

***JM FINANCIAL CAPITAL LIMITED***

***POLICY ON PERFORMANCE EVALUATION  
AND REMUNERATION OF THE DIRECTORS***

## **POLICY ON PERFORMANCE EVALUATION AND REMUNERATION OF THE DIRECTORS**

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### **Scope:**

- All members of the Board of Directors

### **Objectives**

- To formulate the process of assessing the effective evaluation of performance of the Board of the Company, the Board committees, individual directors and the Chairman of the Company (collectively called “Performance Evaluation”). The performance evaluation process aims to increase the participation and contribution in the Board level deliberations by the directors of JM Financial Capital Limited.
- To monitor and evaluate the attainment of the Board/committees/individual directors’ objectives.
- To provide the Directors an opportunity to reflect on and assess their areas of strength and development.

### **Evaluation Process for Directors:**

JM Financial Group follows annual 360° evaluation for its Key Managerial Persons and other eligible employees including the senior management team as per the Group’s Policy.

Similarly, the Performance Evaluation is carried out on an annual basis for the Board as a whole, its committees, individual directors and the Chairman. The process involves the following steps:

- define criteria for evaluation of performance;
- formulate the process for performance evaluation for each level;
- design the annual performance evaluation questionnaire;
- coordinate and collate the feedback received for each Director;
- analyze of the feedback received from each Director and prepare summary thereof;
- share the evaluation summary with the Chairman of the Nomination and Remuneration Committee;
- share the feedback with the Chairman of the Board.

The above process will be implemented and controlled from the Chairman's office and the summary will be prepared without attributing any comment to the person who made it. Such summary of observations will be shared with the individual directors in confidence.

### **Key Evaluation Criteria**

- Providing effective leadership and strategic guidance to the management;
- Understanding the Business, including the Risks and regulatory landscape;
- Attendance at and active engagement in the discussion of business performance, competitive landscape and strategies;
- Development and monitoring of leadership teams;
- Compliance focus and insistence on ethical business practices;
- Nudging for long term focus areas such as Succession Planning, Business Continuity Planning etc.;
- Management of conflicts in Board discussion;
- Management of Conflict of Interest.

### **Evaluation Mechanism:**

#### **a. Performance Evaluation of Board:**

- i. The performance evaluation of the individual Directors, the Chairman of the Board, the Managing Director and the Board as a whole, shall be carried out on the basis of the feedback received from the Directors in the questionnaires circulated amongst them on an annual basis.

#### **b. Performance Evaluation of Independent Directors** shall be done by the entire Board of Directors which shall include:

- i. Performance of the Directors; and
- ii. fulfillment of the independence criteria as specified in the Companies Act, 2013 and their independence from the management.

#### **c. Performance Evaluation of the Board Committees:**

The performance evaluation of the Board Committees shall be conducted on an annual basis. The separate set of questionnaire for each of the Committees, shall be sent to the directors for their feedback.

In the above evaluation, the directors who are subject to evaluation shall not participate.

The summary of the feedback received shall be prepared and the same shall be given to the Chairman of the Nomination and Remuneration Committee for discussion.

## **Disclosures:**

This Policy shall be placed on the website of the Company and the salient features thereof along with the web address shall be disclosed in the Directors' Report.

## **Criteria for determination of Remuneration of Directors:**

### **Non-Executive Director(s)**

The Non-executive Director(s) and the Independent Director(s) will receive remuneration by way of sitting fees for attending meetings of the Board and/or Committees thereof, as decided by the Board from time to time subject to the limits specified under the Companies Act, 2013 (the Act) including any amendments thereto. In addition to the sitting fees, the Non-executive Director(s) and the Independent Director(s) may also be paid commission as may be determined by the Board subject to the limits specified under the Act.

The remuneration of Non-executive Director(s) and Independent Director(s) will be governed by the role assumed, number of meetings of the Board and the committees thereof attended by the directors, the position held by them as the Chairman and member of the committees of the Board and overall contribution to the business. Besides these, the determination of remuneration of independent directors will also depend on the external competitive environment, track record, individual performance of the directors and performance of the Company as well as the industry standards.

### **Executive Director(s)**

The remuneration structure for Executive Director(s) is consistent with the policies governing the employees and senior management of the Company. It consists of two parts – Fixed and Variable:

- **Fixed remuneration**

The objective of fixed compensation is to ensure internal and external parity. The fixed component is reviewed annually and a market aligned fixed compensation structure is proposed.

- **Variable remuneration**

Apart from the fixed component, Executive Director(s) is/are eligible for a performance linked variable compensation component i.e. 'Discretionary Bonus'. The payout of this component depends on Executive Directors' individual performance and performance of the Company.

The compensation strategy of the Company is meritocracy based and the remuneration policy is designed to encourage high performance culture while aligning itself to the highly competitive business environment.

The compensation structure of the Executive Director(s) is also reviewed by the Nomination and Remuneration Committee and approved by the Members of the Company.

The Fixed and Variable compensation of Executive Director(s) is determined on the basis of:

- Market benchmarking
- Individual performance
- Performance of the Company

**Policy Review:**

This Policy shall be reviewed by the Nomination and Remuneration Committee to ensure compliance with any changes in the provisions of the Act or as may be prescribed by the Nomination and Remuneration Committee/Board. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board of Directors for their approval.

In case of any amendments in the provisions of the Act, which makes any of the provisions in the Policy inconsistent with the Act, then the provisions of the Act would prevail over the Policy and the Policy shall stand amended effective from date of such amendments, as notified from time to time.

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