



UJJIVAN SMALL FINANCE BANK

Nomination and Remuneration Policy

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1. Introduction

Ujjivan Small Finance Bank Limited (Bank) recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business, ethics, accountability to its customers, government and other stakeholders. 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.

The objective of this 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 pursuant to the requirement of the Companies Act, 2013 read with applicable Rules, Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable RBI Guidelines and Guidelines for Appointment of Non-Executive Directors formulated by the Bank.

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. Objectives

The key objectives of this policy are as under:

1. Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment and on an annual basis.
2. Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director.
3. Formulate criteria for determining qualifications, positive attributes and independence of directors
4. Retain, motivate and promote talent and to ensure long term sustainability of talented KMP
5. Devise a policy on Board diversity
6. Develop and regularly review succession plan for the Board
7. Formulate the criteria for evaluation of performance of all the Directors on the Board
8. 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
9. Define internal guidelines for payment of perquisites to the directors and KMP.

3. Definition

- a. "Act" means the Companies Act, 2013 as amended from time to time;
- b. Associate shall mean a company which is an "associate" as defined in Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.
- c. "Bank" means Ujjivan Small Finance Bank Limited

- d. "Board of Directors or Board" means the board of directors of the Bank;
- e. "Control" Shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. As per Ind AS 24, Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- f. "Director" means member of the Board of Director;
- g. "Listing Regulations" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- h. "Key Managerial Personnel or KMP" shall have the same meaning as defined under Section 2(51) of the Act;
- i. "Independent Director" means as defined under Section 2(47) of the Act and Regulation 16(1)(b) of Listing Regulations;
- j. "Managing Director or MD" means as defined under Section 2(54) of the Act and Section 5(h) of the Banking Regulation Act, 1949;
- k. "NRC" means Nomination and Remuneration Committee of the Bank;
- l. "Senior Management" means Senior Management means the personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads and shall specifically include company secretary and chief financial officer;

4. Applicability

All new appointments made in the Board of Directors and KMP will be covered under this policy. Further, it also covers the remuneration of all the directors as well as KMP.

The policy shall be applicable to the following:

- Directors
- Key Managerial Personnel
- Senior Management
- Other Employees as may be specified

5. Appointment of Directors

a. 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 itself that there is a succession plans in place for appointment to new 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. Any Board Member of the Bank or Holding Company or any Professional Consultant can refer/recommend profile of suitable candidates to the Chairman of Nomination Committee for review and evaluation.

Shareholders approval shall be obtained for appointment of directors including Independent Directors at the next General Meeting or within three months from the appointment on the Board whichever is earlier.

b. Composition

Bank shall have a Board of Directors consisting of individuals as directors and shall have a minimum of three directors and maximum of fifteen directors with at least one independent woman director. The Bank shall have at least one director who has stayed in India for a total period of not less than 182 days during the financial year. The Board of Directors of the Bank shall have an optimum combination of executive and non-executive directors and at least 50% directors shall be Independent Director.

c. Qualification

The qualification criteria of the Directors shall be as per the provisions of the Banking Regulation Act, 1949, guidelines issued by RBI from time to time and other applicable laws, as amended from time to time.

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
- Cooperation
- 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 to be useful to the Bank

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

Not less than 51% of total directors should consist of persons who 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, in 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)].

Further, an independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Bank's business.

d. Fit and Proper Criteria

- 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.
- The candidate should normally be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.).
- The upper age limit for CEO & MD and other Whole Time Directors (WTDs) of the Bank should be 70 years. He/she should not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council. The upper age limit for non- executive Director and Chairman shall be 75 years.
- 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.
- Director shall provide such other confirmation/consent/disclosures as required under the Act, Listing Regulations and applicable RBI Guidelines.

e. Disqualification and Restrictions

A person shall not be eligible for appointment as a director of the Bank, if —

- (a) he is of unsound mind and stands so declared by a competent court;
- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudicated as an insolvent and his application is pending;
- (d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in the Bank;

- (e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

- (f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- (g) he has been convicted of the offence dealing with related party transactions under Section 188 of the Act at any time during the last preceding five years; or
- (h) he has not complied with sub-section (3) of section 152 of the Act
- (i) he has not complied with the provisions of sub-section (1) of section 165 of the Act.
- (j) he is director in any other Bank (not being a subsidiary or Section 8 company).

