



## **IDFC FIRST Bank Limited**

### **Corporate Governance & Board Diversity Policy**

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## CORPORATE GOVERNANCE & BOARD DIVERSITY POLICY

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## CORPORATE GOVERNANCE & BOARD DIVERSITY POLICY

### PREAMBLE

IDFC FIRST Bank Limited ('IDFC FIRST Bank' or the 'Bank'), have steadfastly upheld the values of integrity and ethical conduct since its establishment. Guided by our vision and mission statement, we are unwavering in our commitment to the highest standards of Corporate Governance, recognizing it as a fundamental driver of corporate success and sustainable economic growth.

Our dedication to ethical banking is the cornerstone of our identity, exemplified through our industry-leading good governance practices. We take great pride in our predominantly independent Board and the diverse and competent management team that spearheads our operations. By diligently adhering to all regulatory requirements and proactively aligning with industry best practices for corporate behavior, we endeavor to foster and maintain the unwavering trust of our valued investors and the wider society we serve.

The Corporate Governance Policy ('Policy') serves as the bedrock of the Bank's operations, providing a comprehensive framework that governs our entire organization. It encompasses the structure of our corporate body and Board, our organizational culture, our policies, and our approach to engaging with various stakeholders. The Policy is also instrumental in defining the roles, responsibilities, authority, and administration of the Board of Directors, who play a crucial role in upholding our principles.

Transparency is a cornerstone of our Corporate Governance philosophy. We recognize the critical importance of timely and accurate disclosure of information pertaining to our financials, performance, board constitution, ownership of the Bank, and more. By embracing transparency, we strive to foster an environment of trust, not only among our stakeholders but also in the broader business community.

We firmly believe that Corporate Governance goes beyond mere compliance; it is about how we direct and control ourselves as an organization and how we extend this commitment to the people associated with us. As we navigate the ever-evolving landscape of the financial industry, we are dedicated to consistently enhancing our Corporate Governance practices to ensure that we remain at the forefront of responsible and ethical banking.

Corporate governance in banks refers to the set of rules, practices, and processes by which banks are directed and controlled. It involves the distribution of rights and responsibilities among different stakeholders in the Bank, such as shareholders, board of directors, management, customers, and regulators, with the primary goal of ensuring transparency, accountability, and sound decision-making.

Few key components of corporate governance in bank includes:

- ▶ **Board of Directors:** The Board of Directors is responsible for overseeing the Bank's operations and strategic direction. They are expected to act in the best interests of shareholders and ensure the Bank's stability and long-term success. The Board of Bank is independent, diverse, and have a mix of skills and experience relevant to the banking industry. The Board need to establish clear policies and procedures and regularly evaluate the Bank's performance.
- ▶ **Risk Management:** Bank is exposed to various types of risks, including credit risk, market risk, liquidity risk, and operational risk. The Bank have risk management frameworks in place, including the establishment of risk committees and the implementation of adequate risk measurement, monitoring, and control systems.
- ▶ **Transparency and Disclosure:** Bank to provide accurate and timely information to shareholders, regulators, and the public. Bank have in place financial reporting and disclosure policies to ensure that stakeholders have access to relevant and reliable information about the Bank's financial position, performance, and risk profile and other information.
- ▶ **Shareholder Rights:** Shareholders play a crucial role in corporate governance by electing the board of directors, approving major corporate actions, and holding management accountable. Bank facilitates shareholder engagement through annual general meetings and other means.
- ▶ **Ethics and Integrity:** Bank adheres to high ethical standards and promote a culture of integrity throughout the organization. This includes establishing a code of conduct, whistleblower policies, and conducting regular ethics training for staff. Banks also have mechanisms for employees to report unethical behavior and for proper investigation and resolution of any concerns.
- ▶ **Regulatory Compliance:** Banks are subject to extensive regulation and supervision by regulatory authorities. Effective corporate governance requires Bank to comply with applicable laws, regulations, and industry best practices. Bank has established compliance functions and internal control systems to monitor and ensure compliance with regulatory requirements.

Overall, strong corporate governance in Bank is essential for maintaining financial stability, promoting investor confidence, mitigating risk, and safeguarding the interests of all stakeholders. It helps Bank to operate efficiently and effectively, and ultimately contributes to the long-term success and sustainability of the banking industry.

In this spirit, we present the Corporate Governance Policy of IDFC FIRST Bank, which reflects our unyielding dedication to the principles of transparency, accountability, and ethical conduct. Together, we strive to build a better future for our stakeholders, our communities, and our nation.

The Bank is built on three pillars in line with the vision statement:

- (a) Ethical,

- (b) Digital and
- (c) Social-Good

**Vision:** To build a world class bank in India, guided by ethics, powered by technology, and be a force for social good

The Bank endeavors to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public at large. The Bank's business focuses on maximizing return on assets while managing inherent risks, thus ensuring that the Bank's performance goals are met with integrity. The Bank's systems, policies and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment. Governance practices not only deal with the growing size of business, but also deal with the increase in complexities of the organizational structure that supports such growth. The Bank's Board members are eminent people with rich experience and high levels of integrity, who are constantly guiding the Bank with strategic inputs towards very high standards of corporate governance.

The Bank recognizes that a committed, well-balanced Board creates a culture of leadership to provide long-term vision, ensure governance as well as protect the interest of all stakeholders. In order to ensure that the Board can discharge its duties and responsibilities effectively, the Bank needs an optimum combination of Executive and Non-Executive Director who have special knowledge or practical experience and ability to guide the Bank towards achieving its stated goals and strategic objectives. The Bank also recognizes the importance of independent directors for bringing objectivity and independent judgments to the Board discussions.

## **PART A: THE BOARD OF DIRECTORS AND COMMITTEES OF BOARD**

### **THE BOARD OF DIRECTORS**

The Board is responsible to act in the best interests of the Bank and its stakeholders. In discharging their roles and responsibilities, the Directors shall comply with the Code of Conduct as adopted by the Board. The Directors shall execute the duties as empowered to them under Companies Act, 2013 ("Companies Act"), Securities and Exchange Board of India ["SEBI"] (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations), Banking Regulation Act, 1949 ("Banking Regulation") and execute such other duties, as may be deemed necessary in the best interest of the Bank.

The composition of the Board of the Bank should be diverse to effectively oversee the management and operations of the Bank. Few skills and attributes of individual director, which may be considered by the Bank, are as follows:

- ▶ **Financial expertise:** Have a understanding of financial statements, financial analysis, risk management, and capital allocation. Be able to assess the Bank's financial performance and make informed decisions related to its financial strategy.
- ▶ **Banking and industry knowledge:** Understand the banking industry, including regulatory compliance, credit risk, liquidity management, and market trends. Be familiar with the complexities and challenges specific to the banking sector.
- ▶ **Governance and stewardship:** Have a understanding of corporate governance principles and best practices. Be able to effectively oversee the Bank's management, ensure compliance with laws and regulations, and act in the best interests of shareholders and other stakeholders.
- ▶ **Leadership and strategic thinking:** Possess leadership skills, including the ability to provide strategic guidance and direction to the Bank. Have a long-term perspective and able to navigate the Bank through changing market conditions and industry trends.
- ▶ **Risk management:** Have a good understanding of risk management principles and practices, including credit risk, market risk, operational risk, and compliance risk. Able to assess and manage risks effectively, ensuring the Bank has appropriate risk management frameworks in place.
- ▶ **Communication amongst fellow Board members and stakeholder management:** Have effective communication skills to interact with various stakeholders, including shareholders, regulators, customers, and employees. Be able to articulate the Bank's strategy, performance, and governance practices to these stakeholders.
- ▶ **Ethical standards and integrity:** Demonstrate high ethical standards and integrity in their conduct. Act in an honest, transparent, and accountable manner, ensuring that the Bank operates in a manner that is fair and compliant with laws and regulations.
- ▶ **Analytical and decision-making skills:** Possess analytical skills to assess complex information, evaluate risks, and make informed decisions. Be able to critically analyze reports, financial statements, and other relevant data to guide the Bank's decision-making process.
- ▶ **Industry network and connections:** Have industry network/ contacts connections to provide valuable insights and access to industry knowledge and best practices.
- ▶ **Continuous learning and development:** Be committed to continuous learning and development, staying up-to-date with industry trends, regulatory changes, and evolving best practices in governance and risk management.

#### **Composition of Board:**

Bank strive to have a diverse board of directors with a mix of skills and experiences that align with the Bank's strategic objectives and operational needs.

The Composition of the Board is in accordance with the provisions of Companies Act, Listing Regulations, Banking Regulation, RBI Circular and other applicable law as may be amended from time to time.

1. Pursuant to the provisions of applicable laws, the Board shall have an optimum combination of executive and non-executive directors with at least one woman Independent director and not less than 50% of the Board of Directors shall comprise of non-executive directors with one third of them being Independent. The Chair of the Board shall be an independent director.
2. Pursuant to Regulation 16 of Banking Regulation, the Bank cannot have any person as a Director on its Board who is a Director of any other banking company.
3. The Nomination and Remuneration Committee of Directors of the Board has been constituted to identify persons who are qualified to become directors on the Board, considering inter-alia the following factors while recommending appointment of directors on the Board of the Bank:
  - i. Relevant Qualifications, skills and experience of the existing Board of Directors;
  - ii. Mix of Executive, Non-Executive and Independent Directors;
  - iii. The optimum size of the Board commensurate with the size of the Bank's operations and complexity;
  - iv. Diversity of the Board.
4. The Bank shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.
5. **Age:** The upper age limit for NEDs, including the Chair of the board, shall be 75 years and after attaining the age of 75 years no person can continue in these positions. The total tenure of an NED, continuously or otherwise, on the board of a bank, shall not exceed eight years. After completing eight years on the board of a bank the person may be considered for re-appointment only after a minimum gap of three years.
6. The number of directors on the Board of the Bank shall not be less than 6 (six) directors or such other number as required under applicable law.
7. Pursuant to RBI Regulations, the Bank should have at least two Whole Time Directors, including the MD & CEO, on the Board.

**Board Diversity including Skills/ Expertise/ Competence of Board of Directors:**



The Bank recognizes and embraces the importance of a diverse Board and is endowed with appropriate balance of skills, experience, competence and diversity of perspectives thereby ensuring effective Board governance. The Board ensures Board diversity, so as to enhance its effectiveness while discharging its fiduciary obligations towards the stakeholders of the Bank. The Bank considers diversity in skills, regional and industry experience, expertise and educational background whilst determining the composition of its Board. The Bank also considers the principles relating to fit and proper norms as prescribed by the RBI and confirms that each Director is also in compliance with the norms as prescribed by the Ministry of Corporate Affairs and SEBI under applicable laws, whilst determining the composition of its Board.

