



**CODE OF CORPORATE GOVERNANCE AND CODE OF CONDUCT FOR THE BOARD  
OF DIRECTORS AND MANAGEMENT**

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**CODE OF CORPORATE GOVERNANCE AND CODE OF CONDUCT FOR THE BOARD OF DIRECTORS AND  
MANAGEMENT**

**I. PURPOSE OF THE CODE**

Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent, and responsible management of a company within the applicable statutory and regulatory structures. This Code represents a set of desirable, corporate-governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and SEBI/stock exchange listing requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013, NGRBC guidelines by Ministry of Corporate Affairs etc. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress should be on its substance and spirit rather than on its form.

**II. CORPORATE OBJECTIVE OF THE BANK**

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principal corporate objective, like that of any corporate business entity, is to perpetuate its business while protecting and enhancing, over the long term, the value of the investments of its shareholders in the Bank.

**Definitions-** In this Code of Corporate Governance the following terms shall have the meaning noted herein

1. Chairman shall include Non-Executive/Part Time Chairman
2. Managing Director & Chief Executive Officer (MD & CEO) shall mean the senior most executive position.
3. Management/senior management shall include MD&CEO, Executive Director(s), and Executive Management. (Executive management means personnel of the Bank who are members of core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads and shall specifically include company secretary and chief financial officer)
4. SEBI-LODR Regulations, 2015 shall mean, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and its amendments made from time to time;
5. Independent Directors shall include non-executive Directors, who, apart from receiving remuneration as Directors of the Bank, does and did not have any other material pecuniary relationship or transactions with the Bank, its management or any subsidiaries/associates, or directors which in the judgment of the Board may affect the independence of the Directors and satisfies such other criteria of independence as contained in the Companies Act, 2013/ SEBI-LODR, Regulations 2015)
6. Board of Directors means the collective body of the directors of the Bank.
7. The following definitions has been added in the Code as mentioned in the Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023
  - a. "acquisition" means, acquiring, or agreeing to acquire, shares or voting rights in a banking company, directly or indirectly;
  - b. "aggregate holding" means the total holding, directly or indirectly, beneficial or otherwise, of shares or voting rights by a person along with his relatives, associate enterprises and persons acting in concert with him in the Bank.

- c. major shareholding” means “aggregate holding” of five per cent or more of the paid-up share capital or voting rights in the Bank by a person;
- d. “person” means a natural person or a legal person

### **III. BOARD OF DIRECTORS**

The primary responsibility for good corporate governance of the Bank rests with its Board of Directors, more so since a large majority of the Bank’s ownership is largely dispersed among thousands of shareholders resulting in virtual separation of ownership and management. The shareholders have entrusted the Board with the responsibility of overall direction, supervision and control of the Bank. The Board’s fiduciary responsibility to the shareholders requires that the Board should act in their shared corporate interest, in good faith, and with due diligence. While directing the Bank towards achieving its corporate objective, the Board should also fulfill its obligation of accountability to the shareholders, by providing them with reliable and adequate information on the Bank’s affairs and condition. At the same time, the Board should also recognize and take into account the interests of other key stakeholders identified by the Bank, such as Other Investors, Customers, Vendors suppliers & service providers, Employees, Ecosystem & Society, Government & Regulatory Authorities in which it functions. Equally important, the Board should ensure that the Bank’s policies, operations, dealings, and disclosures are in conformity with the applicable laws and regulations as prescribed by RBI, Companies Act, 2013, SEBI-LODR Regulations, 2015 etc., from time to time.

In discharging this onerous responsibility, the Board has necessarily to rely on the Bank’s executive management (i.e., the Managing Director & Chief Executive Officer, and senior officers with executive functions, whether or not members on the Board) and also the employees of the Bank for assistance and information. Accordingly, the Board expects the executive management to provide it with correct, timely, sufficient, and meaningful information on various aspects of the Bank as would enable the Board to perform its role effectively. The non-executive Directors shall have full access to the Bank’s executive and senior management but will ensure that such contacts do not distract the executives from the Bank’s business operations.

#### **A. Functions of the Board of Directors**

The main functions of the Bank’s Board include the following and is in line with the requirements of Reserve Bank of India, Companies Act, 2013 and SEBI-LODR Regulations, 2015, as amended from time to time:

1. to guide, approve, and review the Bank’s corporate objectives; competitive position and strategy; operational, financial, personnel, and other policies; operational goals, business plans; and Risk appetite Framework;
2. to monitor the Bank’s performance, including effective implementation of the approved policies, strategies, and plans, and statutory and regulatory compliance;
3. to appoint and replace the Chairman, the Managing Director & Chief Executive Officer and Executive Directors (whether or not members of the Board), determine their compensation, counsel and guide them on important issues, oversee and review their performance, and plan their succession;
4. to review the utilization and development of the Bank’s human resources;
5. to ensure that appropriate internal control systems, including those relating to accounting, financial management, risk exposure and management, and statutory and regulatory compliance, are in place and are effective;
6. to monitor the adequacy and integrity of the accounting and financial reporting systems and the internal (including concurrent) audit and inspection functions;
7. to recommend to shareholders appointment and replacement of the external auditors, and interact with the auditors on their findings and concerns;
8. to oversee disclosure to shareholders and regulatory and other governmental authorities;

9. to review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, assessing adequacy of capital and overseeing Recommend to the full Board for shareholders' approval major capital expenditures, acquisitions and divestments;
10. to monitor the effectiveness of Bank's governance practices and making changes as needed;
11. to select, compensate, monitor and, when necessary, replacing key managerial personnel and overseeing succession planning;
12. aligning key managerial personnel and remuneration of board of directors with the longer term interests of the Bank and its shareholders;
13. to ensure a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors;
14. to monitor and manage potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions;
15. to ensure the integrity of 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;
16. to oversee the process of disclosure and communications;
17. to monitor and review board of director's evaluation framework.

As at present, the Board shall reserve for itself the power to make decisions on certain specified matters, including those which are required under statute, regulations, RBI directives, Companies Act and guidelines, and/or stock-exchange listing requirements to be submitted to it for decision. In other matters, to facilitate and expedite decision-making, the Board may delegate appropriate authority to Committees of Directors, the Managing Director & Chief Executive Officer and other members of the executive management, or to specified other officers of the Bank singly or jointly.

## **B. Roles and Responsibilities of the Board**

The Board of Directors shall have the following responsibilities:

1. Disclosure of information:  
Members of Board of Directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Bank.
2. Members of the Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Bank and the shareholders.
3. The Board of Directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date on latest managerial techniques, technological developments in banks, and financial markets, risk management systems etc.
4. The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
5. The Board of Directors shall exercise objective independent judgement on corporate affairs.
6. The Board of Directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
7. The Board of Directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of Bank's focus.

8. When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
9. Members of the Board of Directors shall be able to commit themselves effectively to their responsibilities.
10. The Board of Directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of board of directors.
11. In order to fulfil their responsibilities, members of the Board of Directors shall have access to accurate, relevant and timely information.
12. The Board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making
13. The Board of directors shall provide strategic guidance to the Bank, ensure effective monitoring of the management and shall be accountable to the Company and the shareholders
14. The Board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
15. The Board of directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the Bank to excessive risk.
16. The Board of Directors should ensure that responsibilities of directors are well defined, and every director should be familiarised on the functioning of the Bank covering the following areas – delegation of powers to various authorities by the Board, strategic plan of institution, organisational structure, financial and other control systems and economic features of the market & competitive environment.

#### **C. ROLES, RESPONSIBILITIES AND DECISION RIGHTS OF THE BOARD, CHAIRMAN AND CEO**

The roles, responsibilities and decision rights of the Board, Chairman and CEO includes the following:

<b>SI No</b>	<b>Particulars</b>	<b>Board</b>	<b>Chairman</b>	<b>CEO</b>
<b>1.</b>	<b>Strategy</b>	a) Agree on strategy and direction and key success targets Decide on top-down targets at the beginning of the strategic planning process. Review and approve strategic plan. b) Review and approve corporate actions submitted by CEO <ul style="list-style-type: none"> <li>• Mergers, alliances and acquisitions/disposal</li> <li>• Geographical expansion</li> <li>• Entry to new business lines</li> </ul>	Work with CEO to present the board with a set of key financial and non-financial performance indicators that represent business	a) Sets vision and direction (broad outlines) b) Recommends key financial and non-financial targets to the Board for approval and support c) Review, challenge Business strategies submitted by his direct reports. d) Oversee development of strategic plan e) Submit strategic plan to Chairman and Board for approval f) Guide development of corporate actions and prepare for Board and Chairman approval, i.e.,

		<ul style="list-style-type: none"> <li>• Mortgaging/sale &amp; lease-back of the Bank's assets</li> <li>• Securitization of assets</li> </ul> <p>c) Review progress on implementation of strategic plan</p>		<p>Mergers, alliances and acquisitions /disposals</p> <p>Geographical expansion</p> <p>Entry to new business lines</p>
2.	<b>Budget</b>	<p>a) Decide on top-down targets at the beginning of the strategic planning process</p> <p>b) Review, challenge and approve budgets submitted by CEO</p> <p>c) Monitor performance against budget targets during quarterly and monthly reviews</p>	Work with CEO to present the Board with targets aligned with Board aspirations and Bank's strategy	<p>a) Review, challenge budgets submitted by business heads/ CFO.</p> <p>b) Submit budget for Chairman and Board approval</p> <p>c) Monitor performance against targets at both Bank and business levels</p>
3.	<b>Operating Expense &amp; Capital Expenditures</b>	Review, challenge and approve Operating expense (OPEX) and Capital expenditure (CAPEX) plans submitted by CEO	Work with Board and CEO to ensure that OPEX and CAPEX targets and initiatives are aligned to the strategy	<p>a) Establish priorities for the development of the OPEX and CAPEX plans</p> <p>b) Guide the management team in the development of the OPEX and CAPEX plans</p> <p>c) Review, challenge CAPEX and OPEX plans submitted by Business / Functional Heads</p> <p>d) Ensure the plans are aligned with the Bank's strategy</p> <p>e) Establish key performance indicators (KPIs) that create the boundaries for the plans</p> <p>f) Submit overall OPEX and CAPEX plans for Chairman and Board approval</p>
4.	<b>Structure</b>	<p>a) Review, monitor and, if appropriate, challenge alignment of organization structure with strategy</p> <p>b) Approve top level organization structure and periodic changes to this structure</p>	Ensure operating structures are aligned to the effective and efficient execution of the strategy	<p>a) Align Bank's and Business structures to meet strategic objectives</p> <p>b) Recommend to Board changes in organization of key management positions</p> <p>c) Approve organization structure within Business / Functional Units</p>



