy are as under:

- a) Ensure compliance with applicable laws, rules and regulations as well as ‘Fit and Proper criteria’ of directors before their appointment
- b) Formulate criteria for determining qualifications, positive attributes and independence of directors
- c) Develop and regularly review succession plan for the Board
- d) Develop and recommend to the Board a set of corporate governance principles, that takes a leadership role in shaping the corporate governance of the Bank.
- e) Identify, assess and recommend to the Board on nominees for appointment as directors.
- f) Make recommendations to the Board as to the size, composition, structure of the Board and also evaluation criteria of the directors, conduct annual review of the performance of the Chief Executive Officer and also oversee the Bank’s Chief Executive Officer’s succession planning process.

- g) Retain, motivate and promote talent and to ensure long term sustainability of talented KMP and senior management.
- h) Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry
- i) Recommend to the Board in relation to appointment, removal and remuneration of Directors, KMP and senior management.

5. Constitution of the committee:

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent, out of which one shall be member of RMCB.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Chairman of the Committee shall be an Independent Director.
- d) Chairperson of the Bank may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- e) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- f) Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Bank.
- g) Membership of the Committee shall be disclosed in the Annual Report.
- h) Term of the Committee shall be continued unless reconstituted/terminated by the Board of Directors.
- i) The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Bank's policy and applicable statutory requirement.

6. Role of committee

The role of the Committee inter alia will be the following:

- ✓ To formulate criteria for determining qualifications, positive attributes and independence of a Director.
- ✓ To ensure 'fit and proper' status of proposed/ existing Directors
- ✓ Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

- ✓ Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- ✓ To recommend to the Board the appointment and removal of KMP and Senior Management.
- ✓ To specify the manner for effective evaluation of Director's performance and recommend to the Board appointment /removal based on his / her performance.
- ✓ To recommend to the Board the remuneration for Executive Directors, Key Managerial Personnel and Senior Executives and their incentive.
- ✓ To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of directorship subject to the provision of the law and service contract.
- ✓ Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- ✓ To oversee the framing, review and implementation of compensation policy of the bank on behalf of the board.
- ✓ To develop a succession plan for the Board and to regularly review the plan.

7. Frequency of meetings

The meeting of the Committee shall be held at such regular intervals as may be required.

8. General appointment criteria

- a) The Committee shall consider the ethical standards of integrity and probity, qualification.
- b) Expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
- c) The Bank should ensure that the person so appointed as Director/ Independent Director/KMP/Senior Management personnel shall not be disqualified under the **Banking Regulation Act, 1949**, Companies Act, 2013, **SEBI(LODR) 2015**, rules made thereunder or any other enactment for the time being in force and **Bank's policy, if any**.
- d) The Committee shall ensure that the person to be appointed as Director meets the "fit and proper criteria" as prescribed by the RBI.
- e) The Director/ Independent Director/ KMP/ Senior Management shall be appointed as per the procedure laid down under the provisions of the **Banking Regulation Act, 1949**, Companies Act, 2013, **SEBI(LODR) 2015**, rules made thereunder or any other enactment for the time being in force and **Bank's policy, if any**.

9. Appointment of Board and Directors

9.1 Board of Directors

The Board of Directors shall be responsible to ensure a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board.

The Board of Directors of the Bank shall **satisfy themselves** that there is a succession plan in place for appointment to the Board of Directors and senior management.

The Nomination and Remuneration Committee of the Bank shall identify persons who are qualified to become directors, who may be appointed in senior management in accordance with the applicable regulatory norms.

Composition

The Bank shall have a Board of Directors consisting of individuals as directors and shall have a minimum of seven directors and maximum of eleven directors with at least one-woman director. The Bank shall have at least one director who has stayed in India for a total period of not less than 180 days in the previous calendar year.

