



UJJIVAN SMALL FINANCE BANK

Nomination and Remuneration Policy

Policy Approval Committee	
Board Committee	Nomination and Remuneration Committee
Approver	Board of Directors
Policy Owner	Company Secretary
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Table of Contents

1. Introduction	2
2. Objectives.....	2
3. Definition.....	2
4. Applicability.....	3
5. Appointment.....	4
a. Board of Directors	4
b. Composition	5
c. Qualification	5
d. Fit and Proper Criteria.....	6
e. Disqualification.....	7
f. Restrictions.....	7
6. MD & CEO, Part-Time Chairman and Whole Time Director(s) (WTD).....	8
a. Terms of Appointment	8
b. Disqualification and Restrictions	8
7. Retirement of Directors	8

8. Resignation/Removal of Directors.....	9
9. Remuneration of Directors	9
a. Remuneration to Executive Directors (Managing Director / Whole Time Director)	10
b. Remuneration to Part-Time Chairman	10
c. Remuneration to Non-Executive Directors (other than Part-time Chairman)	11
10. Appointment and Remuneration of KMP, Senior Management.....	11
11. Policy on Board diversity.....	11
12. Develop and regularly review succession plan for the Board.....	12
13. Criteria for evaluation of performance of all the Directors on the Board.....	12
14. Regulatory Disclosures.....	12
15. Information to Board of Directors and Shareholders	12
16. Policy Review and Updates.....	13
Annex 1: 'Declaration and Undertaking' by a proposed Director / MD&CEO	14
Annex – II: Format for Deed of Covenant	19

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. "Executive Directors" includes MD & CEO and Whole Time Director (WTD)
- h. "Function Heads" means the individuals heading functions / departments in the Bank that are considered material by the NRC.
- i. "Listing Regulations" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- j. "Key Managerial Personnel or KMP" shall have the same meaning as defined under Section 2(51) of the Act;

- k. “Independent Director” means as defined under Section 2(47) of the Act and Regulation 16(1)(b) of Listing Regulations;
- l. “Managing Director or MD” means as defined under Section 2(54) of the Act and Section 5(h) of the Banking Regulation Act, 1949;
- m. “NRC ” means Nomination and Remuneration Committee of the Bank;
- n. “Senior Management Personnel” (SMP) or “Key Persons” means the below listed personnel of the Bank who are in the grade of Executive Vice President (EVPs) **and** are within two levels below either MD& CEO or WTD are considered as members of core management team of the Bank and the list also includes the functional heads (as separately defined):

Sr.	Designation	Category (KMP / SMP)	Reporting
1)	MD & CEO	Board & KMP	Board
2)	Whole Time Director (ED / WTD)	Board & KMP	MD & CEO
3)	Chief Financial Officer	KMP	MD & CEO
4)	Company Secretary & Head of Regulatory Framework	KMP	MD & CEO
5)	Chief Credit Officer	SMP	MD & CEO
6)	Chief Risk Officer	SMP	MD & CEO
7)	Chief Compliance Officer	SMP	MD & CEO
8)	Head of Emerging Business	SMP	MD & CEO
9)	Head of Retail Liabilities, TASC and TPP	SMP	MD & CEO
10)	Head of Human Resources	SMP	MD & CEO
11)	Head of Treasury	SMP	MD & CEO
12)	Head of Internal Audit	SMP	MD & CEO
13)	Chief Vigilance Officer	SMP	MD & CEO
14)	Chief Technology Officer	SMP	MD & CEO
15)	Head of Strategy and Transformation	SMP	MD & CEO
16)	Chief Operating Officer	SMP	WTD
17)	Head – Micro banking and Gold Loans	SMP	WTD
18)	Chief Marketing Officer	SMP	WTD
19)	Chief Legal Officer	SMP	WTD
20)	Head of FIG	SMP	WTD
21)	Business Head – Vehicle Finance	SMP	WTD
22)	Head of Admin and Infrastructure	SMP	WTD
23)	Business Head – Housing Loans and MicroMortgages	SMP	Head of Emerging Business - MD + 1
24)	Business Head – MSME	SMP	Head of Emerging Business - MD + 1
25)	Business Head – Agricultural Banking	SMP	Head of Emerging Business - MD + 1
26)	Chief Information Security Officer	SMP	CRO: MD +2
27)	Deputy Chief Technology Officer	SMP	CTO: MD + 2
28)	Head of Customer Experience	SMP	COO: WTD +2 level
29)	Head – Alliance and Electronic Payments	SMP	COO: WTD +2 level
30)	Head of Operations	SMP	COO: WTD +2 level

Note: any new senior level hiring that will meet the aforesaid two conditions (EVP and are within two levels below either MD& CEO or WTD), will qualify as SMP.

