



ESAF Small Finance Bank Limited

CIN: U65990KL2016PLC045669

Registered Office and Corporate Office Address: Building No. VII/83/8, ESAF Bhavan,
Thrissur - Palakkad National Highway, Mannuthy, Thrissur, Kerala, Pin - 680 651

Notice for the 05th Annual General Meeting of the Bank

Notice is hereby given that the Fifth Annual General Meeting of Shareholders of ESAF Small Finance Bank Limited (the Bank) will be held on Wednesday, September 29, 2021 at 12:30 PM through Video Conferencing (VC)/ Other Audio Visual Means (OAVM), to transact the following businesses. The Venue of the Meeting shall be deemed to be the Registered and Corporate Office of the Bank, Building No. VII/83/8, ESAF Bhavan, Thrissur – Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN - 680 651.

ORDINARY BUSINESS

Item No.1 - To consider and adopt the Audited Balance Sheet as on 31st March, 2021, the Profit and Loss Account and Cash Flow Statement for the year ended on that date together with the schedules and annexures thereto, the reports of the Auditor's and Directors' thereon.

Item No.2 - To re-appoint Shri. Chandanathil Pappachan Mohan (DIN: 02661757), Non-Executive Nominee Director, who retires by rotation this year, and being eligible, offered himself for re-appointment.

Item No.3 - Appointment of M/s. Deloitte Haskins and Sells, Chartered Accountants (FRN 117365W) as Statutory Auditors of the Bank for two consecutive Financial Years (Financial Year 2022 and Financial Year 2023) from the conclusion of the 05th Annual General Meeting till the conclusion of the 07th Annual General Meeting of the Bank and fixing their remuneration.

"RESOLVED THAT pursuant to the applicable provisions of the Banking Regulation Act, 1949 and applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications or enactments made there under), based on the recommendation of the Audit Committee of the Board and the Board of Directors, consent of the shareholders of the Bank, be and is hereby accorded to appoint M/s. Deloitte Haskins and Sells, Chartered Accountants with Firm Registration number 117365W, as the Statutory Auditors of the Bank for two consecutive financial years (Financial Year 2022 and Financial Year 2023), to hold office from the conclusion of the 05th Annual General Meeting till the conclusion of 07th Annual General Meeting of the Bank, subject to the approval of Reserve Bank of India."

"RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorized to fix the remuneration and out of pocket expenses incurred to the Statutory Auditors in consultation with them based on the recommendations of the Audit Committee of the Board."

SPECIAL BUSINESS

Item No. 4 - Payment of Variable Pay to Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank

To consider and, if thought fit, to assent or dissent with or without modification(s), to the following resolution(s) to be passed as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of the Banking Regulation Act, 1949, applicable provisions of the Companies Act, 2013, (including statutory modification(s) or re-enactment thereof for the time being in force), the payment of Variable Pay to Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank of ₹ 22,08,360/- (Rupees Twenty-Two Lakhs Eight Thousand Three Hundred and Sixty Only) for the Financial Year 2018-19 and ₹ 44,25,960/- (Rupees Forty-Four Lakhs Twenty-Five Thousand Nine Hundred and Sixty only) for the Financial Year 2019-20, as approved by the Reserve Bank of India vide letter No. DoR. GOV. No. 32855/ 29.44.005/ 2020-21 dated April 06, 2021, based on the recommendation of the Nomination Remuneration and Compensation Committee of the Board and the Board of Directors of the Bank, be and is hereby approved."

Item No. 5 - Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank in line with the Guidelines issued by the Reserve Bank of India vide Circular No: RBI/ 2019-20/ 89 DOR.Appt.BC.No.23/ 29.67.001/ 2019-20 dated November 04, 2019 on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff

To consider and, if thought fit, to assent or dissent with or without modification(s), to the following resolution(s) to be passed as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197 and 198 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the rules framed thereunder (including any statutory modifications or re-enactment thereof, for the time being in force), Section 35B and other applicable provisions of the Banking Regulation Act, 1949, Articles of Association of the Bank and subject to the approval of the Reserve Bank of India, the approval of the shareholders, be and is hereby accorded for remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank, with effect from April 01, 2020 for an aggregate sum not exceeding ₹ 425.71 Lakhs per annum and other benefits as specified in the explanatory statement to the resolution."