Qualification

The Board of Directors of the Bank shall have not less than 51% of total directors which should consist of persons who have special knowledge or practical experience in one or more of the following matters:

- Accountancy
- Agriculture and rural economy
- Banking
- Co-operation
- Economics
- Finance
- Law
- Small-scale industries
- Information Technology*
- Payment and Settlement Systems*
- Human Resource*
- Risk Management*
- Business Management*
- Any other matter which RBI would consider as useful to the Bank

** Included by RBI vide their notification dated November 24, 2016*

Not less than two shall be persons having special knowledge of agriculture and rural economy, cooperation or small-scale industry and

Shall not -

- (1) Have substantial interest in, or be connected with, whether as employee, manager or managing agent:
- (i) any Company not being a company registered under section 25 of the Companies Act, 1956 (1 of 1956), or Section 8 of the Companies Act, 2013 or
 - (ii) any firm,
which carries on any trade, commerce or industry and which, either case, is not a small-scale industrial concern, or
- (2) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern

Substantial Interest means (holding beneficial interest by an individual or his spouse or minor child, whether singly or taken together in shares of a company / firm, the paid-up amount of which exceeds Rs.5 lakh or 10% of the paid-up capital of the company / firm, whichever is less)],

The director must meet the 'fit and proper' criteria as follows:

- i. The Board of Directors of the Bank while nominating/ co-opting directors should be guided by certain broad 'fit and proper' norms for directors, viz. formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc., should be considered. The Board of Directors may, therefore, evolve appropriate systems for ensuring 'fit and proper' norms for directors, which may include calling for information by way of self-declaration, verification reports from market, etc.
- ii. The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.).
- iii. The upper age limit for MD & CEO and other Directors of the Bank should be 70 years and **75 years respectively**. He / she should not be a Member of Parliament/ Member of Legislative Assembly / Member of Legislative Council.
- iv. The Director shall furnish his Director Identification Number and a declaration that he is not disqualified to become a director under the Companies Act, 2013.

Disqualification and Restrictions

The Bank shall not employ any persons as a Director

- Who is, or at any time has been adjudicated insolvent, or has suspended payment or has compounded with his creditors, or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; or
- Whose remuneration or part of whose remuneration takes the form of commission or of a share in the profits of the Bank:
- Who is a director in any other Bank.
- Who is disqualified as per other criteria/restrictions mentioned in the Companies Act, 2013 and the Banking Regulation Act, 1949.

Restrictions

The Bank shall not have more than three directors which amongst themselves are entitled to exercise voting rights in excess of 20% of total voting rights of all shareholders of the Bank.

The Bank shall ensure that there shall be minimum gap of 3 years between the date on which director ceases to be member of the board after completing tenure of 8 years of service and his reappointment/co-opt at any future date.

9.2 Managing Director

Qualification

The Whole Time Director/ MD& CEO of the Bank should have special knowledge and practical experience of working of a Bank or a financial institution; or financial, economic or business administration.

Disqualification and Restrictions

The Bank shall not be managed or employ or continue employment of any person:

- Who at any time has been adjudged as insolvent, suspended payments, compounded with creditors, convicted by a criminal court of offence involving moral turpitude, or
- Whose remuneration or part of it, takes the form of commission or share of profit of the Bank, or
- Whose remuneration, is in the opinion of RBI, excessive, or
- Who is a director of any other Bank (not being a subsidiary or Section 25 company), or
- Who is engaged in any other business or vocation; or
- Whose term of office is exceeding 5 years at any one time **and maximum of 15 years.**

Tenor

A Managing Director or any other whole time Executive Directors of the Bank shall fulfill all conditions as applicable to the directors of the Bank.

No Director of the Bank, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years.

The Chairman and whole time directors, if removed from office, shall not be reappointed for a period of 4 years from the date of his ceasing to be the Chairman or whole time director as the case may be.

As per the Articles of Association of the Bank approved by the RBI, the Bank shall have a part-time Chairman and a whole time Managing Director (MD).

The whole time MD shall be in whole time employment of the Bank and can hold office at a time for a period of 5 years. The Bank shall ensure that the MD has prior RBI approval to undertake part-time honorary work if it is not likely to interfere with his duties as MD of the Bank.

The Bank shall renew or extend the term of office of the Managing Director by further periods not exceeding 5 years on each occasion subject to the condition that such renewal/extension shall not be sanctioned earlier than 2 years from the date on which the appointment is to come into force.

9.3 Independent Director

The Board of Directors and senior management shall facilitate the Independent Directors to perform their role effectively as a member of the Board of Directors and also as a member of a committee of Board of Directors. **The Nomination and Remuneration Committee of the Bank shall recommend on the basis of the report of performance evaluation of independent directors to decide whether to extend or continue the term of appointment of the Independent Director.**

The Independent Directors of the bank shall hold at least one meeting in a year, without the presence of non-independent directors and members of the management and all the Independent Directors shall strive to be present at such meeting.