5.	<b>People Leadership, development &amp; succession</b>	<p>a) Ensure future leaders are identified/ developed and succession plans are in place.</p> <p>b) Approve hiring/ promoting of CEO, Executive Directors, and Executive Vice Presidents</p>	<p>a) Support CEO to develop high potential talent and succession plans</p> <p>b) Recommend replacement of CEO</p> <p>c) Approve recruitment / replacement of CRO, Head of Finance, Head of HR</p> <p>d) Plan succession of CEO and his direct reports</p>	<p>Principally responsible for the identification, development and retention of the future leaders of the Bank</p> <p>-Ensure staffing of his direct reports with high performing and high potential people.</p> <p>-Recommend recruitment / replacement of his direct reports</p> <p>-Plan succession of his direct reports</p> <p>-Approve staffing recommendations of direct reports</p> <p>-Guide succession of key positions supporting his direct reports</p>
6.	<b>Policies and procedures- people related</b>	<p>Ensure that clear, effective policies and procedures are in place to identify, develop and retain key management positions in the organization</p>	<p>a) Lead the Board in evaluating policies and procedures related to people</p> <p>b) Manage compliance</p>	<p>Guide Business and sub-units to establish clear policies and procedures, which effectively guide and control day-to-day operations</p>
7.	<b>Execute</b>	<p>Monitor the status of key change in management activities</p>	<p>a) Work with CEO to monitor the status of major change management activities</p> <p>b) Monitor execution of the strategy through quarterly business reviews and periodic reports</p>	<p>a) Ensure effective day-to-day execution by leading the senior team and driving the performance management process</p> <p>b) Ensure effective strategy execution by monitoring the status of key business initiatives and major change management activities</p>
8.	<b>Evaluate</b>	<p>a) Evaluate performance of the Bank</p> <p>b) Evaluate CEO and his reportees' performance against pre-agreed targets</p> <p>c) Approve the performance reward pool for CEO and his reportees</p>	<p>a) Guide the Board in Evaluating performance of the Bank</p> <p>b) Evaluating CEO and his reportees' performance</p> <p>c) Setting overall performance reward pool</p> <p>d) Recommend the total performance reward pool</p>	<p>a) Evaluate the performance of the Bank and its Business units / along with the Board</p> <p>b) Recommend performance rewards for direct reports and their units</p>

			for the Bank and performance rewards to be paid to the CEO and EDs / Business Heads e) Approve performance reward to be paid to direct reports of CEO	c) Upon Board approval, distribute performance rewards d) Approve performance rewards recommendations of direct reports
9.	<b>Report</b>	No special Role	Work with CEO to ensure reports presented to Board are timely, comprehensive and meaningful	a) Provide the Chairman and Board with periodic, comprehensive, insightful reports regarding performance, execution against targets, key strategic initiatives, succession plans and people development b) Provide additional information if and when required
10.	<b>Governance</b>	a) Execute Governance responsibilities in a timely and efficient manner b) Ensure good corporate governance practices in the organization	a) Work with Board and the CEO to put in place all elements of good governance b) Manage Internal Audit and Compliance	a) Work with Chairman and the Board to put in place all elements of good governance b) Manage Finance/MIS and HR function
11.	<b>Risk management</b>	a) Approve risk policy and guidelines and changes recommended by CRO and CEO b) Ensure adherence to established policies and guidelines c) Delegate approval of credit facilities, exceptions, and settlement and cancellation of debt to CRO and management  <b>d)</b> Review and approve the Risk appetite framework and ensure the same is consistent with the Bank's strategy.	In consultation with the CEO, recommend the Risk Management policies to the Board.	Together with CRO, Head of Finance / CFO and Executive Committee, recommend a comprehensive Risk Management Policy and Guidelines Delegate credit decisions to CRO

#### D. Role of Chairman

##### The Chairman (with the Board)

- Board leadership

- Provide input into strategy formulation and shaping as a Board Member
- Challenge performance targets as a Board Member
- Monitor overall performance of the Bank, in consultation with the MD
- Plan succession of top management

#### **Principal responsibilities**

- Run the board and set its agenda taking full account of the issues and concerns of all board members. Agendas should be forward-looking and concentrate on strategic matters.
- Ensure that the members of the board receive accurate, timely, and clear information
- Manage the board to ensure that sufficient time is allowed for discussion of complex or contentious issues and encourage active participation by all members of the Board
- Take the lead in providing a properly constructed induction program for new directors that is comprehensive, formal, and tailored, facilitated by the company secretary
- Take the lead in identifying and meeting the development needs of individual directors
- Ensure that the performance of individuals and of the Board as a whole and its Committees are evaluated at least once a year

#### **Indicators of an effective chairman**

- Upholds the highest standards of integrity and probity
- Promotes effective relationships and open communication, both inside and outside the boardroom
- Builds an effective and complementary board, initiating change and planning succession in board appointments
- Promotes the highest standards of corporate governance and seek compliance with the code wherever possible
- Ensures effective implementation of board decisions

#### **E. Composition of Board**

1. The Board shall have an optimum combination of executive and non-executive directors, subject to applicable statutory requirements and RBI guidelines or directives. Not less than fifty- one percent of the total number of Directors shall be persons who satisfy the conditions laid down in Section 10 A of the Banking Regulation Act, 1949 and including those specified in Circulars/notifications if any issued by RBI from time to time.
2. The Chair of the Board shall be an Independent Director. In the absence of the Chair of the Board, the meetings of the Board shall be chaired by an Independent Director. The Chairman, the Managing Director & Chief Executive Officer/ Executive Directors, shall be appointed by the Board subject to RBI's approval of the appointment and the terms thereof.
3. Not less than fifty per cent of the board of directors shall comprise of non-executive directors; (currently the maximum number of Directors being twelve as permitted by the Articles of Association of the Bank, excluding the RBI nominee, if any). The Board of the Bank shall also consist of at least one Woman Independent Director. (As required under the Companies Act, 2013/ SEBI- LODR, Regulations, 2015)
4. At least one-third of the board of directors shall comprise of independent directors.
5. The board of directors of the Bank shall comprise of not less than six directors.

#### **F. Meetings and Attendance**

1. The Board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.
2. One-third of the total strength of the Board, or three Directors; whichever is higher, shall form the quorum for a meeting of the Board. At least half of the directors attending the meetings of the board

shall be independent directors. Participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.

A Director shall not be reckoned for Quorum in respect of an item in which he is interested and he shall not be present, whether physically or through electronic mode, during discussions and voting on such item.

3. Directors shall endeavour to attend all meetings of Board and Committee of Board of which he/she is a member.
4. The Board would welcome the attendance at Board meetings, with the Chairman's permission, of senior officers of the Bank, to offer information or clarification to the Board or respond to the Board's queries.
5. The Board would encourage the executive management to bring into Board meetings managers who can provide additional insight into matters before the Board or who are considered by the executive management to have future potential and should therefore be given exposure to the Board. The Chairman may, with the Board concurrence, invite other persons (e.g. external auditors, financial or management experts, and other distinguished personalities) to meet the Board as appropriate.
6. The Chairman shall set the agenda for each Board meeting, and include other items for discussion at the Board meeting, with the concurrence of other directors based on the powers delegated by the Board.
7. A Director may suggest the inclusion of an item in the agenda. Brief but sufficiently informative notes on the agenda item shall be distributed to the Board before the meeting (as indicated in point "e" of Board meeting Modus Operandi). Where an item is too sensitive to be put on paper, it may be discussed at the meeting, and the minutes shall reflect the sensitivity.

The agenda of the Board Meeting is drafted by the Company Secretary along with the explanatory notes on structured basis, as illustrated below, and these are to be distributed in advance to the Directors.

The first item would be the 'Minutes', the second, 'matters arising from the Minutes and follow-up action taken on matters contained in the previous Meetings etc. and the third, 'the unaudited financial statements for the month/ quarter, if any, with a budget comparison'.

Thereafter the agenda can be sectionalized for (a) policy matters (b) loans, credit and advances, (c) treasury and investments, (d) capital expenditure, (e) HR-related issues, (f) marketing and so on.

Where this is for information alone, only matters of high importance / significance will be escalated to the Board and the rest will be contained in a separate folder, for review and record purposes only.

The latter can also include sections according to business and / or activities as well as matters for information related to credit, market reports, treasury etc., including statutory, compliance and RBI-specified reporting requirements to the Board.

All other matters will be treated as "other matters of significance" or other agenda.

All divisions/ departments in the Bank are encouraged to plan their functions well in advance, particularly with regard to matters requiring discussion/ approval/ decision in the Board/ Committee Meetings. All such matters are communicated to the Company Secretary in advance so that the same could be included in the Agenda for the Board Meeting.

Anything urgent that needs to be escalated will then be termed as 'table items' and at the discretion of the Chairman, with the concurrence of other directors will be allowed to be presented at the meeting, with a clear explanation as to why the paper could not be circulated before seven days from the date of the meeting.

8. As far as feasible, the Board shall act as a whole, endeavoring to reach unanimous decisions, the Chairman playing a key role in this regard. Directors shall, however, enjoy full freedom to express their views, and where a Director is unable to go along with the majority, he shall be entitled to have his view suitably reflected in the Board proceedings.
9. As per Section 175 of the Companies Act, 2013 read with Rule 5 of Companies (Meeting of the Board and its Powers) Rules, 2016 and Secretarial Standards-1 issued by the Institute of Company Secretaries of India, the Bank may pass resolution by circulation without convening a Board meeting or a Committee meeting, as the case may be for resolutions that are regulatorily permitted.

#### **G. Board Meeting Modus Operandi**

- a. **Invitation for meetings**—The dates of Board/Committee meetings as far as possible for a particular period (half yearly or yearly) may be sent to Directors by the Company Secretary as approved by the Chairman of the Bank.
- b. **Ordinary meetings:** Notice of not less than 7 days before the date of the meeting. In case the company sends the Notice by speed post or by registered post, an additional two days shall be added for the service of Notice.
- c. **Meeting frequency**  
Every quarter for review of financials, business performance and people development issues and at such frequency as may be required.
- d. **Meeting location**  
The Bank Board Room or at a place finalized by the Board, Committees or via video conference.
- e. **Duration**  
According to agenda of meetings; but pre-estimated and agreed with the Chairman of the Board /Committees of Board.
- f. **Documentation for meeting**  
Ordinary meetings: Documents to be sent out at least 7 days before the date of the meeting.

Any item not included in the Agenda may be taken up for consideration with the permission of the Chairman and with the consent of a majority of the Directors present in the Meeting.

To transact urgent business, the Notice, Agenda and Notes on Agenda may be given at shorter period of time than stated above, if at least one Independent Director, shall be present at such Meeting.

All approved documents should be emailed or uploaded in e-meeting or any other application. Where required, one set of physical copies will also be made available to all Board/Committee members.

#### **g. Minutes Finalisation**

Within fifteen days from the date of the conclusion of the Meeting of the Board or the Committee, the draft Minutes thereof shall be circulated by hand or by speed post or by registered post or by courier or by e-mail or by any other recognized electronic means to all the members of the Board or the Committee for their comments.

Directors to give comments within seven days from the date of circulation of draft minutes of Board /Committees of Board. Finalisation and entry of minutes of Board/Committees in minutes book to be made within 30 days from the date of the meeting.

**h. Decision-making requirements**

Decision of the Board will be taken based on the decision of majority of the members of the Board including the Chairman and subject to regulatory requirements.

The Board/Committee shall also be guided by the specific details given in the Secretarial Standard on Meetings of Board of Directors issued by ICSI.

**H. Information to shareholders**

1. In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:
  - a. a brief resume of the director;
  - b. nature of his expertise in specific functional areas;
  - c. disclosure of relationships between directors inter-se;
  - d. names of entities in which the person also holds the directorship and the membership of Committees of the board; and
  - e. shareholding of non-executive/independent directors.
2. The aforesaid information on the Director shall be incorporated in the annual report of the Board to the shareholders.