"RESOLVED FURTHER THAT the Board of Directors of the Bank is hereby authorized to make necessary modifications to the remuneration of Shri. Kadambelil Paul Thomas in alignment with the approval received from the Reserve Bank of India subject to the maximum ceiling as provided above."

Item No. 6 – Re-appointment of Shri. Kadambelil Paul Thomas (DIN: 00199925) as the Managing Director and CEO of the Bank

To consider and, if thought fit, to assent or dissent with or without modification(s), to the following resolution(s) to be passed as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 203 and any other applicable provisions, if any, read along with Schedule V of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Section 10A, 35B and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time and based on the recommendation of the Nomination Remuneration and Compensation Committee of the Board and the Board of Directors, the consent of the Shareholders of the Bank, be and is hereby accorded to the Reserve Bank of India for the re-appointment and terms of remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925) as Managing Director and CEO of the Bank for a period of three consecutive years with effect from 01st October, 2021, not liable to retire by rotation, upon the terms and conditions for an aggregate remuneration not exceeding ₹ 478.41 Lakhs per annum and other benefits as specified in the explanatory statement to the resolution."

"RESOLVED FURTHER THAT the Board of Directors of the Bank is hereby authorized to make necessary modifications to the remuneration of Shri. Kadambelil Paul Thomas in alignment with the approval received from the Reserve Bank of India subject to the maximum ceiling as provided above."

Item No. 7 – Alteration in Articles of Association of the Bank

To consider and, if thought fit, to assent or dissent with or without modification(s), to the following resolution(s) to be passed as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 14 of the Companies Act, 2013 and the rules made thereunder, each as amended, and other applicable provisions, if any, (including any amendment thereto or re-enactment thereof), approval of the shareholders is hereby accorded to amend the existing Article 102 by substituting with the following:

"Article 102: -

Subject to Section 174 of the Companies Act, 2013 and the guidelines issued by the Reserve Bank of India, the quorum for a meeting of the Board of Directors shall be 1/3rd of its total strength (excluding Directors, if any, whose place may be vacant at that time and any fraction contained in that one third being rounded-off as one), or 3 Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to 2/3rd of the total strength of the number of the remaining Directors, that is to say, the number of Directors who are not interested and present at the meeting being not less than 3, shall be the quorum during such time. At least half of the directors attending the meetings of the board shall be independent directors. Subject to the act, participation of the Directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum."

By the order of the Board
For ESAF Small Finance Bank Limited


Ranjith Kaj P

Place: Thrissur
Date: September 07, 2021

Company Secretary
Membership No. A 30388

NOTES

- A Member entitled to attend the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Bank. The Proxy Form, to be effective shall be deposited at the Registered Office of the Bank 48 hours prior to the time fixed for the meeting. Proxy Form is enclosed herewith. (Members may note that proxy facility shall be entitled to only those members attending the meeting physically).
- A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Bank. A member holding more than 10 percentage of the total share capital of the Bank carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
- Every member entitled to vote at the meeting of the Bank or any resolution to be moved thereat, shall be entitled, during the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the Bank, provided not less than 3 days' notice, in writing of the intention, so as to inspect, is given to the Bank.
- Explanatory statement pursuant to Section 102 of the Companies Act, 2013, is attached herewith.
- All documents referred to in the Notice and the Explanatory Statement, and requiring Members' approval, and such statutory records and registers, as are required to be kept open for inspection under the Companies Act, 2013, shall be available for inspection by the Members at the Registered and Corporate Office of the Bank during business hours and shall be accessible to the person attending the meeting. In accordance with the MCA Circulars, the said documents have been made accessible for inspection through electronic mode and shall remain open and be accessible to any member till conclusion of the meeting. Any member intending to inspect the documents through electronic mode shall make a request by sending an e-mail to ranjith.raj@esafbank.com.
- Institutional/ Corporate shareholders (i.e. other than individuals/ HUF, NRI, etc.) shall send a scanned copy (pdf/ jpg format) of its Board or Governing Body's resolution/ authorization etc., authorizing their representative to attend and vote in the AGM on its behalf. The said resolution/ authorization shall be sent to the Company Secretary by email from their registered e-mail address to ranjith.raj@esafbank.com with a copy marked to secretarial@esafbank.com.
- The venue for the meeting shall be deemed to be the Registered and Corporate Office of the Bank at Building No. VII/83/8, ESAF Bhavan, Thrissur-Palakkad National Highway, Mannuthy, Thrissur, Kerala, PIN – 680 651.
- Route Map of the venue of meeting as per Secretarial Standards-2 is annexed. The prominent landmark for the venue is College of Veterinary and Animal Sciences, Mannuthy.
- Members/ proxies should fill the attendance slip for attending the meeting and bring the attendance slips to the meeting.
- Members are requested to write their DP ID and Client ID No.(s) in their attendance slip for attending the meeting to facilitate identification of membership at the meeting.
- The members are requested to register their e-mail or new e-mail ID which has already been registered with the Depository Participant.
- Members may note that attendance of members through VC shall be counted for the purpose of reckoning quorum under Section 103 of the Companies Act, 2013.
- Members will be able to attend the Annual General Meeting through VC provided by clicking on the link given below and entering the login credentials:
 - Video Conferencing Solution: CISCO Webex Meeting
 - Meeting Access Code: 2512 530 0479
 - Meeting Access Link: <https://esafbank.webex.com/esafbank/j.php?MTID=m72ae197e695f98cf9eda216c96d26923>
- The facility of joining the AGM through VC will be opened 15 minutes before and will be open up to 15 minutes after the scheduled start time of the AGM, i.e., from 12:15 PM to 12:45 PM
- For ease of conduct, members who would like to ask questions/ express their views on the items of the businesses to be transacted at the meeting can send in their questions/ comments in advance by sending an email to ranjith.raj@esafbank.com before 05:00 PM IST on 28th September, 2021 mentioning their name, demat account no./ Folio no., e-mail Id, mobile number etc. The queries may be raised precisely and in brief to enable the Bank to answer the same suitably depending on the availability of time at the meeting. Please note that only questions of the members holding the shares as on cut-off date will be considered.