f. 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 persons associated with non-banking financial institutions may be considered for appointment as directors on the Boards of the Bank and Bank's Independent Director joining NBFCs subject to compliance with the provisions of Sections 10A, 16 and 20 of the Banking Regulations Act, 1949 and also the following ;

- i) The non-banking financial institutions with which the proposed appointees are associated do not enjoy any financial accommodation from the Bank; and
- ii) They do not have "substantial interest" as defined in Section 5(ne) of the Banking Regulation Act, 1949, in these institutions.
- iii) From the Corporate Governance perspective to ensure that there is no conflict of interest on the business activities between the Bank and the NBFC.
- iv) Adherence to relevant provisions of SEBI (LODR) 2015 Regulations
- v) Disclosures as mandated by Section 184 of Companies Act, 2013

Further, the Bank being an Insurance Intermediary, the Board should ensure adherence to Guidelines in respect of Conflict of Interest and Common Directorship among Intermediary or Insurance intermediary in-order to address the conflict arising out of the common directorship amongst registered Intermediaries or Insurance Intermediaries and Insurance Companies issued by the Insurance Regulatory and Development Authority of India.

g. Tenor of Non-Executive Director (NED)

Subject to the provisions of Section 149 and 152 of the Act, NED including Independent Director shall be appointed for the period of 3 years and the total tenure of an NED, continuously or otherwise, on the board of the Bank, shall not exceed eight years. After completing eight years on the Board of the Bank the person may be considered for re-appointment only after a minimum gap of three years. This will not preclude him/her from being appointed as a director in another bank subject to meeting the requirements.

6. Appointment of Managing Director/Whole Time Director or Whole Time Executive Director (WTD)

a. Qualification

The MD/WTD 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. The Bank shall not appoint or employ at the same time a managing director and a manager.

Proposals for appointment of a new MD & CEO/ CEO, should invariably contain a panel of at least two names in the order of preference. The proposals should be submitted to the Reserve Bank at least six months before the expiry of the term of office of the present incumbent. Bank appoints MD&CEO/ CEO after obtaining prior approval/consent from RBI.

b. 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.

c. Tenor

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

The Managing Director 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.

Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as MD&CEO or WTD in the same bank, if considered necessary and desirable by the board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

MD&CEO or WTD who is also a promoter/ major shareholder, cannot hold these posts for more than 12 years. However, in extraordinary circumstances, at the sole discretion of the Reserve Bank such MD&CEO or WTDs may be allowed to continue up to 15 years. While examining the matter of re-appointment of such MD&CEOs or WTDs within the 12/15 years period, the level of progress and adherence to the milestones for dilution of promoters' shareholding in the bank shall also be factored in by the Reserve Bank.

7. Appointment of Chairman

a. Requirement

As per the Articles of Association of the Bank, the Bank shall have a part-time Chairman.

b. Procedure

The Nomination and Remuneration Committee of the Bank shall recommend candidature of one of the Members of the Board excluding the Managing Director for the Post of Part-Time Chairman to the Board.

The Bank post receipt of the Board approval for appointment of Chairman/Part-Time Chairman shall apply to RBI for its approval.

In case of a vacancy arising due to any reason the Articles of Association of the Bank shall be referred.

8. Appointment of Independent Director

a. Qualification

The Bank should appoint such persons as independent directors who in the opinion of the Bank, are persons with integrity, possessing relevant expertise and experience and who satisfy the below given criteria for independence under Section 149 of the Act and Regulation 16(1)(b) of Listing Regulations. The Independent directors shall follow the Code of Conduct of the Bank which shall set out the duties of the Independent Directors.

Independent Directors should have registered on the Indian Institute of Corporate Affairs ("IICA") for inclusion of name in the Data Bank for One Year/ 5 years/Lifetime within due date as prescribed in sub-rule (1) of Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 and shall take, from time to time, necessary steps, as specified in sub-rule (2) of captioned rule, till they continue to hold the office of an Independent Director in the Bank.

b. Disqualification and Restriction

The Bank shall not consider any director of the promoter group entity or nominee director of investors as Independent Directors.

c. Tenor

The appointment of an Independent Director on the Board of Directors of the Bank shall be for a period of 3 years from his/her effective date of appointment or in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time. He/she can be reappointed in accordance with Section 149 and applicable provision of Listing Regulations, 2015 and RBI Guidelines.

