

Terms and Conditions of Appointment of Independent Directors

[Pursuant to the provisions of Schedule IV to the Companies Act, 2013 (“the Act”)]

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

A. Appointment

- The appointment of an Independent Director can be made subject to the approval of the Reserve Bank of India, if required and subject to the compliance of the Companies Act, 2013.
- The Independent Director will be appointed for such tenure as may be decided by the Board and approved by the Shareholders and the RBI, if required and subject to the maximum tenure as prescribed under the Companies Act, 2013.
- The Independent Director, will have to submit a declaration at the beginning of every Financial Year under Section 149 (7) of the Companies Act, 2013 (“Act”) stating that they meet the criteria of Independence.
- So long as the Director is an Independent Director of the Bank, the number of companies in which they can hold office as a Director or a chairman or committee member will not exceed the limit stipulated under the Act.
- So long as they are a director in the Bank, they cannot be appointed as a director in any other bank
- So long as they are an Independent Director of the Bank, they will ensure that they do not get disqualified to act as a Director pursuant to the provisions of Section 164 of the Act.
- Independent Director will ensure compliance with other provisions of the Act as applicable to them as an Independent Director.
- Independent Director will ensure compliance with the provisions of the Banking Regulation Act, 1949.
- As an Independent Director they will not be liable to retire by rotation.

B. Committees

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

C. Role, Duties and Responsibilities

1. As member of the Board, the Independent Director along with other Directors will be collectively responsible for meeting the objectives of the Board which includes:
 - Requirements under the Companies Act, 2013, Schedule IV of the Act and the Rules made thereunder
 - Requirements as mentioned under the Banking Regulation Act, 1949
 - Responsibilities of the Board as outlined in the Corporate Governance requirements
 - Accountability under the Director’s Responsibility Statement
 - Overseeing the maintenance of high standards of Values and ethical conduct of business
 - Overseeing Bank contribution to enhancing the quality of life of communities
2. Independent Directors shall abide by the ‘Code for Independent Directors as outlined in Schedule IV of the Companies Act, 2013 and duties of directors as provided in the Act (including Section 166).
3. They will also be responsible for providing guidance in the area of your expertise.
4. They are expected to stay updated on how best to discharge their roles, responsibilities, and duties and liabilities, as an Independent Director of the Bank under applicable law, including keeping abreast of current changes and trends in economic, political, social, financial, legal and corporate governance practices.
5. They are expected to:
 - (i) Take decisions objectively and solely in the interests of the Bank;
 - (ii) Facilitate Bank’s adherence to high standards of ethics and corporate behavior;

- (iii) Guide the Board in monitoring the effectiveness of the Bank's governance practices and to recommend changes, required if any;
- (iv) Guide the Board in monitoring and managing potential conflicts of interest of Management, Board Members and Stakeholders, including misuse of corporate assets and abuse in related party transactions;
- (v) Guide the Board in ensuring the integrity of the Bank's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

E. Performance Evaluation

Their reappointment or extension of term and remuneration will be recommended by the Board or its authorised Committee, pursuant to a performance evaluation carried out by the Board.

F. Remuneration

1. Their remuneration will be as under:
 - (a) Sitting fees as and when decided by the Board and its Committees, and
 - (b) Any other fee subject to the provisions of the Act & as per the Bank's Nomination and Remuneration policy
2. They will be entitled to reimbursement of expenses incurred them in connection with attending the Board meetings, Board Committee meetings, general meetings and in relation to the business of the Bank towards hotel accommodation, travelling and other out-of-pocket expenses.
3. Pursuant to applicable law, they will not be entitled to any stock options.

G. Disclosures, other directorships and business interests

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

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

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

D. Termination

Independent Directorship shall terminate or cease in accordance with law. Apart from the grounds of termination as specified in the Companies Act, 2013, ID directorship may be terminated for violation of any provision of the Code of Conduct as applicable to Non-Executive Directors.

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

If at any stage during the Term, there is a change that may affect the status of an Independent Director as envisaged in Section 149(6) of the Companies Act, 2013, the relevant Independent Director agrees to promptly submit his/her resignation to the Bank with effect from the date of such change.