Qualification

The Bank should appoint such persons as independent directors whose name is in the database of independent director maintained by the Indian Institute of Corporate Affairs and who is in the opinion of the Bank, are persons with integrity, possessing relevant expertise and experience and who satisfy the given criteria for independence as mentioned in the Companies Act, 2013, Banking Regulation Act, 1949.

Disqualification and Restriction

The Bank shall not appoint such person as Independent Directors as follows:

- (a) who, in the opinion of the Board, is not a person of integrity and possesses relevant expertise and experience;
- (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship, other than remuneration as such or having transaction not exceeding ten percentages of his total income or such other amount as may be prescribed with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives—
 - (i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:
Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
 - (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
 - (iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);"
- (e) who, neither himself nor any of his relatives—
 - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

"Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years."

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any nonprofit organization that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

Tenor

The appointment of an Independent Director on the Board of Directors of the Bank shall be for a period up to 5 years' maximum from his/her effective date of appointment, which can be extended for a further period of 5/3years' maximum subject to the approval of shareholders.

No Independent Director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiry of three years of ceasing to become an independent director.

10. Re-appointment/ Retirement of Director

The re-appointment of independent director shall be on the basis of report of performance evaluation. The Bank shall re-appoint Chairman, MD or CEO only after obtaining prior approval from RBI.

One third of the total number of directors (excluding independent directors) shall retire by rotation at every Annual General Meeting (AGM). If the number of retiring directors is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from office.

The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment. **The Board may fill up the vacancy on account of retirement by rotation if otherwise eligible, by appointing the retiring director or some other person.**

11. Resignation/Removal of a Director

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulation, the Nomination and Remuneration Committee may recommend to the Board with the reasons recorded in writing, removal of a Director, KMP and Senior Management subject to the provisions and compliance of the Companies Act, 2013, Articles of Associations and Bank's HR policy. Appointment of a director may also be terminated in accordance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the Articles of Association of the Bank from time to time in force.

Resignation of Director:

The Bank shall intimate the Registrar about the resignation of the Director and shall place the fact of such resignation in the report of directors laid in the immediately following general meeting. The resignation of a director shall take effect from the date on which the notice is received by the Bank or the date, if any, specified by the director in the notice, whichever is later. The director who has resigned, shall be liable even after his resignation for the offences which occurred during his tenure.

Removal of Directors:

The Bank shall by an ordinary resolution (**Special Resolution, second term of Independent Director**), remove a director before the expiry of the period of his office after giving him a reasonable opportunity of being heard, in case the Bank has not appointed such director by adopting the principle of proportional representation. The director who was removed from office shall not be re-appointed as a director by the Board of Directors.

The Bank shall send a special notice to remove a director or to appoint somebody in place of a director at the meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

12. Remuneration

The Nomination and Remuneration Committee (NRC) of the Bank shall evaluate the performance of the Directors including Independent director. The Board of Directors shall recommend all fees or compensation, if any, paid to executive directors, and shall require prior approval of RBI and approval of the shareholders in general meeting. The NRC shall ensure the following:

- i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate executive directors of the quality required to run the Bank successfully;
- ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- iii) remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long- term performance objectives appropriate to the working of the Bank and its goals.

The Bank shall obtain prior approval from the NRC on the remuneration paid to the Managing Director or KMP or Senior Management in compliance with RBI guidelines.

The Bank shall obtain necessary regulatory approvals from Reserve Bank of India for grant/modification of remuneration to Managing Director & Chief Executive Officer or Whole-Time Directors or any other Director. (Reference Section 35B of Banking Regulation Act of 1949).

12.1 Remuneration to Managing Director

The Remuneration/ Compensation/ Commission etc. to be paid to Managing Director etc. shall be governed as per provisions of the Companies Act, 2013, Banking Regulation Act, 1949 and rules made there under or any other enactment for the time being in force.