Subject to the provisions of Section 149 and 152 of the Act, Independent Director shall be appointed for the period of 3 years and the total tenure of an Independent Director, continuously or otherwise, on the board of the Bank, shall not exceed eight years

9. Re-appointment/ Retirement of Directors

One third of the total number of directors (excluding independent directors and Nominee 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 Bank may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person.

For every appointment of an Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an ID. The person recommended to the Board for appointment as an ID shall have the capabilities identified in such description.

For the purpose of identifying suitable candidates, the Committee may:

- a) use the services of an external agencies, if required;
- b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c) consider the time commitments of the candidates.

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

Further, appointment, re-appointment and removal of Independent Directors shall require special resolution.

The Bank shall re-appoint Chairman, MD or CEO only after obtaining prior approval from RBI.

10. Resignation/Removal of a Directors

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 or senior management personnel subject to the provisions and compliance of the Companies Act, 2013. Director may also be terminated in accordance with the provisions of the Act, 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 of Companies, Stock Exchanges, RBI and other regulatory Authorities 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, remove a director before the expiry of the period of his/her 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.

Resignation/Removal of Independent Director

In case of the resignation of Independent Directors the Bank is required to send letter of resignation to Stock Exchanges along with the names of the listed companies where such directors hold directorship (category of directorship) and membership in any Board Committees of those companies.

In case of removal or resignation of Independent Directors from the Board, the Bank shall replace the position within the timelines prescribed by the Companies Act, 2013, SEBI LODR and any other applicable laws, as amended from time to time.

Provided where the Bank 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.

No independent director, who resigns, shall be appointed as an executive / whole time director on the board of the Bank, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.

11. Remuneration of Directors

The Nomination and Remuneration Committee (NRC) of the Bank shall evaluate the performance of the Directors including Independent Directors and recommend to the Board all fees, compensation/remuneration including fixed and variable and perquisites. The Board of Directors shall recommend all fees/compensation or remuneration, if any, paid to non-executive directors, including independent directors. The NRC shall ensure the following:

- the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- remuneration to directors involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The Remuneration/ Compensation/ Commission etc. to be paid to Director / Managing Director etc. shall be governed as per provisions of the Act and rules made there under or any other enactment for the time being in force and applicable RBI Guidelines.

The Bank shall effectively align its compensation

- Compensation must be adjusted for all types of risk.
- Compensation outcomes must be symmetric with risk outcomes.
- Compensation pay out schedules must be sensitive to the time horizon of risks.

The Bank shall not give loans and advances to an entity (company, firm, individual) in which the Director is associated either as a director, partner, manager, guarantor, etc.

The Bank shall obtain prior approval from the NRC on the remuneration paid to the Chairman, Managing or whole-time Director or any other director, KMP or Chief Executive Officer.

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).

a. Remuneration to Director/ Managing Director

Compensation to the Managing Director/CEO will consist of Fixed and Variable Remuneration. Any changes to this shall be approved by the Nomination and Remuneration Committee and confirmed by RBI prior to implementation. The approval process will involve an assessment whether the compensation policies and practices are in accordance with the Financial Stability Board (FSB) Principles, including inter alia, whether there is appropriate balance between fixed and variable pay, whether adequate deferrals are built in the variable component and whether cost/ income ratio supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

The Bank will follow similar process for compensation to its other Whole-Time Directors, if any appointed with RBI's prior approval.

Remuneration of the Managing Director shall be in accordance with the Act, Banking Regulation Act, 1949 and Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff issued by RBI on November 04, 2019.

b. Remuneration to Part-Time Chairman

The Board of the Bank may, at its discretion provide for the payment of compensation in the form of profit related commission or fixed compensation to the Part-time Chairman, with prior approval of the RBI, subject to the bank making profits. Such compensation, should be in compliance with the requirements as may be applicable under the Companies Act, 2013 and any other applicable statutes.

c. Remuneration to Independent Directors

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 expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the Bank may provide for payment of compensation to Independent Directors in the form of a fixed remuneration for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

The Bank may pay sitting fees up to Rs. 1 lac for each of such meeting to independent directors as may be decided by the Board and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

d. Remuneration to Non- Executive Directors

The Bank may 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.