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

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 Bank shall undertake a process of due diligence at the time of appointment / reappointment to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria (as listed in 5(d) below). For this purpose, the bank shall obtain necessary information and 'Declaration & Undertaking' from the proposed / existing directors in the format enclosed at Annex I of the RBI Governance Directions, which is also listed as **Annex I** of this policy and a Deed of Covenant should be executed in a prescribed format enclosed at **Annex II** of this policy.
- The aforementioned declarations shall be scrutinised by the NRC, which shall, based on the information provided in the signed declaration, decide on the acceptance and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.
- *Each Director to provide a simple declaration as on March 31 every year to the effect that the information already provided by him / her has not undergone any change; Provided that, where there is change in the information provided earlier, the bank shall obtain requisite details from the director/s forthwith. An annual certificate of the bank having undertaken such continuing due diligence shall be submitted to RBI.*
- The Board of the Bank shall satisfy itself that plans are in place for orderly succession for appointment to the Board of directors and senior management.
- 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 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. If any candidate doesn't meet the criteria of independence, he/ she may be appointed as non-independent non-executive director subject to him / her meeting the other conditions, experience and expertise expected from a director.
- For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and based on such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description.

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

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

- While due diligence of directors other than the members of the NRC shall be carried out by the NRC, due diligence in respect of the members of the NRC shall be carried out by the Board itself and the members of the NRC (being interested parties) shall not be involved in this.
- If a member of the NRC has either proposed or seconded the name of a person for appointment as a director on the Bank's Board, such a member of the NRC shall not be a part of the exercise of conduct of due diligence in respect of the person proposed to be appointed as a director. In all such cases, the Bank's Board shall nominate another director, as a temporary member of the NRC, to conduct the exercise of due diligence in respect of the person proposed to be appointed as a Director on the Bank's Board.
- In addition to the conditions as listed under Sections 149, 152 and other relevant sections of the Companies Act, 2013, the total tenure of an NED, continuously or otherwise, on the Board of a bank, shall not exceed 8 (eight) years.
- The first term of appointment of any Independent Director (who are not liable to retire by rotation) should be for a period of 3 years and subject to all necessary due diligence by the NRC and the Board, re-appointment of an Independent Director will be undertaken for a second term of 5 years subject to all regulatory approvals, as may be applicable.
- After completing eight years on the Board of a Bank, the person may be considered for re-appointment only after a minimum gap of three years. This will not preclude them from being appointed as a director in another bank subject to meeting the requirements.

The Bank shall ensure that approval of shareholders for appointment or reappointment of a person on the board of directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

However, where a proposal for appointment or re-appointment of a person has been rejected by the shareholders at a general meeting, any subsequent appointment or re-appointment of the same person can only be made with prior shareholder approval. Further, the explanatory statement annexed to the notice for such resolution must contain detailed explanation and justification from both the NRC and the Board of the company for recommending the appointment or re-appointment of such a person.

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

b. Composition

Bank shall have a Board of Directors consisting of individuals as directors and shall have a minimum of 6 (six) directors and maximum of 15 (fifteen) directors. 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 (*not less than 51% of the Board of directors shall comprise of non-executive directors*) and at least 50% directors shall be Independent Director with at least 1 independent woman director.

c. Qualification

The qualification criteria of the Directors shall be as per the provisions of the Companies Act, 2013, SEBI Listing Regulations, the Banking Regulation Act, 1949, RBI (Small Finance Banks - Governance) Directions, 2025 and any guidelines issued by RBI from time to time and other applicable laws, as amended from time to time.