12.2 Remuneration to Independent Director

Independent Director shall not be an employee of the Bank and the appointment letter issued to him/her shall not constitute a contract of employment. The Bank shall pay the Independent Director remuneration by way of sitting fees and **reimburse their expenses** for attending meetings of the Board and its Committees as may be decided by the Board. Further, an Independent Director shall neither be paid remuneration by way of commission, nor shall be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

12.3 Remuneration to Non- Executive Director:

The Bank shall pay sitting fees to the Non-Executive Directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

The Bank should disclose the sitting fees/remuneration paid to directors in its Directors' Remuneration Report forming part of the Annual Report of the Bank.

12.4 Remuneration to KMP/Senior Management:

The remuneration paid to KMP/ Senior Management shall be **approved by NRC and Board.**

13. Reporting Requirement

The Bank shall disseminate the information on the “Nomination and Remuneration Policy” on its website and the **Director’s report.**

14. Disclosures relating to Appointment of Director

The Bank shall provide the shareholders with the following information in the case of appointment of a new director or re-appointment of a director:

- a) A brief resume of the director;
- b) Nature of his expertise in specific functional areas;
- c) Disclosure of relationships between directors inter-se;
- d) Names of listed entities in which the person also holds the directorship and the membership of Committees of the board along with listed entities from which the person has resigned in the past three years; and
- e) Shareholding of non-executive directors in the listed entity, including shareholding as a beneficial owner;
- f) In case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements.

15. Criteria for evaluation of the board**15.1 Qualifications, positive attributes, independence remuneration of directors**

The extant policy covers exhaustively the qualifications of the directors. In addition, it shall articulate on the positive attributes the director should possess. Further, methods to be adopted for evaluation of the Board, its members and committees needs to be put in place.

15.2 Positive attributes

1. Integrity and confidentiality of Bank’s agenda Paper
2. Wisdom and knowledge to take proper decisions and give guidance as a part of Board to the management for betterment of the Bank.
3. Ability to grasp the key points in the notes and to express opinions or offer constructive ideas towards better decision making
4. Ability to handle situations and people with empathy
5. Ability to be responsible in actions, articulate in communication and show firmness in approach
6. Be protective towards independence of directors while doing their duties
7. Commitment to the vision of the Bank and dedication to work towards the achievement of the same
8. Ability to work as a team with members from diverse environment

9. Don't influence the interested proposal

These attributes are required for any director to discharge his/her duties effectively and to general satisfaction of the fellow members.

Identification of independent directors, classification criteria and other aspects are already covered in the policy

15.3 Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) and other applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board shall carry out an annual performance evaluation of its own performance and of the directors individually, as well as the evaluation of the working of its various Committees.

The evaluation process shall cover various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees performance of the Board, the directors of the Board and various committees and performance of individual directors including the chairman of the Board, with regard to specific duties, obligations and governance.

15.4 Dos and Don'ts for Board of Directors

RBI vide its circular dated 9 March, 1992 had laid down some specific do's and don'ts for the directors of the board which should form the basis of individual evaluation of directors. Therefore, the same is reproduced below:

DO'S		DON'TS
i)	Attend the meetings regularly and effectively.	Do not send any instruction to any individual officer of the Bank or give direction to individual officer in any matter.
ii)	Study the Board papers thoroughly and use the good offices of the Chief Executive for eliciting any information at the Board meeting.	Do not involve yourself in any matter relating to personnel administration, whether it is appointment, transfer, posting or promotion or a redressal of individual grievances of any employee.
iii)	Ask the Chairman to furnish you with the Board papers and follow-up reports on a definite time schedule.	Do not interfere in the day-to-day functioning of the Bank.
iv)	Involve yourself as Director on the Board thoroughly in the matter of formulation of general policy and also ensure that performance of the Bank is monitored adequately at Board levels.	Do not approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official.
v)	Be familiar with the Board objectives of the Bank and the policy laid down by the Government and the Reserve Bank.	Do not involve yourself in the routine or everyday business and in the Management functions.

vi)	All constructive ideas for the better Management of the Bank and for making valuable contribution would be welcome.	Do not participate in the Board discussion if a proposal in which you are directly or indirectly interested comes up for discussion. Disclose your interest well in advance to the Chief Executive.
vii)	You must work as a team and not sponsor or be prejudice against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.	Do not reveal any information relating to any constituent of the Bank to anyone as you are under oath of secrecy and fidelity.

