

## BOARD EVALUATION POLICY

### Introduction;

An effective board defines the company's purpose and then sets a strategy to deliver it, underpinned by the values and behaviours that shape its culture and the way it conducts its business. It will be able to explain the main trends and factors affecting the long-term success and future viability of the company.

A company's purpose is the reason for which it exists. The board is responsible for setting and reconfirming the company's purpose. A well-defined purpose will help companies to articulate their business model, and develop their strategy, operating practices and approach to risk. Companies with a clear purpose often find it easier to engage with their workforce, customers and the wider public.

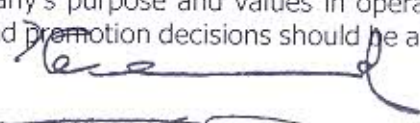
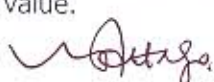
A sound understanding at board level of how value is created over time is key in steering strategies and business models towards a sustainable future. This is not limited to value that is found in the financial statements. An understanding of how intangible sources of value are developed, managed and sustained – for example a highly trained workforce, intellectual property or brand recognition is increasingly relevant to an understanding of the company's performance and the impact of its activity. These are important considerations for boards when setting corporate strategy.

Boards have a responsibility for the health of the company and need to take a long-term view. This is in contrast to the priorities of some investors, not all of whom will be aligned with the pursuit of success over the long-term. An effective board will manage the conflict between short-term interests and the long-term impacts of its decisions; it will assess shareholder and stakeholder interests from the perspective of the long-term sustainable success of the company.

Effective directors will understand their duties both collectively and individually. Directors' duties are articulated in the Companies Act, Articles of Associations and in the Charter of the Board. Directors are expected to act in a manner consistent with their statutory duties, and to uphold the highest standards of integrity and support the chair in instilling the appropriate values, behaviours and culture in the boardroom and beyond. The boardroom should be a place for robust debate where challenge, support, diversity of thought and teamwork are essential features. Diversity of skills, background and personal strengths is an important driver of a board's effectiveness, creating different perspectives among directors, and breaking down a tendency towards 'group think'.

Openness and accountability matter at every level. Good governance means a focus on how this takes place throughout the company and by those who act on its behalf. The quality of governance will be evident in the way the company conducts business, for example, how it treats its workforce, customers and suppliers. The board sets the framework of values within which the desired corporate culture can evolve and thrive. Ownership of the values will be stronger if a collaborative approach is taken and both the leadership and the workforce are involved in a two-way process to define the company's values.

It is important for trust that companies avoid giving contradictory messages through their decisions, strategies or conduct. Directors can reinforce values through their own behaviour and decisions. To do this effectively, executive and non-executive directors may need to increase their visibility. To have an impact on behavioural outcomes and influence the way business is done, values need to be embedded at every level of the organisation. Boards will need assurance from management that it has effectively embedded the company's purpose and values in operational policies and practices. In particular, incentives, rewards and promotion decisions should be aligned to value.



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## **Purpose;**

Board performance evaluations provide the Board with an opportunity for consideration, reflection and discussion of its performance, the performance of its committees, the Chair and individual directors. The purpose of these evaluations is not only to review the effectiveness of individual directors and the Board but also to identify gaps in skills, experience and expertise that would need to be filled in order to promote Board effectiveness and satisfy fitness requirements. This policy sets out how these evaluations will be conducted.

## **Regulatory Framework:**

Clause 6 (5) (b) (iv) read with the applicable Clauses of Corporate Governance Code of Bangladesh Securities and Exchange Commission require the Nomination and Remuneration Committee of a company ("NRC") to formulate the criteria for evaluation of performance of Independent Directors and the Board. Further, the Board of Directors is responsible for monitoring and reviewing of the Board Evaluation framework.

The Board of Directors is also required to satisfy itself that plans are in place for orderly succession for appointments to the Board and to senior management.

This Board Evaluation policy is framed as per the requirements of the aforesaid governance code.

## **Manner of Evaluation;**

### **Evaluation of Individual Directors Including Independent Directors**

Performance of individual Directors of the Company (including the Chairperson and Independent Directors) shall be evaluated, on an annual basis, by: (i) the Board as a whole (excluding the Director being evaluated); and (ii) the Nomination and Remuneration Committee.

