

POLICY FOR APPOINTMENT / RE-APPOINTMENT AND REMUNERATION OF WHOLE TIME DIRECTORS (WTDs) INCLUDING MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER (MD & CEO)

INTRODUCTION

The “Policy For Appointment, Re-appointment and Remuneration for WTDs including MD & CEO (“the Policy”)” has been approved by the Nomination and Remuneration Committee Of the Board (the NRC) and the Board at their meetings held on December 8, 2023.

OBJECTIVE

The primary objective of this Policy is to provide a framework, set out the ‘fit and proper’ criteria and other standards based on which candidate(s) may be evaluated for appointment or re-appointment as WTDs including the MD & CEO. This includes the identification and shortlisting of suitable candidates for the position of WTDs including MD & CEO. The Policy will also set out the **process of due diligence** to be undertaken by NRC before appointment / re-appointment or annually and the remuneration to be paid to WTDs / MD & CEO which shall be subject to approval of the Shareholders and Reserve Bank of India (“the RBI”) as may be applicable.

APPOINTMENT OF WTDs INCLUDING MD & CEO

- i. Appointment / Re-appointment of WTDs including the MD & CEO shall be with prior approval of RBI and subject to such conditions as may be specified by the RBI. In terms of RBI circular dated March 31, 2020, the application for appointment of a new MD & CEO should contain at least two names in the order of preference of the Bank. The application in the prescribed **“Form B”** along with the relevant declarations and undertaking from the candidate(s) with requisite documents should be submitted to RBI at least four months before the expiry of the term of office of the present incumbent.

As per the RBI circular no. RBI/2023-24/70 DOR.HGG.GOV.REC.46/29.67.001/2023-24 dated October 25, 2023, on Appointment of WTD(s), banks are advised to ensure the presence of at least two WTDs including the MD & CEO, on their Boards. The number of WTDs shall be decided by the Board of the Bank by taking into account factors such as the size of operations, business complexity, and other relevant aspects.

- ii. a) In case of appointment of any WTD on the Board of the Bank, the NRC shall identify the person(s) who is / are eligible to become WTD of the Bank and who satisfies the criteria for becoming Director(s) of the Bank.

b) In case of appointment of MD & CEO, the NRC shall identify at least two persons who are eligible to become MD & CEO of the Bank and who also satisfies the criteria for becoming directors on the Board of the Bank.

For the above purposes as mentioned in point no. i and ii, the Bank may, on the advice of the NRC, appoint a leadership advisory firm for the purpose of shortlisting and recommending suitable candidates, ideally involving a mix of internal and external candidates. The NRC shall also constitute a Search Committee which shall include directors and any external consultant or resource as may be deemed appropriate by the Board, for interviewing the shortlist of candidates for the position of WTDs or MD & CEO and making their recommendations on the selection and terms of appointment to the Board for approval within a

reasonable time. The incumbent MD & CEO may be an invitee to discussions of this search panel for the purpose of appointing MD & CEO but shall be a voting member of the search committee for the purpose of appointing WTDs other than MD&CEO.

- iii. The NRC, on the basis of recommendation of Search Committee and also duly considering the incumbent MD & CEO's views on shall shortlist suitable candidate(s) and authorize/ advise the Company Secretary to obtain the relevant documents from the shortlisted candidate(s) for further evaluation and conducting Due diligence.

NRC shall be responsible to the Board for the due diligence process. The Bank, after consulting the Chairperson of the NRC, may appoint a suitable external agency for background check and further due diligence of proposed candidate(s) and may ask them to review and check the social media activity of the candidate for any red flags and the candidate's past cases (civil or criminal or otherwise) or legal run-ins (e.g., Sanctions list, Look out notices, International Consortium of Investigative journalist, etc.) by appropriate checks on the basis information/details available on public domain.

The Company Secretary will ascertain and provide his/her report on the following:.

- a. The candidate has been allotted Director Identification Number (DIN) and the same stands active and valid as per MCA database.
- b. The candidate shall not be disqualified to become a director under the Companies Act, 2013 and rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Banking Regulations Act, 1949, RBI circular on Appointment of MD & CEO/ CEO / Part Time Chairperson (PTC) in Banks – 'Declaration and Undertaking' and allied matters dated March 31, 2020, RBI circular on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021 and such other circulars/notifications/direction issued by the RBI from time to time in this regard and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time.
- c. Compliance under Section 20 of the Banking Regulation Act, 1949 and RBI Master Circular on Loans and Advances or any other rules, circulars, notifications in this regard issued by the RBI from time to time and as applicable to the Bank. To check, if Candidate has any credit relationship with the Bank (basis input from Credit Unit /Concerned Unit of the Bank).
- d. The candidate(s) 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, public administration, small scale industry, information technology, cyber security, payment and settlement systems, human resources, risk management, business management, marketing, fintech or any other field of expertise as deemed appropriate for the Bank's business from time to time or as may be required by the regulators.
- e. To check the credit integrity of the candidate by verifying the CIBIL data.
- f. To check the CIBIL suit filed cases against the candidate, if any, as per the information available on public domain.
- g. To ascertain whether there are any adverse observations / orders passed by regulatory / statutory authorities on the candidate(s) and for this purpose use third party portal / websites who provide information about cases filed by various regulatory / statutory authorities against persons (www.watchoutinvestors.com)
- h. Other observations of material interest from any market feedback or any other sources including any declarations from the candidates.