Further, an independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, human resource, accountancy & auditing, sales, marketing, administration, research, corporate governance, Artificial Intelligence and Machine Learning,

Information Technology & Cyber Security, 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.
- *Additionally, a bank shall adhere to the following criteria to determine the 'fit and proper' status of the proposed candidates for independent/Non-Executive Directors (NEDs):*
 - *Age: The minimum age shall be 35 years. The upper age limit for NEDs, including the Chair of the Board, shall be 75 years and after attaining the age of 75 years no person can continue in these positions.*
 - *Educational qualification - The candidate shall at least be a graduate (which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.)*
 - *Experience and field of expertise – In accordance with Section 10A(2)(a) of the BR Act, not less than 51% of the total number of members of the Board of the Bank shall consist of persons who shall have special knowledge or practical experience in respect of one or more of the following areas, namely:*
 - 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 the special knowledge of, and practical experience in, which would, in the opinion of RBI, be useful to the Bank.

Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge of agriculture and rural economy, cooperation or small-scale industry.

Further, 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' (i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the **amount paid up on which exceeds Rs. 2 Crores (Two Crore Rupees)** or such other amount as may be notified in the Official Gazette by the Central Government **or 10% (ten per***

cent) of the paid-up capital of the company, whichever is less; (ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than 10% (ten per cent) of the total capital subscribed by all the partners of the said firm.

- The upper age limit for CEO & MD and other Whole Time Directors (WTDs) of the Bank should be 70 years. 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.
- Independent Director need to be registered in the Independent Director Data base (IDDB) and must share his registration certificate.
- Director shall provide such other confirmation/consent/disclosures as required under the Act, Listing Regulations and applicable RBI Guidelines.

e. Disqualification

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 the following;

- (a) *They shall not be the owner of the NBFI, [i.e., shareholdings (single or jointly with relatives, associates, etc.) shall not exceed 50 per cent],*
- (b) *They shall not be related to the promoter of the NBFI,*
- (c) *They shall not be a full-time employee in the NBFI.*
- (d) *The concerned NBFI shall not be a borrower of the bank.*
- (e) *From the Corporate Governance perspective to ensure that there is no conflict of interest on the business activities between the Bank and the NBFI.*
- (f) Adherence to relevant provisions of SEBI (LODR) 2015 Regulations
- (g) Disclosures as mandated by Section 184 of Companies Act, 2013

As a matter of desirable practice, not more than one member of a family or a close relative or an associate (partner, employee, director, etc.) may be on the Board of a bank.

A candidate shall not be a Member of Parliament / Member of Legislative Assembly / Member of Legislative Council.

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.

6. MD & CEO, Part-Time Chairman and Whole Time Director(s) (WTD)

a. Terms of Appointment

- The Bank shall have a Part-time Chairman of the Board of Directors and a separate Managing Director & Chief Executive Officer (MD&CEO) who shall be responsible for day-to-day management of the bank.
- The Bank shall ensure the presence of at least two Whole-time Directors (WTDs), including the MD&CEO, on its Board. The total number of WTDs shall be decided by the Board by taking into account factors viz., the size of operations, business complexity, and other relevant aspects.
- Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD of the Bank shall not be held by the same incumbent for more than 15 years. Thereafter, the individual shall become eligible for re-appointment as MD&CEO or WTD of the 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 (if any) in any capacity, either directly or indirectly.
- As stated earlier, no person shall continue as the MD&CEO or WTD of the Bank beyond the age of 70 years. Within the overall limit of 70 years, as part of its internal policy, the Board of the Bank is free to prescribe a lower retirement age for the WTDs, including the MD&CEO.
- MD&CEO or WTD of the Bank who is also a promoter or major shareholder, if any, shall not hold these posts for more than 12 years. However, in extraordinary circumstances, at the sole discretion of RBI, such an MD&CEO or WTD may be allowed to continue up to 15 years.
- Proposals for appointment of a new MD & CEO/ WTD, 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.

7. 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.

8. Resignation/Removal of 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 (*removal of Independent Directors shall require special resolution*), 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.

The Bank shall intimate the Registrar of Companies, Stock Exchanges, RBI and other regulatory Authorities about the cessation of a director of the Director and shall place the fact of such resignation / removal / conclusion of term, 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.

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.

In case of resignation of an independent director of the Bank, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the Bank:

- i. The letter of resignation along with] detailed reasons for the resignation as given by the said director
- ii. Names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any.
- iii. The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided. This confirmation shall also be disclosed by the Bank to the stock exchanges along with the disclosures

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. However, if 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.

9. Remuneration of Directors

The 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 and shall require approval of shareholders in general meeting.

The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees.

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 any 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.