In carrying out its evaluation, the Board and/ or the Nomination and Remuneration Committee, shall keep in mind the evaluation parameters set out in: (i) Annexure 1 (ii) Annexure 2 with respect to the Board; and (iii) Annexure 3 with respect to the Board Committees of the Company.

While evaluating the performance of individual Directors, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual Director, the performance of the Company and the role of the individual Director within the Company. Further, the Nomination and Remuneration Committee shall determine whether to extend or continue the term of appointment of each Independent Director, on the basis of the report of performance evaluation of Independent Directors.

### **Evaluation of the Board**

The Board shall, on an annual basis, evaluate its own performance keeping in mind the evaluation parameters set out in Annexure 2.

In addition, the Independent Directors, without the presence of the non-Independent Directors of the Company, shall (i) review the performance of the Board as a whole in accordance with the evaluation parameters set out in Annexure 1; and (ii) assess the quality, quantity and timelines of flow of information between the management of the Company and the Board that is necessary for the Board to effectively and reasonably perform its duties.



## Evaluation of the Board Committees

The Board shall, on an annual basis, evaluate the performance of each Board Committee as per the evaluation parameters set out in Annexure 3.

In addition, the Independent Directors, without the presence of the non-Independent Directors of the Company, shall (i) review the performance of the Committees as a whole in accordance with the evaluation parameters set out in Annexure 3; and (ii) assess the quality, quantity and timelines of flow of information between the management of the Company and the Board Committees that is necessary for the Board to effectively and reasonably perform its duties.

## Criteria for Evaluation

The criteria for evaluation are laid out in the relevant Annexures. These include quantitative questions along with an option to provide qualitative comments. Each of the questions have the following five options:

- i) Strongly Disagree- 01 point
- ii) Disagree-02 point
- iii) No opinion-03 point
- iv) Agree-04 point
- v) Strongly agree-05 point

## Feedback

The Chairman of Board or the Chairman NR Committee shall give [a written assessment/ an oral feedback] to:

- i) each Director separately;
- ii) the entire Board; and
- iii) each Board Committee.

Provided in case the members are not comfortable with open individual assessment, provision for confidentiality may be made where possible.

## Action Plan

Once responses from all the Directors have been received, a summary of results of the Board evaluation will be placed before the Nomination and Remuneration Committee. Based on the feedback from each member, an average rating for each question will be obtained. All questions with average rating of 4.00 or less have been identified as areas for reflection and action planning. These are not necessarily the problem areas but definitely the areas where processes/ practices can be improved to meet the best governance standards and the Board may devise a plan to address such identified areas ("Action Plan").

The Action Plan should carry in detail the following:

- i) The nature of actions, including training and skill building, required to be undertaken to address the identified areas.
- ii) Timeline within which the actions detailed in the Action Plan shall be completed.
- iii) Persons responsible for the implementation of the Action Plan.
- iv) Resources required to achieve the objectives set out in the Action Plan.

The Board must review the actions set out in the Action Plan within a specific time period.



## Policy Review

Subject to the approval of the Board, the Nomination and Remuneration Committee reserves its right to review and recommend for amending this Policy, if required, to ascertain its appropriateness as per the needs of the Company.

## Disclosure

The Corporate Governance Code 5 (C) of Bangladesh Securities and Exchange Commission requires to disclose the evaluation criteria in the annual report of a company. Thus, the key features of this Policy will be included in the corporate governance statement contained in the annual report of the Company.

## Parameters of Board Evaluation

### Board Structure

Board and Committee composition and constitution • Diversity • Competencies of the members • Board and Committee charters • Frequency of meetings • Board processes

### Boards Role in Governance


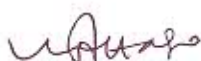
Direction: Business strategy governance • Monitoring: Monitoring of policies, systems and strategy implementation • Supporting and advisory role

### Dynamics and Functioning

Annual Board calendar • Information availability • Interactions and communication with MD & CEO and senior management • Board agenda • Cohesiveness and quality of participation in Board meetings • Chair person's role

### Financial Reporting Process, Internal Controls, Risk Management

Integrity and robustness of financial and other controls • Risk management • Abusive related party transactions • Whistle blower mechanism