IDFC FIRST Bank, being a Banking Company, is regulated by the provisions of Banking Regulation, Listing Regulations and the Companies Act. In terms of Section 10A(2)(a) of the Banking Regulation Act, read with RBI notification no. DBR. Appt. BC. No.38/29.39.001/2016-17 dated November 24, 2016, requires that not less than 51% of the total number of members of the Board of a Banking Company shall consist of persons, who shall have special knowledge or practical experience in respect of one or more of the following matters, namely; (i) Accountancy, (ii) Agriculture and rural economy, (iii) Banking, (iv) Co-operation, (v) Economics, (vi) Finance, (vii) Law, (viii) Small-scale industry, (ix) Information Technology, (x) Payment & Settlement Systems, (xi) Human Resources, (xii) Risk Management, (xiii) Business Management, (xiv) any other matter the special knowledge of, and practical experience in, which would, in the opinion of the RBI, be useful to the Banking Company.

The Board of the Bank is guided by the above provisions and the business requirements, during appointment/ re-appointment of any Director on the Board of the Bank. The Bank has identified most of the above skills/ expertise/ competencies as required to be possessed by the Board of the Bank, to function effectively in the context of businesses and the sectors in which Bank deals

The Bank shall also comply with the requirements of the Banking Regulation with respect to competence of the Board of Directors. All Board appointments shall be done on merit, in the context of skills as required for the areas of the Bank's business operations, management and such other areas as may be required for achieving the objective of the Bank.

The Board will review and evaluate its composition to ensure that both the Board and its Committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In doing so, the Board will take into account diversity, including diversity of gender, amongst other relevant factors. The Board will satisfy itself that plans are in place for orderly succession of appointments to the Board so as to ensure continual refreshing of the Board.

In terms of Listing Regulations, Banking Regulation and other applicable laws, the Bank sets out the approach to have diversity on the Board of the Bank. The Nomination & Remuneration Committee ('NRC') is responsible for leading the process of identifying as well as nominating suitable candidates

with a focus on diversity in terms of thoughts, varied experience, industry knowledge, broader perspective, integrity and gender on the Board, during their appointment on the Board in terms of the SEBI Listing Regulations, the Banking Regulation, RBI Circulars, Companies Act other laws, rules and regulations applicable to the Bank

The importance of a diverse Board helps in harnessing the unique and individual skills and experiences of the members in a way that collectively benefits the organization and business as a whole. This Policy helps to provide a framework for leveraging on the differences within the expertise of the Board, offering a broad range of perspectives that are directly relevant to the business.

The Bank believes that a diverse Board will amongst others:

- ▶ Enhance the quality of decisions making and ensure better business performance.
- ▶ Encourage diversity of perspectives thereby fueling creativity and innovation.
- ▶ Complement and expand the skills, knowledge and experience of the Board as a Whole.
- ▶ Provide better Corporate Governance.

All appointments to the Board (as recommended by the Nomination and Remuneration Committee) will be made on merit while taking into account suitability for the role, composition of Board, its balance of skills, knowledge and experience on the Board. The required mix of diversity ensure that the candidates have the highest levels of personal and professional ethics and integrity, appropriate skills, knowledge, experience and expertise in one or more fields as prescribed under the Banking Regulation and circular/ guidelines/ notifications issued by RBI from time to time (including consideration of diversity and ethnicity). Other relevant matters will also be taken into account, such as independence and the ability to fulfil required time commitments in the case of Independent and Non-Executive Directors.

While evaluating candidates, the NRC shall also consider the qualifications and skill sets of the existing Directors, to ensure an overall diversity in the skill sets of Board as a whole, keeping in mind the current business operations, future growth, diversification plans and also the need to fill in the competency gaps, if any. The Board will consider suitably qualified candidates for Executive, Non-Executive and Independent Director roles whose skills and experience will add value to the Board.

The Bank believes in gender diversity. The Bank, under the provisions of the Companies Act, 2013, Rules made there under and the Listing Regulations would have adequate number of woman director on its Board including woman independent director.

#### **Meeting of Board:**

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. The meetings of Board and Board Committee would normally be held at the Corporate office with an option to Directors, invitees, etc. to attend same through video conferencing, if desired.

In the absence of the Chair of the board, the meetings of the Board shall be chaired by an independent director.

Secretarial Department shall assist the Board Members by providing them Agenda papers of meetings, minutes and other documents, from time to time.

To ensure the quality of Board deliberations in Bank, the Board are provided with agenda items as per RBI Circular on Calendar of Reviews, wherein below seven critical themes comprising Business Strategy, Risk, Financial Reports and their Integrity, Compliance, Customer Protection, Financial Inclusion and Human Resources are broadly covered:

<b>Business Strategy</b>	Development of new products; competitiveness of individual businesses; business reviews in relation to targets.
<b>Risk</b>	Policies concerning credit, operational, market, liquidity risks; assessing the independence of the risk function.
<b>Financial Reports and their integrity</b>	Detailed scrutiny of quarterly and annual financial results; NPA management and reported NPA and provisioning integrity.
<b>Compliance</b>	Regulatory requirements; adherence to RBI and SEBI norms; observations from the annual financial inspection by RBI, and from the Long Form Audit Report; review of decisions in previous minutes of meetings, and key decisions within subsidiaries; review of action taken reports; appointments to board committees.
<b>Customer Protection</b>	Mis-selling, particularly third-party products; laying down the appropriateness of products to different customer segments; understanding the broad trends and concentration in the growth of customer grievances and their resolution.
<b>Financial Inclusion</b>	Review of priority sector lending; payments for the disadvantaged; deposit mobilization from weaker sections; support to microfinance institutions; and other issues.
<b>Human Resources</b>	Appointments and approvals of directors, perks and perquisites for employees, incentive schemes for employees, promotion policies for employees, training and skill development of employees.

#### **Quorum & Attendance for Board Meeting:**

The quorum for the board meetings shall be one-third of the total strength of the Board or three directors, whichever is higher. At least half of the directors attending the meetings of the Board shall be independent directors.

The Chairman shall confirm on the quorum at each meeting. Employees or invitees may be invited at the Board/ Committee meetings, to provide an insight into the agenda items being discussed, as may

be required.

The Company Secretary shall act as Secretary to the Board and Committee meetings.

## **COMMITTEES OF BOARD**

The Board of the Bank has constituted various Board Committees to focus on specific areas and take informed decisions within the framework of delegated authority, and make specific recommendations to the Board on matters within their areas of purview. All decisions and recommendations of the Committees are placed before the Board for information or for approval. Following are the Committees of the Board of Directors:

1. Audit Committee
2. Risk Management Committee
3. Nomination and Remuneration Committee
4. Stakeholders' Relationship, ESG & Customer Service Committee
5. Information Technology Strategy Committee
6. Credit Committee
7. Fraud Monitoring Committee
8. Corporate Social Responsibility Committee
9. Wilful Defaulter or Non-Cooperative Borrower Review Committee
10. Allotment, Transfer and Routine Matters Committee
11. Capital Raise and Corporate Restructuring Committee

The Directors are expected to attend and actively participate in meetings of Board and Board Committees in which they are member and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Apart from above the Board may from time to time establish appropriate Committees to assist the Board / Committees or when specific matters require more resources and attention, and to ensure compliance with the regulatory / legal requirements.

The details of Board and composition of aforesaid Board Committees are available on the website of the Bank.

### **1. Audit Committee**

The Bank has set up a qualified and independent Audit Committee in compliance with the provisions of Companies Act, SEBI Listing Regulations and Banking Regulation which binds the constitution and functioning of the Committee.

#### **► Composition:**

- The Audit Committee shall have minimum three directors as members.
  - All members must be Non-Executive Directors with at least two-thirds of the members being independent directors.
  - The Chairperson of the Audit Committee shall be an independent director and shall not chair any other committee of the Board and shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures.
  - The Chair of the board shall not be a member of the Audit Committee.
  - All members of Audit Committee 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 [e.g., experience in application of accounting standards and practices, including internal controls around it].
- **Meeting and Quorum:** The Audit Committee shall meet at least once in a quarter and not more than one hundred and twenty days shall elapse between two meetings. The Audit Committee shall meet with a quorum of three members and at least two-thirds of the members attending the meeting shall be independent directors. The Chairperson of Audit Committee shall be present at Annual General Meeting to answer shareholder queries.
- **Terms of Reference:** The Audit Committee shall oversight the Bank's financial reporting process, approve/ review related party transactions, Intra Group Transactions & exposures, review appointment of & remuneration of Auditors, review Whistle Blower/ Vigil Mechanism, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

## 2. Risk Management Committee ('RMC')

Bank promote a strong risk culture throughout the organisation, designed to reinforce our resilience by encouraging a holistic approach to risk management and return, and an effective management of risk, capital, liquidity, and reputational profile.

Bank Board is the ultimate authority for Risk Management Framework. It approves risk appetite, risk tolerance, and related strategies, and policies. The Board is assisted by the Risk Management Committee (RMC) and its various management committees as part of the Risk Governance Framework to ensure that Bank have a sound system of risk management and internal controls. The RMC assists the Board in relation to the oversight and review of our risk management principles and policies, strategies, appetite, processes, and controls. The RMC of the Board reviews risk management policies pertaining to credit, market, liquidity, operational risks etc. The Committee also reviews the risk appetite and Enterprise Risk Management framework, Internal Capital Adequacy Assessment Process (ICAAP), and stress testing.

Bank manage capital position to maintain strong capital ratios that are more than the minimum capital adequacy at all times as approved by the regulatory authorities, and the Board. Capital management practices are designed to maintain a risk reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events.

► **Composition:**

- The Board shall have a Risk Management Committee with minimum three members with majority of them being members of the board of directors.
- The Chairman of RMC shall be an independent director, who shall not be a Chair of the board or any other committee of the board.
- Majority of the RMC members must be NEDs, with atleast one member being Independent Director.

► **Meeting and Quorum:** The RMC shall meet at least once in each quarter. The RMC shall meet with a quorum of three members. At least half of the members attending the meeting of the RMC shall be independent directors of which at least one member shall have professional expertise/qualification in risk management. The Chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise.

► **Terms of Reference:** The RMC shall identify and monitor the risk profile & risk management of the Bank, review cyber security processes, review ICAAP proposal, review credit exposure, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

### 3. Nomination & Remuneration Committee ('NRC')

► **Composition:**

- The NRC shall have minimum three Directors as members.
- The Chairperson of the NRC shall be an independent director.
- All members must be Non-Executive Directors with at least two-thirds of the members being independent directors and of which one shall be a member of the Risk Management Committee.
- The Chair of the board may be appointed as member of NRC but shall not chair the NRC.

► **Meeting and Quorum:** The NRC shall meet at least once a year. The NRC shall meet with a quorum of three members. 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 Risk Management Committee. The Chairman of NRC shall be present at the Annual General Meeting, to answer the shareholder queries.

- ▶ **Terms of Reference:** The NRC shall recommend appointment/ re-appointment of Directors/ SMP/ KMP including remuneration, remuneration of key roles, review the succession planning process of the Board and Senior employees of the Bank in accordance with Succession Policy and Plan of the Bank, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

#### **4. Stakeholders' Relationship, ESG & Customer Service ('SRECS') Committee**

The Bank has a SRECS Committee to specifically look into various aspects of interest of shareholders, debenture holders, security holders and other stakeholders.