15.5 Following are the Criteria for evaluation of performance of Independent Directors and the Board:

Executive director:

Performance evaluation criteria for Non- Independent Directors (MD & CEO and Executive Directors).

S.No	Attributes
1.	Achievements under operational budget and performance against targets set
2	Informing the Board with regard to the Bank's financial health
3	Assist the Board in making informed decisions.
4	Leadership in developing strategies and organizational plans with the management and the Board of Directors
5	Exhibiting transparency and sense of responsibility by informing the members of the Board all matters concerning the Bank periodically
6	Effectiveness in being the public face of the Bank and judicious handling of media and Safeguarding of confidential information.
7	Being Realistic in target orientation and ensuring correct measure of performance.
8	Always keeping in sight the mission of the Bank and Motivating employees, providing assistance & directions
9	Establishment of internal control processes, monitoring policies and encouraging suggestions
10	Efficient networking within the industry and spreading contacts outside the industry and contacts with other business foray
11	Ensures compliance with all legal and regulatory requirements and compliance with ethical standards & code of conduct and exercising duties diligently

Non-executive Directors:

Performance evaluation criteria for Independent Directors.

S.No	Attributes
1.	Participated constructively and actively in the Committees of the Board in which they are members
2	Exercised their responsibilities in a bonafide manner in the interest of the Bank.
3	Devoted sufficient time and attention to their professional obligations for informed and balanced decision making
4	Did not abuse their position to the detriment of the Bank or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated

	person
5	Refrained from any action that would lead to loss of his independence / Informing the Board immediately when they lose their independence
6	Did not unfairly obstruct the functioning of proper Board or Committee of the Board
7	Assisted the Bank in implementing the best corporate governance practices
8	Kept themselves well informed about the Bank and the external environment in which it operates
9	Have abided by the Bank's Memorandum and Articles of Association, Bank's policies and procedures including code of conduct, insider trading guidelines etc.
10	Moderated and arbitrated in the interest of the Bank as a whole, in situations of conflict between management and shareholders' interest

Performance evaluation criteria for Non-Independent Directors.

S.No	Attributes
1	Attendance for the meetings
2	Integrity and Confidentiality / Wisdom and Knowledge
3	Commitment and Dedication towards the Vision and providing Constructive ideas for the better Management of the Bank
4	Being protective towards independence of the Directors and Firmness in approach
5	Work as a team and not sponsor or be prejudice and against individual proposals
6	Keeping the knowledge updated with the current and latest happenings in the industry and sharing them among the members
7	Involvement as Director on the Board thoroughly in the matter of formulation of general policy.
8	Active participation as a member and Contribution to discussion on strategy
9	Decisions based on skill, knowledge and expertise coupled with reasonable care and handling of situation and people
10	Familiarity with the Board objectives and the policy laid down by the Government and the Reserve Bank.

Performance evaluation criteria for Chairman:

S.No	Attributes
1.	Guiding and steering the discussions to correct conclusion after taking inputs from other members of the Board / Committee.
2.	Working with the Board / Committee and direct the management for creating an effective process for long-range or strategic planning for the Company.
3.	Coordinating the meetings effectively and conduct the meetings within stipulated time.
4.	Having professional approach and mutual respect to other Board / Committee members
5.	Taking leadership role and be instrumental in judicious decision making.
6.	Keeping shareholders' interest in mind during discussions and decisions.
7.	Being impartial in conducting discussions, seeking views and dealing with dissent.
8.	Effective handling of critical situations concerning the Bank.
9.	Thinks strategically to promote growth, improve financial performance and gain competitive advantage
10.	Overall performance as a Chairman of the Board / Committee

The evaluation shall be in the form of a questionnaire which will have set of parameters with marks allocated to each parameter. The marks received on each evaluation will indicate the quality of the evaluated committee/member. Necessary arrangement may be made for any sort of training that may be required for all the members including any new members to familiarize themselves with the evaluation structure, which can also be conducted through external agency, if necessary.

Further, to ensure that the Board has all the latest information available with regard to various happenings in the field of Banking, Finance, Economics, IT etc., regular training may be arranged.

16. Policy Review and Updates

This policy will be reviewed by the Nomination Committee or by the Board annually. The Policy will also be subject to amendments necessitated due to change in committee composition, changes in laws, rules, and regulations as and when required.
