

## Terms and Conditions of Appointment of Independent Directors

*[Pursuant to the provisions of Schedule IV to the Companies Act, 2013]*

The broad terms and conditions of appointment of Independent Directors are reproduced hereunder:

### A. Terms of Appointment

- The appointment of an Independent Director can be made subject to the compliance of the Companies Act, 2013 (“Act”) and rule made thereunder, provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), provisions of the Banking Regulation Act, 1949 (“BR Act”), the Articles of Association of the Bank and any other circular and/or guidelines issued by the Ministry of Corporate Affairs, SEBI and RBI from time to time in this regard.
- The Independent Director shall satisfy the criteria specified under section 149(6) of the Act and Regulation 16 of the SEBI Listing Regulations.
- The Independent Director shall submit a declaration to the Bank at the beginning of every Financial Year or whenever there is change in circumstances which may affect their status as an Independent Director under Section 149 (7) of the Act and Regulation 25(8) of the SEBI Listing Regulations stating that they meet the criteria of Independence, as provided under Section 149 of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations, and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.
- So long as the Director is an Independent Director of the Bank, the number of companies in which they can hold office as a Director, or a chairman or committee member shall not exceed the limit stipulated under the Act and SEBI Listing Regulations.
- So long as they are a director in the Bank, they cannot be appointed as a director in any other Bank.
- So long as they are an Independent Director of the Bank, they will ensure that they do not get disqualified to act as a Director under Section 164 of the Act or debarred from holding office of director by virtue of order of SEBI or by any such other authority.
- The Independent Director shall not be liable to retire by rotation.
- The independent director shall hold office up to a period of such years as may be approved by the Board/Shareholders, as applicable, or such other period as may be prescribed by the BR Act, Act and SEBI Listing Regulations, whichever is earlier.
- The Independent Director shall be eligible for re-appointment, subject to approval of members of the Bank pursuant to provisions of The Act.
- Independent Director shall ensure compliance with the provisions of the Companies Act, 2013, Banking Regulation Act, 1949, SEBI Listing Regulations and notifications/circulars/guidelines issued other law as may be applicable.

## **B. Committees**

Independent Director may be appointed as a member of the Committees of the Board as and when decided by the Board. Their responsibilities as a member of the committees, when appointed shall be as per the respective committee's role, functions & responsibilities.

## **C. Role, Duties and Responsibilities**

1. As member of the Board, the Independent Director along with other Directors shall be collectively responsible for meeting the objectives of the Board which includes:
  1. Requirements under the Act, Schedule IV of the Act and the Rules made thereunder
  2. Requirements as mentioned under the Banking Regulation Act, 1949
  3. Requirements as mentioned under the SEBI Listing Regulations
  4. Responsibilities of the Board as outlined in the Corporate Governance requirements
  5. Accountability under the Director's Responsibility Statement
  6. Overseeing the maintenance of high standards of Values and ethical conduct of business
  7. Overseeing Bank contribution to enhancing the quality of life of communities
2. Independent Directors shall abide by the Policy on Code of Conduct of the Bank, Code for Independent Director as outlined pursuant to Schedule IV of the Act and duties of directors as provided in the Act (including Section 166).
3. Independent Director shall also be responsible for providing guidance in the area of his/her expertise.
4. Independent Director is expected to stay updated on how best to discharge his/her roles, responsibilities, and duties and liabilities, as an Independent Director of the Bank under applicable law, including keeping abreast of current changes and trends in economic, political, social, financial, legal and corporate governance practices.
5. Independent Directors is expected to:
  - (i) Take decisions objectively and solely in the interests of the Bank;
  - (ii) Facilitate Bank's adherence to high standards of ethics and corporate behavior;
  - (iii) Guide the Board in monitoring the effectiveness of the Bank's governance practices and to recommend changes, required if any;
  - (iv) Guide the Board in monitoring and managing potential conflicts of interest of Management, Board Members and Stakeholders, including misuse of corporate assets and abuse in related party transactions;
  - (v) Guide the Board in ensuring the integrity of the Bank's accounting and financial reporting systems, including the independent audit, and that 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.
6. The Independent Director shall hold at least one meeting in every financial year without the presence of Non-Independent Director pursuant to Regulation 25 of SEBI Listing Regulation and Schedule IV of the Act.
7. The Company Secretary of the Bank, will intimate the dates of Board and Board Committee Meetings in advance, providing sufficient opportunity to prepare well in advance.

A copy of the Schedule IV of the Act has been enclosed as **Annexure 1**.

Duties of Directors as per Section 166 of the Act has been enclosed as **Annexure 2**.