- ▶ **Composition:**
  - The SRECS Committee shall consist of at least three directors, with at least one being an independent director.
  - The chairperson of SRECS Committee shall be a non-executive director.
- ▶ **Meeting and Quorum:** The SRECS Committee shall meet at least once in each quarter. The SRECS Committee shall meet with at least two members or one-third of the members of the Committee, whichever is higher, with the mandatory presence of at least one (1) independent director. The Chairperson of the SRECS Committee shall be present at the annual general meetings to answer queries of the shareholders and other security holders.
- ▶ **Terms of Reference:** The SRECS Committee shall review the securityholders grievance redressal, Develop mechanism to provide access to Stakeholders to relevant information on a timely and regular basis, review functioning of the Bank's internal committee set-up for customer service, review the level of customer service, ensure customers are treated fairly all the times and complaints raised by them is dealt with courtesy and in time, monitor implementation of awards under the Banking Ombudsman Scheme, etc. The Committee shall have such other shall have powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

#### **5. Information Technology ('IT') Strategy Committee**

- ▶ **Composition:**
  - The IT Strategy Committee shall have a minimum of three Directors (including at least one Independent Director) as its members.
  - At least one member should have substantial IT expertise in managing technology.
  - The IT Strategy Committee shall be chaired by an Independent Director.

- ▶ **Meeting and Quorum:** The IT Strategy Committee should meet at least four times in a year or at more frequency if deemed necessary and not more than four months should elapse between two meetings. The quorum for IT Strategy Committee meetings shall be at least two members or one-third of the members of the Committee, whichever is higher, with the mandatory presence of atleast one (1) independent director.
- ▶ **Terms of Reference:** The IT Strategy Committee shall approve IT strategy and policy documents and ensure strategic planning process is in place, ensure implemented processes and practices delivers value to the business, monitor 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. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

## 6. Credit Committee

- ▶ **Composition:**
  - The Credit Committee must comprise of a minimum of three members.
  - There should not be any common members between Credit Committee and Audit Committee.
  - The members of the Committee shall elect a Chairperson from amongst themselves.
- ▶ **Meeting and Quorum:** The Credit Committee shall meet as often as necessary. The quorum for Credit Committee meetings shall be at least two members or one-third of the members of the Committee, whichever is higher, with the mandatory presence of atleast one (1) independent director.
- ▶ **Terms of Reference:** The Credit Committee shall formulate clear policies on standards for presentation of credit proposals, approve credit exposures which are beyond the powers delegated to executives of the Bank as per the Delegation of Authority, to control the risk through effective loan review mechanism and portfolio management. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

## 7. Fraud Monitoring Committee

- ▶ **Composition:** The Fraud Monitoring Committee shall consist of five Directors, which will include who will include,
  - Managing Director/ Managing Director & CEO.
  - Two members from Audit Committee.
  - Two other members from the Board excluding RBI nominee.



- ▶ **Meeting and Quorum:** The Fraud Monitoring Committee will meet on a quarterly basis and as and when a fraud involving an amount of ₹ 10 million and above comes to light. The quorum for Fraud Monitoring Committee meetings shall be one-third of its total strength or two directors, whichever is higher, with the mandatory presence of atleast one (1) independent director.
- ▶ **Terms of Reference:** The Fraud Monitoring Committee shall monitor and review all the frauds of ₹ 10 million and above, put in place other measures as may be considered relevant to strengthen preventive measures against frauds, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

#### **8. Corporate Social Responsibility ('CSR') Committee**

- ▶ **Composition:**
  - The CSR Committee shall consist of at least three Directors out of which atleast one shall be independent Director.
  - The members of the Committee shall elect a Chairperson from amongst themselves.
- ▶ **Meeting and Quorum:** The CSR Committee shall meet as often as necessary. The quorum for CSR meetings shall be one-third of its total strength or two directors, whichever is higher, with the mandatory presence of atleast one (1) independent director.
- ▶ **Terms of Reference:** The CSR Committee shall review and recommend the CSR activities and expenditure to be incurred on the activities, review and monitor the CSR activities of the Bank, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

#### **9. Wilful Defaulter or Non-Cooperative Borrower Review ('Wilful Defaulter') Committee**

- ▶ **Composition:**
  - The Wilful Defaulter Committee must comprise of
    - Managing Director & CEO
    - Two Independent Director/ Non-executive directors

Managing Director & CEO shall be the Chairperson of the Wilful Defaulter Committee.

- ▶ **Meeting and Quorum:** The Wilful Defaulter Committee shall meet as and when required. The quorum for Wilful Defaulter Committee meetings shall be one-third of its total strength or two directors, whichever is higher, with the mandatory presence of atleast one (1) independent director.
- ▶ **Terms of Reference:** The Wilful Defaulter Committee shall review the order passed by the

Identification Committee which concludes that an event of wilful default or non-cooperation has occurred and issues a Show Cause Notice to the concerned borrower, review the status of and matters relating to Non-Cooperative Borrowers or Wilful Defaulters, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank, Companies Act, SEBI Listing Regulations, Banking Regulation and RBI Circulars, from time to time.

#### **10. Allotment, Transfer, and Routine Matters ('ATRM') Committee**

► **Composition:**

- The ATRM Committee must comprise of a minimum of three members out of which one member shall be the Managing Director & Chief Executive Officer (MD & CEO) of the Bank.
- The members of the Committee shall elect a Chairperson from amongst themselves.

► **Meeting and Quorum:** The ATRM Committee shall meet as often as necessary. The quorum for ATRM Committee shall be one-third of its total strength or two members, whichever is higher, with the mandatory presence of atleast one (1) independent director.

► **Terms of Reference:** The ATRM Committee shall address, approve and monitor all matters related with the allotment, transfer, transmission, transposition, name deletion, consolidation, rematerialization, dematerialization and splitting of share and debenture certificates, open, operate and close different types of bank accounts/ Demat accounts of the Bank, to give authority for signing documents for treasury transactions, etc. The Committee shall have such other powers, roles and responsibilities in accordance with the terms of reference of the Bank.

#### **11. Capital Raise and Corporate Restructuring ('CR & CR') Committee**

► **Composition:** The Composition of the CR & CR Committee shall be decided by the Board of Directors from time to time.

► **Meeting and Quorum:** The CR & CR Committee shall meet as often as necessary. The quorum for CR & CR Committee shall be 2 members with presence of minimum 1 Independent Director.

► **Terms of Reference:** The CR & CR Committee shall consider, approve and monitor all matters related with the capital raising and/or corporate restructuring activities including engaging and appointing various agencies and finalizing the terms of capital raising/ corporate restructuring activities and other related matters, etc. The Committee shall have such other shall have powers, roles and responsibilities in accordance with the terms of reference of the Bank.

The Committee of the Board shall report to the Board of Directors of the Bank. The Committee shall report its actions and any recommendations to the Board after each Committee meeting which will

include through placing of its minutes or briefings of the meetings.

The insightful and constructive discussions held at the Board and Committee meetings foster collaboration and build trust between the Board and Management. The Bank actively incorporates suggestions and feedback received from its directors into its processes, leveraging these valuable insights to drive growth and improvement. This approach ensures that the Bank remains responsive to valuable perspectives, to achieve its growth objectives more effectively.

Apart from above meetings of Board/ Board Committees, on an annual basis the meeting of Independent Directors is being held without the presence of Non-Independent Directors and Management. The suggestions/ feedback from Independent Directors meeting, are discussed at the Board meetings and are taken into consideration for future processes and improvements.

## **MANAGEMENT COMMITTEES & TEAM**

The Directors have unfettered access to management, including those below the CEO's direct reports. The CXOs, Management Teams, employees periodically update the Chairman of the Board or Chairman of respective Board Committee on various internal and regulatory updates for their information and if required are placed at ensuing Board/ Board Committee meetings for discussion.

Apart from Board Committee, the Bank have internal Management Committees in order to carry out internal functions, employee related matters, day to day operational activities and such other matters as may be deemed necessary. These Management Committees carry out their roles as per the defined terms of reference as approved by the Board / Board Committee from time to time. The minutes of the meeting of Management Committees are placed before respective Board Committees for their review and noting. Currently, the Bank have following Management Committees, which reports to respective Board Committees:

- Credit and Market Risk Committee
- Operational and Information Security Risk Committee
- Asset Liability Management Committee
- Product Approval Committee
- Customer Service Committee
- Investment Committee
- Premises Committee
- Information Technology Steering Committee
- Internal Audit and Controls Committee
- Executive Committee
- Human Resources Committee
- Environmental, Social & Governance Management Committee
- Debentures Issue Committee

The MD & CEO of the Bank and other key functionaries such as Key Managerial Persons, Senior Management Team, Control Functions, Material Risk Takers, etc. are responsible for the operations and day to day management of the Bank in line with the directions of the Board and the Committees set up by the Board.

Pursuant to the provisions of the Companies Act, the Bank have following whole-time Key Managerial Personnel:

- i) Managing Director & Chief Executive Officer;
- ii) Executive Director
- iii) Chief Financial Officer; and
- iv) Company secretary.

## **PART B: PROCESS FOR APPOINTMENT / RE-APPOINTMENT OF DIRECTOR**

### **Vacancy in the Board:**

If there is any vacancy in the Board whether by death or resignation, due to expiry of tenure/ removal/ debarred by law, or otherwise; the NRC considering the composition of the Board as per regulatory requirement, if required, initiate the process to identify the candidature, and recommend same to the Board of Directors for appointment on Board, subject to necessary approvals.

While identifying candidates for nomination as Director, the NRC may evaluate the candidate from internal as well as external resources or may consult whatever sources it deems appropriate, including, but not limited to, referrals from existing Directors or senior management, recommendations from third-party search firms etc. The proposed candidate must have the requisite educational qualification, experience, skills, track record, and other attributes as prescribed by RBI from time to time for being considered for such position(s). NRC may consult with the Chairman of the Board for such nomination.

The NRC shall have the authority to engage with advisors (including attorneys and research firms) it believes appropriate in its efforts to identify and evaluate potential candidates. The NRC may also review and recommend the list of eligible employees within the Bank that may be potential candidates for elevation to the position of Executive Director.

An independent director who are eligible in terms of requirement of Companies Act, Listing Regulations, etc. and willing to act as Independent Directors, may be selected from a data bank maintained by any body, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank.

For every appointment of an Independent Director, the NRC 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 Bank 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.

The NRC shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Bank. The proposed candidate shall meet the 'fit and proper' criteria laid down by RBI, as amended from time to time and accordingly any appointment or re-appointment of a Director shall be subject to prior approval /recommendation by NRC of the Bank.

#### **Assessment of candidates:**

The NRC shall make an initial assessment of potential candidates for the vacancy created on the Board, whether by virtue of resignation/ retirement or any additional Director to be appointed on the Board. When the NRC identifies individuals that it believes meet the criteria as per this Policy and in compliance with regulatory requirement, it shall recommend them to the Board for selection.

