

POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

Policy Approval Committee	
Board Committee	Nomination and Remuneration Committee
Approver	Board of Directors
Policy Owner	Company Secretary
Review Frequency	As and when required
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UJJIVAN SMALL FINANCE BANK LIMITED

POLICY FOR EVALUATION OF THE PERFORMANCE OF THE BOARD OF DIRECTORS

1. INTRODUCTION

Ujjivan Small Finance Bank Limited ("**Bank**") believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour, in consonance with the Bank's Code of Conduct for Board and Senior Management Personnel ("**Code**"). The integrity and sound judgement and performance of the Directors and the senior management are key criteria for the success and for building a good reputation of the Bank.

Therefore, the Bank has formulated this 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 subsection (3) of Section 134 of the Act. The Committee shall evaluate the performance of each Director as per subsection (2) of Section 178 of the Act and based on the functions of the Independent Directors as indicated under Schedule IV (as per section 149) annexed to the Act and the rules made there under.

2. DEFINITIONS

- i. "**Act**" means the Companies Act, 2013, as amended from time to time and the rules made thereunder;
- ii. "**Bank**" means Ujjivan Small Finance Bank Limited;
- iii. "**Director**" or "**Board**" means the Director or the Board, in relation to the Bank, and deemed to include the collective body of the Board of Directors of the Bank including the chairman of the Bank.
- iv. "**Independent Director**" shall mean an Independent Director as defined under section 2 (47) to be read with section 149 (6) of the Act.
- v. "**Policy**" shall mean this Policy for Evaluation of performance of Board of Directors of the Bank.
- vi. "**Committee**" shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Act.
- vii. "**Listing Regulations**" means Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

3. OBJECTIVE

The objective of this Policy is to formulate the procedures and prescribe the criteria to evaluate the performance of the entire Board of the Bank.

4. VARIOUS KINDS OF PERFORMANCE EVALUATION

A. APPRAISAL SYSTEM

Appraisal of each Director of the Bank shall be based on the criteria as mentioned herein below. This appraisal is mandatory and will be done under the provision of the clause (p) of subsection (3) of Section 134 of the Act.

B. CRITERIA FOR EVALUATION

Evaluation shall be carried out basis the response received from each director. The evaluation should be done on the count of four-point scale – “Disagree”, “Somewhat agree” and “Agree” with “Strongly Agree” being the highest scale or any other criteria as may be approved by the Nomination and Remuneration Committee.

C. EVALUATION OF THE PERFORMANCE OF EACH DIRECTOR

The Committee shall evaluate the performance of each Director of the Bank as per the Nomination and Remuneration Policy of the Bank, framed in accordance with the provisions of section 178 of the Act and Regulation 19 of the Listing Regulations, and based on their functions as mentioned in the Code and the criteria for the evaluation of the performance as prescribed in the clause 6 of this Policy. The directors who are subject to evaluation shall not be allowed to participate.

The evaluation shall be carried out based on the checklist framed considering various provisions of the Act, and Listing Regulations and checklist shall be reviewed annually and be amended and modified as and when the Committee and Board requires considering changes in the laws and regulations applicable. Based on the performance evaluation of each and every Director and the Chairman of the Bank, the Committee shall provide the ratings based on each criteria and sub-criteria.

D. EVALUATION OF INDEPENDENT DIRECTORS

Evaluation of Independent Directors shall be carried out by the Committee and the entire Board which shall include - (a) performance of the directors; and (b) fulfilment of the independence criteria as specified in the Act and Regulation 16(1)(b) of the Listing Regulations; (c) their independence from the management; and (d) based on their functions as mentioned in the Schedule IV of the Act and the criteria for the evaluation of the performance as prescribed in the Clause 6 of this Policy.

The directors who are subject to evaluation shall not be allowed to participate. As per the provisions of Schedule IV of the Act, and Listing Regulations the Bank has formulated a checklist for performance evaluation of Independent Directors, which shall be reviewed annually and be

amended as and when the Committee and Board requires, considering changes in the laws and regulations applicable. Based on the performance evaluation of Independent Directors of the Bank, the Committee and the Board shall provide the ratings based on each criteria and sub-criteria.

E. EVALUATION OF VARIOUS BOARD COMMITTEES

Evaluation of performance and functioning of various Board Level Committees shall be carried out annually by the Committee and the Board. The criteria of evaluation shall be composition of the Committee as per requirements of the Act, and Listing Regulations, terms of reference of the Committee, recommendations and Resolutions passed by the Committees among others. The Bank shall formulate a checklist for evaluation of the Board Committees, which shall be reviewed annually and be amended and modified as and when the Committee and Board requires considering changes in the laws and regulations applicable.

As per the provisions of the Act and Listing Regulations, the Bank has formulated a checklist for performance evaluation of the various Board Committees, which shall be reviewed annually and be amended as and when the Committee and Board requires, considering changes in the laws and regulations applicable. Based on the performance evaluation of Board Committees of the Bank, the Committee shall provide the ratings based on each criteria and sub-criteria.

F. EFFECTIVENESS OF THE BOARD

Based on the ratings given by the Committee to each Director, the overall effectiveness of the Board shall be measured.