**Annexure 1 | Individual Director (Including Independent Director and Chairperson)**

*This questionnaire has been designed to enable the assessment of every individual director by all members of the Board, saving the Director who is being evaluated. Every question would need to be evaluated on a 5 point scale as given below.*

- i) Strongly Disagree- 01 point
- ii) Disagree-02 point
- iii) No opinion-03 point
- iv) Agree-04 point
- v) Strongly agree-05 point

Individual Director Assessment	
Name of the Director	
Qualification	
Experience	
Assessment Criteria	Assessment Point
Knowledge and Competency:	
i. The Director is competent, as per the criteria identified by the Nomination and Remuneration Committee for the effective functioning of the Company and the Board	
ii. The Director has sufficient understanding and knowledge of the Company and the sector in which it operates	
The Director understands and fulfils the functions to him/her as assigned by the Board including his/her duties and responsibilities under the Governance Code, Code of Conduct, Articles of Association and the Companies Act	
The Director is an effective team member	
The Director is proactive to take initiative with respect to various development areas	
The Director attends the meeting regularly and timely.	
The Director is committed to the Board and the Company	
The Director contributes effectively to the Company and in the Board meetings	
The Director demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, Code of Conduct etc.)	
The Director maintains good interpersonal relationship among other directors and senior management	
The Director insists on receiving information necessary for decision making.	
The Director remains updated in terms of developments taking place in regulatory areas.	
The Director remains concern about conflict of interest and related party transactions.	
The Director ensure non-disclosure of confidential information, including technologies, unpublished price sensitive information.	
The Director doesn't take part in insider trading	
The Director exercises his/ her own judgment and voices opinion freely.	
Additional Criteria for Chairperson	
The Chairperson	
1. emphasizes, while setting a board agenda focusing on strategy, performance, value creation, culture, stakeholders and accountability and ensures that issues relevant to these areas are reserved for board decision;	

*Signature*

*Signature*



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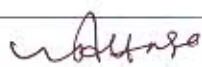
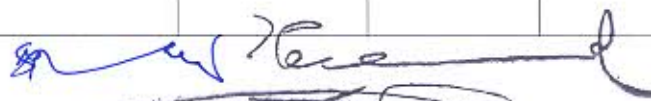
2. Shaping the culture in the boardroom by encouraging all board members to engage in board and committee meetings by drawing on their skills, experience and knowledge	
3. fostering relationships based on trust, mutual respect and open communication – both in and outside the boardroom between non-executive directors and the executive team	
4. developing a productive working relationship with the chief executive, providing support and advice, while respecting executive responsibility	
5. providing guidance and mentoring to new directors as appropriate	
The Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall steer the meeting effectively	
The Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc.	

## Annexure 2 | Criteria and Feedback form for Board Evaluation

*This criteria and questionnaire have been designed to enable the assessment of overall evaluation of the Board.*

<b>Structure of the Board</b>	Appropriate	Developing	Needs Development
The Board as a whole has directors with a proper mix of competencies to conduct its affairs effectively			
Board as a whole has directors with adequate experience to conduct its affairs effectively			
Board as a whole has directors with a proper mix of qualifications to conduct its affairs effectively			
There is sufficient diversity in the Board (Gender/background/competence/experience)			
The process of appointment to the board of directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender in the Board			
<b>Meetings of the Board</b>			
The meetings are being held on a regular basis			
The frequency of meetings is sufficient for the Board to carry out its duties properly			
The agenda is circulated well before the meeting and the agenda has all the relevant information to take decisions on the matter			
The outstanding items of previous meetings are followed-up and taken up in subsequent agendas			
Adequate and timely inputs are taken from the Board members prior to setting of the Agenda for the meeting			