1. The NRC shall evaluate the following before recommending the appointment of candidate to the Board:
  - a. Necessary Declarations/ confirmations under applicable law including consent letter/ nomination letter has been received from the proposed candidature and is in place with the Bank.
  - b. Necessary background verification has been carried out by the Bank which *inter-alia* includes CIBIL check of proposed Director and other entities where the proposed Director is/ was interested, negative check, Non-Cash Transaction Report, Law Enforcement Agency Record, Negative Media News, etc.
  - c. The proposed candidate/ appointee shall be of such age as prescribed by law or under regulations or by any other applicable statutory authority from time to time.  
The upper age limit for Non-Executive Directors ('NED'), including the Chair of the board, shall be 75 years while for Managing Director & Chief Executive Officer ('MD & CEO')/ Whole Time Director ('WTD') the upper age limit is 70 years, subject to further change in the extant regulation from time to time.
  - d. The candidate shall possess relevant educational qualifications, knowledge and skills, competence, expertise, track record, integrity and judgement for performing the duties and responsibilities of a Director of the Bank.
  - e. The candidate shall possess special knowledge and/ or practical experience in any of the

following fields: accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small scale industry, information technology, payment and settlement systems, human resources, risk management, business management, or any other field of expertise as deemed appropriate for the Bank's business from time to time and as may be determined by RBI from time to time.

- f. The candidate shall be able to devote sufficient time and attention required to properly discharge his/her fiduciary duties in his capacity as Director of the Bank.
  - g. The prior experience of the candidate shall be suitable to the present and/or potential future needs and the requirements of the Bank vis-à-vis its stature and complexity of its operations.
  - h. The candidate should not be disqualified to become a director under the Companies Act and the rules thereunder, the SEBI Listing Regulations, Banking Regulation and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time (collectively '**Applicable Laws**').
  - i. There shall be no conflict of interest in performing duties as a Director on the Board or in case of conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform the duties properly and independently, and adequate disclosures are made by the person in this regard.
  - j. To check and evaluate on Common Directors as required under Insurance Regulatory and Development Authority or any other applicable regulations and Banking Regulation.
2. Based on the results of the above assessment of the candidate(s), the NRC shall shortlist the candidate(s) suitable for appointment as the Director of the Bank and shall conduct a thorough due diligence and scrutiny to evaluate whether the candidate(s) is "Fit and Proper" in order to be appointed as a Director of the Bank as per the criteria laid down in the circular no. RBI/2004/268 DBOD.No.BC.105/08.139.001/ 2003-04 dated June 25, 2004, as amended *vide* circular RBI/2004-2005/303 DBOD.No.BC. 60/08.139.001/ 2004-2005 dated December 16, 2004, circular RBI/2010-11/ 541 DBOD. No.BC.No.95/29.39.001/ 2010-11 dated May 23, 2011, RBI/2019-20/204DoR.Appt.No.58/29.67.001 /2019-20 dated March 31, 2020, issued by the RBI (collectively the "**Fit and Proper RBI Circular**"). The said circular *inter-alia* directed the banks in private sector to undertake a process of due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration ("**Fit and Proper Declaration**") from the proposed / existing directors for this purpose. Accordingly, in its assessment, the NRC shall scrutinize the Fit and Proper Declaration received from the candidate(s) being considered for directorship of the Bank.

The disclosure of the Fit and Proper Declaration to be taken in the format as prescribed by the RBI from time to time.

3. In addition to assessment of fit and proper criteria as above, the NRC shall also assess whether the

candidate(s) fulfil all the eligibility criteria to be appointed as director as prescribed in the Applicable Laws. The NRC may obtain such declarations/ confirmations from the candidate(s), including as necessary under the Applicable Laws, for determining the eligibility.

4. In case of appointment of independent directors, the NRC shall also consider the additional criteria prescribed for independent directors under the Applicable Laws.
5. The NRC, the Chairperson of the NRC, the Chairperson of the Bank or any other Board member(s), as may be required by the NRC, may have informal interactions with the shortlisted candidate(s) before recommending his / her appointment to the Board.
6. Based on the information obtained from the aforesaid declarations / confirmations and the NRC's own examination/ scrutiny, if the NRC is satisfied that the candidate(s) are eligible and fit for being appointed as Director(s), it shall recommend to the Board their recommendation for appointment, or any discrepancies to be resolved, may reach out to the proposed candidate(s) or may reject the proposed candidature.
7. The Board may, basis the recommendation of the NRC, approve the appointment of the new director(s) subject to approval of the shareholders or in case the Board is not satisfied with the candidate(s) selected, direct the NRC to consider selection of fresh candidates or if possible, may ask to resolve the discrepancies involved in appointment of proposed candidature.

The approval of shareholders for appointment of Director is to be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

The appointment, re-appointment or removal of an independent director shall be subject to the approval of shareholders by way of a special resolution.

8. The Board shall ensure that a Deed of Covenants (as prescribed under the Fit and Proper RBI Circular, from time to time) ("**Deed of Covenants**") is also executed with the new Director at the time of their appointment.

The Board members would be provided suitable training to familiarize them *inter alia* with the Bank, their roles, rights, responsibilities in the company, nature of industry in which the Bank operates and the business model of the Bank. Certain important policies including Memorandum and Articles of Association, are available on the website of the Bank, which Director can access anytime. The Board is updated in meetings on Bank's segments, various products, services, and functions provided by the Bank. Further, the Bank provides periodic update on regulations and amendments thereof to the members. The Board are encouraged to attend various internal and external programs including IT and cyber security programs.

**Board Evaluation:**

The Companies Act has prescribed provisions with regard to evaluation of the performance of the Directors/ Board of Directors Company. Further, the SEBI has prescribed Guidance note on Board Evaluation.

The Bank has put in place a mechanism to facilitate evaluation of performance of Directors, Board as a whole and of various Committee, in line with the requirements under the law.

The Board members who has/ have completed atleast 4 months on the Board of the Bank or has/ have attended atleast two Quarterly Board meetings, during the relevant financial year and continues to be on the Board at the time of Annual Evaluation exercise, shall only be eligible for being included in the evaluation exercise.

**Re-appointment of Directors**

At the time of re-appointment of Director(s), the NRC shall follow the process prescribed in this Policy for appointment of Director. The NRC shall scrutinize the declarations/ confirmations obtained from the Director(s) under the Applicable Laws, including the Fit and Proper Declaration. If NRC is satisfied that the candidate is eligible and fit for being re-appointed as a Director under the Applicable Laws, it shall recommend to the Board the acceptance or otherwise of the re-appointment of the Director(s). The Deed of Covenants shall also be required to be signed by the director who is re-appointed as above, in accordance with the Fit and Proper RBI Circular.

**Process to be undertaken by Bank before recommending any candidature for appointment**

Before proposing any candidature for appointment to NRC/ Board, the Bank should check the information as provided in **Annexure A**:

**Letter of Appointment**

The Bank shall issue a formal letter of appointment or e-mail to the person appointed as Independent Director of the Bank at the time when he is appointed by the Board and at the time he is appointed by the shareholders. The letter of appointment shall *inter alia* set out the matters as stated in Schedule IV of the Companies Act and shall be placed on the website of the Bank.

No act or proceeding of the Board of Directors of a Banking company shall be invalid by reason only of any defect in the composition thereof or on the ground that it is subsequently discovered that any of its members did not fulfil the requirements of the provisions of law.



The Director appointed as Independent Director shall abide by the Code of Conduct as prescribed under Schedule IV of the Companies Act and perform such duties/ roles/ responsibilities as mandated under the Companies Act, SEBI Listing Regulations, Banking Regulation or such other applicable regulations.

## **Remuneration**

As regards remuneration to Non-Executive Directors, RBI had advised Banks to follow the Companies Act for payment of Sitting Fees, subject to the approval of their Board of Directors.

The Non-Executive Director/ Chairperson of the Bank shall be entitled to sitting fees for attending meetings of the Board and Committees, as approved by the Board of the Bank and within the overall limits as prescribed under Rule 4 of the Companies (Appointment & Remuneration) Rules, 2014, as amended, from time to time.

As per RBI Circular, in addition to sitting fees and expenses related to attending meetings of the Board and its committees as per extant statutory norms/ practices, the Bank may provide for payment of compensation to Non-Executive Directors in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for a Non-Executive Director, other than the Chair of the Board, shall not exceed ₹ 30 lakhs per annum. Basis the approval of shareholders of the Bank within the overall limit of ₹ 30 lakhs per annum, the Nomination and Remuneration Committee of the Bank is authorised to determine such fixed remuneration payable to NEDs for each financial year.

The fixed remuneration payable to Chairman of the Board may be higher than the aforesaid limits, which shall be determined by NRC and Board of the Bank subject to approval of Reserve Bank of India.

The fixed remuneration may be paid to the Non-Executive/ Independent Directors/ Chairman of the Bank, even in case of inadequacy or absence of profits of the Bank, in any financial year.

An Independent Director shall not be entitled to stock options.

In addition to the above, Non-executive Directors (including Non-Executive Part-time Chairperson) may be paid, travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings of the Board/ Committees and such other expenses as are incurred and allowed to be reimbursed as per the provisions of the Companies Act, the Banking Regulation and RBI Circulars/ Guidelines/ Notifications/ Directions issued from time to time.

The Remuneration to Director including MD & CEO/ WTD/ shall be paid in accordance with Remuneration Policy of the Bank.

## **Annual Affirmations for Continuing Directors**

The Bank shall, at the end of every financial year, obtain not later than 30<sup>th</sup> April, the following declarations reflecting the position as on 31<sup>st</sup> March from the existing directors:

- a. Notice of interest of directorships on Boards of other companies in Form MBP-1 and additional clauses requiring information mandated under section 184(2).
- b. Notice that the director has been disqualified/ not been disqualified as per the provisions of Section 164(1) & (2) of the Act. If a director is disqualified under the provisions of Section 164, the office of the director shall become vacant in all the companies, other than the company which is in default as per section 164 of the Act. Also, to provide Declaration under Schedule V of SEBI Listing Regulations.
- c. Details of Relatives under section 2(77) of the Companies Act and their interest for the purpose of identification of related parties of the Bank.
- d. Declaration by Director/ Declaration of Independence.
- e. Confirmation with Code of Conduct for Directors and Senior Management.
- f. Corporate Governance Report disclosure under SEBI Listing Regulations.
- g. Disclosure of securities held in the Bank by Directors & their immediate relatives, including details of immediate relative/ other dependents as per Insider Trading Regulations.
- h. Deed of Covenants as required under RBI Master Direction
- i. Declaration and Undertaking (Fit and Proper declaration) required in under RBI Master Direction
- j. Skill/ expertise confirmation in terms of Banking Regulation and applicable RBI Circulars
- k. Any other declarations/ information, as may prescribed in the Applicable Laws or determined by the Board/ NRC.