Based on review and recommendation of the NRC, the Board of the Bank shall recommend all fees or compensation, if any, paid to non-executive directors, including independent directors

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 Executive Directors (Managing Director / Whole Time 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 shall seek regulatory approval for grant of remuneration (i.e. compensation) to MD&CEO / WTDs in terms of Section 35B of the Banking Regulation Act, 1949. For this purpose, the Bank shall submit an application to RBI through the Pravaah Portal (<https://pravaah.rbi.org.in>) in the prescribed format.

Remuneration of the Managing Director shall be in accordance with the Act, Banking Regulation Act, 1949, Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff issued by RBI on November 04, 2019 and Reserve Bank of India (Small Finance Banks - Governance) Directions, 2025 dated Nov 28, 2025.

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 Non-Executive Directors (other than Part-time Chairman)

The Bank based on the recommendation of the NRC and approval of the Board shall pay its Non-Executive Directors remuneration by way of sitting fees up to Rs. 1 lac for each of such meeting and expenses related to attending meetings of the board and its committees. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

In addition to aforesaid sitting fees, the Bank may pay a *fixed remuneration not exceeding Rs. 30 lakh per annum for an NED, other than the Chair of the Board. For this purpose, the bank shall set suitable criteria, such that the fixed remuneration is commensurate with an individual director's responsibilities and demands on time and are considered sufficient to attract qualified competent individuals.*

The Board of a bank may fix a lower amount within the ceiling limit of Rs. 30 lakh per annum depending on the experience of the NED and other relevant factors.

The Bank shall obtain RBI approval regarding remuneration to Part-time Chairman in terms of Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949 through the Pravaah Portal (<https://pravaah.rbi.org.in>).

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, may pay 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 subject to the approval of the shareholders.

10. Appointment and Remuneration of KMP, Senior Management.

The NRC shall formulate the criteria for determining qualifications, positive attributes etc. and recommend to the Board for the appointment and remuneration of key managerial personnel, senior management and other employees. The candidature for the post of KMP shall be recommended by the NRC to the Board for appointment. 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

The Bank's Compensation Policy sets out detailed and transparent disclosures on compensation and practices in respect of MD&CEO, WTD / Material Risk Takers (MRTs), and Control Function staff and ensures they are in accordance with the Guidelines set out in paragraph 55 of RBI Governance Directions November 28, 2025, and the Basel Committee on Banking Supervision (BCBS) Methodologies detailed in paragraph 56 of the said Directions.

11. 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.

12. 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.

13. 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 Companies 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.

14. 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.

The Bank shall disseminate this “Nomination and Remuneration Policy” on its website.

15. 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.

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

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.

16. Policy Review and Updates

The NRC should review this policy as and when required or at least annually for incorporating regulatory updates and other changes, if any. The NRC should recommend the changes made in this policy to the Board for its review and approval.

**Annex 1: 'Declaration and Undertaking' by a proposed Director / MD&CEO
(with appropriate enclosures) as prescribed under the RBI SFB Governance Directions, 2025**

**Name of Bank: Ujjivan Small Finance Bank Limited
'Fit and Proper' Criteria for Directors on the Boards of Banks as per Reserve Bank of India (Small Finance Banks - Governance) Directions, 2025 dated November 28, 2025**

Sr. No.	Particulars	Information Disclosed			
I.	Personal details of director				
	1.	Name in full	First Name	Middle Name	Last Name
	2.	Father's name			
	3.	Sex (M/F/others)			
	4.	Present address			
	5.	E-mail address & alternate e-mail address: Telephone Number with STD code: Mobile Number:			
	6.	Nationality			
	7.	Date of Birth and Age			
	8.	Educational qualifications			
	9.	Director Identification Number (DIN)			
	10.	Aadhaar Number (Optional)			
	11.	(a) Permanent Account Number (PAN) (b) Charge where the proposed director is assessed to tax (Income Tax jurisdiction)/name and address of Income Tax Circle/Ward (c) Details of filing of return(s) and payment of taxes for past 3 years	Date of Filing	Amount of tax paid (INR)	
			2023-2024 (AY)		
			2024-2025 (AY)		
		2025-2026 (AY)			
12.	Permanent address				
13.	Details in the form of a brief write up on the relevant knowledge or experience in respect of one or more of the matters namely accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small scale industry, information technology, payment and settlement systems, human resources, risk management, business management or any other matter the special knowledge of and practical experience of which would in the opinion of the Reserve Bank be useful to the Banking Company.				
14.	Present occupation (designation, name of the organisation and brief write-up on experience)				