- During the meeting, where a poll on any item is required, the members participating through VC shall cast their vote on the resolutions only by sending e-mails from their e-mail id registered with the Bank to ranjith.raj@esafbank.com.
- Further, members will be required to use camera, if any, and hence require to use internet with a good speed to avoid any disturbance during the meeting.
- Members who need technical assistance before or during the Annual General Meeting can contact the Bank at secretarial@esafbank.com or helpline - 0487-7123548.

EXPLANATORY STATEMENT IN TERMS OF SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4 - Payment of Variable Pay to Shri. Kadambelil Paul Thomas (DIN: 00199925), Managing Director and CEO of the Bank

Shri. Kadambelil Paul Thomas (DIN: 00199925) was appointed as Managing Director and CEO of the Bank for a period of three (3) years with effect from 01st October, 2018, pursuant to the provisions of Section 10B and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modifications or re-enactments thereof, applicable provisions of the Companies Act, 2013, the Articles of Association of the Bank and based on the approval of Reserve Bank of India vide letter number DBR. Appt. No. 2655/ 29.44.005/ 2018-19 dated 01st October, 2018.

The Board of Directors recommended to the members of the Bank, the payment of variable pay to Shri. Kadambelil Paul Thomas of ₹ 22,08,360/- (Rupees Twenty-Two Lakhs Eight Thousand Three Hundred and Sixty Only) for the Financial Year 2018-19 and ₹ 44,25,960/- (Rupees Forty Four Lakhs Twenty-Five Thousand Nine Hundred and Sixty Only) for the Financial Year 2019-20 respectively, which has been approved by the Reserve Bank of India vide letter No. DoR. GOV. No. 32855/ 29.44.005/ 2020-21 dated April 06, 2021, based on the recommendation of the Nomination Remuneration and Compensation Committee of the Board and the Board of Directors of the Bank for the Financial Year 2018-19 and Financial Year 2019-20.

The Board analyzed the performance of the Bank under the leadership of Shri. Kadambelil Paul Thomas in terms of parameters including financial, people, process etc. and on the basis of the same, the payment of performance pay was recommended to the members. His leadership, experience and expertise in the field of banking leads a leap in performance of the Bank. The Bank has made good progress during last four years under his leadership and the Bank could record good achievements in many parameters reviewed by the Board. Further, the Bank has made a good growth in business despite of various challenges faced by the Bank including Floods, COVID-19 pandemic etc.

None of the Directors and Key Managerial Personnel of the Bank or their relatives, except Shri. Kadambelil Paul Thomas, to whom the resolution relates, is concerned or interested in the resolution mentioned in Item No. 04 of the Notice.

Accordingly, your Directors recommend the passing of Resolution No. 04 as an Ordinary Resolution for approval by the members.