The declarations as provided by the Directors shall be placed before the NRC and the Board.

## **Succession of Chairman/ MD/ WTD/ SMP/ KMP**

The Bank has in place Succession Policy for Chairman, MD, WTD and senior positions in Bank. The role of NRC *inter-alia* includes overseeing of Succession Plan for the Board and Senior Management. Further, overseeing succession planning is also a key function of the Board of Directors. The NRC/ Board shall satisfy itself that plans are in place for orderly succession for appointment of the Chairman/ MD/ **WTD**/ SMP/ KMP.

If a Director slot/senior management position suddenly becomes vacant by reason of death or other unanticipated occurrence, the NRC considering the need in composition of Board as per regulatory requirement and requirement of person for senior management position, shall convene a meeting to fill such vacancy.

## **PART C: GOVERNANCE**

## DISCLOSURES

There are several systems and procedures to disseminate relevant information to the stakeholders, including shareholders, analysts, customers, employees and the society at large. The primary source of information is our corporate website [www.idfcfirstbank.com](http://www.idfcfirstbank.com). All official news releases and presentations made to investors and analysts are posted on the website.

In addition, all the necessary information in accordance with the 'Policy on Materiality of Events' shall also be intimated to stock exchanges viz. BSE Limited ('BSE') and National Stock Exchange of India Limited ('NSE'), where the Bank securities are listed. Wherever necessary, newspaper publications shall be made in accordance with law.

The Bank shall endeavor to file all such regulatory returns, forms, disclosures, etc. as may be required from time to time under Companies Act, various SEBI Regulations, Banking Regulation, RBI Circulars and such other applicable regulations.

- i. **Regulatory Filings and Disclosures:** The Bank report and file various returns/ forms/ disclosures with Regulatory body such as Reserve Bank of India, Ministry of Corporate Affairs, Income Tax Department, Stock Exchanges, etc. with respect to periodic and event-based compliances. The Bank endeavor to be transparent and prompt in its disclosure to keep its stakeholders abreast on various developments and reporting's of Bank.
- ii. **Compliance Certificate:** A Compliance Certificate on adherence of laws applicable to the Bank needs to be placed before Board each quarter.
- iii. **Conflict of Interest & Related Party Transactions:** All Directors are required to disclose their interest in other bodies corporate to the Board on an annual basis and whenever there are any changes to it. Further, wherever a Director becomes interested in any contract or arrangement, the same is required to be disclosed to the Board and the Director shall not participate or vote at the transaction in which he is interested. The Board of Directors have authorized the Audit Committee to review the key transactions and Disclosures received under the Policy on periodical basis. Transactions with related parties shall be annexed to the financial statements for the year. Adequate care shall be taken to ensure that the potential conflicts of interest do not harm the interests of the Bank at large.

The Bank has formulated a Policy on Related Party Transactions in accordance with the Companies Act, SEBI Listing Regulations and Accounting Standards with regard to the related party transactions. All related party transactions shall be executed as per Related Transactions Policy of the Bank.

**iv. Annual Report:** Disclosure and information shall be forming part of Annual Report as required under Companies Act, SEBI Listing Regulations, Banking Regulation, RBI Circular and other such regulations, as may be applicable, from time to time. There shall be a separate section on Corporate Governance in the Annual Reports of the Bank, with a detailed compliance report on Corporate Governance.

The Bank shall submit a quarterly Corporate Governance Report to the stock exchanges as per the prescribed format.

## **POLICY AND STANDARD OPERATING PROCEDURES**

The Bank has in place various policies which *inter-alia* includes policies with respect to risk, ICAAP, MSME, Interest rate on Deposits & Advances, Compliance, Vigilance, Code of Conduct, Remuneration, Board Diversity, Succession, Staff Accountability, Dividend Distribution, Customer Rights, Grievance & Compensation, Insider Trading, Cyber Security, Digital lending, Products Governance, etc.

Secretarial Department is the repository for all the Board approved policy in the Bank. The owner of respective Policy shall review the policy annually and shall engage with Operations Risk Team and Compliance Team and such other relevant business and functional wings to make necessary updates to the policy and framework thereof, if any. The policies are placed before respective Board Committee by the CXO's/ HoDs', which post review are recommended by the respective Committee to the Board for approval. Wherever necessary, approvals are also taken from the Management Committee.

In case of any subsequent changes in the provisions of the regulations or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

At the end of March every year, the Secretarial Department shall obtain relevant certifications from auditors or practicing company secretaries as per the Part E of Schedule V of the SEBI Listing Regulations, as may be amended from time to time.

Apart from above, there are various employees and internal control related policies which are approved by the Management teams from time to time.

Further, all departments in the Bank have various Standard Operating Procedures ('SoPs') with respect to their functioning of various activities undertaken. Such SoPs are reviewed on an annual basis with approval of respective Business Head, Operations Risk Team and Compliance Team.

### **► Code of Conduct for Prohibition of Insider Trading**

A code of conduct for insider trading is a set of guidelines and rules that govern the behavior of employees/ Designated Person (DPs) to prevent the misuse of non-public, material information for personal gain in trading securities.

DPs/ Employee(s) are informed about the responsibility to maintain the confidentiality of UPSI and the prohibition on trading based on such information. The code highlight sharing of UPSI on need-to-know basis only and no UPSI shall be communicated to any person except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

During the trading window closure DPs are restricted from trading in the Bank's securities. These periods are typically around the release of financial results or other significant corporate events.

The code requires DPs/ immediate relatives and other insiders, as applicable, to report their holdings and trading activities in the Bank's securities to Secretarial department, ensuring transparency and accountability.

The code requires DPs/ immediate relatives to obtain pre-clearance from the Secretarial department before trading in the Bank's securities to ensure compliance with applicable regulations and internal policies.

Regular awareness is made through educating employees/ DPs about insider trading laws, regulations, and the consequences of non-compliance. Regular e-learning training sessions is conducted to enhance awareness and understanding of insider trading rules.

The Bank has in place Code of Conduct for Prohibition of Insider Trading. The regulations of SEBI in these matters shall be strictly adhered to. All designated persons are required to strictly adhere to the said policy.

#### ► **Code of Conduct for Board and Senior Managerial Personnel and Employees**

All members of the Board of Directors and Senior Management Personnel shall endeavor compliance with the code of conduct of Board of Directors and Senior Management Personnel and shall confirm on same on an annual basis.

Apart from above, Bank have in place a Code of Conduct for Employees of Bank, which governs them and aims to lay down guidelines for appropriate business conduct and ethical behaviour so as to establish a fair and respectful work environment in IDFC FIRST Bank.

#### ► **Whistle Blower Policy**

The Bank shall establish a mechanism for the employees and its directors for reporting to the

management, concerns about unethical behaviour, actual or suspected fraud or even to which is against the interest of the Bank or society or as a violation of the Bank's Code of Conduct or ethics policy.

The Whistle Blower Policy provides for adequate safeguards against victimization of persons who use this mechanism and shall also provide direct access to the Chairman of the Audit Committee in exceptional cases. An update on whistle blower cases and investigation conducted thereon shall be presented before Audit Committee every quarter.

## **CAPITAL ADEQUACY**

The Bank manage its capital ratios to maintain a strong capital position more than the approved minimum capital adequacy required by regulatory authorities and the Board, at all times. Bank strong Tier I capital position is a source of competitive advantage and provides assurance to regulators, credit rating agencies, depositors, and shareholders. In accordance with the RBI guidelines on Basel III, Bank adopt the standardised approach for credit risk, basic indicator approach for operational risk and standardised duration approach for market risk.

Capital management practices are designed to maintain a risk-reward balance, while ensuring that businesses are adequately capitalised to absorb the impact of stress events including pandemic risks. The ICAAP forms an integral part of the Supervisory Review Process (SRP) under Pillar 2 of the Basel III Framework. SRP under the Basel III Framework (Pillar 2) envisages the establishment of appropriate risk and capital management processes in banks and their review by the supervisory authority. ICAAP is a structured approach to assess the risk profile of a bank and determine the level of capital commensurate with the scale and complexity of operations.

As part of the Basel III implementation, Bank have developed a comprehensive ICAAP policy and document, in line with RBI prescribed regulations. The policy contains a projection of our financials and our capital adequacy projections for the next three years under normal and stress conditions. It also contains relevant details of plans and strategies for meeting capital requirements.

## **RISK ANALYSIS AND MANAGEMENT**

### **► Credit Risk**

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement, and other financial transactions. Bank have well-defined Board approved lending policies that are supplemented by other policies, manuals, etc. to aid the underwriting of retail and wholesale portfolios in line with the strategy outlined in our risk appetite statement. The Credit Risk underwriting

unit has been established to independently evaluate all proposals to estimate the various risks as well as their mitigation.

Bank rigorously adhere to the RBI mandated prudential norms on provisioning, which is aimed at preserving and protecting shareholder value.

#### ► **Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It also includes risk of loss due to legal risk. Operational risk in a bank is identified, measured, mitigated, monitored, and reported by our Operational Risk Management Department (ORMD). The unit is responsible for developing operational risk methodologies, implementing them, maintaining internal loss database, evaluating control weaknesses in various operational areas, and suggesting appropriate remedial/corrective actions etc.

The operational risk framework is governed by the Board approved Operational Risk Management (ORM) policy, which monitors and guides all ORM activities for each business and support function. The Operational Risk Framework (ORF) is overseen by the Operational and InfoSec Risk Management Committee (O&IRMC) who reports to the Board's RMC. The main objective of this framework is to establish a risk culture and governance, which guides employees at all levels to manage and report operational risk.

The ORMD provides independent challenges and guides the business and support functions on risk management methodologies and tools to be used as well as action to be taken to manage operational risks. To achieve this objective, the OMRD has devised tools and mechanisms such as:

- Conducting risk control and self-assessment (RCSA) for effective management of operational risk
- Reporting of operational risk incidents and self-identified issues to strengthen internal controls
- Tracking of key risk indicators (KRI) breaches which enable monitoring of risk exposure trends
- Reporting overall operational risk environment and key trends to the Board and/or senior management

Bank ORF fosters the culture to proactively identify, assess, mitigate, and monitor risks, ensuring resilience and stability of operational risk as Bank continue to navigate the ever-evolving business landscape.

#### ► **Fraud Risk**

Fraud risk is the risk arising from fraud instances impacting our reputation, assets, information, and stakeholders' interest.

Recognising the fact that frauds are a major operational risk, Bank have put in place a Board approved

Fraud Risk Management Policy (FRMP) in accordance with the RBI's Master Direction on Frauds, apart from various standard operating procedures (SOPs) to provide guidance on aspects of frauds such as prevention, detection, monitoring, investigation, reporting of frauds, and fraud awareness.

Fraud prevention being a pre-requisite for proactive fraud risk management, there are robust systems and procedures designed for facilitating timely detection of frauds such as screening, sampling, identification and monitoring of red flagged accounts and early warning signals, 24x7 transaction monitoring set up etc. Bank also undertake fraud awareness for employees through e-learning module, emailers, SMS etc., apart from having focused awareness for customers through various channels such as its website, emails, SMS, mobile app, social media etc.

