

VLS Securities Limited

Policy on Board Evaluation

Overview

The Board plays a vital role in ensuring the Company's, timely inputs are given to enhance its performance and set the right direction for growth. Hence it is important that every individual Board Member effectively contributes in the Board deliberations.

Policy

The Board's policy is to assess the effectiveness of the Board as a whole and of its Committees. Individual Board Members are assessed on their effective contribution and commitment to their role and responsibilities as directors. The criteria for Board evaluation formulated by the Nomination and Remuneration Committee of the Company shall be disclosed in the annual report.

Process

This process includes a questionnaire designed to assess the performance of the Board and its committees, and enhance their overall effectiveness.

Board performance targets include:-

- a) Knowledge of the Job Profile.
- b) Execution skills.
- c) Attendance and participations in the Meetings.
- d) Expert opinions in respect of the serious issues.
- e) Strategies formulated and successfully implemented.
- f) Various directions provided in the best interest of the Company on key issues.

Norms for Performance Evaluation of Directors

- a) The performance evaluation of Non-Executive Directors (including Independent Directors but excluding Nominee Director(s)) shall be carried out by each of the other directors on the Board. It shall be carried out once in every financial year in the manner mentioned hereinafter.
- b) The entire process of evaluation shall be carried out in such a way that the collective result of the evaluation is only known to the person evaluated. Towards this end, an electronic platform may be mounted and operated in the similar manner as the employee performance evaluation. The evaluators will be provided the access whereby they can download the form for evaluation, fill and submit the same electronically. All the technical and process help will be provided to the evaluating directors by the Company.
- c) The independent directors will be evaluated on the five criteria as are mentioned below:
 - 1) Ethics and Values
 - 2) Knowledge and proficiency
 - 3) Diligence
 - 4) Behavioral traits; and
 - 5) Efforts for personal development

The above five criteria will be further divided in to sub-criteria, not exceeding five for each of the criteria. These will also bring out whether or not a director has necessary positive attributes which are necessary for discharging his duties and responsibilities as the Director of the Company.

- d) A rating scale of 5 (five) will be used to give scores for each of the sub criteria:
 - 1) Outstanding - 5
 - 2) Very Good - 4
 - 3) Good - 3
 - 4) Poor-2
 - 5) Unsatisfactory – 1
- e) Each evaluating director will provide scores for each of the Independent Directors. The evaluating director will give scores for each of the sub-criteria comprising each of the criteria mentioned above. The scores will be based on the rating scale as mentioned in d) above.
- f) The evaluator will have to provide reasons for rating score of 1 or 2 and suggestions, if any, for improvement.
- g) The final score for each of the Independent Directors will be arrived at in the manner given below:
 - i) The score for each of the criteria will be arrived at by totaling the scores for sub-criteria and dividing them by the number of sub criteria.
 - ii) The total score from each evaluator will be arrived at by adding up the scores of all criteria and dividing the total by 5 (five).
 - iii) The total score for an Independent Director will be arrived at by adding the scores from all evaluators and dividing such total score by the number of evaluators.
- h) The Chairman will convey the results of the evaluation to the concerned Independent Director.
 - i) In case the total score of an independent director is less than or equal to 2, the Chairman shall convey to such Independent Director the reasons for the score mentioned by the evaluator(s), and suggestions for improvements, if any.
 - j) If an Independent Director gets scores of less than or equal to 2 for his whole tenure, he shall not be eligible for re-appointment for a further term as Director of the Company.
- k) The Performance Evaluation of the Executive Directors shall be carried out by the Independent Directors in the manner mentioned above.

Effectiveness of the Board

Based on the ratings given by the Committee to each Director, the overall effectiveness of the Board and its Committees shall be measured and accordingly the Board shall decide the appointments, re-appointments and removal of the non-performing Directors of the Company.

Amendment

The Board has the right to substitute, amend or modify this Policy in whole or in part, at any time without assigning any reason, whatsoever.