Item No. 5 - Revision of Remuneration of Shri. Kadambelil Paul Thomas (DIN: 00199925) in line with the Guidelines issued by the Reserve Bank of India vide Circular No: RBI/2019-20/89 DOR.Appt. BC.No.23/29.67.001/2019-20 dated November 04, 2019 on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff

The Reserve Bank of India vide Circular no. RBI/2019-20/ 89 DOR.Appt.BC.No.23/ 29.67.001/ 2019-20 dated November 04, 2019 on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff advised Banks to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight and stakeholder engagement in compensation in alignment with the Principles for Sound Compensation Practices issued by the Financial Stability Board.

The main highlights of guidelines issued by the RBI relating to aligning of compensation of Whole Time Directors / Chief Executive Officers / Material Risk Takers (MRTs) with prudent risk taking are:

- Banks should ensure that for the Whole Time Directors (WTDs)/ Chief Executive Officers (CEOs)/ Material Risk Takers (MRTs):
 - (a) compensation is adjusted for all types of risks,
 - (b) compensation outcomes are symmetric with risk outcomes,
 - (c) compensation pay-outs are sensitive to the time horizon of the risks, and
 - (d) the mix of cash, equity and other forms of compensation are consistent with risk alignment.
- The guidelines shall be applicable for remuneration from April, 2020 onwards.
- Banks are required to ensure that the fixed portion of compensation is reasonable, taking into account all relevant factors including adherence to statutory requirements and industry practice.
- It should be ensured that there is a proper balance between fixed pay and variable pay. At least 50%, should be variable and the total variable pay shall be limited to a maximum of 300% of the fixed pay.

- The variable pay can be in the form of share-linked instruments, or a mix of cash and share linked instruments.
- There should be proper balance between the cash and share-linked components in the variable pay. Only in cases where the compensation by way of share-linked instruments is not permitted by law/regulations, the entire variable pay can be in cash.
- In case variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay; and in case variable pay is above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
- In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay, but shall not be less than 50% of the fixed pay.
- A minimum of 60% of the total variable pay must invariably be under deferral arrangements.
- The deferral period should be a minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.
- The deferred compensation should be subject to malus/ clawback arrangements in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year.
- Guaranteed bonus is not consistent with sound risk management or the 'pay for performance' principles and should not be part of the compensation plan.
- Banks shall not permit employees to insure or hedge their compensation structure to offset the risk alignment effects embedded in their compensation arrangement.

Taking into consideration the conditions as prescribed under the guidelines, the Bank has formulated a compensation policy for the Bank and has identified Managing Director and CEO of the Bank as the material risk taker in the Bank. In connection with aligning the compensation structure of material risk takers, the Bank has appointed a reputed consultancy firm namely, M/s Competence Exponential Private Limited, to benchmark the current level of remuneration with industry standards. Further, on the basis of the findings and observations of the M/s. Competence Exponential Private Limited, the new salary structure was proposed and the same has been recommended by the Board to the shareholders of the Bank for approval, subject to the approval of the Reserve Bank of India. The said revision is proposed to be effective from 01st April, 2020 as per the guidelines issued by the Reserve Bank of India. Further, the Board may be authorized to make necessary modifications in the remuneration of Shri. Kadambelil Paul Thomas, in alignment with the approval received from the Reserve Bank of India, subject to the maximum ceiling, as prescribed above.

The revisions proposed in the remuneration along with the justification for the same are as shown below:

Particulars (1)	Existing (INR in lacs/annum) (2)	Proposed (INR in lacs/annum) (3)	Reasons for change (4)
PART-A: Fixed Pay (including perquisites): w.e.f. 1st April 2020			
1. Salary	132	165	Moderate increment of 15% on the basic pay may be given considering the fact that there was no revision to the remuneration since appointed on October 01, 2018. Further, the Component of rent free accommodation is added as the same is not currently availed.
2. Dearness allowance	Nil	Nil	No change
3. Retiral/ Superannuation benefits:	13.2 (10% of Salary)	16.5 (10% of Salary)	No change
(a) Provident Fund	Nil	7.93	Gratuity is now made applicable. As per the rates of gratuity applicable for other employees of the bank.
(b) Gratuity			
4. Leave Fare Concession/ Allowance	To be reimbursed on actual (Limited to INR 10 lacs)	To be reimbursed on actual (Limited to INR 10 lacs)	No Change
5. Other fixed allowances, if any (please specify)	Nil	To be reimbursed on actuals (Limited to INR 10 lacs)	included to ensure upskilling on a constant basis
a) Professional Development Allowance	Nil	0.28	Provided as food allowance
b) Food Coupon			

