

DCB BANK LIMITED

[Terms and conditions of appointment of Independent Directors]

The term 'Independent Director' should be construed as defined under the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, (herein after called SEBI LODR) 2015.

Terms and conditions of appointment of Independent Directors are as given hereunder:

1. Appointment

1.1. The Independent Director on the Board of the Bank shall fulfill criteria of "Independence" prescribed in the Companies Act, 2013 and SEBI LODR from time to time and shall give a declaration to the Board of Directors in this regard at the time of appointment / reappointment and at the first Board meeting of every Financial Year. The IDs shall intimate the Chairman of the Board /Company Secretary of the circumstance(s) that might lead the Board to revise its judgement of his/her Independent status on the Board,

1.2. The appointment of an Independent Director (**ID**) on the Board of Directors (the Board) of the Bank shall be for a period up to five years from his/her effective date of appointment, which can be extended for a further period of five years as per the provisions of the Companies Act, 2013, subject to the approval of shareholders. The appointment of an ID is also subject to the maximum permissible period under the Banking Regulation Act, 1949 as well as the SEBI LODR, whichever is earlier

2. Committees

The Board may, if it deems fit, invite ID for being appointed on one or more existing Board Committee(s) or any such Committee(s) which may be set up in the future. Appointment of ID on such Committee(s) will be intimated to him/her separately.

3. Time Commitment

3.1 Independent Director is expected to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective leadership in relation to the Bank's strategy, performance and risk management as well as ensuring high standards of financial probity and corporate governance. The Board meets at least six times in a year. The Audit Committee also meets at least six times in a year. Besides, there are other Committee meetings like Nomination and Remuneration Committee of the Board, Stakeholders' Relationship Committee of the Board and Corporate Social Responsibility Committee of the Board meetings, which are ordinarily convened (4) four times in a year. ID is expected to attend meeting(s) of the Board, Board Committees on which he/she may be appointed as a member, and Shareholders Meetings and to devote such time to his/her duties, as appropriate for him/her to discharge his/her duties effectively.

3.2 By accepting the appointment, ID confirms that he/she is able to allocate sufficient time to meet the expectations from his/her role to the satisfaction of the Board.

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4. IDs have to abide by the Code of Conduct applicable to the Directors of the Bank.

5. Guidelines of professional conduct:

An independent director shall:

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

II. Role and functions:

The independent directors shall:

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

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III. Duties:

The independent directors shall—

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Bank;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Bank;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the Bank;
6. where they have concerns about the running of the Bank or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7. keep themselves well informed about the Bank and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Bank;
10. ascertain and ensure that the Bank has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy;
12. acting within his authority, assist in protecting the legitimate interests of the Bank, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

- (1) Appointment process of independent directors shall be independent of the Bank management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- (2) The appointment of independent director(s) of the Bank shall be approved at the meeting of its shareholders.
- (3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the

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Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

- (4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out the details as mandated in Schedule IV of the Companies Act, 2013.
- (5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the Bank by any member during normal business hours.
- (6) The terms and conditions of appointment of independent directors shall also be posted on the Bank's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of his/her performance evaluation.

I. Resignation or removal:

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Companies Act, 2013.
- (2) An independent director who resigns or is removed from the Board of the Bank shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.
- (3) Where the Bank fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.
- (4) Director will not be entitled to any compensation for loss of office, if the shareholders do not re-elect him/her at any time.

VIII. Evaluation mechanism:

- (1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- (2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

6. Status of Appointment

6.1 Independent Director shall not be an employee of the Bank and the appointment letter issued to him/her shall not constitute a contract of employment. He/she will be paid such remuneration by way of sitting fees for attending meetings of the Board and its Committees as may be decided by the Board and, if required, approved by the Shareholders from time to time. Further, an Independent Director shall not be entitled for any Stock Options, under Employee Stock Option Plans (ESOPs).

7. Reimbursement of Expenses

In addition to the remuneration described in paragraph 5, the Bank will, for the period of the

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appointment of the Non-Executive and Independent Director, reimburse him/her for travel, hotel and other incidental expenses incurred by him/her in the performance of his/her role and duties.

8. Independent Professional Advice

8.1 There may be occasions when a Director considers that he/she needs professional advice in furtherance of his/her duties as a Director.

8.2 It will be appropriate for a Director to consult independent advisers at the Bank's expense with prior approval of the Chairman of the Board / Chairman of the Committee, where he/she intends to use the professional advice.

8.3 The Bank will reimburse the expenditure incurred in accordance with the Bank's policy.

9. Confidentiality

All information acquired a Director during his/her appointment, is confidential to the Bank and should not be released, either during his/her appointment or following his/her termination (by whatever means) to third parties without prior clearance from the Chairman, unless required by law or by the rules of any stock exchange or regulatory body. On request, the Directors shall surrender any documents and other materials, made available to them by the Bank.

10. Governing Law

The agreement with Directors, if any, is governed by and will be interpreted in accordance with the Indian law and Director's engagement shall be subject to the jurisdiction of the Indian courts.

As a token of acceptance of the terms relating to an appointment as a Director of DCB Bank Limited, the Director is required to return the Bank a copy of the appointment letter, duly signed by him/her for the acceptance, for records of the Bank.

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