The agenda includes adequate information on the various Committee's activities			
All members actively participate in the discussions and The discussions generally add value to the decision making			
The minutes of the Board meeting are being recorded properly, clearly, completely, accurately and consistently			
The minutes of the Board are circulated to all the Board Members, Dissenting views are welcomed and recorded in the minutes (if requires)			
<b>Functions of the Board</b>			
Role and responsibility of the Board is clearly documented e.g. Difference in roles of Chairman and CEO, matter reserved for the Board, etc.			
Significant time of the Board is being devoted to management of current and potential strategic issues			
Various scenario planning is used to evaluate strategic risks			
The Board overall reviews and guides corporate strategy, major plans of action, risk policy, annual budgets and business plans, sets performance objectives, monitor implementation and corporate performance, and oversee major capital expenditures, acquisitions and divestments			
<b>Governance and Compliance</b>			
Adequate time of the Board is being devoted to analyse and examine governance and compliance issues and oversee the process of disclosure and communications			
The Board monitors the effectiveness of its governance practices and makes changes as needed			
The Board ensures the integrity of the Company's accounting and financial reporting systems, including the independent audit, and the appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards			
The Board evaluates and analyses the compliance status of corporate governance code			
<b>Risk Assessment</b>			
The Board undertakes a review of the high risk issues impacting the Company regularly			
The risk appetite defined by the board is sound to identify inherent risks associated with the business and monitored on a continuous basis to effective mitigation and control			

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<b>Grievance Redressal for Investors &amp; Conflict of Interest Evaluation</b>			
<p>The Board regularly reviews the grievance redressal mechanism of investors, details of grievances received, disposed of and those remaining unresolved</p>			
<p>The Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions</p>			
<b>Stakeholder Value and Responsibility</b>			
<p>The decision making process of the Board is adequate to assess creation of stakeholder value</p>			
<p>The Board has mechanisms in place to communicate and engage with various stakeholders</p>			
<p>The Board acts on a fully informed basis, in good faith, with due diligence and care, with high ethical standards and in the best interest of the Company and the stakeholders</p>			
<p>The Board regularly reviews the corporate social responsibility initiatives of and contribution to society, environment etc.</p>			
<b>Board and management</b>			
<p>The Board evaluates and monitors management, especially the MD &amp; CEO regularly and fairly and provides constructive feedback and strategic guidance</p>			
<p>Monitor performance of the management</p>			
<p>The remuneration of the management is in line with its performance and industry peers</p>			
<p>The remuneration of the Board and the management is aligned with the long term interests of the company and its shareholders</p>			
<p>The Board selects, compensates, monitors and, when necessary, replaces key managerial personnel based on such evaluation</p>			
<p>The independence of the management is adequate</p>			
<p>An appropriate succession plan is in place and is being reviewed and overseen regularly by the Board</p>			
<p>Adequate induction and professional development programmes are made available to new and old directors</p>			
<p>The Board facilitates the independent directors to perform their role effectively</p>			



Has management identified appropriate KPIs that are properly aligned to desired outcomes and behaviours?	
What does the workforce say about 'the tone from the top' and the 'tone from the middle'?	
How are key promotions decided?	
Is management using root cause analysis where cultural issues are found, examining not just what went wrong but why?	
How can we use technology to analyse, interpret and present information?	
How does the company deal with breaches of company rules or codes of conduct?	

### Annexure 3 | General Evaluation Criteria for the Committees of the Board

While evaluating the performance of the Committees of the Board the following general criteria as laid out in the Corporate Governance Code of BSEC shall be considered by the Board. Every question would need to be evaluated on a 5 point scale as given below.

- i) Strongly Disagree- 01 point
- ii) Disagree-02 point
- iii) No opinion-03 point
- iv) Agree-04 point
- v) Strongly agree-05 point

Name of the Committee:		
Parameter	Description	Assessment Point
<i>Mandate and Composition</i>	The Mandate, composition and working procedures of the committees of the Board are clearly defined and discussed	
<i>Effectiveness of the Committee</i>	The committee has fulfilled its functions as assigned by the Board and laws as may be applicable	
<i>Structure of the Committee and meetings</i>	The committee is properly structured and has regular meetings	
	The frequency of such meetings is enough for the committee to carry out its duties properly	
	The agenda is circulated well before the meeting	
	The agenda has all the relevant information to take decisions on the matter	
	The agenda is up to date, regularly reviewed and involves major substantial decisions	
	The quality of agenda and committee papers is up to the mark (explains issues properly, not overly lengthy, etc.)	
	The outstanding items of previous meetings are followed-up and taken up in subsequent agendas	
	The time allotted for the every item (especially substantive items) in the agenda of the meeting is sufficient for adequate discussions on the subject	
	Adequate and timely inputs are taken from the committee members prior to setting of the Agenda for the meeting	
	The committee discusses every issue comprehensively and based on the importance of the subject	