Particulars	Existing (INR in lacs/annum)	Proposed (INR in lacs/annum)	Reasons for change
(1)	(2)	(3)	(4)
6. Perquisites:			
(i) Free Furnished House and its maintenance/ HRA	Yes (Max of INR 12 lacs pa)	Nil	Changed and included in Fixed salary as the same is not currently availed
(ii) Conveyance Allowance/Free use of bank's car for			
a) Official purposes	Yes	Yes	No change
b) Private purposes	Yes (upto 1000 Km/ month above which, have to compensated at ₹5 per KM)	Yes (upto 1000 Km/ month above which, have to compensated at ₹5 per KM)	No Change
(iii) Driver(s)' salary	Nil	Nil	No Change
(iv) Club Membership(s)	Nil	Nil	No Change
(v) Reimbursement of medical expenses	For Self and dependants upto a max of INR 10 lacs	For Self and dependants upto a max of INR 10 lacs	No change (Value of perquisite is taken as nil as it is actual reimbursement of expenses).
(vi) Medical Insurance Premium	2	2	No change No change
(vii) Reimbursement of Entertainment Expenditure (On declaration basis)	10 (based on declaration)	10 (based on declaration)	(Value of perquisite is Taken as nil as it is actual reimbursement of expenses.
(viii) Travelling and Halting Allowance	YES Lodging: Domestic: Actuals Abroad: Maximum USD 500 per day Diem Allowance (INR 5000 per day for domestic and USD 200 per day for international)	YES Lodging: Domestic: Actuals Abroad: Maximum USD 500 per day Diem Allowance (INR 5000 per day for domestic and USD 200 per day for international)	No Change Value of perquisite is taken as nil as it is actual reimbursement of expenses
Others	Free mobile connections and Internet facilities	Free mobile connections and Internet facilities	No Change Value of perquisite is taken as nil
	Loan for Acquiring or Constructing House for personal use: Upto a maximum of 5 times of Annual Salary and 1-month salary as festival advance -- in compliance to the RBI Circular DBR,Dir. BC. No.38/13.03.00/ 2015-16	Loan for Acquiring or Constructing House for personal use: Upto a maximum of 5 times of Annual Salary and 1-month salary as festival advance -- in compliance to the RBI Circular DBR,Dir. BC. No.38/13.03.00/ 2015-16	No Change Value of perquisite is taken as nil
Other Benefits			
1. Casual Leave	12 days	12 days	No Change
2. Ordinary Leave (Privilege leave)	30 working days of which 50% can be encashed	30 working days of which 50% can be encashed	No Change
3. Sick Leave	12 days	12 days	No Change
4. Mode of Travel	Highest class in any mode for both domestic and international travels	Highest class in any mode for both domestic and international travels	No Change
Total Fixed Pay (including Perquisites)	179.2	211.71	

Particulars	Existing (in lacs/annum)	Proposed (in lacs/annum)	Reasons for change
(1)	(2)	(3)	(4)
PART-B: Variable Pay for Performance Period : 1st April 2020			
1. Cash Component			
• Upfront Payment (with %)	Application for Variable pay is submitted to RBI for approval separately - upto 35% of Fixed Pay subject to appraisal and approval of board based on various performance parameters including financial, customer, process and people for the first three years.	53.5 (50%)	RBI Guidelines dated November 04, 2020
• Deferred Payment (with %)	46.2	53.5 (50%)	
Total Cash Component	Nil	107	RBI Guidelines dated November 04, 2020
Vesting Period (In years)	Nil	3	RBI Guidelines dated November 04, 2020
Deferral arrangement	Nil		
(i) First Year		33.3%	RBI Guidelines dated November 04, 2020
(ii) Second Year		33.3%	The deferred cash component will be vested equally over a period of three years after completion one year for the period to which It pertains.
(iii) Third Year		33.3%	RBI Guidelines dated November 04, 2020
2. Non Cash Components (Share linked instruments)			
(i) ESOP/ESOS	Nil	Nil	
(a) Number of share/ share-linked instruments			
(b) Monetary value			
(c) Deferral (with %)			
(d) Vesting schedule details			
(ii) Sweat Equity Shares (Number of sweat equity shares TBD basis fair valuation of equity shares)			RBI Guidelines dated November 04, 2020
(a) Number of share/ share-linked instruments	NIL	-	
(b) Monetary value	NIL	107	The deferred non-cash component will be vested equally over a period of three years every year after completion one year for the period to which it pertains.
(c) Deferral (with %)	NIL	70%	
(d) Vesting schedule details	NIL	Deferral for 3 years as below 33.3% 33.3% 33.3%	
(iii) Any other non-cash component (please specify)	NIL	NIL	

