



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
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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 sub-section (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. Further, Regulation 17(10) of the SEBI Listing Regulations mandates that the evaluation of Independent Directors shall be done by the entire Board and shall include the performance of the directors and fulfillment of the independence criteria as specified in the regulations and their independence from the management.

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 of the Board, Individual Directors and the Board Committees 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.

Table 1 - Criteria / Parameter for Board Evaluation are listed below:

<i>Sr</i>	<i>Evaluation Parameter</i>
1	The Board comprises of members having the appropriate qualifications, skills, experience and knowledge required to enable its effective working.
2	The size, diversity, composition and the appointment to the Board is adequate.
3	The frequency, duration and scheduling of meetings are adequate to ensure proper coverage of all pertinent matters for the Board.
4	The agenda and related information are circulated in advance of the meetings to allow members sufficient time to study and understand the information and take decision on matters.
5	The minutes of Board meeting adequately capture discussions arising out of the meetings, are recorded and approved in accordance with set procedures and are circulated within a reasonable time.
6	Adherence to regulatory requirements, Non-Compliances, if any, and inspection reports of regulatory authority are reported to the Board and dealt within time and effectively.
7	The Board receives regular, insightful reports on the organisation’s risk management and internal control systems that provide assurance over their operational effectiveness.
8	The Board has a mechanism in place for ensuring integrity of the accounting, financial & reporting system, including the independent audit, and that appropriate systems of control are in place.
9	The Board members come prepared to the meeting and have gone through the required documents.
10	The Board operates in an inclusive manner that encourages open communication, meaningful participation and exchange of ideas.
11	The Board comprises of members having the appropriate qualifications, skills, experience and knowledge required to enable its effective working.
12	The Board stays abreast of issues and trends affecting the business of the Company, anticipates problems and reacts to the situations in a timely manner.
13	The Board is fully engaged in all aspects of Corporate Governance and regularly monitors the Company's performance in these areas.
14	The Board spends adequate time on discussing key strategic issues and important aspects of the company's working and provides adequate guidance to Management.
15	The Management is available and accessible to Board members.

Table 2 - Criteria / Parameters for Board Committee Evaluation are listed below:

<i>Sr</i>	<i>Evaluation Parameter</i>
1	Committee members have the appropriate qualifications, skills, experience and knowledge required to deliberate on the matters presented before it.

<i>Sr</i>	<i>Evaluation Parameter</i>
2	Committee operates in an inclusive manner that encourages open communication, meaningful participation and timely resolution of issues.
3	Committee members participate effectively and provide meaningful observations and suggestions.
4	The frequency, duration and scheduling of Committee meetings are adequate to ensure proper coverage of all the Committee's responsibilities.
5	The agenda and related information are circulated in advance of the Committee meetings to allow Committee members sufficient time to study and understand the information.
6	Committee meetings are conducted effectively, with sufficient time spent on significant or emerging points and updates provided in a timely manner.
7	The minutes of Committee meetings adequately capture the discussions arising out of the meetings, are recorded and circulated within a reasonable time.
8	Committee fully addresses the issues falling within its terms of reference / remit.
9	Timely action is taken on the observations made by the Committee and Action Taken report shared regularly.
10	The Charter of the Committee is reviewed periodically to ensure relevance and compliance with regulatory requirements.

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 below checklist framed considering various provisions of the Act, and Listing Regulations. The checklist will remain valid unless amended and modified by the Nomination and Remuneration Committee or by the Board considering any changes in the applicable laws and regulations. Based on the performance evaluation of each Director and the Chairman of the Bank, the Committee shall provide the ratings based on each of the below criteria:

Table 3 - Criteria / Parameters for Individual Director (other than Chairman) Evaluation are listed below:

Sr.	Questions
1	The Director understands his/her role on the board and the sub committees in achievement of company's objectives.
2	The Director keeps himself/herself updated on Company's strategy, objectives, relevant developments and opportunities in the Company's areas of operations.
3	The Director is committed to the Board and entity and comes adequately prepared for meetings and actively participates in Board / Committee meetings.
4	The Director utilizes his/her domain expertise, brings independent views and contributes to the decision making process

5	The Director expresses views with clarity, candour and is able to put across dissenting views.
6	The Director is aware of the interest of all the stakeholders and considers the same during the decision-making process.
7	The Director demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.) and adherence to code of conduct.
8	The Director understands his/her role as an Independent Director and is aware of the fit and proper criteria for Independent Directors.

D. EVALUATION OF INDEPENDENT DIRECTORS

Evaluation of Independent Directors shall be carried out by the NRC 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 stated in clause 4(C), the same checklist (Table 3) will be used for performance evaluation of Independent Directors. However, the Chairman will be evaluated on the below parameters:

Table 4 - Criteria / Parameters for the Evaluation of the Chairman are listed below:

Sr.	Questions
1	The Director understands his/her role on the board and the sub committees in achievement of company's objectives.
2	The Chairperson keeps himself/herself updated on Company's strategy, objectives, relevant developments and opportunities in the Company's areas of operations.
3	The Director is committed to the Board and entity and comes adequately prepared for meetings and actively participates in Board / Committee meetings.
4	The Chairperson utilises his/her domain expertise and also considers the interest of all stakeholders in every decision making process.
5	The Director expresses views with clarity, candour and is able to put across dissenting views.
6	The Director demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.) and adherence to code of conduct.
7	The Director understands his/her role as an Independent Director and is aware of the fit and proper criteria for Independent Directors.
8	The Chairperson leads the Board effectively and encourages contributions from all Board Members.
9	The Chairperson maintains effective communication with stakeholders of the Company, including Board members, Senior Management.
10	The Chairperson is able to gain the respect and confidence of management team

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 are listed at Table 2 in Section 4B of this policy.

Based on the performance evaluation of Board Committees of the Bank, the Committee shall provide the ratings based on each criteria.

F. EFFECTIVENESS OF THE BOARD

Based on the ratings given by the NRC to each Director, the overall effectiveness of the Board shall be measured. The aforesaid checklist for the evaluation of the Board, Board Committees and the Directors helps in measuring and enhancing the effectiveness of the Board.

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.

However, SEBI Listing Regulations under section 'Discretionary Requirements' states that the independent directors of top 2000 listed entities as per market capitalization shall endeavour to hold at least two meetings in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall endeavour to be present at such meetings. The Bank being in the list of top 2000 listed entities will endeavour to hold at least two meetings in a financial year if necessary.

6. CRITERIA FOR EVALUATION OF PERFORMANCE

The aforesaid parameters for evaluation are very comprehensive, few of which are listed below:

- 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.