#### ► **Market Risk**

Market risk refers to the risk of financial losses arising on account of movement in underlying risk factors / market prices of securities. It is measured on, but not limited to, an assessment of the sensitivity of the financial institution's earnings or the economic value of its capital to adverse changes in interest rates, credit spreads, foreign exchange rates, or equity prices.

Bank have robust market risk management policies and processes, which set out the guidelines for managing it. Management of market risk encompasses risk identification, measurement, monitoring, and reporting of market risk positions and ensure that the risk positions are within the Board approved market risk appetite. The Limit Management Framework (LMF) articulates the limits approved by the Board / Board nominated Committees.

Bank use various tools and techniques such as VaR, Stress Testing, Market Risk Capital Charge etc. The prescribed limits are monitored by the Market Risk Department and reported in line with the approved RMF.

#### ► **Liquidity Risk**

Liquidity risk is Bank's inability to meet obligations, without incurring additional cost. Managing liquidity risk is a crucial part of a bank's RMF. It requires a balance between maintaining sufficient liquidity to meet payment obligations and maximising returns on assets. A failure to manage liquidity risk effectively can have severe consequences for a bank and wider financial system. Bank's framework for assessing, managing, and mitigating liquidity risk is governed by the Board and managed by Asset Liability Committee (ALCO).

Bank robust mechanism to manage liquidity risk comprises various tools from cashflow mismatches to various RBI/Basel III prescribed ratios (LCR, NSFR etc.) and other additional internally designed tools. Bank conduct liquidity risk stress testing regularly and have a contingency funding plan in place, the efficacy of which is tested frequently. Bank proactively manage liquidity by drafting a funding plan,



incorporating projections for upcoming months to always maintain liquidity buffer at adequate levels. Furthermore, Bank have well defined limits in place for all the tools used for monitoring liquidity risk and also recognise liquidity risk as one of the Pillar II risks under the internal capital adequacy assessment and evaluate regularly, whether any additional capital needs to be set aside towards this risk.

#### ► **Interest Rate Risk (IRR) on Banking Book**

While Bank interest rate risk on trading portfolio is captured under market risk, the IRRBB is the risk where changes in market rates might adversely affect the financial condition of our balance sheet (excluding trading portfolio). The immediate impact of changes in interest rates is on a bank's Net Interest Income (NII). A long-term impact of changing interest rates is on a bank's net worth as the economic value of the assets, liabilities, and off-balance sheet positions get affected due to variation in market interest rates. The re-pricing risk arises due to differences in the timing of re-pricing of assets and liabilities. The re-pricing gaps affect a bank's earnings as well as economic value.

Bank's framework for assessing, managing, and mitigating IRR on Banking Book is governed by the Board approved Asset Liability Management (ALM) policy. Bank evaluate this through both the regulatory prescribed approaches – Traditional Gap Approach and the Duration Gap Approach. Bank compute the Earnings at Risk (EaR) as well as impact on Market Value of Equity (MVE) after applying various interest rate shocks. Additionally, Bank also conduct stress testing on an ongoing basis and takes corrective measures in an event of any foreseeable risk.

On similar lines as that of liquidity risk, Bank have well defined limits in place for IRR on Banking Book, which are monitored on an ongoing basis. Bank also recognise it as a Pillar II risk under the internal capital adequacy assessment and evaluate regularly, whether any additional capital needs to be set aside towards this risk.

#### ► **Information / Cyber Security Framework**

Since inception, Bank have put in place a robust information / cyber security framework. As a greenfield setup, Bank have information security woven into banking platform and seamlessly merges both, culturally and technologically. A dedicated team of security professionals are part of the ISG team who govern Bank information security practices. Bank have put in place state-of-the-art security technologies including several industry-first technology solutions and adopted 'defence in depth' approach, and industry best practices as part of our security framework and architecture.

The Bank continue to maintain and upkeep compliance posture to standards such as ISO 27001 ISMS (Information Security Management System), PCI DSS, and regulatory requirements. Given the changing threat landscape, the attempt is to progressively move towards maturity of proactive and adaptive platforms for automated detection, response, and recovery.

### ► Reputational Risk

Reputational risk is the risk arising from the negative perceptions of customers, shareholders, investors, debt holders, media reports that can adversely affect a bank's ability to maintain existing or establishing new business relationships and continued access to sources of funding.

Bank have put in place various risk management, compliance, and business policies/ frameworks, Codes of Conduct and SOPs. Their compliance help us mitigate to the stakeholders' expectation and in turn controlling reputational risk. While reputation risk can be difficult to quantify, Bank have adopted a scorecard approach through ICAAP to assess various reputation risk drivers and its overall level.

### ► Business Continuity Programme ("BCM")

Bank has a comprehensive BCM programme, which commits to:

- Protect staff lives
- Maintain continuity of critical operations and
- Protect the Bank's assets and brand value

A Board approved BCM policy provides the vision for implementing the BCM programme. A senior management team, Crisis Management Team (CMT), and a designated BCM Head run the BCM programme. The BCM programme helps us identify potential risks and build strategies to ensure continuity of critical businesses and safeguard staff lives.

Another key component of the BCM programme, the crisis management programme helps us proactively manage crisis events and take timely decisions.

A comprehensive Disaster recovery ('DR') programme (IT Infra Recovery) exists under the BCM framework, which addresses technology risk with regards to 'availability'. Bank have identified critical systems and implemented the DR infrastructure to aid recovery in times of technology outages.

Bank pandemic plan guides in addressing the threat of a pandemic.

The BCM programme is compliant to RBI guidelines and follows industry best practices and is constantly reviewed to ensure it remains consistent with the changing environment.

### ► Stress Testing

Stress testing complements other approaches in the assessment of risk. It is the primary indicator of a Bank's ability to withstand tail events and maintain sufficient levels of capital. It is used to evaluate

Bank financial position under a severe but plausible scenario to assist in decision making. Bank robust stress testing framework is an integral tool for containing a range of qualitative and quantitative measurements enabling to identify current and potential vulnerabilities in exposures, which can result in material losses during stressed conditions.

As a risk management tool, stress testing helps:

- ▶ estimate our risk exposures under stressed conditions
- ▶ improve understanding of our risk profile and material risks
- ▶ evaluate our capacity to withstand stressed situations and serve as an integral part in capital management
- ▶ enable development of appropriate strategies for mitigating significant risks

Bank have a Board-approved stress testing policy in place, which is aligned with the RBI's requirements. The risks covered under the stress testing policy are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, and IRRBB. Stress testing forms an essential part of the Bank's ICAAP.

#### ▶ **Environment, Social and Governance ('ESG'):**

The Bank have established ESG Management Committee with cross functional senior business leaders to continuously monitor, benchmark and enhance our ESG performance. Talent team is focusing on ESG learning & development initiatives to drive awareness on this critical area. As a Bank, Bank is committed to creating a more sustainable future and building value for our customers, communities and all stakeholders.

The Bank have a comprehensive E&S policy and a robust environment and social RMF for lending businesses. Bank Environmental Risk Group (ERG) works proactively with clients and internal teams to identify, mitigate, and manage E&S risks associated with projects and transactions. Bank obtain environment related regulatory compliance information to ensure that the projects and transactions, financed by us, comply with the applicable national environmental legislations. Bank has developed and adopted an exclusion list comprising sectors in which it will not engage in any financing activity.

ESG has been considered as integral part of the Bank's vision and desired culture. The Bank has embedded social good in its vision statement. Bank keep management of ESG as a key priority. The Bank closely monitors global developments in climate related financial risks.

## **DELEGATION OF AUTHORITIES**

The Bank has in place following Delegation of Authorities as follows:

#### ▶ **Credit Delegation**

- The Credit Delegation of Authority is to sanction individual credits or changes in terms
- Delegation of Authority has a tiered authority structure with the sanctioning authority delegated to various authorities / committees
- Authority for credit sanction as well as for post sanction credit approvals and to streamline the credit approval process for lending activities.

► **Financial Delegation of Authority**

The Financial Delegation of Authority assigns responsibilities together with the required authority to carry out the tasks smoothly and efficiently. The DOA is categorised as follows:

- Capital Expenditure
- Operating Expenditure including waivers and losses

► **Operational Delegation**

This type of delegation is used for authorizing individuals who would represent the Bank to the external world.

The Board has authorized and delegated the powers to the MD & CEO through Power of Attorney and MD & CEO has further authorized delegated powers to the Senior Personnel of the Bank for smooth conduct of the business of the Bank. These Senior Personnel are authorized to delegate powers to such Officials of the Bank, as may be required, from time to time.

Further, other delegations to employees of the Bank for operational matters such as banking operations, signatory changes, AGM/ proxy authorization, representing before regulatory bodies, etc. are being authorised by the Board/ Board Committees of the Bank, from time to time.

## **CONTROL FUNCTIONS AND AUDITS**

At Bank, Risk Management is integrated seamlessly into business strategy. The objective of our risk management process is to insulate the Bank from risks associated with the business while simultaneously creating an environment conducive for its growth. It entails a comprehensive estimation, control and review of risks to protect organizational value. The Bank from time to time take necessary steps to curtail market risk, reputational risk, credit risk, etc.

The Management understands the importance of technology in the business segments it operates and lays utmost emphasis on the system development and use of best technology available in the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.

Our Bank being regulated by Reserve Bank of India, compliance department forms a critical part of operations of the Bank.

The Bank have a knowledgeable and experienced professionals in compliance, secretarial, legal and audit fields, etc. which guides the businesses/ support functions on all regulatory compliances and monitors implementation of new or changes in regulations/circulars, ensuring all the regulatory compliances under various laws.

Routine audits of Bank/ departments are undertaken by the Statutory Auditors, Secretarial Auditors, Internal Auditors, Operational Risk Team, etc. Report of the Statutory Auditors on Financials and Report of Secretarial Auditors in terms of Regulation 24A of SEBI Listing Regulations shall form part of Annual Report.

Apart from above, regular audits/ inspections are also being undertaken by Reserve Bank of India and other regulators such are SEBI, MCA, Stock Exchanges, Depositories, etc. from time to time. The Bank has in place *inter-alia* following important functions/ roles regulating governance:

- **Internal Audit:** The Bank has an independent Internal Audit Function, headed by the Chief Internal Auditor (“CIA”). The Internal Auditor of the Bank reports to the MD & CEO of the Bank and the Audit Committee of the Board, in compliance with extant regulatory guidelines. The Bank has in place Board-approved policy clearly defining the role and responsibilities of the CIA.

The Internal Audit Function of the Bank constitutes the third line of defense of the Bank and adopts a risk-based approach to provide independent, objective assurance on the effectiveness of internal controls, risk management practices, information security systems, compliance with regulatory requirements and corporate governance to the Board, Management and other stakeholders.