15.	Previous occupation covering minimum of past ten years, with complete address of the organisation(s) worked in, date of joining, date of relieving (including reasons), designation, etc.	
16.	In case a Chartered Accountant, indicate the following: (a) Membership Number of Institute of Chartered Accountants of India (ICAI): (b) Date of registration with the ICAI: (c) Name and Address of the registered firm/s: (d) Details of the Audit(s) presently undertaken by the firm(s) or by you:	
17.	Name of the banker(s) with Branch and Account Numbers (savings/current/loan accounts) where you are a primary account holder.	
18.	Details of shareholding, if held in any entity, either in physical or dematerialized form, by you, spouse, and your minor child. (attach demat/shareholding certificate)	
19.	Any other information relevant to directorship of the Bank	
II	Relevant Relationships of proposed director	
20.	List of relatives, [Refer Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definition) Rules, 2014] if any, who are connected with any Bank	
21.	List of entities in which: (a) interested [Refer Section 184 of the Companies Act, 2013] (b) beneficial ownership [Refer Section 89 of Companies Act, 2013 as also the applicable Significant Beneficial Ownership Rules of MCA]: (c) Trustee (also mention any other relationship with reference to a trust):	
22.	List of entities, existing and proposed, in which holding substantial interest (defined below) within the meaning of Section 5(ne) ¹ of the Banking Regulation Act, 1949.	
23.	Details of holdings in entities incorporated abroad and having a place of business in India.	

¹ 'substantial interest' (i) **in relation to a company**, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the **amount paid up on which exceeds two crore rupees** or such other amount as may be notified in the Official Gazette by the Central Government **or ten per cent of the paid-up capital of the company, whichever is less**; (ii) **in relation to a firm**, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm.

	24.	Name of Bank/NBFC/any other company in which currently or in the past a member of the Board/ Advisor etc. (giving details of period during which such office is being/ was held).	
	25.	If connected with any entity undertaking hire purchase, financing, investment, leasing and other para banking activities (nature of association to be mentioned), details thereof.	
	26.	If a stock broker or connected with any entity engaged in share broking activities, details thereof	
	27.	Details of fund and non-fund-based facilities, if any, presently availed in person and/or by entities listed in (21) to (26) above.	
	28.	Cases, if any, where as an individual or the entities listed at (21) to (26) above have defaulted or declared as willful defaulter in the past in respect of credit facilities obtained from a bank/NBFC/any other lending institution.	
III	Records of professional achievements		
	29.	Professional achievements relevant for the directorship.	
IV.	Proceedings, if any, against the proposed director		
		(a) As a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past or whether been banned from entry at any profession/ occupation at any time, details thereof.	
	30	(b) If subject of any written complaint or accusation regarding individual professional conduct or activities, details thereof.	
	31	Details of prosecution, if any, pending or commenced or resulting in conviction of self or the entities listed at (21) to (26) above for violation of economic laws and regulations.	
	32.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction.	
	33.	If indulged in any breach of AML/CFT guidelines, details thereof.	
	34.	If attracting any of the disqualifications envisaged under Section 164 of the Companies Act, 2013, details thereof.	
	35.	If adjudicated insolvent or has suspended payment or has compounded with creditors, details thereof.	
	36.	If found to be of unsound mind and stands so declared by a competent Court, details thereof.	

	37.	(a) If convicted by a Criminal Court of an offence which involves moral turpitude or otherwise, details thereof	
		(b) If convicted by any Court of law, details thereof?	
	38.	If holding any office of profit under any nationalised bank or State Bank of India, except for holding the post of a whole-time director, details thereof.	
	39.	If as an individual or any of the entities at (21) to (26) above have been subject to any investigation/vigilance/ matters of enquiry from any of the previous employers or government departments or agency, details thereof.	
	40.	If found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange/ other revenue authorities, details thereof.	
	41.	If reprimanded, censured, restricted, suspended, barred, enjoined, or otherwise sanctioned by any regulator such as SEBI, IRDAI, PFRDA etc., professional organisation, government agency, or court because of professional conduct or activities, details thereof. (Though it shall not be necessary for a candidate to mention in the column about orders and findings which have been later on reversed/ set aside in toto, it would be necessary to make a mention of the same, in case the reversal/ setting aside is on technical reasons like limitation or lack of jurisdiction, and not on merit. If the order is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned).	-
V.	General Information		
	42.	If a professional like Chartered Accountant, Advocate etc. and presently undertaking/ undertaken any professional work in any bank, provide details thereof including the name of the bank and period of association with the Bank.	
	43.	If a sitting MP/MLA/MLC or holding political position in Municipal Corporation or Municipality or other local bodies, provide details thereof.	
VI.	In the interest of disclosure and transparency, should there be any other information relevant for assessing 'fit and proper', provide details thereof.		
	<u>Undertaking</u>		
	I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place after my appointment which are relevant to the information provided above.		
	I also undertake to execute a 'Deed of Covenant' as required to be executed with the Bank.		
	Place: Bengaluru		Signature of Director
	Date:		