#### **D. Performance Evaluation**

Independent Director's reappointment or extension of term and remuneration will be recommended by the Board or its authorised Committee, pursuant to a performance evaluation carried out by the Board subject to requisite approvals from the Members of the Bank, as may be applicable.

#### **E. Remuneration**

1. Remuneration will be as under:

- (a) Sitting fees as and when decided by the Board and its Committee, subject to limit specified in the Act, and
  - (b) Any other commission and/or fee shall be subject to the provisions of the Act, BR Act & as per the Bank's Nomination and Remuneration policy
2. They will be entitled to reimbursement of expenses incurred them in connection with attending the Board Meetings, Board Committee meetings, general meetings and in relation to the business of the Bank towards hotel accommodation, travelling and other out-of-pocket expenses.
3. Pursuant to applicable law, Independent Director will not be entitled to any stock options.

#### **F. Disclosures, other directorships and business interests**

During the term, Independent Director agree to promptly notify the Bank of any change in their directorships and provide such other disclosures and information as may be required under the applicable laws. He/shall, upon becoming aware of any potential conflict of interest with his/her, position as Independent Director of the Bank, shall promptly disclose the same to the Bank.

Independent Director will have access to confidential information, whether or not the information is marked or designated as "confidential" or "proprietary", relating to the Bank and its holding Company (Ujjivan Financial Services Limited), and their business including legal, financial, technical, commercial, marketing and business related records, data, documents, reports, etc., client information, intellectual property rights (including trade secrets), ("**Confidential Information**"). He/she shall make reasonable efforts to maintain confidentiality and to not disclose to any third party, such Confidential Information.

If any Confidential Information is required to be disclosed by Independent Director to comply with any applicable law, order, regulation or ruling, then any such disclosure should be disclosed, to the extent possible, with the prior consent of the Board.

#### **G. D&O Insurance**

The Bank maintains a Directors and Officers insurance Policy of such amount as determined by the Board, to pay for the personal liability of directors and officers for claims made against them while serving on the Board and /or as an officer of the bank.

## **H. Training & Development**

The Bank conducts induction program and familiarization program pursuant to Act and SEBI Listing Regulations. The Bank has formulated this familiarization programme for the Independent Director with the objective of giving insight into:

1. Nature of Business of the Bank and business environment in which it operates
2. Business model of the Bank
3. Organisational structure
4. Structure of Board and Board Committees
5. Role and responsibilities of the Board Committees and Senior Management
6. Delegation of powers to various authorities by the Board,
7. Regulatory Framework applicable to the Bank
8. Strategic Plan including Vision, Mission and Values of the Bank
9. Cyber-safe environment and awareness about fine nuances of the cyber threats
10. Financial and other controls and systems and
11. Economic features of the market and competitive environment
12. The Bank arranges need based training as and when required

## **I. Conflict of Interest**

It is expected that Independent Director shall not act in a manner or engage in such activities which may give rise to conflict of interest.

In the event circumstances seems likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgement that you are independent, this should be disclosed to the company secretary of the Bank.

## **J. Termination**

Independent Directorship shall terminate or cease in accordance with law.

Independent Directors may resign from the directorship of the Company by giving a notice in writing to the Bank stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Bank or the date, if any, specified by them in the notice, whichever is later.

If at any stage during the Term, there is a change that may affect the status of an Independent Director as envisaged in Section 149(6) of the Act or Regulation 16(1)(b) of the SEBI Listing Regulations, the concerned Independent Director agrees to promptly submit his/her resignation to the Bank with effect from the date of such change.

## **Annexure-1**

### **Schedule-IV**

### **Code for Independent Directors**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

#### **I. Guidelines of professional conduct:**

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a bona fide manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced Decision making.
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

#### **II. Role and functions:**

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

### **III. Duties :**

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) ["act within their authority"], assist in protecting the legitimate interests of the company, shareholders and its employees;
- (13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### **IV. Manner of appointment:**

- (1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

(4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :

- (a) the term of appointment;
- (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
- (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
- (d) provision for Directors and Officers (D and O) insurance, if any;
- (e) the Code of Business Ethics that the company expects its directors and employees to follow;
- (f) the list of actions that a director should not do while functioning as such in the company; and
- (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **V. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

#### **VI. Resignation or removal:**

(1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.

(2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within 2["three months"] from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

#### **VII. Separate meetings:**

(1) The independent directors of the company shall hold at least one meeting 3["in a financial year"], without the attendance of non-independent directors and members of management;

(2) All the independent directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### **VIII. Evaluation mechanism:**

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.



**Annexure-2**  
**Section 166 of Companies Act,2013**  
**Duties of Directors**

1. Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.
2. A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
3. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
5. A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
6. A director of a company shall not assign his office and any assignment so made shall be void.
7. If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.