**I. Term of office**

No director of the Bank, other than Whole Time Chairman, Managing Director, Whole-time Director/Executive Director shall hold office continuously or otherwise for a period exceeding eight years on the Board of a Bank. The Independent Directors are however not liable to retire by rotation during their period of term of appointment in the Bank with requisite approvals.

After completing eight years on the Board of the Bank a Non- Executive Director may be considered for re-appointment only after a minimum gap of three years.

The Tenure of MD & CEO or WTD cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as MD&CEO or WTD, if considered necessary and desirable by the board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

**J. Criteria for Appointment of Directors**

**a) Qualifications, Experience and Knowledge**

1. The Board should bring to their tasks a balanced mix of knowledge, skills, experience, and judgment relevant to the Bank's policies, operations, and needs. Not less than fifty-one percent of the total number of Directors shall be persons having special knowledge, skills, or valuable experience in one or more fields, such as banking, finance, management, economics, law, accountancy, agriculture and rural economics, cooperative movement, trade, industry, infrastructure, engineering and technology. At least two Directors shall be persons having special knowledge or practical experience in agriculture and rural economy, cooperation, or small-scale industry. The Bank shall ensure to include in its Board need based representation of skills such as marketing, risk management, strategic planning, treasury operations, credit recovery, information technology, payment & settlement systems, human resources

and business management. The Board should also have at least One Woman Independent Director in its composition.

2. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.
3. The age limit of Managing Director and Chief Executive Officer and Whole Time Directors shall be in the range of 35-70 years.

The age limit of Non- Executive Directors shall be in the range of 35-75 years.

**b) Disqualification/Conflicts of Interest**

1. The Bank's Directors shall be subject to the disqualifications/prohibitions contained in the Companies Act 2013, as amended and the Banking Regulation Act 1949, as amended with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board/committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member and shall refrain from participating in a discussion on the matter.

**c) suggested criteria for determining attributes of a director as required to be specified under Companies Act, 2013 include**

1. integrity in personal and professional dealings.
2. wisdom and ability to take appropriate decisions.
3. ability to read and understand financial statements
4. ability to deal with others with a sense of responsibility, firmness, and cooperation.
5. refrain from any action that would lead to loss of his independence.

**d) suggested criteria for determining Independence of a director**

The criteria of independence of a director are determined based on the conditions specified in Section 149 (6) of the Companies Act, 2013 and SEBI-LODR Regulations, 2015.

The Independent Director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as regulatorily required and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.

The board of directors shall take on record the declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.

In addition to the above, the following mandatory compliances have to be complied with by the independent directors:

Every independent director shall apply online to the IICA for inclusion of his/ her name in the data bank for a period of one year / five years / lifetime.

Every independent director shall submit a declaration of compliance of registration of name in databank of Independent Directors to the Board each time he submits the declaration required under sub section (7) of section 149 of the Companies Act.

The Independent Directors shall also comply with the provisions contained in Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 with regard to registration on Independent Directors Databank.

**e) Limit of Directorships and Memberships in Committees**

A Director cannot hold directorship in more than 20 companies at the same time and out of this he cannot be director of more than 10 public companies as per Companies Act, 2013. Further, as per Regulation 17A of SEBI (LODR) Regulations, 2015, a Director shall not hold directorship in more than seven listed entities with effect from April 1, 2020.

A person shall not serve as an independent director in more than seven listed entities. Provided that any person who is serving as a whole time director/managing director in any listed entity shall serve as an independent director in not more than three listed entities.

The count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange

A Director shall not be a member of more than ten committees, or chair more than five committees, of companies, including the Bank, of which he is a director (For the purpose of reckoning the limit under this sub-clause, Chairmanship / membership of the Audit Committee and the Stakeholders' Relationship Committee of all public companies alone shall be considered). Every Director shall promptly inform the Bank of any appointment of the Director as a director of another company, or as a member or the chairman of any committee of any of the other companies, and of any changes in such membership/chairmanship.

**f) D & O Policy for Directors**

The Bank shall undertake Directors and Officers insurance ('D and O insurance') for all its directors of such quantum and for such risks as may be determined by its board of directors.

**K. Duties of Directors**

1. Shall act in good faith and as per the provisions contained in the Articles of Association of the Bank, 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.
2. Shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
3. 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.
4. 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 company.
5. Shall not assign his office and any assignment so made shall be void.

**L. Attributes suggested for Independent Directors**



**Attributes on professional conduct:**

An independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a *bona fide* manner in the interest of the Bank;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the Bank or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the Bank in implementing the best corporate governance practices.

**M. Role and functions of Independent Directors:**

The independent directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. bring an objective view in the evaluation of the performance of board and management;
3. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5. safeguard the interests of all stakeholders, particularly the minority shareholders;
6. balance the conflicting interest of the stakeholders;
7. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
8. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

**N. Duties of Independent Directors:**

The independent directors shall—

1. undertake appropriate induction and regularly update and refresh skills, knowledge and familiarity with the Bank;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts;
3. strive to attend all meetings of Board and Committee of Board of which he/she is a member;
4. participate constructively and actively in the Committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the Bank;
6. where they have concerns about the running of the Bank or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7. keep themselves well informed about the Bank and the external environment in which it operates;

8. not to unfairly obstruct the functioning of an otherwise proper Board or Committees of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Bank;
10. ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behavior, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy;
12. acting within his authority, assist in protecting the legitimate interests of the Bank, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

**O. Separate meetings:**

1. *The independent directors of the Bank shall hold at least two meeting in a financial year, without the attendance of non-independent directors and members of management;*
2. All the independent directors of the Bank shall strive to be present at such meeting;
3. The meeting shall:
  - a. review the performance of non-independent directors and the Board as a whole;
  - b. review the performance of the Chairperson of the Bank, taking into account the views of executive directors and non-executive directors;
  - c. assess the quality, quantity and timeliness of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

**P. Obligations with respect to directors and senior management**

1. All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.
2. Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Bank.
3. Senior management shall make disclosures to the board of directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Bank at large.

Conflict of interest here relates to dealing in the shares of Bank, commercial dealings with bodies which have shareholding of management and their relatives etc.

4. No employee including key managerial personnel or director of the Bank shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of the Bank, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution.

**Q. Performance evaluation of directors**

As per Companies Act, 2013 the Board report, should include a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made;

Nomination and Remuneration committee of the Board shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

Based on the evaluation recommend to the Board the appointment and removal of Directors

**Schedule IV Section VIII** envisages that the performance evaluation of Independent Directors shall be done by the entire Board and re-appointment shall be decided on the basis of evaluation report.

**The following evaluations are envisaged and have to be carried out as per various regulatory requirements**

- i. Evaluation of Board's performance and that of its Committees and of individual directors to be carried out either by Nomination and Remuneration Committee/Board
- ii. Performance evaluation of Board, Chairperson, non-independent directors and assessment of flow of information to be carried out by independent directors.
- iii. Performance evaluation of independent directors to be done by the entire Board which shall include-
  - a. performance of the directors; and
  - b. fulfilment of the independence criteria as specified in the regulations and their independence from the management:

Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.

One of the key functions of the Board includes monitoring and reviewing Board Evaluation framework.

#### **Criteria for Performance evaluation**

As per the SEBI-LODR Regulations, 2015, the Nomination Committee should lay down the evaluation criteria/specify the manner for evaluation of performance of Board, its committees and individual directors and evaluation of Independent Directors (IDs) and review its implementation and compliance. The Bank has to disclose the criteria for performance evaluation in the Annual Report.

#### **1. The criteria for evaluation of Board shall include:**

- i) Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success given its current and future position.
- ii) New board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities.
- iii) The division of responsibility among the Board committee ensures focus on organisations functioning and effectiveness in decision making rather than duplication of efforts.
- iv) The Board has defined an effective Code of Conduct for the Board and Senior Management and oversees management's procedures for enforcing the organization's code of conduct.
- v) The Board ensures that Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board.
- vi) The Board encourages a culture that promotes candid communication
- vii) The Board oversees risk management through inputs from the Risk Management Committee
- viii) The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures

- ix) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank
- x) The Board oversees the compliance processes
- xi) The Board views the organization's performance from the competitive perspective - industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc.
- xii) The Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions

**2. The criteria for evaluation of Committees of Board shall include:**

- i) The Committee's Terms of Reference and composition is reviewed annually and is found to be consisting of Directors representing sectors laid down by the regulator and continue to be appropriate
- ii) Committee meetings are organized properly in number, timing and location.
- iii) The Committee is effective in carrying out its mandate.
- iv) The Committee members receive adequate material in advance of Committee meetings, in sufficient time and detail to permit members to effectively consider issues to be dealt with.
- v) Whether adequate independence of the Committee is ensured from the Board.
- vi) Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable.
- vii) Whether the Committee's recommendations contribute effectively to decisions of the Board

**3. The criteria for evaluation of Independent Directors shall include:**

- i) Attendance at the Board and Committee Meetings
- ii) Study of agenda in depth prior to meeting and active participation at the meeting.
- iii) Contributes to discussions on strategy as opposed to focus only on agenda.
- iv) Participate constructively and actively in the Committees of the Board in which they are chairpersons or Members.
- v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board.
- vi) The Director remains abreast of developments affecting the Bank and external environment in which it operates independent of his being appraised at meetings
- vii) Knowledge and Competency: a) How the person fares across different competencies as identified for effective functioning of the entity and the Board b) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates
- viii) Whether the person demonstrates highest level of integrity, including conflict of interest disclosures, maintenance of confidentiality, etc

**4. The criteria for evaluation of Non-Independent Directors shall include:**

- i) Achievements of performance against targets set
- ii) Appraises the Board regarding the organization's financial position and operational budget so as to enable the Board to make informed financial decisions.
- iii) Provides Leadership in developing strategies and organizational plans with the management and the Board of Directors
- iv) Ensures that the Board is kept informed about all issues concerning the Bank.
- v) Media interaction and ability to project positive image of the Bank.
- vi) Effectively pursue the performance goals in relation to mission and objective of the organization
- vii) Motivating employees, providing assistance & directions

- viii) Compliance with ethical standards & code of conduct and exercising duties diligently.
- ix) Establishment of internal control processes, monitoring policies and encouraging suggestions
- x) Cultivates effective Relationship with Industry Forums, Community and business leaders, Regulatory Bodies and Public Officials
- xi) Ensures compliance with all legal and regulatory requirements.

**5. The criteria for evaluation of Chairperson shall include:**

- i) Works effectively with the Board as a whole.
- ii) Ability to elicit inputs from all Board Members and steer the discussions to a logical conclusion.
- iii) Works with the Board and directs the management for creating an effective process for long-range or strategic planning for the Bank
- iv) Handling of critical situations concerning the Bank
- v) Thinks strategically to promote growth, improve financial performance and gain competitive advantage.
- vi) Displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meeting effectively
- vii) Is able to keep shareholders' interest in mind during discussions and decisions
- viii) Is impartial in conducting discussions, seeking views and dealing with dissent, etc
- ix) Understands financial planning, budgeting and management of the organization's investments and overall organization financial perspective.