	Remarks of Nomination and Remuneration Committee (NRC) of having satisfied itself that the above information is true and complete.	
	Place: Bengaluru	Signature of the Chair of the NRC

Annex – II: Format for Deed of Covenant

FORM OF DEED OF COVENANTS WITH A DIRECTOR

THIS DEED OF COVENANTS is made this ___th day of _____ (Two Thousand _____) **BETWEEN “Ujjivan Small Finance Bank Limited”** having its head office at Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru - 560095 (hereinafter called the ‘Bank’) of the one part and Mr./Mrs. _____, son / daughter of _____, resident of _____, proposed to be appointed as a Director of the Bank, (hereinafter called the "Director") of the other part.

WHEREAS

- A. *The director has been appointed as a director on the Board of Directors of the Bank (hereinafter called ‘the Board’) and is required as a term of his/her appointment to enter into a Deed of Covenants with the Bank.*
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The director acknowledges that his appointment as director on the Board of the BANK is subject to applicable laws and regulations including the Memorandum and Articles of Association of the BANK and the provisions of this Deed of Covenants.
2. The director covenants with the BANK that:
 - (i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the BANK and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
 - (ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
 - (iii) The director shall provide to the BANK a list of his / her relatives as defined in the Companies Act, 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.
 - (iv) The director shall in carrying on his / her duties as director of the BANK:
 - (a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
 - (b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the BANK;
 - (c) shall keep himself / herself informed about the business, activities and financial status of the BANK to the extent disclosed to him / her;
 - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the BANK;

- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the BANK;
- (f) shall bring independent judgement to bear on all matters affecting the BANK brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
- (h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;

(v) The director shall have:

- (a) fiduciary duty to act in good faith and in the interests of the BANK and not for any collateral purpose;
- (b) duty to act only within the powers as laid down by the BANK's Memorandum and Articles of Association and by applicable laws and regulations; and
- (c) duty to acquire proper understanding of the business of the BANK.

(vi) The director shall:

- (a) not evade responsibility in regard to matters entrusted to him / her by the Board;
- (b) not interfere in the performance of their duties by the whole-time directors and other officers of the BANK and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- (c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the BANK in his / her capacity as director of the BANK only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The BANK covenants with the director that:

(i) the BANK shall apprise the director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
- (b) control systems and procedures;
- (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
- (d) qualification requirements and provide copies of Memorandum and Articles of Association;
- (e) corporate policies and procedures;
- (f) insider dealing restrictions;
- (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
- (h) appointments of Senior Executives and their authority;
- (i) remuneration policy,
- (j) deliberations of committees of the Board, and
- (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the BANK, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the BANK shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the BANK and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the BANK to the directors shall include but not be limited to the following:

- (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
- (b) BANK's strategic and business plans and forecasts;
- (c) organizational structure of the BANK and delegation of authority;

- (d) corporate and management controls and systems including procedures;
 - (e) economic features and marketing environment;
 - (f) information and updates as appropriate on BANK's products;
 - (g) information and updates on major expenditure;
 - (h) periodic reviews of performance of the BANK; and
 - (i) report periodically about implementation of strategic initiatives and plans;
- (iv) the BANK shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the director about the levels of authority delegated in matters placed before the Board.
4. The BANK shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
 5. The BANK shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
 6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the BANK to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the BANK.
 7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
 8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the BANK.
 9. This Deed of Covenants has been executed in duplicate, and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For Ujjivan Small Finance Bank Limited

Director

Name:

Designation:

In the Presence of:

1.

Name:

Designation: Director

DIN:

2.