

DISCLOSURE DOCUMENT ON THE TERMS AND CONDITIONS OF
APPOINTMENT OF INDEPENDENT DIRECTORS AND
FAMILIARISATION PROGRAM FOR SUCH DIRECTORS

SIDBI is governed by SIDBI Act, 1989 and SIDBI General Regulations, 2000. All members of Board of Directors and senior management are governed by SIDBI Act and SIDBI General Regulations which stipulates guidelines regarding conduct of Board/Directors and senior management.

The unsecured Bonds" issued by SIDBI are listed at Stock Exchanges. Since Outstanding of unsecured board issued by SIDBI which are listed on NSE is more than Rs. 500 crore, SIDBI is classified as "High Value Debt Listed Entity" and is required to submit quarterly information to Stock Exchanges. As per Clause 62 of SEBI guidelines of LoDR, terms and conditions of appointment of independent directors shall be disclosed on the listed entity's website and hence this document.

1. Independent Directors

The Small Industries Development Bank of India Act, 1989 provides for a fifteen-member Board of Directors.

The extract of the relevant portion of SIDBI Act is appended below:

6. Constitution of Board.—(1) The Board shall consist of the following, namely:—

(a) a chairman and managing director appointed by the Central Government;

(b) two whole-time directors appointed by the Central Government;

(c) two directors who shall be officials of the Central Government nominated by the Central Government;

(d) three directors to be nominated in the prescribed manner by the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government;

(e) three directors, including one Director from the officials of the State Financial Corporations, nominated by the Central Government from amongst

the persons having special knowledge of, or professional experience in, science, technology, economics, industry, banking, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in, which would, in the opinion of the Central Government, be useful to the Small Industries Bank;

(f) such number of directors not exceeding four elected in the prescribed manner, by shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, whose names are entered in the register of shareholders of the Small Industries Bank ninety days before the date of the meeting in which such election takes place on the following basis, namely:—

(i) where the total amount of equity share capital issued to such shareholders is ten per cent. or less of the total issued equity share capital, two directors;

(ii) where the total amount of equity share capital issued to such shareholders is more than ten per cent. but less than twenty-five per cent. of the total issued equity share capital, three directors; and

(iii) where the total amount of equity share capital issued to such shareholders is twenty-five per cent. or more of the total issued equity share capital, four directors:

Provided that if the percentage of holding of issued equity share capital with the shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, does not permit election of four directors or until the assumption of charge by the elected directors, the Board may at any time co-opt such number of directors, not exceeding four, from amongst the persons having special knowledge of, or professional experience in, science, technology, economics, industry, banking, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in, which would, in the opinion of the Board, be useful to the Small Industries Bank for carrying out its functions, who shall hold office until the assumption of charge by the elected directors and an equal number of such co-opted directors shall retire in the order of co-option.

Out of total 15 directors, eight directors are appointed / nominated by the Central Government comprising Chairman and Managing Director (CMD), two Whole Time Directors, two Government officials and three experts (including one from State Financial Corporation) having special knowledge of or professional experience in matters useful to the Bank.

Out of the remaining seven Directors, one each is nominated by three largest shareholders amongst Public Sector Banks, Insurance Companies and other institutions owned or controlled by the Central Government and other four are to be elected by the public shareholders or alternatively, can be co-opted by the Board until assumption of charge by the elected Directors.

Chairperson of SIDBI is executive Chairperson. Except CMD and two WTDs, all other directors are non executive directors who are treated as independent directors in terms of explanation "a" to Reg 16(1)(b) of SEBI guidelines of LoDR.

2. Process of appointment of independent directors

- 1. two directors who shall be officials of the Central Government are nominated by the Central Government;*
- 2. three directors are nominated by three largest share holders other than Govt of India amongst public sector banks, insurance companies and other institutions owned or controlled by the Central Government;*
- 3. three directors, including one Director from the officials of the State Financial Corporations, nominated by the Central Government from amongst the persons having special knowledge of, or professional experience in, science, technology, economics, industry, banking, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in, which would, in the opinion of the Central Government, be useful to the Small Industries Bank;*
- 4. such number of directors not exceeding four elected in the prescribed manner, by shareholders, other than the public sector banks, insurance companies and other institutions owned or controlled by the Central Government, whose names are entered in the register of shareholders of the Small Industries Bank ninety*

days before the date of the meeting in which such election takes place on the following basis

Since the entire shareholding of SIDBI is presently held by Central Government, PSBs, insurance companies and other institutions owned or controlled by Central Government, the Board has been co-opting Directors under this Section from time to time. Following process is followed for co-option of directors.