**6. The criteria for assessment of flow of information shall include:**

- i) The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information.
- ii) Written materials provided to board members are relevant and concise.
- iii) Information on the annual operating plans and budgets and other updates are provided to the Board.
- iv) Information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary are placed before the Board.
- v) Updates on operating results of the Bank are furnished to the Board, periodically.
- vi) Update on the compliance with the regulatory, statutory or listing requirements are placed before the Board.
- vii) Any additional information as required by the Board or any Director are provided in a timely manner.

The Board shall also consider the evaluation framework/guidelines issued by various regulatory authorities on Board evaluation from time to time with regard to considering of the process and procedure for performance evaluation.

**R. Remuneration of Directors**

1. The Board shall determine the remuneration and terms of appointment of the Chairman, the MD & CEO and the Executive Director(s) and the remuneration of the non-executive Directors, based on the Nomination, Remuneration, Ethics and Compensation Committees, recommendations, subject to RBI approval where necessary.
2. The shareholders' approval shall be sought, for the remuneration paid to the Non-Executive Part Time Chairman, the MD & CEO /Executive Directors' remuneration and terms of appointment at the Annual General Meeting.

3. Details of the remuneration of the Chairman, the MD& CEO and other Directors, including the following, shall be disclosed in the Bank's annual report to the shareholders:

- All elements of the remuneration package, i.e., salary, benefits, bonuses, stock options, pension, sitting fees, etc.
- Details of fixed component and performance-linked incentives, along with the performance criteria;
- Service contracts, notice period, severance fees; and
- Details of any stock options, whether issued at a discount, and the period over which accrued and over which exercisable.

**a) Policy on remuneration to Non-Executive Directors/Independent Directors**

The Policy of the Bank for the payment of remuneration to Non-Executive Directors/Independent Directors of the Bank is explained in the Comprehensive Compensation Policy for Non-Executive Directors/Independent Directors (other than Part Time Chairman)

As required under Banking Regulation Act, 1949 prior approval of RBI is required to give remuneration to Non-Executive Part Time Chairman of the Board.

**b) Policy on remuneration to MD & CEO, Executive Director, Key Managerial Personnel and other employees**

The Compensation Policy of the Bank as approved by the Board contains the policy for payment of remuneration to Executive Directors including MD & CEO, Key Managerial Personnel and for the employees of the Bank.

**S. Policy on Board Diversity**

Policy on Board Diversity of the Bank mainly depends on the qualifications for appointment of Directors of the Bank as contained in the Banking Regulation Act, 1949 and satisfying the Fit and Proper Criteria for directors as per the regulatory requirement of RBI.

The Bank continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of diversity in the boardroom. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. In forming its perspective on diversity, the Bank also take into account factors based on its own business model and specific needs from time to time.

Board Diversity enhances the quality of performance of the Board; usher in independence in the performance of the Board; eradicate the gender bias in the Board; achieves sustainable and balanced performance and development; support the attainment of strategic objectives & also ensures compliance of applicable law/s and good corporate practices.

The Nomination Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. While making Board appointments, the requirement as per the Companies Act, 2013 for appointment of at least one Woman Independent Director on the Board of the Bank will also be considered.

#### **IV. BOARD COMMITTEES**

The Board has constituted various Committees of Directors to take informed decisions in the best interest of the Bank within the framework of delegated authority and make specific recommendations to the Board on matters in their areas or purview. These Committees will monitor the activities falling within their terms of reference. The Constitution of various Committees and the terms of reference of the Committees are made as per the regulatory requirements of RBI, Banking Regulation Act, 1949 Companies Act and Listing Regulations. The terms of reference of the Committees may also include all the amendments made in the regulatory laws from time to time.

##### **A. Nominations, Remuneration, Ethics and Compensation Committee of the Board**

The Nominations, Remuneration, Ethics and Compensation Committee shall function, taking note of the statutory provisions of SEBI, Companies Act, 2013 and RBI guidelines regarding the role and functions of such committee.

<b>Membership</b>	The constitution of the Committee shall consist of the following members:  The Committee to consist only Non-Executive Directors. Minimum members should be three Non-Executive Directors. At least half of the members attending the meeting of the NRC shall be independent directors, of which one shall be a member of the RMCB.
<b>Chairperson</b>	The Chairperson of the Committee shall be an Independent Director.  Chairperson of the Board may be appointed as a member of the Nomination, Remuneration, Ethics and Compensation Committee but shall not chair such Committee.
<b>Invitees</b>	The following officials may be invitees to the Committee meetings: 1. MD &CEO 2. Executive Directors 3. HR Head 4. Other executives/officials as the Committee may invite as required
<b>Frequency</b>	As and when required and shall meet at least once in a quarter
<b>Quorum</b>	The NRC shall meet with a quorum of three members or one third of the members of the committee, whichever is greater.
<b>Next review of Terms of Reference</b>	Yearly once or as and when required

##### **Terms of Reference/ Roles and Responsibilities of the Committee are:**

1. recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;

2. reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others;
3. recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board. For every appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates
4. carrying out evaluation of every director's performance.
5. deciding on the matter of whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
7. devising a policy on diversity of board of directors;
8. recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

The Committee shall ensure the following while formulating the policy as above:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the Bank successfully;
  - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
  - c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retirals, sitting fees.
  10. Considering grant of Stock Options to employees.
  11. *To review Talent pool creation/ Succession Planning Policy*
  12. Reviewing the composition of the existing Committees of the Board.
  13. Formulation of criteria for performance evaluation of Independent Directors and the Board;
  14. Validation of 'fit and proper' status of all Directors on the Board of the Bank in terms of the Guidelines issued by the RBI or other regulatory authorities;
  15. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time;
  16. Recommend to the board, all remuneration, in whatever form, payable to senior management\*



- *‘senior management’ shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as key managerial personnel, other than the Board of Directors, by the listed entity.*

## Other Matters

1. The Chairperson of the Nomination, Remuneration, Ethics and Compensation Committee may be present at the Annual General Meeting, to answer the shareholders' queries; However, it shall be up to the chairperson to decide who shall answer the queries.
2. The Company Secretary, who shall also act as the secretary to the Committee, shall ensure that all appointments or elections of Directors to the Board are properly made, and shall obtain all necessary information from the Directors or candidates recommended by the Committee to ensure that they are not disqualified to act as Directors of the Bank under any statute or regulatory directives or guidelines, and that by appointing or electing them as Directors the Bank would meet its statutory and regulatory obligations and those arising from listing requirements of stock exchanges on which the Bank's shares are listed.
3. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
4. The Chairman, the MD&CEO and/or other Executive Directors shall not participate in discussions by the Board on matters relating to his/their compensation package or any components thereof.

## B. Audit Committee

The Audit Committee shall function, taking note of the statutory provisions of SEBI, Companies Act, 2013 and RBI guidelines regarding the role and functions of such committee.

<b>Membership</b>	<p>The constitution of the Committee shall consist of the following members:</p> <p>Minimum Three Directors with only non-executive directors (NEDs) as Members out of which <b>at least</b> two-thirds of the members shall be independent directors. The Chair of the board shall not be a member of the ACB. All members should have the ability to understand all financial statements as well as the notes/ reports attached thereto and at least one member shall have requisite professional expertise/ qualification in financial accounting or financial management. The financial accounting or financial management expertise shall mean possession of experience in application of accounting standards and practices, including internal controls around it or background which results in the individual's financial sophistication, including being or having been a Chief Executive Officer, Chief Financial Officer or other senior officer with financial oversight responsibilities.</p>
<b>Chairperson</b>	<p>The Chairperson of the Committee shall be an Independent Director who shall not chair any other committee of the Board. Further, the Chair of the ACB shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures.</p>

<b>Invitees</b>	<p>The following persons may be invitees to the Committee meetings:</p> <ol style="list-style-type: none"> <li>1. MD &amp; CEO</li> <li>2. Executive Directors</li> <li>3. Head of Finance function</li> <li>4. Head of Internal Audit</li> <li>5. Head of Compliance</li> <li>6. Representative(s) of the Bank's statutory auditors,</li> <li>7. Financial consultant or other expert</li> </ol> <p>Other members of senior management shall be invited based on the agenda of the meeting.</p>
<b>Frequency</b>	<i>Shall meet at least once a quarter and not less than six times in a financial year. Also, not more than one hundred and twenty days shall elapse between consecutive two meetings.</i>
<b>Quorum</b>	The ACB shall meet with a quorum of three members or one third of the members of the audit committee, whichever is greater. At least two-thirds of the members of the Committee attending the meeting of the ACB shall be Independent Directors.
<b>Next review of Terms of Reference</b>	Yearly once or as and when required

**Terms of Reference/ Roles and Responsibilities of the Committee are:**

1. Review the company's financial policies and, where necessary, recommend changes for the Board's approval.
2. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems
3. Review periodically the adequacy of internal control systems (including the risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;
4. Review the adequacy of the internal audit function, including -
  - a. monitoring and reviewing the effectiveness of the Internal audit function;
  - b. the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;
  - c. approving internal audit plan and scope
  - d. reviewing and discussing internal audit reports;
  - e. ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;
  - f. assessing the performance of the head of the internal audit function; and
  - g. approving / recommending to the Board for its approval, the appointment, re-appointment or removal of the head of the internal audit function and the key internal auditors;
5. Discussion with internal auditors of any significant findings and follow up there on.

6. Discussion with the Head of Internal Audit in a private session, in the absence of the management, on issues of interest.
7. Reviewing the findings of any internal investigations by the internal auditors or vigilance officials into matters where there is actual or suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
8. Review of adequacy of internal control systems and internal audit functions through structural reporting formats specifically designed for the purpose, submitted by the respective functional heads. Engage one-to-one interaction with the functional heads so as to assure itself that the systems are being effectively managed. Direct the functional heads to implement necessary systems to plug the deficiencies in/ improve internal control, risk management and reporting systems and require them to report compliance with the directives to the Committee periodically
9. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;
10. Recommend to the Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of statutory auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.
11. Approve the terms of engagement of the services of the statutory auditors for rendering any other professional services to the Bank and the fee therefore;
12. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, audit as well as post-audit discussion to ascertain any area of concern and ensure coordination where more than one audit firm is employed.
13. Reviewing and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - i) any changes in accounting policies and practices and reasons for the same.
  - ii) major accounting entries involving estimates based on the exercise of judgment by management
  - iii) significant adjustments made in the financial statements arising out of audit findings;
  - iv) compliance with the applicable accounting standards;
  - v) compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements;
  - vi) to review the company's statement on internal control systems prior to endorsement by the Board
  - vii) the going-concern assumption;
  - viii) disclosure of any related-party transactions, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
  - ix) modified opinion(s) in the draft audit report;
  - x) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub- section 3 of section 134 of the Companies Act, 2013

14. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval
15. Review with the external auditors, without the presence of the executive directors and Bank officials, and summarize their conclusion (in writing) at a full Board in the presence of the external auditors and without the presence of the management (Executive Directors, Bank Officials etc.)
  - i) The auditors' report on the annual, half-yearly, and quarterly financial statements,
  - ii) Their assessment of the internal control and reporting systems and procedures, the quality of the accounting principles applied and significant judgments affecting the statements, and the Bank's compliance with statutory and regulatory requirements, and
  - iii) The auditors' long-form audit report and management letter and the management's response, and
  - iv) Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit;
16. Discuss with the management the auditors' report and assessment, their qualifications, and concerns, if any, and the management's response to the auditors' management letter and long-form audit report;
17. Review with the management, and if necessary, with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
18. To review and oversight the functioning of the Whistle Blower mechanism.
19. Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
20. *Grant approval / omnibus approval for related party transactions as defined in the Board-approved 'Policy on Related Party Transactions' of the Bank and for their subsequent modifications, if any.* ACB, shall review applicable information for approval of a proposed RPT in line with regulatory requirements from time to time. The audit committee shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions.
21. *Review at least on a quarterly basis, the details of related party transactions entered into by the Bank pursuant to each of the omnibus approvals given.*
22. Approval a of related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
23. Valuation of undertakings or assets of the Bank, wherever it is necessary;
24. Evaluation of internal financial controls and risk management systems.
25. Monitoring the end use of funds raised through public offers and related matters.

26. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process; conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regards may be flagged by ACB to the Board of Directors and concerned SSM/ Regional Office of RBI. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported<sup>10</sup> to RBI within two months from completion of the annual audit.
27. Scrutiny of inter-corporate loans and investments, if any;
28. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
29. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
30. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
31. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
32. reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
33. Periodic reviews on borrower entities in which directors of any wilful defaulter companies are present.
34. The Audit Committee of the Board shall:
  - i) ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;
  - ii) address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and
  - iii) ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.
35. Review of Internal Financial Control (IFC) process including Risk Control and Self- Assessment (RCSA).
36. Review of Position pertaining to opening of Internal/branch GL heads, the purpose for which it is used and its reconciliation on a quarterly basis.
37. Oversee the Ind AS implementation process at quarterly intervals.
38. Ensure adequate coverage of internal audit to satisfy effective implementation of policies and procedures.

39. Constitute a Committee of Executives named the Inspection Review Committee of Executives to oversee the Inspection and Audit functions and review the structure and functions of the Committee periodically.
40. The audit committee shall review the status of long-term (more than one year) or recurring RPTs on an annual basis
41. consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.
42. To review the policy for empanelment of advocates on a yearly basis
43. Review of Supervisory/regulatory compliance reports including Risk Mitigation Plan submitted to RBI
44. Review of responses to the regulator with respect to Regulatory Non- compliance
45. Periodical review of the Compliance functions through quarterly and annual reports submitted by Compliance Department
46. Review of Reconciliation of accounts maintained by the Bank with RBI/ other Banks/ Institutions in India on a quarterly basis and recommend to the Board.

**Powers of Audit Committee:**

The Audit Committee shall have the authority –

- a) to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board.
- b) to discuss any related issues with the internal and statutory auditors and the management of the company.
- c) to investigate into any matter in relation to the items referred to it by the Board.
- d) to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice
- e) to have full access to information contained in the records of the Bank

**Review of information by Audit Committee as per LODR, Regulations, 2015**

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iii. Internal audit reports relating to internal control weaknesses; and
- iv. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
- v. statement of deviations:
  - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of issue of securities of any nature. (if any)
  - b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of issue of securities of any nature. (if any)
- vi. Review the financial statements of unlisted subsidiary, in particular, the investments made by unlisted subsidiary.

## Other matters

1. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Bank's records and may seek information from any employee of the Bank, or, if considered necessary, obtain outside legal or other professional advice, or discuss with outsiders having the relevant expertise, and thereafter place the same to the Board.
2. The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
3. The Company Secretary shall act as the secretary to the Audit committee.
4. The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.
5. The Auditors and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

## C. Stakeholders Relationship Committee

The Stakeholders Relationship Committee should specifically look into the various aspects of interest of shareholders, debenture holders and other security holders.

<b>Membership</b>	The constitution of the Committee shall consist of the following members:  Minimum Three Directors with at least one being an Independent Director
<b>Chairperson</b>	The Chairperson of this committee shall be a Non-Executive/ Independent Director.
<b>Invitees</b>	The following persons may be invitees to the Committee meetings:  1. Executive Directors who are not Committee member 2. Other members of senior management shall be invited based on the agenda of the meeting.
<b>Frequency</b>	<i>Committee should meet at least twice in a financial year or as and when required.</i>
<b>Quorum</b>	Minimum two members of the Committee
<b>Next review of Terms of Reference</b>	Yearly once or as and when required

## Terms of Reference/ Roles and Responsibilities of the Committee are:

1. Review, where necessary, complaints received from shareholders or others regarding transfer/transmission of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints.
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.
4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;

5. Review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent.
6. Recommends measures for overall improvement in the quality of investor services;
7. Review of measures taken for effective exercise of voting rights by shareholders.
8. Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
9. Approve the allotment for release of shares kept under abeyance of the Bank in compliance with court order.
10. Approve matters related to Shareholders viz. acquisition, increase in shareholding percentage, determination of fit & proper of investors of the Bank.

#### **Other matters**

The chairperson of the committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the Bank to answer queries of the security holders.

#### **D. Credit, Investment and Raising Capital Committee**

<b>Membership</b>	The constitution of the Committee shall consist of the following members:  Minimum Three Directors. The Committee shall consist of at least two non-executive/Independent Directors and MD&CEO/Executive Director(s).
<b>Chairperson</b>	The Chairperson of this Committee shall be an Independent director.
<b>Invitees</b>	The following officials may be invitees to the Committee meetings: <ol style="list-style-type: none"> <li>1. Executive Director(s) who is not a Committee Member</li> <li>2. Chief Risk Officer (CRO)</li> <li>3. <i>Chief Credit Officer</i></li> <li>4. Head of Treasury</li> <li>5. Head of Credit</li> <li>6. Other executives/officials as the Committee may invite as required</li> </ol>
<b>Frequency</b>	The Committee shall meet at least once in a quarter/as and when required
<b>Quorum</b>	Minimum two members of the Committee.
<b>Next review of Terms of Reference</b>	Yearly once or as and when required

#### **Terms of Reference of Credit Committee are:**

1. Consider proposals for approval, renewal, review etc., or modification of various types of funded and non-funded credit facilities to existing/ proposed clients.
2. Monitor the credit exposures of the Bank, review the adequacy of the credit risk and compliance of statutory and regulatory norms.
3. Periodically review the large corporate advances appearing in SMA lists and standard restructured advances.
4. Take note of the details of credit facilities sanctioned by MD level committee and call for more particulars/comments/clarifications, if found necessary.



5. Take note of the details of compromise settlements approved by the ED and MD level committees and call for more particulars/comments/clarifications, if necessary.
6. Periodically review Non-Performing Assets of large value (Rs.5 Crore and above).
7. Committee has the power to approve compromise proposals as per delegation in the NPA management policy.
8. Committee shall recommend the compromise proposals beyond their power to the Board of Directors for approval.
9. Status report of the position of assets sold to ARCs under Security Receipt Basis held as investment.
10. Any other matter of materialist information that management deems fit for reporting to the committee for noting, review, ratification or approval.
11. Consider proposals for approval of Investments of the Bank within such authority as delegated to it by the Board from time to time.
12. Approve the Policies related to the Treasury Investment and Trading activities and recommend the same to the Board.
13. Approve the new products launched by the Treasury Department and recommend the same to the Board.
14. Review of the investment activities, risk management thereof, and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
15. Approve the capital raising program of the Bank and recommend the same to the Board.
16. Periodic review of Bank's investments in Subsidiaries, JVs & Associates in addition to other unlisted investments including VCF/ PE and strategic investments.
17. Any divestment of shares in Subsidiaries/ JVs and Associates should be put up to this Committee for vetting before submitting to Board for approval.
18. Any other matter as delegated by other Board level committee / Board, as the case may be.

#### **E. Risk Management Committee of the Board (RMCB)**

The Risk Management Committee of the Board shall put in place specific policies and procedures for enterprise wide risk management of the Bank based on the regulatory guidance and best practices.

<b>Membership</b>	<p>The constitution of the Committee is as follows:</p> <p>Minimum Three Directors. The Committee shall consist of majority of NEDs with at least half of the members attending the meeting of the RMCB shall be independent directors of which at least one member shall have professional expertise/ qualification in risk management and MD&amp;CEO/Executive Directors. The Chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise.</p>
<b>Chairperson</b>	The Chairperson of this committee shall be an Independent director who shall not be a Chair of the board or any other committee of the board.
<b>Invitees</b>	<p>The following officials may be invitees to the Committee meetings:</p> <ol style="list-style-type: none"> <li>1. Executive Directors who are not Committee member</li> <li>2. Chief Risk Officer</li> </ol> <p>Other members of senior management shall be invited based on the agenda of the meeting.</p>
<b>Frequency</b>	As and when required subject to minimum once in a quarter. The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings

<b>Quorum</b>	Minimum three members of the Committee or one third of the members of the committee, whichever is higher. At least half of the members shall be Independent Directors of which at least one member shall have professional expertise/ qualification in risk management.
<b>Next review of Terms of Reference</b>	Yearly once or as and when required

**Terms of Reference/ Roles and Responsibilities of the Committee are:**

Risk Management Committee shall approve/ recommend to the Board to approve the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank and determining the acceptable level of risks, its management and control in the best interest of the Bank. The Committee shall oversee all risk management functions in the Bank and undertake the following functions.

- a) Recommend to the Board to approve the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
- b) Review the Risk Appetite framework formulated in line with bank's strategy and recommend the same to the board for approval.
- c) Oversee functions of Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC also known as Asset Liability Management Committee - ALCO), Operational Risk Management Committee (ORMC) ,Information Security Committee (ISC) and E&S committee (Environmental & Social).
- d) Recommend to the Board policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
- e) Recommend to the Board risk mitigation and stop-loss parameters in respect of all the three risks. Ensure adherence to the risk appetite limits set by the Board.
- f) Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
- g) Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
- h) Review of the Internal Capital Adequacy Assessment Process. ( ICAAP)
- i) Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc. and based on internal / external rating, borrower category/ groups etc.
- j) Ensure availability of qualified and competent officers and risk managers in the Integrated Risk Management Department for ensuring effectiveness of risk management systems in the Bank.
- k) Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
- l) Reinforce the culture and awareness of risk management throughout the organization that would attach high priority on effective risk management and adherence to sound internal controls.
- m) Review of functions related to management of Business continuity, Reputation risk, Model risk, Strategic risk, Information & cyber security risk, outsourcing risk, Pension obligation risk and other material risks faced by the Bank.
- n) Review of Transfer Pricing Mechanism in the Bank
- o) Review of Stress Testing methodology, Stress Scenarios, stress testing results and monitor the actions plans and corrective measures. Decide additional provision requirements on exposure to stressed sectors.
- p) Review of Liquidity risk management including Contingency Funding Plans and contingency funding under stress scenario.