- **Risk Function:** The Bank has an independent Risk Function, headed by the Chief Risk Officer (“CRO”). The Bank has in place Board-approved policy clearly defining the role and responsibilities of the CRO. The CRO have direct reporting to the MD & CEO and Risk Management Committee of the Board.

The Bank operates within a robust and effective risk management framework to actively manage all the material risks faced, in a manner consistent with the Bank’s risk appetite, making the Bank resilient to shocks in a rapidly changing environment. The Bank aims to establish itself as an industry leader in the management of risks and strive to reach the efficient frontier of risk and return for the Bank and its shareholders, consistent with its risk appetite. To ensure that the Bank has a sound system of risk management and internal controls in place, the Board has established Risk Management Committee of the Board (RMC). Risk Management Committee ensures comprehensive periodical risk reporting for all segments of risk including credit risk, market risk, liquidity risk, operational risk, reputational risk, fraud risk etc. Risk Management committee also oversee stress testing framework to measure the plausible impact of unusual market conditions on Banks financials and plan for contingencies.

- ▶ **Compliance Function:** As part of robust compliance system, Bank have an effective compliance culture, independent corporate compliance function and a compliance risk management programme. The independent compliance function is headed by a designated Chief Compliance Officer (“CCO”). The CCO reports to the MD & CEO and Risk Management Committee of the Board. The Bank has in place Board-approved policy clearly defining the role and responsibilities of the CCO. The CCO reports to the Board of Directors and to the Audit Committee of the Board on a periodical basis on matters relating to Compliance.
  
- ▶ **Vigilance Function:** The Bank has in place Whistle Blower Policy, whereby the whistle blowers can raise concerns relating to reportable matters such as breach of IDFC FIRST Bank’s Code of Conduct, employee misconduct, fraud, illegal unethical imprudent behavior, leakage of UPSI, corruption, safety and misappropriation or misuse of Bank funds/ assets, etc. The Bank also has in place Vigilance Policy for effectively managing the risks faced by the Bank on account of corruption, malpractices and frauds. The mechanism adopted by the Bank encourages the Whistle Blower to report genuine concerns or grievances and provides for adequate safeguards against victimization. The Bank has an independent vigilance function headed by Chief Vigilance Officer (“CVO”). The CVO of the Bank submit all reports and updates to the Audit Committee of the Bank on a periodical basis on matters relating to vigilance activities undertaken in the Bank.
  
- ▶ **Information/ Cyber Security Function:**

The Bank has appointed Chief Information Security Officer (CISO), responsible for enforcing the policies that protect its information assets apart from coordinating the cyber security related issues / implementation within the organisation as well as relevant external agencies. Information assets are important business assets to IDFC FIRST Bank and needs to be appropriately protected to preserve trust and confidence of customers and regulatory authorities in IDFC FIRST Bank, ensure business continuity and maximize return on investments and business opportunities. To ensure timely identification and mitigation of information and cyber security risks, Bank has adopted management framework for reviewing and monitoring of Information Security requirement of the Bank through an appropriate management system. The Bank has set up Information Security Group (ISG) headed by CISO. This team is primarily responsible for implementing and monitoring IDFC FIRST Bank’s information security activities. The CISO report to the CRO and work cohesively with the Chief Operating Officer (COO) and Chief Technology Officer (CTO). The Bank has in place Information Security Management Systems Policy and other Information Technology related Policies.
  
- ▶ **Chief Technology Officer:** With rapid innovations in banking and technology, Chief Technology Officer (‘CTO’) plays a crucial role in strengthening and sustaining the Banks’ risk governance framework. Being the highest technology executive, the CTO aligns technology-related decisions with the Bank’s goal and vision.

- ▶ **Chief Financial Officer:** The Chief Financial Officer ('CFO'), designated as Key Managerial Personnel under Companies Act, 2013, plays the primary role for risk governance in the area of finance. The CFO is responsible for managing the financial activities of the Bank and plays vital role in Banks' management structure.
- ▶ **Company Secretary:** The Bank has appointed Company Secretary for the efficient administration of Bank, particularly with regard to ensuring compliance with statutory and regulatory requirements under Companies Act and applicable SEBI Regulations and for ensuring that decisions of the board of directors are implemented. The Company Secretary is also the Compliance Officer under SEBI Listing Regulations.
- ▶ Apart from aforesaid, Bank have other control function roles, Material Risk Takers and Senior Management Personnel, who are playing a key role in day-to-day operation and governance of Bank.

## CUSTOMERS & STAKEHOLDERS

### ▶ Customers & Customer Grievance

The Bank has adopted Customer First as a core constituency it wants to serve. The Bank keeps its customer updated on various products and policies and keep them updated on the grievance mechanism in the Bank with respect to customer service. The Bank has dedicated team dealing with Banking customers grievances. The Contact details for handling customer grievances are updated on the website of the Bank.

Bank has various policies/ framework with respect to customers such as Customer Compensation Policy, Charter of Customer Rights, Door-Step Banking Policy, etc.

The Bank has in place Customer Grievance Redressal Policy, which lays down requirements related to aspects of principal of grievances redressal, registration, escalation, resolution and periodic review of complaints.

Bank have established proper process and system to handle and resolve customer complaints, concerns, and issues effectively and efficiently. Bank ensures that customers have a channel to voice their grievances and that those grievances are addressed promptly and fairly. Few Customer Services related pointers are highlighted below:

**Complaint Channels:** Bank provide multiple channels for customers to lodge their grievances, such as in-person at branches, through phone calls, emails, or mobile application. A universal number and email Id are made available for all customers of the Bank irrespective of the product they hold

with us. Dedicated numbers for NRI customers are also available on Bank website. Customers can reach out to Bank dedicated 24x7 contact centre over phone and dedicated escalation email ids which are updated on website. Customers can speak to the branch officials for resolution of their issues or register their grievances at the Branches electronically, in the Complaints/ Suggestion Register or in the complaint form.

Additionally, Bank also offer self-assisted channels to customers such as ATM, Missed call service, SMS Banking, WhatsApp Banking, Website (Pre login webform), Internet Banking and Mobile Banking.

**Investigation and Resolution:** The Bank investigates the complaint thoroughly and takes necessary actions to resolve the issue. This involve communication with the relevant departments, conducting internal reviews, or seeking additional information from the customer.

**Timely Response:** The Bank commits to providing a timely response to the customer, keeping them informed about the progress of the complaint resolution.

**Escalation:** If the customer is not satisfied with the initial resolution or if the complaint remains unresolved, the Bank have a provision for escalation. It involves reaching out to Level 1: All front-end channels, Level 2: Regional Nodal Officer/ National Nodal officer, Level 3: Principal Nodal Officer or involving a Banking ombudsman or other regulatory authority.

**Records Keeping:** The Bank maintains proper records of all customer complaints, including the details of the complaint, actions taken, and the resolution provided.

**Feedback and Improvements:** The Bank seek feedback from customers on their experience with the grievance redressal process to identify areas for improvement and make necessary changes. The Bank has internal customer service forum/ committee which conducts periodic review meeting, these committee focuses on building and strengthening customer service orientation in the Bank through initiating various measures including simplifying processes for improvement in customer service levels.

**Transparency:** Banks publish information about its grievance redressal process, including the channels available, expected timelines for resolution, and escalation procedures.

A robust and customer-friendly grievance mechanism is crucial for maintaining trust and ensuring customer satisfaction. It reflects the Bank's commitment to addressing customer concerns and delivering excellent customer service. Bank have effective grievance redressal system in place to protect customer rights and interests.

► **Shareholders & Registrar & Share Transfer Agent ('RTA')**



The Bank is a listed entity and has large number of equity shareholders. The stakeholders are updated on the various information such as material information, shareholding pattern, financial results, annual reports, meetings of Board and shareholders, etc. by regularly informing the stock exchanges viz. BSE and NSE.

A registrar and share transfer agent (RTA) is a third-party service provider appointed by Bank to maintain its share register and manage the transfer of shares and other allied activities related to shareholders. The role of an RTA is crucial in ensuring effective shareholder management and compliance with regulatory requirements.

The Bank has appointed KFIN Technologies Limited ('KFIN') as its RTA, in order to maintain Bank's Registrar of Members and to deal with allied activities related to shareholders.

The RTA maintains a register of shareholders, which includes details such as shareholder names, addresses, and the number of shares held. The register serves as an official record of ownership and changes in shareholding.

The RTA facilitates the transfer of ownership through a formal process. This may involve processing share transfer forms, verifying signatures, and updating the share register accordingly.

**Dividend and Interest Payment:** The RTA handles the distribution of dividends or interest payments to shareholders/ debenture-holders. They ensure that shareholders/ debenture-holders receive their entitled payments in a timely manner and maintain accurate records of payments made.

The RTA assists in managing corporate actions, such as stock splits, mergers, acquisitions, preferential issue, rights issues, etc. They ensure that shareholders are properly informed about these events, process any necessary paperwork, and update the share register accordingly.

The RTA acts as a point of contact for shareholders, responding to their queries, providing information about the Bank's shareholding structure, and assisting with various shareholder-related services. This includes handling requests for duplicate share certificates, dividend/ interest payment, address changes, or other administrative matters.

KFIN plays a crucial role in maintaining accurate and up-to-date shareholder records, facilitating share transfers, and ensuring compliance with regulatory obligations.

Apart from equity, Bank also has issued listed Debentures. These Debentures are maintained and handled by NSDL Database Management Limited ('NDML') and KFIN.

The Bank has effective investor grievance redressal system. RTA alongwith Bank redresses the queries and complaints raised by security holders. The Investor Contact details are updated on the website of the Bank.

## INVESTOR RELATIONS

Investor relations in a Bank refers to the management and communication of the Bank's financial performance, strategy, and other relevant information to its current and potential investors. The primary aim of investor relations is to foster trust, transparency, and effective communication between the Bank and its shareholders, analysts, and other stakeholders in the financial markets.

Investor Relations teams are tasked with maintaining regular and proactive communication with shareholders, analysts, and potential investors. This includes organizing investor conferences, earnings calls, investor meetings, roadshows, and responding to inquiries from the investment community. The goal is to ensure that investors have access to relevant information and a clear understanding of the Bank's strategy, financial outlook, and key developments.

Investor Relations teams play a crucial role in building and maintaining relationships with the Bank's shareholders. They play a crucial role in communicating the Bank's strategic initiatives, growth plans, capital allocation decisions, and other factors that can impact the Bank's performance and value creation, which helps investors assess the Bank's long-term prospects and investment potential. This involves understanding their expectations, concerns, and interests, and addressing them effectively. It may include coordinating shareholder meetings and engaging with investors on corporate governance matters.

Effective investor relations help to enhance a Bank's reputation, maintain investor confidence, and facilitate access to capital markets. It is essential for Bank to adopt transparent and consistent communication practices to build trust and demonstrate a commitment to shareholder value.

The Bank has '**Head - Investor Relations**' who updates the Investors though press conferences, releasing financial data, leading financial analyst briefings, publishing reports etc.