## Questionnaire of the Board Evaluation

Questions to ask themselves (board members)	Comments
How do we know that management is identifying and addressing future challenges and opportunities?	
What proportion of board time is spent on financial performance management versus other matters of strategic importance?	
Is the balance between the focus on immediate issues and long-term success appropriate?	
Are we playing an active role in shaping long-term investment plans to underpin delivery of strategy and value creation?	
Is sufficient board time allocated to idea generation, opportunity identification and innovation?	
Are we using scenario analysis to help us assess the strategic importance and potential impact of our challenges and opportunities?	
How will we assess and measure the impact of our decisions on financial performance, the value for shareholders and the impact on key stakeholders?	
How do we demonstrate ethical leadership and display the behaviours we expect from others?	
To what extent is our own way of operating a reflection of the values we are promoting?	
How do we articulate and communicate what we consider to be acceptable business practices?	
What behaviours are being driven when setting strategy and financial targets?	
How consistent is company strategy with our purpose and values, and our responsibilities for long-term success and to contribute to wider society?	
Have relevant members of the executive team been invited to explain the issues at the earlier stages, enabling all directors to share concerns or challenge assumptions well before the point of decision?	
Does the board have a clear idea of the success criteria related to a particular decision?	
Can we describe how stakeholders are prioritised and why?	
What are the key concerns of our workforce, our suppliers and our customers, and how are we addressing them?	
Does the workforce consider that customers and suppliers are treated fairly and that the company cares about its impact on the environment and community?	
Have we sought input from enough stakeholders to be comfortable that we have a rounded view?	
Have we listened properly to the stakeholder voice and what impact has this had on our decisions?	
Questions to ask management (senior leaders)	Comments
How have the values and expected behaviours been reinforced in our recruitment, promotion, reward, performance management and other policies, processes and practices?	
Do reward structures produce appropriate incentives that encourage desired behaviours and responsible risk-taking?	
What steps has management taken to communicate values and expected behaviours widely and clearly across the company?	
What assurance is there that the code of conduct and ethics training programmes are up to date, adequately communicated and understood by the workforce?	
What steps has management taken to ensure that suppliers meet expected standards of behaviour?	

	The discussions generally add value to the decision making and all members actively participate in the discussions	
	The minutes of the committee meeting are being recorded properly – clearly, completely, accurately and consistently	
	The minutes of the committee are approved in accordance with set procedures	
	The minutes of the committee are circulated to all the committee members	
	Dissenting views are recorded in the minutes, if requires	
	All the relevant information of the meeting are disseminated to the members timely, frequently, accurately, regularly	
<i>Independence of the Committee from the Board</i>	The independence of the committee is ensured	
<i>Contribution to decisions of the Board</i>	The committee's recommendations contribute effectively to the decisions of the Board	
<i>Authority</i>	The Committee has authority to report on the findings and has access to papers and people	

#### Questionnaire of the Committee Evaluation

Questions to ask themselves (Audit Committee)	Comments
Are we satisfied that the company has adequate internal controls over risk?	
Is sufficient time allocated on the board agenda to enable a full discussion of the work of the audit committee?	
How has the board assessed whether the audit committee has a balance of skills and competencies necessary to fulfil its remit?	
How is the audit committee managing and monitoring the non-audit work the company's auditors deliver across the group?	
Are there clear procedures and triggers in place to elevate risks to the board quickly?	
Questions to ask management (Nomination and Remuneration Committee)	Comments
Have we assessed what skillset is required for the board and its committees?	
Do we reassess the make-up of the board as a result of emerging trends?	
Do we take account of the technical skills and knowledge required by the committees when recruiting members?	
How often is a skills audit undertaken and are we keeping up with the pace of change?	
How long should length of service be extended and how does this fit with wider succession planning and company objectives?	
How is executive remuneration aligned with wider company pay policy?	
How are we innovating and updating our executive remuneration policy, for example, to strengthen the incentives for long-term thinking?	
How does executive remuneration link to our strategy and KPIs?	
How will any financial and non-financial performance measures support long-term thinking and delivery against strategy?	