- q) Risk Management Committee of the Board to meet with the Chief Risk Officer of the Bank independently on one to one basis without the presence of MD & CEO on a quarterly basis.
- r) Ensure effective implementation of Environmental and Social Management System (ESMS) across the bank.
- s) Overseeing Environmental, Social and Governance (ESG) Reporting and review of various activities of the Bank under the prescribed ESG Framework
- t) The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary
- u) Review of functions related to management of Climate Risk faced by the Bank in its own operations and in its business strategies and oversee the initiatives related to Climate Risk.
- v) *Oversee the effectiveness of the framework for EWS and RFA and direct the Senior Management to subject the EWS / RFS framework to suitable validations so as to ensure its integrity, robustness and consistency of the outcomes. The EWS indicators identified for monitoring credit facilities / loan accounts and other banking transactions shall be approved by the RMCB. Appropriate Turnaround Time (TAT), preferably not more than 30 days, for examination of EWS alerts / triggers shall be prescribed by the Committee*
- w) *Committee shall review the status of red flagged accounts, including the EWS alerts / triggers, remedial actions initiated by the Bank, etc. at periodic intervals as approved by the Board*

#### **Powers of the Risk Management Committee (RMCB)**

RMC shall exercise the following powers, subject to approval by the Board.

- a) Review of the policy and strategy for integrated risk management covering credit, market and operational risks.
- b) Review of the risk limits and exposure ceilings of the Bank, and its periodic review as and when needed.
- c) Review standards / delegation for credit dispensation.
- d) Review of the risk categories under Credit Risk Assessment (CRA) system and classification as acceptable and unacceptable category and periodic changes needed to such classification.
- e) Review of systems and tools for management of all the three categories of risks.
- f) Reviewing norms for Loan Review Mechanism (LRM), level of dependence on the system and all related procedures
- g) Analysing credit rating migration/ *Default* studies of large value exposures to assess quality and concentration of credit exposures.
- h) Reviewing norms/ceilings for maturity profile and mix of the incremental assets and liabilities.
- i) Fixing of tolerance levels for Liquidity risk monitoring, interest rate sensitivity/EaR, trigger points for realignment of assets/liabilities
- j) Review the functions of the CRMC, ALCO, ORMC, ISC and E&S Committee from time to time.
- k) Reviewing policy for interest rate view/funding/ pricing of products etc of the Bank.
- l) Ensuring capital adequacy management with due regard to various risks impacting the balance sheet.
- m) Monitor and review the non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to risk management.
- n) Recommending to the Board to approve reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk, outsourcing risk etc.

## **F. Customer Service, Marketing Strategy and Digital Banking Committee**

Matters relating to customer service, marketing strategy and the progress on Digital Banking should be deliberated by the Board to ensure that the Bank has a clear strategy on these elements and is progressing satisfactorily in implementation of the strategy. In order to deliver on the Board's responsibilities in this respect, a Committee has been constituted at the Board level to cover all 3 elements and forms part of the existing Customer Service, Marketing Strategy Committee and Digital Banking Committee of the Board. It is observed that there is close linkage between the 3 elements of marketing, customer service and Digital Banking, and hence, a combined Committee would enable all 3 elements to be reviewed in conjunction with each other.

<b>Membership</b>	The constitution of the Committee shall consist of the following members:  Minimum Three Directors. The Committee shall consist of at least two non-executive/Independent Directors and MD&CEO/Executive Directors.  The members of the Committee should have exposure to various industries, thereby being able to provide a wide perspective on customer service, marketing & Digital Banking
<b>Chairperson</b>	The Chairperson of the Committee shall be an Independent Director.
<b>Invitees</b>	The following officials may be invitees to the Committee meetings: 1. Executive Directors who are not Committee member 2. Head of Marketing 3. Head of Service Quality 4. Head of Digital Banking <ul style="list-style-type: none"><li>• Internal Ombudsman shall be designated as a Permanent Invitee or as an ex-officio member</li><li>• Experts and representatives of customers shall be invited to attend the Committee meeting.</li><li>• Other members of senior management shall also be invited based on the agenda of the meeting.</li></ul>
<b>Frequency</b>	At least one meeting shall be held half yearly
<b>Quorum</b>	Minimum two members of the Committee
<b>Next review of Terms of Reference</b>	Yearly or as and when required

### **Terms of Reference/ Roles and Responsibilities of the Committee are:**

In respect of Customer Service, the key roles & responsibilities of the Committee are provided below:

1. Approving the various policies that relate to customer service ; examples thereof include and are not limited to :
  - a. Comprehensive Deposit Policy
  - b. Policy on Settlement of Claims Related to Assets of Deceased Customers
  - c. Grievance Handling process

- d. Collection of cheques
2. Reviewing metrics and indicators that provide information on the state of customer service in the Bank; providing direction to the management of the Bank on actions to be taken to improve the metrics
3. Reviewing the actions taken/ being taken by the Bank to standardize the delivery of customer experience across all branches
4. Reviewing results of the surveys conducted that provide quantitative and qualitative information on the state of customer experience
5. Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness.
6. Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
  - a. Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank's plan to address these deficiencies
  - b. Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action.
7. Review, on an overall basis, the customer service aspects in the Bank on the basis of the detailed memorandum submitted in this regard and report to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality / skills gaps have been noticed.
8. Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis.
9. Review of minutes of product and process approval committee
10. Biennial audit of depositor services
11. Review of relevant instructions issued by other regulators
12. Review of cases reported under Limited Liability in unauthorized electronic banking transactions Policy.
13. Review of details of claims received from legal heirs of deceased depositors/locker hirers/depositors of safe custody articles and pending cases beyond the stipulated period, on a **half- yearly basis**.
14. The Committee shall review the periodic reports of the Internal Ombudsman, discuss the cases in which the decision of the Internal Ombudsman has been rejected by the Bank.
15. Approval of structure of emoluments, facilities and benefits accorded to Internal Ombudsman keeping in view the stature and position of the Internal Ombudsman.
16. Review and approval of Standard Operating Procedure (SOP) formulated by the Bank for addressing complaint redressal.

In respect of the Marketing functions of the Bank, the key roles & responsibilities of the Committee are provided below:

1. Reviewing the Bank's marketing strategy; providing direction on areas of focus
2. Providing direction on the communication strategy and media focus

3. Reviewing the Bank's progress in implementing the marketing strategy

In respect of Digital Banking, the key roles & responsibilities of the Committee are provided below:

1. Reviewing the Bank's Digital Banking strategy; providing direction on areas of focus
2. Reviewing the progress made on the metrics relating to Digital Banking; these metrics cover performance metrics as determined by the Board of Directors (as part of the annual budget) and also cover metrics that are determined by the Government of India from time to time and to review the customer service rendered on digital platform from time to time.
3. Progress on various new initiatives and partnerships
4. Approving various policies relating to Digital Banking; including and not limited to :
  - (a) Merchant Acquisition Policy
  - (b) Digital Payment Products and Services Policy
5. Review of Digital Banking Unit (DBU) Performance and Risk Parameters.

**G. Special Committee of the Board for Monitoring and Follow up of cases of Frauds (SCBMF)**

The Committee may be constituted with a minimum of three members of the Board, consisting of a whole-time director and a minimum of two independent directors / non-executive directors. The Committee shall be headed by one of the independent directors / non-executive directors.

<b>Membership</b>	The constitution of the Committee shall consist of the following members:  <i>Minimum of three members of the Board, consisting of a whole-time director and a minimum of two independent directors / non-executive directors. The Committee shall be headed by one of the independent directors / non-executive directors.</i>
<b>Chairperson</b>	<i>The Committee shall be headed by one of the independent directors / Non-Executive Directors.</i>
<b>Invitees</b>	The following officials may be invitees to the Committee meetings:  <ol style="list-style-type: none"><li>1. MD &amp; CEO, if not a Committee member</li><li>2. Executive Directors who are not Committee members</li><li>3. Chief Vigilance Officer</li><li>4. Group President &amp; Chief Financial Officer</li></ol> Other members of senior management shall be invited based on the agenda of the meeting.
<b>Frequency</b>	The periodicity of the meetings of the Committee may be decided according to the number of cases involved or as and when required
<b>Quorum</b>	Minimum two members of the Committee
<b>Next review of Terms of Reference</b>	Yearly or as and when required

**Terms of Reference/ Roles and Responsibilities of the Committee are:**

*The major functions of the Committee would be to oversee the effectiveness of the fraud risk management in the Bank. SCBMF shall review and monitor cases of frauds, including root cause analysis, and suggest*

*mitigating measures for strengthening the internal controls, risk management framework and minimizing the incidence of frauds. The coverage and periodicity of such reviews shall be decided by the Board of the Bank:*

**Functions of the SCBMF shall also include the following:**

- i. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same.
- ii. Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI.
- iii. Monitor progress of CBI/Police investigation and recovery position.
- iv. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- v. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- vi. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.
- vii. Monitor and review the progress of the mitigating steps taken by the Bank in case of Cyber and Electronic Banking frauds and the efficacy of the same in containing the number of frauds and values at least on a quarterly basis.
- viii. Cases remaining in red-flagged status beyond 180 days shall be reported to the SCBMF for review with adequate reasoning / justification thereof

**H. Human Resources Committee of the Board**

<b>Membership</b>	The constitution of the Committee shall consist of the following members: Minimum Three Directors. The Committee shall consist of at least two non-executive/Independent Directors and MD&CEO/Executive Directors
<b>Chairperson</b>	Chairperson of the Committee shall be an Independent Director
<b>Invitees</b>	The following officials may be invitees to the Committee meetings: 1. Executive Directors who are not Committee members 2. HR Head  Other members of senior management shall be invited based on the agenda of the meeting.
<b>Frequency</b>	As and when required and shall meet at least twice in a year
<b>Quorum</b>	Minimum two members of the Committee
<b>Next review of Terms of Reference</b>	Yearly or as and when required

**Terms of Reference/ Roles and Responsibilities of the Committee are:**

1. To Review HR Strategy aligning with business strategy of the Bank
2. Periodic review of existing HR policy of the Bank.
3. To review productivity levels of employees benchmarking with peers in the industry
4. To review Learning Initiatives

5. To review Funding Superannuation Policy
6. To review periodic HR Plans and Activities

#### **I. Corporate Social Responsibility Committee**

Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

<b>Membership</b>	The constitution of the Committee shall consist of the following members: Minimum Three Directors. The Committee shall consist of three or more directors, out of which at least one director shall be an independent director and MD&CEO/Executive Directors.
<b>Chairperson</b>	Chairperson of the Committee shall be an Independent Director
<b>Invitees</b>	The following officials may be invitees to the Committee meetings: <b>1. Chairman of the Board (if not a member of the Committee)</b> 2. Executive Directors who are not Committee members 3. Group President & Chief Financial Officer 4. Head of HR 5. Head CSR, CSR Department  Other members of senior management shall be invited based on the agenda of the meeting.
<b>Frequency</b>	As and when required
<b>Quorum</b>	Minimum two members of the Committee
<b>Next review of Terms of Reference</b>	Yearly or as and when required

#### **Terms of Reference/ Roles and Responsibilities of the Committee are:**

The CSR Committee shall:

1. Formulate and recommend to the Board for approval, the Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the Bank in areas or subjects as specified in schedule VII of the Companies Act, 2013;
2. Guide and monitor the activities of the Bank in the area of CSR such that the spends are in line with the activities stipulated in the CSR Policy
3. Provide inputs, on an ongoing basis, to the formulation of strategic objectives and tactical plans that would help ensure the Bank is able to fulfill its corporate social responsibilities in a responsible and effective manner
4. Recommend the amount of expenditure to be incurred on the activities undertaken by the Bank.
5. Recommend to the Board about approach and direction of CSR



6. Formulate and recommend to the Board an annual action plan in pursuance of CSR Policy including
  - (a) the list of CSR projects or programmes that are approved to be undertaken in areas of subjects specified in Schedule VII of Companies Act, 2013
  - (b) the manner of execution of such projects or programmes as specified in rule 4(1) of CSR Rules
  - (c) the modalities of utilization of funds and implementation schedules for the projects or programmes
  - (d) monitoring and reporting mechanism for the projects or programmes; and
  - (e) details of need and impact assessment, if any, for the projects undertaken by the Company, appointment of independent agency for undertaking impact assessment
7. Recommendation to the Board for transfer of unspent amount related to on going project to separate bank account and unspent amounts other than ongoing projects, to funds specified in Schedule VII to the Act
8. Monitoring of all Projects Ongoing or Completed. Review and recommend to the Board the status of all Projects-Ongoing or Completed.