## REVIEW

The respective Committee shall be authorized to undertake any action/ step required to be taken to comply with the requirements prescribed under the Applicable Laws.

The Committee may issue / implement such guidelines, procedures, formats and/or reporting mechanisms to implement this Policy as it may deem fit.

This Policy may be amended, modified, supplemented or substituted from time to time to ensure

compliance with the Applicable Laws. This Policy shall be reviewed by the Audit Committee and Board as and when any changes are to be incorporated in the Policy due to change in applicable law or on an annual basis.

**Laws to take precedence:**

If any of the provisions of this Policy are inconsistent with the Applicable Laws, then the provisions of Applicable Laws shall prevail over the Policy to that extent and the Policy shall be deemed to have been amended so as to be read in consonance with Applicable Laws. As this Policy is pursuant to the Applicable Laws, if any change to Applicable Laws or interpretation thereof necessitates any change to the Policy, then this Policy shall be read so as to accommodate the changes.

## Annexure A

### PRIMARY CONDITIONS FOR APPOINTMENT OF DIRECTOR AS PER BANKING REGULATION ACT, 1949 AND CIRCULARS ISSUED BY RBI IN THIS REGARD

#### 1. Nature of Expertise and Substantial Interest

A. Not less than 51%, of the total number of members of the Board of Directors of Bank shall consist of persons:

(a) having special knowledge or practical experience in respect of one or more of the following matters, namely accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management and any other matter the special knowledge of, and practical experience in, which would, in the opinion of the RBI, be useful to the Bank.

Provided that out of the aforesaid number of Directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small- scale industry;

(b) shall not have substantial interest as defined below or as may be amended from time to time, or be connected with, whether as employee, manager or Managing agent-

(i) any company, not being a company registered under section 8 of the Companies Act (under section 25 of the erstwhile Companies Act, 1956) or

(ii) any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, or

be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

***“substantial interest” means:***

(i) *in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds five lakhs of rupees or ten percent of the paid-up capital of the company, whichever is less;*

(ii) *in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm;*

#### 2. Tenure of Directorship

As per the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a

special resolution by the company and disclosure of such appointment in the Board's report. No independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

Notwithstanding anything to the contrary contained in the Companies Act or any other law for the time being in force, no Director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years.

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

Every Chairman of the Board of Directors who is appointed on a whole-time basis and every Managing Director of a banking company shall be in the whole-time employment of such Bank and shall hold office for such period, not exceeding five years, as the board of Directors may fix, but shall, subject to the provisions of this section, be eligible for re-election or reappointment. The Chairman may also be appointed on a part-time basis also. Such appointment shall be subject to prior approval of RBI.

No Independent Director, who resigns from Bank, shall be appointed as an executive / WTD on the Board of the Bank, its holding, subsidiary or associate company or on the Board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director.

The appointment, re-appointment or removal of an independent director shall be subject to the approval of shareholders by way of a special resolution.

### **3. Restriction on loans and advances**

Notwithstanding anything to the contrary contained in Section 67 of the Companies Act, Bank cannot grant loans or advances on the security of its own shares, or enter into any commitment for granting any loan or advance to or on behalf of-

- any of its directors,
- any firm in which any of the directors is interested as partner, manager employee or guarantor, or
- any company of which or the subsidiary or the holding company of which, any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds a substantial interest.

**Exception:** subsidiary of a banking company, company registered under section 8 of Companies Act or Government Company

- any individual in respect of whom any of its directors is a partner or guarantor

#### **Exceptions:**

In case of advances granted/ commitment made by the Bank to the companies prior to appointment of director of the companies on the Bank's board, provided the facility is not renewed and/ or enhanced after maturity, the aforesaid restriction shall not be applicable.

While examining the restrictions (and any exceptions thereof) on such loans and advances, the Bank shall be guided by the Master Circular on Loans and Advances (Statutory and Other Restrictions) issued by the RBI, as amended from time to time.

#### **4. Prior Approval of Reserve Bank of India**

Any amendment in the provisions relating to maximum permissible number of directors or appointment / re-appointment or termination of appointment or remuneration of chairperson, managing director or any other WTD or manager or CEO shall not have effect unless approved by RBI.

- ▶ Proposals for appointment of a new MD & CEO/ CEO/ WTD, should invariably contain a panel of at least two names in the order of preference. The proposals should be submitted to the RBI at least four months before the expiry of the term of office of the present Incumbent.

*Subject to the statutory approvals required from time to time, the post of the 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 in the Bank, 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.*

- ▶ In case of re-appointment of MD & CEO/ CEO/ WTD application in necessary forms needs to be submitted to the RBI at least six months before the expiry of the term of office of the incumbent.
- ▶ Application seeking approval for appointment/ reappointment of Chairman should be submitted to the RBI at least four months before expiry of the term of office of the present incumbent.
- ▶ It is advisable that application for appointment of MD & CEO/ WTD or Chairman, should be made with RBI with a panel of at least two names in the order of preference.

#### **5. Fit and Proper Evaluation of the proposed directors**

Bank have to undertake a process of due diligence for determining the suitability of the persons proposed to be appointed as directors as well as for their continuation to hold office as directors of such banks, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration (“Fit and Proper Declaration”) from the proposed / existing directors for this purpose.

## **6. Necessary Declaration/ Confirmation/ Undertaking**

The Bank should check whether necessary declaration as required under applicable regulations has been received from proposed candidate and necessary background verifications to be carried out by various team.

## **7. Age of Director**

Notwithstanding anything to the contrary contained in the Companies Act or any other law for the time being in force, no Director of a banking company, shall be appointed or continue the directorship as a non-executive director over the age of 75 years.

The upper age limit for NED, including the Chair of the board, shall be 75 years while for MD & CEO/ WTD the upper age limit is 70 years. As part of internal policy of Bank, Boards are free to prescribe a lower retirement age for the MD & CEO/ WTD.

## **8. Composition of Board**

- The number of directors on the Board of the Bank shall not be less than 6 (six) and shall not be more than 15 (fifteen) Directors. At least one woman independent Director.
- Not less than 50% of the Board shall comprise of Non-Executive Directors.
- Where Chairman is a non-executive Director, at least one third of the Board shall comprise of Independent Directors; in case the Chairman is not a non-executive director, at least half of the total Board shall comprise of Independent Directors.
- where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.
- The Non-Executive Chairman shall not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act.
- The Bank should have at least two Whole Time Directors, including the MD & CEO, on the Board.

## 9. Appointment of Director

- a. No person shall be appointed/ reappointed as a Director of the Company unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to the Company a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- b. Following declarations/ documents are required to be obtained from the directors prior to their appointment:
  - Consent to be appointed as a Director in Form DIR 2.
  - Notice of interest of directorships on boards of other companies in Form MBP-1 and additional clauses requiring information mandated under section 184(2).
  - Notice of Director giving intimation that the director has been disqualified/ not been disqualified as per the provisions of Section 164 (1) & (2) the Act. If a director is disqualified under the provisions of Section 164, the office of the director shall become vacant in all the companies, other than the company which is in default as per section 164 of the Act. Also, to provide Declaration under Schedule V of SEBI Listing Regulations.
  - Details of Relatives under section 2(77) of the Companies Act and their interest for the purpose of identification of related parties of the Bank.
  - Declaration by Director/ Declaration of Independence if the proposed appointed is to be appointed as an Independent Director.
  - Declaration to comply with Code of Conduct for Directors and Senior Management.
  - Corporate Governance Report disclosure under SEBI Listing Regulations.
  - Disclosure of securities held in the Bank by Directors & their immediate relatives, including details of immediate relative/ other dependents as per Insider Trading Regulations.
  - Deed of Covenants as required under RBI Master Direction.
  - Declaration and Undertaking required in under RBI Master Direction.
  - Details of Securities held on appointment of Key Managerial Personnel (“KMP”) or Director or upon becoming a Promoter or “Member of a Promoter Group” of a listed company and other such persons as mentioned in Regulation 6(2).
  - Skill/ expertise confirmation.
  - Profile/ Photograph.

The approval of shareholders for appointment of Director is to be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

### CONDITIONS FOR APPOINTMENT OF INDEPENDENT DIRECTOR



## 1. Definition of an Independent Director

SEBI Listing Regulations	Companies Act, 2013
<p>The director should be a non-executive director, other than the nominee director of the listed entity</p> <p>(i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;</p> <p>(ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company <b>or member of the promoter group of the listed entity</b>;</p> <p>(iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;</p> <p>(iv) <i>who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;</i></p> <p>(v) <i>none of whose relatives:</i></p> <p>a. <i>is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;</i></p> <p>b. <i>is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;</i></p>	<p><b>In addition to the conditions prescribed in SEBI Listing Regulations, following conditions are prescribed in Companies Act.</b></p> <p>An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,</p> <p>(iv) <i>who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding 10% of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;</i></p> <p>(v) <i>none of whose relatives—</i></p> <p>a. <i>is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year</i>  <i>Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or 2% of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;</i></p> <p>b. <i>is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of fifty lakhs rupees during the two immediately</i></p>

<p>c. <i>has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or</i></p> <p>d. <i>has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income.</i></p> <p><i>Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (a) to (d) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.</i></p> <p><b>(vi) who neither himself/ herself, nor whose relative(s)-</b></p> <ul style="list-style-type: none"> <li><b>holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;</b></li> </ul> <p><b>Provided that in case of a relative who is an employee, other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.</b></p> <ul style="list-style-type: none"> <li><b>is or has been an employee or proprietor or a partner, in any of the three financial</b></li> </ul>	<p><i>preceding financial years or during the current financial year;</i></p> <p>c. <i>has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees, at any time during the two immediately preceding financial years or during the current financial year;</i></p> <p>d. <i>has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to 2% or more of its gross turnover or total income singly or in combination with the transactions referred above.</i></p> <p><b>An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.</b></p>
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<p>years immediately preceding the financial year in which he is proposed to be appointed, of —</p> <ul style="list-style-type: none"> <li>a) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or</li> <li>b) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;</li> <li>• holds together with his relatives 2% or more of the total voting power of the listed entity; or</li> <li>• is a chief executive or director, by whatever name called, of any non-profit organisation that receives 25% or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the listed entity;</li> <li>• is a material supplier, service provider or customer or a lessor or lessee of the listed entity;</li> </ul> <p>(vii) who is not less than 21 years of age.</p> <p>(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an Independent Director.</p>	
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## 2. Obligations with respect to Independent Directors

- No person shall be appointed or continue as an alternate director for an independent director of a listed entity.
- The maximum tenure of independent directors shall be in accordance with the Companies Act and rules made thereunder or in accordance with Banking Regulation or other applicable

regulations, in this regard, from time to time.

- Every 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, submit a declaration that he meets the criteria of independence as stated in point (1) above 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 of the listed entity shall take on record the aforementioned declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.
- A person shall not serve as an independent director or director in more than seven listed entities. Further 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.

### **3. Adherence to Schedule IV**

The Independent directors shall abide by the provisions specified in Schedule IV.