- A senior level Internal Committee creates a panel of potential Directors by shortlisting eminent persons of standing in various fields as prescribed in the SIDBI Act, 1989.
- The Committee obtains from the above shortlisted candidates information/documents in the format prescribed under RBI's "Fit & Proper" criteria [circular dated May 23, 2011].
- Besides the Fit and Proper criteria, the Committee would evaluate the suitability of the candidate professional / expert based on parameters .
- After undertaking due diligence to determine the "Fit & Proper" status of the candidates, taking into account criteria stipulated by RBI as also DFS circular dated March 25, 2015, the Committee recommends the name(s) of potential Director(s) fulfilling the eligibility criteria to Nomination and Remuneration Committee (NRC).
- From the list of candidates recommended by the senior level internal committee, Nomination and Remuneration Committee (NRC) recommends the name to the Board for co-option of directors for consideration and recommendation to the Board.
- Based on the recommendations of NRC, the Board may co-opt one or more Director(s) on SIDBI Board depending on vacancies.

3. Term of Office

- Govt officials nominated as directors by Govt of India under *Section 6(1) (c) of SIDBI Act* shall hold office during the pleasure of Govt of India (the authority nominating them).
 - Director nominated by Govt of India under Section 6(1) (d) and 6(1) (e) of SIDBI Act shall hold office for such term not exceeding three years as the

Central Government, or the authority nominating him, as the case may be, may specify in this behalf and thereafter until his successor assumes office, and shall be eligible for re-nomination: Provided that no such Director shall hold office continuously for a period exceeding six years; and

(b) every Director elected under section 6(1) (f) of SIDBI Act shall hold office for three years and thereafter until his successor assumes office and shall be eligible for re-election: Provided that no such director shall hold office continuously for a period exceeding six years.

(8) The shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government may, after giving the director a reasonable opportunity of being heard in the manner as may be prescribed, by resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the equity share capital held by such shareholders, remove any director elected under clause (f) of sub-section (1) and elect another director in his place to fill the vacancy so caused.

4. Fees

In terms of Section 12A of SIDBI Act, the Directors and the Members of a Committee shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or of any Committee constituted in pursuance of the Act and for attending to any other work of the Bank. However, no fees shall be payable to the Chairman & Managing Director or to the Whole-time Director or any other Director, who is an official of the Government.

Further, every Director / member of Executive Committee or any other Committee constituted under Section 12(3) of SIDBI Act shall be entitled to receive such amount *as may be specified by the Board* for every meeting of the Board / Committees, which he attends" in terms of Regulation 8(1) of the SIDBI General Regulations 2000.

Accordingly, the last revision in sitting fees payable to the Directors / Members for attending the Board / Committee meetings was approved by the Board of Directors at its 201st meeting held on May 10, 2019, based on the circular F.No.18/12/2010-IF-I dated February 28, 2019 from the Ministry of Finance (MoF), Government of India (GoI). The present fee structure for Board and Committee sitting fees payable to the Directors of

SIDBI for attending / chairing the meetings of the Board / its Committees is as under, subject to an overall ceiling of `15 lakh per annum:

Sr.No.	Meeting	Amount per meeting
(a)	For attending Board meeting	`40,000/-
(b)	For attending meeting of Board Committee	`20,000/-
(c)	For chairing Board meeting	`10,000/- [in addition to (a) above]
(d)	For chairing meeting of Board Committee	`5,000/- [in addition to (b) above]

5. Code of conduct of the Bank

SIDBI is governed by SIDBI Act, 1989 and SIDBI General Regulations, 2000. All members of Board of Directors and senior management are governed by SIDBI Act and SIDBI General Regulations which stipulates guidelines regarding conduct of Board/Directors and senior management.

6. Familiarization of Programs

In order to familiarize Independent Directors with the operation of the Bank including functional areas, nature of industry, business model, internal and external risk associated with it, etc. presentations/discussions are arranged by the Bank for Independent Directors on an ongoing basis. The Independent Directors are also being deputed to Seminars/Meetings convened by Professional bodies like IDRBT/CAFRAL (sponsored by RBI)/Government of India, from time to time. Further, various presentations on important topics like corporate governance, risk management and other functional areas like Credit are also arranged involving outside experts from time to time.