**J. Information Technology and Operations Committee**

The IT and Operations Committee of the Board shall advice on the strategic direction of the Technology and Operations functions within the Bank.

<b>Membership</b>	<p>The constitution of the Committee shall consist of the following members:</p> <p>Minimum Three Directors with at least one Independent Director.</p> <p>The members of the Committee should be technically competent. At least one member should have substantial IT expertise in managing technology and in understanding the key aspects of banking operations.</p>
<b>Chairperson</b>	<p>The Chairperson of the Committee shall be an Independent Director and have substantial IT expertise in managing/ guiding information technology initiatives</p>
<b>Invitees</b>	<p>The following officials may be invitees to the Committee meetings:</p> <ol style="list-style-type: none"> <li>1. Executive Directors who are not Committee members</li> <li>2. Group President &amp; CFO</li> <li>3. Chief Risk Officer</li> <li>4. Head of Technology</li> <li>5. Head of Operations</li> <li>5. Chief Information Security Officer (CISO)</li> <li>6. Internal Auditor</li> <li>7. Head of Operational Risk</li> </ol> <p>Other members of senior management shall be invited based on the agenda of the meeting.</p>
<b>Frequency</b>	<p>The committee shall meet at least on a quarterly basis.</p>
<b>Quorum</b>	<p>Minimum two members of the Committee</p>

<b>Next review of Terms of Reference</b>	Yearly or as and when required
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### **Terms of Reference/ Roles and Responsibilities of the Committee are**

In respect of the Technology functions of the Bank, the key roles & responsibilities of the Committee are provided below:

1. Recommending to Board for approval of IT strategy and policy documents and reviewing the same from time to time.
2. Ensuring that the management has put an effective strategic planning process in place
3. Ensuring that the IT strategy is indeed aligned with business strategy & objectives.
4. Ensuring that the IT organizational structure complements the business model and its direction
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable. Ensure IT budget allocations (including for IT Security) are proportionate with Bank's IT maturity, digital footprint, industry standards and security posture.
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
8. Ensuring proper balance of IT investments for sustaining bank's growth
9. Becoming aware about exposure towards IT & Cyber Security risks and controls. And evaluating effectiveness of management's monitoring of IT & Cyber Security risks through oversight over the proceedings of the Information Security Committee.
10. Assessing Senior Management's performance in implementing IT strategies
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks), including review and recommendation of Information Systems Security Policy and Cyber Security Policy to the Board for approval.
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
13. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks
14. Reviewing IT performance measurement and contribution of IT to businesses
15. Ensure IT and information security governance structure which is efficient and effective. The governance structure should ensure accountability, defined objectives and clear responsibilities across organisation. Availability of skilled resources to ensure the governance structure shall also be ensured.
16. Reviewing the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management associated with the IT, IS, information/ cyber security controls and operations.

In respect of the Operations functions of the Bank, the key roles & responsibilities of the Committee are provided below:

1. Ensuring that the management has put an effective strategic planning process in place for operational activities that balances risk, customer experience and costs reviewing the same from time to time
2. Ensuring that the operations organizational structure complements the business model and its direction
3. Ensuring that management has put in place effective steps to mitigate operational risks relating to the core operational processes of the Bank
4. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
5. Reviewing metrics and measurement relating to operational processes so as to ensure due contribution to the business

Board members and Management officials shall engage in and promote honest and ethical conduct of Bank's business in a professional manner in order to protect Banks public image and reputation. Board members and Senior Management officials must act honestly, while discharging their duties. Board members are required to discharge certain duties as mentioned in Section 166 of the Companies Act, 2013 and the duties, roles and functions of Independent Directors as contained in Schedule IV of the Companies Act, 2013.

#### **K. Review Committee of the Board on Identification of Wilful Defaulters**

The Committee is to be headed by MD & CEO and two other Independent Directors as members.

#### **Terms of Reference/ Roles and Responsibilities of the Committee are:**

The Review Committee shall consider the proposal of the Identification Committee that identifies accounts to be reported as wilful default along with the written representations, if any, received to comply with the regulatory guidelines. The Committee shall provide an opportunity for a personal hearing to the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity in case wherein the borrower has requested for an opportunity for personal hearing. However, if the opportunity is not availed or if the personal hearing is not attended by the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, the Review Committee shall, after assessing the facts or material on record, including written representation, if any, consider the proposal of the Identification Committee and take a decision. The Review Committee thereafter shall pass a reasoned order and the same shall be communicated to the borrowers.

#### **V. DISCLOSURE OF INFORMATION AND EXECUTIVE MANAGEMENT'S RESPONSIBILITIES**

The Bank shall make full, fair, accurate, timely and meaningful disclosures in the periodic reports required to be filed with Government and other regulatory authorities viz., RBI, SEBI, Stock Exchanges, Ministry of Corporate Affairs, etc.

The executive management is responsible in general for the following:

- a. The day-to-day operations of the Bank;
- b. Developing, in consultation with the Board where necessary, appropriate policies, strategies, and plans, and implementing Board- approved policies, strategies, and plans; and
- c. The Bank's compliance with applicable statutory and regulatory requirements.

The executive management shall inter alia:

- a. Introduce and maintain appropriate data bases and management information systems that can capture, process, and retrieve information needed for the effective functioning of the Board and the executive management;
- b. Provide the Board and/or Board committees, as appropriate, with correct, timely, sufficient, and meaningful information about: the Bank's operations; risk assessment, exposure and management; financial condition; performance vis-à-vis plans; human resources; statutory and regulatory compliance; and other aspects: and
- c. Promptly inform the Board and/or Board committees, as appropriate, of any market development, business trend, or risk exposure, impairment or loss of the Bank's assets or resources which may have a significant bearing on the Bank's operations or financial condition.
- d. Initiate all actions deemed necessary for proper dissemination of relevant information to the Board of Directors, Auditors and other Statutory Authorities, as may be required by applicable laws, rules and regulations

#### **A. Executive Committees**

The Bank has constituted various Executive Committees to deal with various operational, administrative and day to day matters relating to Human Resource, Information Technology, Risk, Credit, Audit, Management, Customer Service, Product/Change Management, Fraud, Business Continuity Plan & Crisis Management, Prevention of Sexual Harassment, Whistle blower, Outsourcing etc.

The Executive Committee is constituted as part of the governance and administrative structure of the Bank. It comprises of the MD & CEO, the Executive Directors and the Senior Executives of the Bank depending on the topic of discussion.

The Committee meets periodically to review matters, inter alia, relating to Business Strategy, Financial Reports, Risk, Compliance, Customer Service, Financial Inclusion, Human Capital and Business Continuity Planning of the Bank. It also discusses cross- functional initiatives, debates on and respond to any material developments (internal and external), ideates and reviews key financial, operational and human capital issues, evaluate performance against the Balance Score Card(s) of the Bank, Key Result Area (KRA ) of key personnel, Business Plans, ideate and execute strategies for the Bank, review risk assessment reports, inspection/scrutiny reports of regulators, internal auditor, etc.

#### **VI. INSIDER TRADING AND SELF-DEALING**

Members of the Board, the management team and the designated persons of the Bank shall not engage in any insider trading in the Bank's shares, or in any self-dealing involving transactions for themselves or for their immediate relatives (as defined in SEBI (PIT) Regulations, 2015) or associated persons conflicting with the Bank's interests. Directors shall inform the Board promptly of any purchase or sale of the Bank's shares by them, or by their relatives within their knowledge. Directors shall also inform the Bank of their holdings of the Bank's shares when they join the Board and as at the end of every financial year.

All Insiders and Designated Persons should adhere to the regulations contained Federal Bank Code of Conduct for Regulating, Monitoring and Reporting Trading by Insiders and code of Practices and Procedures for Fair Disclosure

#### **Conflict of Interest**

A "conflict of interest" occurs when personal interest of any member of the Board of Directors and of the Management interferes or appears to interfere in any way with the interests of the Bank.

The members of the Management team are expected to devote their total attention to the business interests of the Bank. They are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Bank or otherwise is in conflict with or prejudicial to the Bank.

All members of the Board of Directors and Management has a responsibility to the Bank, its stakeholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, it is expected that they avoid situations where a conflict of interests might occur or appear to occur, and they are expected to perform their duties in a way that do not conflict with the Bank's interests such as;

- a) If any member of the Board of Directors and Management considers investing in securities issued by the Bank's customer, supplier or competitor, they should ensure that these investments do not compromise their responsibilities to the Bank, which is of utmost importance.
- b) Factors, including the size and nature of the investment; their ability to influence the Bank's decisions; their access to confidential information of the Bank, or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists.
- c) Employing relatives\* or undertaking business with a relative or any entity where relative of a Board member or Senior Management official has a financial interest.

\* The term "Relative" shall be applied on the lines defined under Section 2 (77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014.

Additionally, they should disclose to the Bank, in advance if known in advance, any interests that they have which may conflict with the business of the Bank.

#### **Additional Points**

1. All members of the board of directors and senior management personnel shall disclose to the Chief Compliance Officer / Company Secretary, annually, a statement that they have no material interest or any other conflicting interests, in any person who is a party to a material contract or proposed contract with the Bank and the Chief Compliance Officer / Company Secretary shall notify the Board of Directors of any such disclosure.

Further every director shall

- a) at the time of joining the Board as director and
- b) thereafter annually or
- c) whenever there is any change in the disclosures already made, then at the first Board meeting held after such change,

disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall also include the shareholding;

2. i) All members of the board of directors and senior management personnel shall report actions that may involve conflict of interest to the Chief Compliance Officer / Company Secretary, well in advance. In order to avoid conflicts of interest, all members of the board of directors and senior management personnel must disclose to the Chief Compliance Officer / Company Secretary any material transaction

or relationship that reasonably could be expected to give rise to such a conflict, well in advance, and the Chief Compliance Officer / Company Secretary shall notify the Board of Directors of any such disclosure.

- ii) Every director of the Bank who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—
  - (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
  - (b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting
- 3. Due to potential conflicts with the Bank, all executive directors on the board of directors and senior management personnel must obtain prior approval from the Board of Directors of the Bank before they accept a position as a director of any unaffiliated for-profit company or organization.
- 4. Avoidance of Conflict of interest shall include compliances with provisions of Section 184 of Companies Act, 2013 and disclosure of other matters to the Bank which are in the best interest of the bank.