In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the Bank may provide for payment of compensation to NEDs in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for an NED, other than the Chair of the board, shall not exceed Rs. 20 lakh per annum.

Remuneration of the NED shall be in accordance with the Act, Banking Regulation Act, 1949 and Listing Regulations.

Further, the Board may, at its discretion, provide for in the policy, payment of compensation in the form of profit related commission to the non-executive directors (other than the Part-time Chairman), subject to the bank making profits. Such compensation, however, shall not exceed Rs.1 million per annum for each director.

12. Appointment and Remuneration of KMP, Senior Management and Other Employees, if any.

The Nomination and Remuneration Committee (NRC) shall formulate the criteria for determining qualifications, positive attributes etc. and recommend to the board of directors for the appointment of key managerial personnel and other employees;

As per the requirement of the position in the Bank the candidature for the post of KMP shall be put forth the NRC and the NRC shall recommend the appointment to the Board. Every KMP shall be appointed through a resolution of the Board of Directors.

Further, in case of Senior Management and other employees of the Bank, the Board/NRC shall appoint or delegate the appointment for the position at its discretion.

The NRC shall annually review the appointments and exits in the senior hires of the Bank.

The remuneration of the KMPs and Senior hires including the fixed and variable pay, Stock Options, other benefits shall be fixed by the NRC/Board based upon but not limited to the below factors:

- Qualification
- Experience
- Management Level
- Industry Standards
- Amount of Risk taken
- Annual Appraisal
- Performance Evaluation

13. Policy on Board diversity

The Bank has formulated a separate Policy on Board diversity to comply with Listing Regulations and other applicable provisions and ensure the diversity of thought, experience, knowledge, perspective and gender in the Board. The Bank promotes social and professional diversity in the Boardroom.

14. Develop and regularly review succession plan for the Board

The Bank has formulated a separate Policy on succession planning to ensure that plans are in place for orderly succession for appointment to the board of directors and senior management.

15. Formulate the criteria for evaluation of performance of all the Directors on the Board

The Bank has formulated a separate Policy for Evaluation of the performance of the Board of Directors Policy to comply with various provisions under the Act and the Listing Regulations and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act.

16. Reporting Requirement

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

17. Regulatory Disclosures

The Bank shall, as per the regulatory requirements and discretion of the Board intimate the Registrar of Companies, Stock Exchanges, RBI, IRDAI and other regulatory authorities about any Change in the Board of Directors on the Banks Board and appointment/ Retirement/ Resignation/ Removal/ Cessation of KMP and senior hires wherever required by law.

18. Information to Board of Directors and Shareholders

The Bank shall provide information to Board on recruitment and remuneration of senior officers just one below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary.

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 brief resume of the director;
- Nature of his expertise in specific functional areas;
- Disclosure of relationships between directors inter-se;
- Names of listed entities in which the person also holds the directorship and the membership of Committees of the board; and
- Shareholding of non-executive directors.

19. Disclosures relating Remuneration

a. Reporting to the Nomination and Remuneration Committee

The following matters shall be reported to the Nomination and Remuneration Committee:

- Annual remuneration proposed for directors, key managerial personnel and senior management
- Declarations on fit and proper criteria as submitted by the directors or persons to be appointed as directors
- Employee benefit plans including deferred benefit plans and retirement plans

The Committee shall prepare and recommend the remuneration policy to the Board.

b. Reporting in the Annual Report

The Bank shall make qualitative and quantitative disclosures in the Annual Financial Statements as required under applicable accounting standard and Banking Regulation Act, 1949. In addition to these disclosures the Bank shall also disclose the following information.

- All pecuniary relationship or transactions of the non-executive directors vis- à-vis the Bank shall be disclosed in the annual report
- Criteria of making payments to non-executive directors
- All elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, service contracts, notice period, severance fees
- The ratio of the remuneration of each director to the median employee's remuneration.
- The Remuneration paid to the Key Managerial Personnel

c. Other Disclosure

- Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Bank in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.
- In case of appointment of new Directors or re-appointment of directors, shareholders must be provided with the names of listed entities in which the person also holds the directorship and the membership of Committees of the board along with the names of the listed entities from which the person has resigned in the past three years.
- In case of appointment of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements.
- The senior management of the Bank shall make disclosures to the Board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the listed entity at large.

20. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.