Particulars	Existing (in lacs/annum)	Proposed (in lacs/annum)	Reasons for change
(1)	(2)	(3)	(4)
Total Monetary value of Non Cash components	Nil	107	RBI Guidelines dated November 04, 2020
Total monetary value of Variable Pay (Cash and non-cash components)	Nil	214	RBI Guidelines (Ref: Note RBI 2019 – 20/89)
% of Cash Component in Total Variable Pay	Nil	50%	RBI Guidelines (Ref: Note RBI 2019 – 20/89)
% of Non-cash component in Total Variable Pay	Nil	50%	RBI Guidelines (Ref: Note RBI 2019 – 20/89)
% of Variable Pay to Fixed Pay and % of Variable Pay in Total Compensation (for the same FY/Performance Period)	Nil	100% 50%	RBI Guidelines (Ref: Note RBI 2019 – 20/89)
Total Compensation (Fixed Pay + Variable Pay)	225.4	425.71	RBI Guidelines (Ref: Note RBI 2019 – 20/89)

None of the Directors and Key Managerial Personnel of the Bank or their relatives, except Shri. Kadambelil Paul Thomas, to whom the resolution relates, is concerned or interested in the resolution mentioned in Item No. 05 of the Notice.

The Board recommends Resolution No. 05 as a Special Resolution for approval by the Members.

Item No. 6 – Re-appointment of Shri. Kadambelil Paul Thomas (DIN: 00199925) as Managing Director and CEO of the Bank

Shri. Kadambelil Paul Thomas (DIN: 00199925) was appointed as Managing Director and CEO of the Bank for a period of three (3) years with effect from 01st October, 2018, pursuant to the provisions of Section 10B and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modifications or re-enactments thereof, applicable provisions of the Companies Act, 2013, the Articles of Association of the Bank and based on the approval of Reserve Bank of India vide letter number DBR. Appt. No. 2655/ 29.44.005/ 2018-19 dated 01st October, 2018. His tenure of appointment as the Managing Director and CEO of the Bank shall expire on 30th September, 2021.

The Nomination Remuneration and Compensation Committee of the Board and the Board of Directors in the meeting held on 20th March, 2021, based on the due diligence conducted and evaluation of performance, recommended the re-appointment of Shri. Kadambelil Paul Thomas as Managing and CEO, to the Shareholders for a further tenure of three (3) continuous years with effect from October 01, 2021 including the remuneration proposed to be paid and other benefits as provided herein,

The Board recommended the re-appointment of Shri. Kadambelil Paul Thomas as Managing and CEO of the Bank, considering the following:

- Shri. Kadambelil Paul Thomas, was the Managing director and CEO of the Bank from March 10, 2017 to June 02, 2018 and 01st October, 2018 till date. His leadership, experience and expertise in the field of banking leads a leap in performance of the Bank.
- Shri. Kadambelil Paul Thomas has got specialized knowledge in the areas of Banking, Finance, Rural Economy, Agriculture and Co-operation as specified in the Banking Regulation Act, 1949.
- The continuance of services of Shri. Kadambelil Paul Thomas is absolutely necessary for the continuous growth of the Bank. Further, as the Bank is in the process of getting listed, the leadership of Shri. Kadambelil Paul Thomas will be highly beneficial to obtain good valuation for the Bank in the capital market.
- The Bank has made good progress during last four years under his leadership and the Bank could record good achievements in many parameters reviewed by the Nomination Remuneration and Compensation Committee of the Board and the Board of Directors.
- During his tenure, the Bank has made a good growth in business despite of various challenges faced by the Bank including Floods, COVID-19 pandemic etc.
- The Board or any Committee of the Board has not made any adverse comments on Shri. Kadambelil Paul Thomas.
- The sustainability measures taken by the Bank under his leadership makes the bank distinct from peers.
- The re-appointment is in compliance to the fit and proper norms of the Reserve Bank of India, compliance to the provisions of the Companies Act,

2013, guidelines of Securities and Exchange Board of India and the Internal Policies of the Bank etc.