#### **VII. RELATED PARTIES**

For better governance the Directors and members of Management should comply with the Bank's Policy on Related Party Transactions as approved from time to time

In case the nature of business is such that a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority in advance if it is so known. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact, and the decision shall be final.

#### **VIII. CONFIDENTIALITY AND FAIR DEALINGS**

The Bank's confidential information is a valuable asset. It includes all trade related information, trade secrets, confidential and privileged information, customer information, employee related information, strategies, administration, research in connection with the Bank and commercial, legal, scientific, technical data that are either provided to or made available to each member of the Board of Directors and the Management by the Bank either in paper form or electronic media to facilitate their work or that they are able to know or obtain access by virtue of their position with the Bank. All confidential information must be used for Bank's business purposes only.

This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Bank's policy on maintaining and managing records. This obligation extends to confidential information of third parties, which the Bank has rightfully received under non-disclosure agreements.

To further the Bank's business, confidential information may have to be disclosed to potential business partners. Such disclosure should be made after considering its potential benefits and risks. Care should be taken to divulge the most sensitive information, only after the said potential business partner has signed a

confidentiality agreement with the Bank and only after obtaining the prior permission of the appropriate authorities in the Bank.

The term “confidential information” includes, but is not limited to, non-public information that might be of use to competitors of the Bank, or harmful to the Bank or its customers if disclosed. Every Director and member of Executive Management should be fully compliant with the laws, statutes, rules and regulations that have the objective of preventing unlawful gains of any nature whatsoever.

#### **IX. SIGNIFICANT INSTITUTIONAL SHAREHOLDERS**

The Bank shall encourage the development of constructive and sound working relationships with any significant institutional shareholders (i.e., those holding at least 3% of the Bank’s issued and paid-up Share Capital). This may be achieved through systematic contacts at the executive management level with the institutions, and exchange of information and views with them on the Bank, on a need base. The shareholders shall be free to inform the executive management or the Board of any aspect of the Bank’s performance, which gives them cause for concern, or offer suggestions for improving the Bank’s performance.

#### **X. PRIOR APPROVAL FOR ACQUISITION OF SHARES OR VOTING RIGHTS OF THE BANK**

In terms of sub-section (1) of Section 12B of Banking Regulation Act, 1949, every person, who intends to acquire shares or voting rights and intends to be a major shareholder of the Bank, is required to obtain previous approval of the Reserve Bank of India (“RBI”).

On receipt of the reference from the Reserve Bank, without prejudice to the generality of the aspects to be considered, the Board of the Bank shall, based on the information provided as well as due diligence undertaken by the Bank, deliberate on the proposed acquisition, and assess the ‘fit and proper’ status of the person. The Bank shall thereafter furnish its comments after considering all relevant aspects along with a copy of the relevant board resolution and information in Form A1 specified in Directions 2023 to RBI within 30 days. For the purpose of ascertaining, fit and proper’ status of the person the following ‘fit and proper’ criteria for major shareholders, shall be considered.

##### **I. Criteria for determining “fit and proper” status of applicants/major shareholders**

- (i) For acquisition of five per cent or more but less than 10 per cent of paid-up share capital or voting rights in the Bank:
  - (a) Integrity, reputation and track record in financial/non-financial matters and compliance with tax laws
  - (b) Any proceedings of a serious nature, or has been notified of any such impending proceedings or of any investigation which may lead to such proceedings
  - (c) Record or evidence of previous business conduct and activities resulting in conviction for an offence under any legislation designed to protect members of the public from financial loss due to dishonesty, incompetence or malpractice
  - (d) Outcome of due diligence conducted with the relevant regulator, revenue authorities, investigation agencies and credit rating agencies etc., as considered appropriate
  - (e) Serious financial misconduct, including defaulting on financial obligations or whether the applicant was adjudged to be insolvent
  - (f) The credibility of source of funds for the acquisition

- (g) Where the applicant is a body corporate, track record or reputation for operating in a manner that is consistent with the standards of good corporate governance, financial strength and integrity in addition to the assessment of individuals and other entities associated with the body corporate as enumerated above.
- (h) Adherence to “the Guidelines”

**(ii) For acquisition of 10 per cent or more in the Bank:**

- (a) All aspects as laid down in (i) above.
- (b) Details of group entities, in case the applicant belongs to a group.
- (c) Source and stability of funds for acquisition and the ability to access financial markets as a source of continuing financial support for the Bank.
- (d) The business record and experience of the applicant including any experience in acquisition of business.
- (e) The extent to which the corporate structure of the applicant will be in consonance with effective supervision and regulation of the Bank.
- (f) The soundness and feasibility of the plans of the applicant for the future conduct and development of the business of the Bank.
- (g) Shareholder agreements and their impact on control and management of the Bank

Subsequent to such acquisition, if at any point in time the aggregate holding falls below five per cent, the person will be required to seek fresh approval from the Reserve Bank if the person intends to again raise the aggregate holding to five percent or more of the paid-up share capital or total voting rights of the Bank (as per sub-section (1) of Section 12B of B R Act, 1949).

The persons from Financial Action Task Force (FATF) non-compliant jurisdictions shall not be permitted to acquire major shareholding of the Bank.

The Board of the Bank had at its meeting dated July 22, 2016, approved a Policy for Acquisition of shares above 4.99% of the Paid up Capital of the Bank which is given below:

Criteria for Acquisition of shares above 4.99% of the Paid up Capital of the Bank

**1. Persons who can acquire shares:**

Only Financial Institutions, such as mutual funds may be considered for permitting acquisition of shares in excess of 4.99% of Paid Up Capital. No individual is permitted to purchase the shares in excess of 4.99%.

**2. For such cases, request for Board seat would not be entertained.**

**3. Minimum Period of Holding.**

A minimum period of holding should be undertaken by the Investors who are permitted to hold above 4.99% of shares as may be fixed by the Board.

**4. Formulation of Committee for Acquisition of shares.**



A Committee consisting of MD & CEO, CFO/EDs & Company Secretary will do the due diligence and keep in mind the RBI guidelines also to see that the Investor is a fit and proper person, this Committee will recommend to the Board for its decision on Financial Institutions' request to purchase Bank's shares in excess of 4.99%.

Detecting violation of Section 12B (1) of the B R Act, 1949

The Bank shall establish a continuous monitoring mechanism to ascertain that a major shareholder has obtained prior approval of the Reserve Bank for the shareholding/voting rights. Any major shareholder who is covered by sub-section (3) of section 12B of the B R Act, 1949, and has not obtained prior approval of the Reserve Bank, can exercise voting rights in the Bank only after obtaining the approval of Reserve Bank for major shareholding.

The Bank shall submit periodical reports on the continuous monitoring arrangements to the Board, which *inter alia*, shall include assessment of compliance to sub-section (5) of Section 12B of the B R Act, 1949

#### **XI. COMMUNICATIONS WITH OUTSIDERS**

As a general rule, the Chairman should speak for the Board and the MD& CEO for the management, especially in communicating with the public, the media, customers, securities analysts, shareholders, and regulatory authorities. However, individual Directors may be asked or authorised by the Board to communicate with parties involved with or interested in the Bank.

Any publication or publicly made statement that might be perceived or construed as attributable to the Bank, made outside the scope of any appropriate authority in the Bank, should include a disclaimer that the publication or statement represents the views of the specific author and not the bank.

#### **XII. APPLICABLE LAWS**

This code of Corporate Governance shall be applicable to all the members of the Board of the Bank and senior management of the Bank.

The Directors of the Bank and Management must comply with applicable laws, regulations, rules and regulatory orders. They should report any inadvertent non-compliance, if detected subsequently, to the concerned authorities.

#### **XIII. GIFTS AND ENTERTAINMENT**

Accepting Gifts and entertainment- General Principles

In general, no employee / Director should accept gifts - anything of value of more than Rs. 10,000/- from current or prospective customers or suppliers.

#### **XIV. GIVING GIFTS AND ENTERTAINMENT - BRIBERY AND CORRUPTION**

Bribery/Corruption is defined as the receiving or offering of an undue reward to any third party.

No person (no employee / Director) must make any payment to or for anyone for the purpose of obtaining or retaining business or for obtaining any favorable action. If anyone is found to be involved in making such payments, they would be subject to disciplinary action as well as potential civil or criminal liability for violation of the Code.

No person (employee of the Bank/ Director) should offer or give any funds or property as donation to any government agency or its representatives, in order to obtain any favorable performance of official duties.

#### **XV. WAIVERS**

Any waiver of any provision of this Code of Conduct for a member of the Bank's Board of Directors or a member of the Management must be approved in writing by the Board of Directors of the Bank.

The matters covered in this Code of Conduct are of the utmost importance to the Bank, its stakeholders and its business partners, and are essential to the Bank's ability to conduct its business in accordance with its value system.

#### **XVI. REVIEW OF THE CODE**

The Code including the terms of reference /charter of Board/Committees of Board shall be reviewed on a yearly basis.

#### **XVII. ANNUAL DECLARATION**

As required under Regulation 17(5) and 26(3) of SEBI-LODR Regulations, 2015 all Board members and Senior Management personnel shall affirm compliance with this Code on an annual basis to the Company Secretary or any other person authorized by the Board in this regard.

Declaration signed by the MD & CEO have to be included in the Annual Report of the Bank stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

#### **ACKNOWLEDGMENT (to be given by Board members and the Management officials)**

I, \_\_\_\_\_, have read and understood the Bank's Code of Conduct (the "Code") for the Board of Directors and the Management.

I hereby undertake to comply with the standards and policies contained in the Code and other policies or laws specific to my responsibilities to the Bank.

Signature

Date

## RACI Matrix

The RACI matrix given below provides a broad overview of the responsibilities/roles of various verticals during disclosure:

R - Responsible	Refers to those who do the work to complete the task.
A - Accountable	Designates the person who ultimately answer for the results of an activity, and also who delegates the work to the people who will execute it.
C - Consulted	Refers to those who sought be heard on the related activity, and with whom there is two-way communication.
I - Informed	Designates those who sought to be kept up-to-date on the progress of the activity, and with whom there is just one-way communication.

Code Of Corporate Governance And Code Of Conduct For The Board Of Directors And Management	IR MD	Financial Reporting	INSP	LCH/LCRD/CIB/SQD	Secretarial	Treasury	HR	Legal	IT/Digital	Compliance	NRC	Board
Board of Directors- Including functions/ roles and responsibilities/ composition/ duties of directors etc	-	-	-	-	C/I	-	-	-	-	-	R/A	R/A

Board Committees- Terms of reference of NRC, ACB, SRC, CIRCC, RMC, CSMDBC, SCBF, HR Committee, CSR Committee, IT & OPS, RCNCB and IWD	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	R/A	R/A
Disclosure of Information and Executive Management's Responsibilities	R/A	R/A	R/A	R/A	R/A	R/A	R/A	R/A	R/A	R/A	C/I	C/I
Insider Trading And Self-Dealing/ Related Parties Confidentiality and Fair Dealings	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	C/I	R/A	R/A
Significant Institutional Shareholders/ Communications With Outsiders/ Gifts and Entertainment	-	-	-	-	C/I	-	-	-	-	C/I	R/A	R/A
Review of the Code	C/I	C/I	-C/I	C/I	R/A	C/I	C/I	C/I	C/I	C/I	R/A	R/A