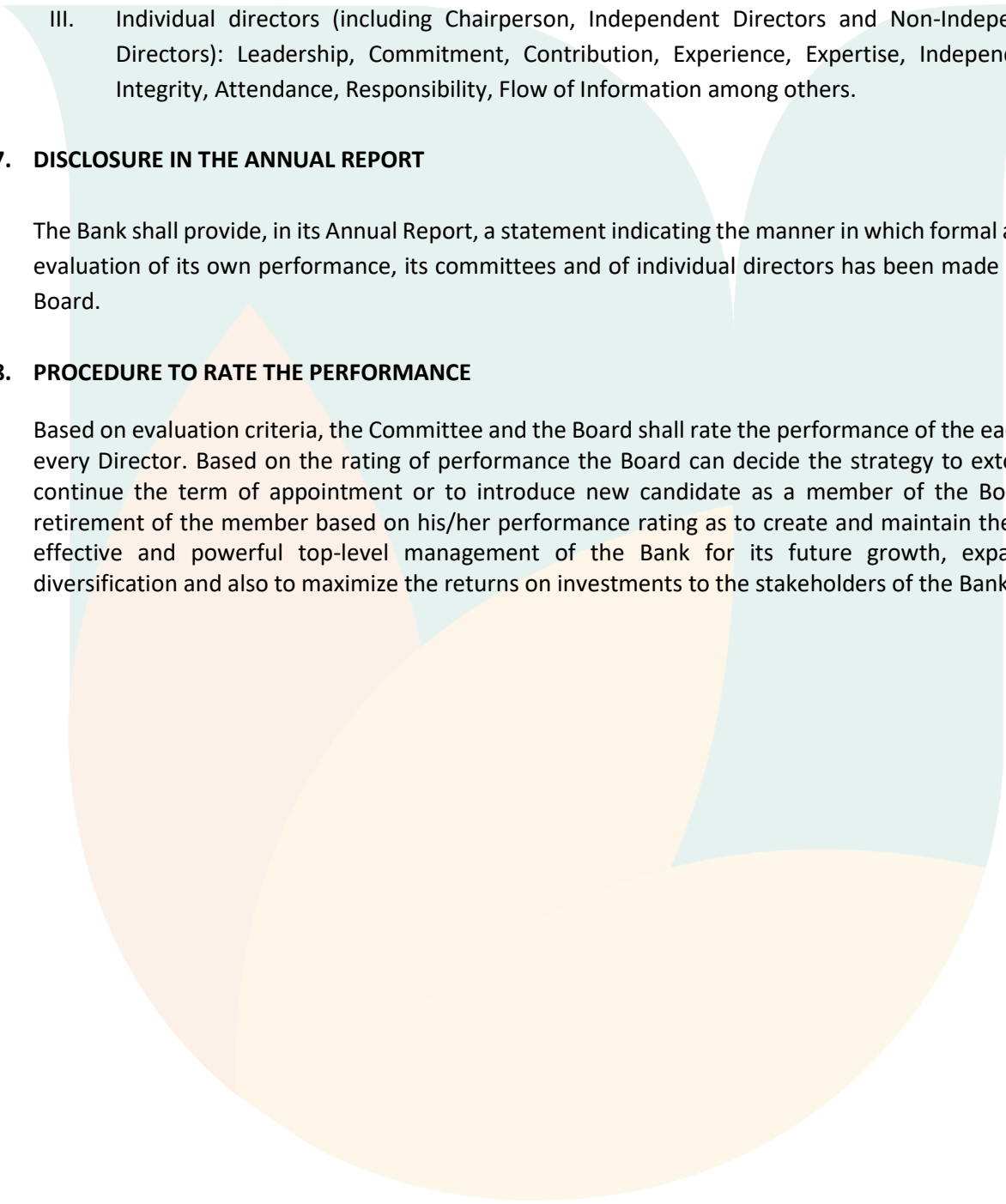
The Bank shall formulate a checklist for evaluation of the Board as per requirements of the Act, and Listing Regulations, which shall be reviewed annually and be amended as and when the Committee and Board requires, considering changes in the laws and regulations applicable.

5. SEPARATE MEETING FOR EVALUATION OF PERFORMANCE OF BOARD MEMBERS

The Independent Directors of the Bank shall conduct a meeting at least once a financial year pursuant to Schedule IV and Regulation 25 of Listing Regulations for (a) review the performance of non-independent directors and the board of directors as a whole; (b) review the performance of the chairperson of the listed entity, 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 management of the listed entity and the board of directors that is necessary for the board of directors to effectively and reasonably perform their duties.

6. CRITERIA FOR EVALUATION OF PERFORMANCE

The Committee has laid down comprehensive parameters for evaluation, few of which are listed below:

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- I. The Board: Composition, structure, meetings, functions, management and professional development, ethics and compliance among others.
 - II. The Committees: Mandate & Composition, effectiveness, structure, meetings, independence of the committee, contribution to decision making of the Board, among others.
 - III. Individual directors (including Chairperson, Independent Directors and Non-Independent Directors): Leadership, Commitment, Contribution, Experience, Expertise, Independence, Integrity, Attendance, Responsibility, Flow of Information among others.

7. DISCLOSURE IN THE ANNUAL REPORT

The Bank shall provide, in its Annual Report, a statement indicating the manner in which formal annual evaluation of its own performance, its committees and of individual directors has been made by the Board.

8. PROCEDURE TO RATE THE PERFORMANCE

Based on evaluation criteria, the Committee and the Board shall rate the performance of the each and every Director. Based on the rating of performance the Board can decide the strategy to extend or continue the term of appointment or to introduce new candidate as a member of the Board or retirement of the member based on his/her performance rating as to create and maintain the most effective and powerful top-level management of the Bank for its future growth, expansion, diversification and also to maximize the returns on investments to the stakeholders of the Bank.