



उत्कर्ष स्मॉल फाइनेंस बैंक

Policy on Compensation of Non-Executive Directors

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1. Introduction

Banks in India registered under different statutes are required to comply with provisions of Section 35B of the Banking Regulation Act, 1949, for the purpose of appointment and payment of remuneration of Managing Director and Chairman.

As regards remuneration to Non-Executive Directors, Reserve Bank of India had advised banks to follow the Companies Act, 2013 for payment of Sitting Fees, subject to the approval of their Board of Directors. While deciding on the remuneration to their directors, banks are also required to comply with their Articles of Association, and to obtain approval of their shareholders in case the proposed remuneration payable to the directors exceeds the limits as prescribed under section 197 of the Companies Act 2013.

Keeping in view the need of banks to attract and retain professional expertise in their Boards, RBI vide their Circular No. DoR.HGG.GOV.REC.75/29.67.001/2023-dated February 09, 2024, issued guidelines on payment of Compensation to Non-Executive Directors of Private Sector Banks.

2. Scope

The scope of the Bank's Compensation Policy is in line with the RBI guidelines on Compensation to Non-Executive Directors of Private Sector Banks and includes the following:

3. Compensation Policy

This Comprehensive Compensation Policy for Non-Executive Directors (Other than Part Time Non- Executive Chairman) towards payment of remuneration including sitting fees and reimbursements of expenses) is in compliance to the provisions of Companies Act 2013, Banking Regulation Act 1949 and RBI guidelines issued from time to time.

The Board may, at its discretion, approve payment of compensation in the form of Profit-related Commission to Non-Executive Directors (other than the Part-Time Chairman), subject to the Bank making profits.

Such compensation, however, is capped at ₹ 3 million per annum for each Director.

4. Sitting Fees and reimbursement of expenses

In addition to the compensation mentioned in para 1.2 above, the Bank may pay Sitting Fees to the Non-Executive Directors and reimburse their expenses for participation in the Board and other meetings, in line with the provisions of the Companies Act, 2013.

5. Regulatory Approval / Supervisory Oversight

In line with RBI guidelines, the Bank will approach RBI for its prior approval for granting remuneration to the Part-Time Non-Executive Chairman under Section 10B(1A) (i) and 35B of the Banking Regulation Act, 1949.

6. Disclosures

The Bank notes to disclose details of remuneration paid to the Directors on an annual basis, in its Annual Financial Statements.

RBI has advised that keeping in view the enhanced role and responsibilities of Directors, it is appropriate that the remuneration payable by the Bank to Non-Executive Directors should be commensurate with their duties.

In view of the above, banks are now allowed to make payment of compensation, in their discretion, in the form of Profit-related Commission to Non-Executive Directors (other than the Part-time Non-Executive Chairman), in addition to Sitting Fees and expenses incurred by them for participation in the Board and other meetings, subject to making of Profits, and ensuring compliance with Section 197 of the Companies Act, 2013 and other applicable provisions. Such compensation, however, cannot exceed ₹3 million per annum for each Director.

Further, in terms of Section 10B(1A) (i) and 35B of the Banking Regulation Act, 1949, banks are required to obtain prior approval of RBI for payment of remuneration to Part-Time Non-Executive Chairman, in the form of Profit-related Commission, in addition to Sitting Fees and expenses incurred by them for participation in the Board and other meetings,

The Remuneration paid to Non-Executive Directors (including Part-time Non-Executive Chairman) shall be exclusive of any Sitting Fees paid and reimbursement of expenses for participation in the Board and its Committee meetings.

7. The Review and Recommendation on Remuneration

The proposed remuneration (including sitting fees) payable to non-executive directors (including part time non-executive Chairman) has to be reviewed and recommended by the Nomination and Remuneration Committee of the Board and approved by the Board of the Bank. Any such remuneration payable to the part time non-executive Chairman will also be subject to RBI approval post the Bank's Board having approved the same.

8. Implementation

The Nomination and Remuneration Committee of the Board is responsible for vetting the Bank's Compensation Policy and recommending it to the Board of Directors, for approval.

9. Review of the Policy

The Board shall review the Policy annually, including making assessment of effectiveness of the principles set out in the Policy and in particular any resultant changes required on account of material changes in the applicable policy.