The total remuneration proposed to be paid to Shri. Kadambelil Paul Thomas is ₹ 478.41 Lakhs which includes fixed pay and variable pay, which is proposed in compliance to the guidelines issued by the Reserve Bank of India vide no. RBI/ 2019-20/ 89 DOR.Appt.BC.No. 23/29.67.001/ 2019-20 dated November 04, 2019 on the Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff.

Further, in terms of the provisions of the Companies Act, 2013, Shri. Kadambelil Paul Thomas submitted requisite consent(s)/ disclosures and also received an intimation from Shri. Kadambelil Paul Thomas to the effect that he is not disqualified and further confirmed that he is also not debarred by any statutory authority to be appointed as a Director in any Company.

The Board confirmed that, Kadambelil Paul Thomas complied with the fit and proper norms of RBI, provisions of Companies Act, 2013, applicable Securities and Exchange Board of India Regulations and Internal Policies of the Bank, for being appointed as the Managing Director and CEO of the Bank.

The Bank has received the approval of Reserve Bank of India vide Letter No. DoR. GOV. No. S373/29.44.005/ 2021-22 dated July 20, 2021 for re-appointing Shri. Kadambelil Paul Thomas as Managing Director and CEO for further period of three years, w.e.f from October 01, 2021.

In compliance with the provisions of Section 196, 197, 203 and other applicable provisions of the Act, read with Schedule V to the Act as amended, and based on the recommendation of the Board of Directors and Nomination Remuneration and Compensation Committee of the Board, approval of the Members is sought for the re-appointment and terms of remuneration of Shri. Kadambelil Paul Thomas as Managing Director and Chief Executive Officer of the Bank as set out above.

None of the Directors and Key Managerial Personnel of the Bank or their relatives, except Shri. Kadambelil Paul Thomas, to whom the resolution relates, is concerned or interested in the resolution mentioned in Item No. 06 of the Notice.

The Board recommends the resolution set forth in Item No. 06 as a Special Resolution for approval of the Members.

Disclosures as per Secretarial Standards – 2

Name of the proposed Director	Kadambelil Paul Thomas
Age	58 Years
Qualification	Master in Business Administration (MBA) from Annamalai University
Expertise in specific functional areas	Rural economy, Banking, Finance, Agriculture and Co-operation.
Experience	01 st October, 2018 – Present Managing Director and CEO, ESAF Small Finance Bank Limited 10 th March, 2017 – 02 nd June, 2018 Managing Director and CEO, ESAF Small Finance Bank Limited 01 st April, 2008 – 09 th March, 2017 Chairman and Managing Director, M/s. ESAF Financial Holdings Private Limited (Previously known as M/s. ESAF Microfinance and Investments Private Limited) 21 st September, 2012 – 16 th May, 2016 Non Executive Director, ESAF Enterprise Development Finance Limited (which was renamed as Tattva Fincorp Limited in 2016).
Terms and Conditions of appointment	Re-appointment as the Managing Director and CEO of the Bank for a period of three consecutive years with effect from 01 st October, 2021.
Details of remuneration sought to be paid	₹ 478.41 Lakhs
Remuneration last drawn	₹1,32,00,000/- (Rupees One Crore Thirty Two Lakhs only) (excluding the perquisites)
Date of First appointment on the Board	05 th May, 2016
Shareholding in the Bank	6.939%
Relationship with other Directors, Manager and other Key Managerial Personnel	NIL
Number of meetings of the Board attended during the year.	12
Directorships held in other companies	NIL

Memberships/ Chairmanship of Committees of other Companies

Sl. No.	Name of the Company	Board Committees in which he is a member	Board Committees in which he is a Chairperson
NIL			

