

[Date]

Name of the Director:

DIN:

Address:

Dear Sir,

Subject: Appointment as Non-Executive Independent Director on the Board of Directors of M/s. ESAF Small Finance Bank Limited

We are pleased to inform you that the Shareholders of M/s. ESAF Small Finance Bank Limited (the Bank) have decided to appoint you as Non-Executive Independent Director on the Board of Directors of the Bank for the first term and we are confident that your association with the Bank and your presence on the Board would further enrich the quality of deliberations and processes at the Board and help the Bank achieve its mission. Your appointment shall be subject to the extant provisions of Section 149, 152 and other applicable provisions and Schedule IV of the Companies Act, 2013 read with all relevant rules and applicable provisions of the Banking Regulation Act, 1949 and rules, circulars, guidelines or directions issued by the Reserve Bank of India and the Articles of Association of the Bank.

We are sure that the Board will benefit immensely from your rich knowledge and valuable experience.

This letter sets out the main terms of your appointment as follows:

I. Compliance of eligibility criteria

1. As per the declaration provided by you, it is noted that you meet the criteria of being appointed as an Independent Director of the Bank in terms of the provisions of Section 149 of the Companies Act, 2013 and rules notified thereunder from time to time.
2. Pursuant to Regulation 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 149(7) of the Companies Act, 2013, you shall, at the first meeting of the Board in which you participate as a Director and thereafter at the first meeting of the Board in every financial year, and whenever there is any change in circumstances which may affect your status as an Independent Director, submit a declaration to the Bank regarding meeting of the criteria of independence as prescribed under the said Act and the rules made thereunder.

ESAF SMALL FINANCE BANK LIMITED

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3. In the event that, if you cease to meet the eligibility criteria for being an Independent Director, you shall promptly inform the Bank and shall cease to become an Independent Director of the Bank.

II. Terms and conditions of appointment

1. Your appointment shall be for a period of three consecutive years with effect from [●].
2. You will not be liable to retire by rotation in terms of Section 152 of the Companies Act, 2013.
3. Continuation of your directorship will be decided based upon relevant statutory/regulatory provisions relating to the removal of a Director/ vacation of office/ disqualification of Director and other approvals required from appropriate statutory bodies.
4. Your appointment is subject to the maximum permissible directorships that one can hold as per the provisions of the Companies Act, 2013 and the Listing Regulations.
5. You shall not hold any directorship on the Board of any other banks or companies which among themselves are entitled to exercise voting rights in excess of 20% of total voting right of all the shareholders of another Banking Company during the tenure of your directorship in the Bank.
6. Your appointment shall be subject to such other approvals as may be required at the time of listing of equity shares of the Bank with stock exchanges.
7. You shall disclose concerns/ interests in terms of Section 184 of the Companies Act 2013, including any changes thereof, and shall be properly informed to the Board of Directors.
8. You shall comply with the provisions of section 20 of the Banking Regulation Act, 1949 regarding restrictions on Loan and Advances and the Master Circular on Loans and Advances.
9. You should properly intimate to the Nomination, Remuneration and Compensation Committee of the Board (NRCCB) and the Board regarding any subsequent changes to the declarations relating to your fit and proper status for appointment as Director. Your appointment and continuation as a Director shall at all times be subject to your being found 'fit and proper' in accordance with the extant guidelines and directions issued by the Reserve Bank of India. The Bank shall be entitled to carry out an annual and event-based assessment of your fit and proper status, and you shall promptly inform the Bank of any material change affecting such status.

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10. You shall take prior approval of the Board for acquiring any substantial interest in any entities, or connecting with, whether as employee, manager or Managing agent, except companies registered under Section 8 of the Companies Act, 2013 or small scale industrial concerns.
11. You shall not acquire shares of any NBFCs singly or jointly with any relatives or associates for more than 49.99%. Further, you or any relatives of yours shall not act as promoters of any NBFCs and you should not act as a full-time employee of any NBFC.
12. You shall execute the Deed of Covenant prescribed by the Reserve Bank of India and the Code of Conduct approved by the Board.
13. You will be provided with Directors Liability Insurance for such amount (sum insured) as may be decided by the Bank from time to time.
14. You shall attend Directors familiarisation programs as organised by the Bank from time to time.
15. You shall abide by the insider trading regulations of the Securities and Exchange Board of India.

III. Expectation of the Board

1. The Board expects your active participation by providing vision and expert direction which will enable the company to achieve excellent performance and growth.
2. You may be required to serve on one or more committees of the Board. You will be provided with the relevant terms of reference on your appointment to such committee/s.
3. You shall devote sufficient time and attention to your role as an Independent Director and shall disclose to the Board, on appointment and on an ongoing basis, the details of your other directorships, committee memberships, and all material professional commitments, so as to enable the Board to assess your availability and compliance with Regulation 25(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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IV. List of actions you should not do

As a Director of the Bank, you are obliged to abide by the following:

1. You shall not evade responsibility in regard to matters entrusted by the Board.
2. You shall not be involved in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
3. You shall not participate in any discussions and voting at the meetings of the Board or its committees relating to any of the transactions in which you are interested or concerned.
4. You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates if any.
5. You shall not make improper use of information disclosed to you as a member of the Board for your or someone else's advantage or benefit and shall use the information disclosed to you only for the purposes of performance of your duties as a Director and not for any other purpose.
6. You shall not unfairly obstruct the functioning of the Board or any Committee of the Board.

V. Remuneration

1. Subject to the applicable provisions of the Companies Act, 2013, you will be entitled to sitting fees, reimbursement of expenses for participation in the Board and other committee meetings. The sitting fees payable to the Directors will be decided by the Board from time to time and currently the same is ₹ 60,000/- and ₹ 50,000/- for the Board and Committees of the Board respectively.
2. The Bank will reimburse all reasonable and properly-documented expenses you incur in performing duties of your office.

VI. Review process

The performance of individual Directors and the whole Board and its Committees shall be evaluated annually.

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VII. Changes to personal details

Any changes in address or other personal contact details may please be intimated to the Bank promptly.

VIII. Duties of Director

The Directors shall abide by the following duties in terms of Section 166 of the Companies Act, 2013: -

- i) Subject to the provisions of the Companies Act, 2013, the Director of the Bank shall act in accordance with the Articles of Association of the Bank.
- ii) A Director of the Bank shall act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees, the shareholders, the community and for the protection of environment.
- iii) A Director of the Bank shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- iv) A Director of the Bank shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- v) A Director of the Bank shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Bank.
- vi) A Director of the Bank shall not assign his office and any assignment so made shall be void.
- vii) If a Director of the Bank contravenes the provisions of this section, such Director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

IX. Membership in the Meetings of Sub Committees of the Board

The Board of Directors shall decide upon your membership in different sub committees of the Board which will be intimated to you separately.

The membership in committees may change based on the reconstitution of the committees effected by the Board from time to time.

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X. Schedule of Meetings

The Bank will provide you the schedule of forthcoming meetings.

We look forward to a mutually satisfying association with you.

Yours Sincerely,

For ESAF Small Finance Bank Limited

Part-Time Chairman and Non-Executive Independent Director

I hereby accept the terms and conditions of appointment as set out in this letter.

Signature:

Name:

Date:

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