Details of Remuneration proposed

Particulars	Proposed (INR in lacs/annum)
PART-A: Fixed Pay (including perquisites): w.e.f. 1st October 2021	
1. Salary	190
2. Dearness allowance	Nil
3. Retiral/Superannuation benefits:	
(a) Provident Fund	19.0 (10% of Salary)
(b) Gratuity	9.13
4. Leave Fare Concession/ Allowance	To be reimbursed on actual (Limited to INR 10 lacs)
5. Other fixed allowances, if any (please specify)	
a) Professional Development Allowance	To be reimbursed on actuals (Limited to INR 10 lacs)
b) Food Coupon	0.28
6. Perquisites:	
(i) Free Furnished House and its maintenance/HRA	NIL
(ii) Conveyance Allowance/Free use of bank's car for	
a) Official purposes	Yes
b) Private purposes	Yes (upto 1000 Km/month above which, have to compensated at ₹5 per KM)
(iii) Driver(s)' salary	Nil
(iv) Club Membership(s)	Nil
(v) Reimbursement of medical expenses	For Self and dependants upto a maximum of INR 10 lakhs.
(vi) Medical Insurance Premium	2
(vii) Reimbursement of Entertainment Expenditure (On declaration basis)	10 (based on declaration)
(viii) Travelling and Halting Allowance	YES <u>Lodging:</u> Domestic: Actuals Abroad: Maximum USD 500 per day <u>Diem Allowance</u> (INR 5000 per day for domestic and USD 200 per day for international)
Others	Free mobile connections and Internet facilities Loan for Acquiring or Constructing House for personal use: Upto a maximum of 5 times of Annual Salary and 1-month salary as festival advance – in compliance to the RBI Circular: DBR,Dir.BC. No.38/ 13.03.00/ 2015-16.
Other Benefits	
1 Casual Leave	12 days
2 Ordinary Leave (Privilege leave)	30 working days of which 50% can be encashed
3 Sick Leave	12 days
4 Mode of Travel	Highest class in any mode for both domestic and international travels
Total Fixed Pay (including Perquisites)	238.41

Particulars	Proposed (INR in lacs/annum)
PART-B: Variable Pay for Performance Period : w.e.f. 1st October 2021	
1. Cash Component	
• Upfront Payment (with %)	60.0 (50%)
• Deferred Payment (with %)	60.0 (50%)
Total Cash Component	120
Vesting Period (in years)	3
Deferral arrangement	
i) First Year	33.3%
ii) Second Year	33.3%
iii) Third Year	33.3%
2. Non Cash Components (Share linked instruments)	
(i) ESOP/ESOS	Nil
(a) Number of share/ share-linked instruments	
(b) Monetary value	
(c) Deferral (with %)	
(d) Vesting schedule details	
(ii) Sweat Equity Shares	
(a) Number of share/ share-linked instruments	-
(b) Monetary value	120
(c) Deferral (with %)	70%
(d) Vesting schedule details	Deferral for 3 years as below: 33.3% 33.3% 33.3%
(iii) Any other non-cash component (please specify)	NIL
Total Monetary value of Non Cash components	120
Total monetary value of Variable Pay (Cash and non-cash components)	240
% of Cash Component in Total Variable Pay	50%
% of Non-cash component in Total Variable Pay	50%
% of Variable Pay to Fixed Pay and % of Variable Pay in Total Compensation (for the same FY/Performance Period)	100% 50%
Total Compensation (Fixed Pay + Variable Pay)	478.41

Item No. 7 – Alteration in Articles of Association of the Bank

As per Article 102 of the Articles of Association of the Bank, subject to Section 174 of the Act, the quorum for a meeting of the Board of Directors shall be 1/3rd of its total strength (excluding Directors, if any, whose place may be vacant at that time and any fraction contained in that one third being rounded-off as one), or 2 Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to 2/3rd of the total strength of the number of the remaining Directors, that is to say, the number of Directors who are not interested and present at the meeting being not less than

2, shall be the quorum during such time. Subject to the Act, participation of the Directors by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum.

The Reserve Bank of India vide Notification No. RBI/2021-22/24 DOR.GOV.REC.8/ 29.67.001/ 2021-22 dated April 26, 2021, has issued revised instructions on **Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board** which shall be applicable to all the Private Sector Banks, including Small Finance Banks (SFBs) and wholly owned subsidiaries of Foreign Banks.

As per the notification issued by the Reserve Bank of India, the quorum of the Board meetings shall be one-third of the total strength of the Board or three Directors, whichever is higher and at least half of the directors attending the meetings of the Board shall be Independent Directors.. In order to align with the notification issued by the Reserve Bank of India, the Board of Directors recommend the amendment to the Articles of Association of the Bank by deleting the existing Article 102 and substituting with new Article 102.

A copy of the Articles of Association of the Bank together with the proposed alterations would be available for

inspection by the members at the Registered Office of the Bank.

The Board of Directors recommend passing of the Resolution at Item No. 07 of the Notice as Special Resolution for approval by the members in terms of Section 14 of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel of the Bank and/or their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 07.