The format of Fit and Proper Declaration would be as prescribed in the Fit and Proper Circular issued by the RBI including any amendment or change or substitution thereto by the RBI from time to time by way of its circulars or directives.

- iv. The NRC shall review the due diligence process including the report of any external agency referred about and give any specific directions on any specific matter to the Company Secretary for further verification. On the basis of a thorough due diligence under this process, NRC may deem candidates in the final shortlist as “Fit and Proper” in order to be appointed as a Director of the Bank. Due regard shall be given to 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 and circular dated March 30, 2020 issued by the Reserve Bank of India (“RBI”) (collectively the “Fit and Proper RBI Circular”). The said circulars inter-alia directed the banks in private sector to undertake a process of due diligence to determine the suitability of the person for appointment/ re-appointment/ continuing to hold appointment as a director on the Board, based upon qualification, Skills, expertise, track record, integrity and other fit and proper criteria.
- v. The NRC may obtain such additional declarations/ confirmations from the candidate(s), including as necessary under the applicable laws, for determining the eligibility and fit and proper status.
- vi. Based on the information obtained from the various declarations from the candidate(s), reports by the Company Secretary and external agency and the feedback received from the Search Committee (if constituted), / NRC members who have interacted with the candidate(s), the NRC would consider the eligibility of the candidate(s) for the position of WTD or MD & CEO and if satisfied that the candidate(s) is/are eligible and fit and proper for being appointed, it shall recommend to the Board, the name of the suitable candidate(s) for the position of WTD or MD & CEO (2-3 names in order of preference in case of MD & CEO) for the purpose of making application to RBI for its approval. Where there are any changes in the terms proposed in the final approval, NRC shall act appropriately in taking the consent of the proposed appointee before Board’s approval.
- vii. On receiving the RBI approval for appointment of WTD or one of the names so submitted for the position of MD & CEO, the NRC would consider and recommend to the Board the approval for the appointment of the WTD or MD & CEO effective from the date of the approval of the Reserve Bank of India and subject to such conditions as the RBI may specify while giving such approval.
- viii. The Board may, basis the recommendation of the NRC, approve the appointment of the WTD or MD & CEO subject to the Shareholders approval which shall require to be obtained within 3 months from the date of approval of the Board or next Annual General Meeting, whichever is earlier.
- ix. The Board shall ensure that a Deed of Covenants (as prescribed under the Fit and Proper RBI Circular) (“Deed of Covenants”) is also executed with the duly appointed WTD or MD & CEO at the time of his/her appointment. The format of the Deed of Covenants is to be considered as prescribed in the Fit and Proper Circular issued by the RBI including any amendment or change or substitution thereto by the RBI from time to time by way of its circulars or directives.

- x. The Bank shall enter into an agreement/ contract with the WTD or MD & CEO.
- xi. Where during the course of such appointment, circumstances warrant any changes or specific deviations, NRC shall be authorized to take necessary steps in consultation with the Chairperson of the Board which may later be ratified by the Board.

RE-APPOINTMENT OF WTDs OR MD & CEO

- i. To enable the RBI to convey the requisite approval in time on the re-appointment of an WTDs or MD & CEO in the Bank, the complete applications in the prescribed forms i.e., 'Form B' along with 'Declaration and Undertaking' from candidate(s), along with the remarks of NRC of the Board of having satisfied itself that the information is true and complete should be submitted to the Department of Regulation, Central Office, Reserve Bank of India, Mumbai, at least six months before the expiry of the term of office of the incumbent. The NRC shall undertake due diligence process as applicable at the time of appointment/earlier re-appointment as mentioned above at least 7 months before the expiry of the term of office of the incumbent.
- ii. Prior to submission of application to the RBI for re-appointment as mentioned above, the NRC, at the time of re-appointment of WTDs or MD or CEO, shall follow the same process prescribed in this Policy in terms of due diligence as may be appropriate, except for a formation of Search Committee and appointment of Search Firm. Further, the NRC shall take into consideration the Director's evaluation in the annual Board performance evaluation /appraisals carried out by the Bank as per the applicable laws.
- iii. The NRC shall review 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 WTDs or MD or CEO under the applicable laws, it shall recommend to the Board for the purpose of making application to the RBI for its approval.
- iv. On receiving the RBI approval for re-appointment, the NRC shall recommend and the Board shall approve the re-appointment of the WTDs or MD & CEO effective from the date of the approval of the RBI and subject to such conditions as the RBI may specify while giving such approval subject to the shareholders' approval which shall require to be obtained within 3 months from the date of approval of the Board or next Annual General Meeting, whichever is earlier.
- v. 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.

TENURE

The WTDs or MD & CEO shall hold office for such period as the Board of Directors may fix but not exceeding five years at a time or any such period as may be approved by the RBI from time to time and shall be eligible for re-appointment with the prior approval of the RBI. The WTDs or MD & CEO shall not retire by rotation.

As per the RBI circular on Corporate Governance in Banks- Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021, and subject to the statutory approvals required from time to time, the maximum term of office for a WTDs or MD & CEO shall be 15 consecutive years. Thereafter, the individual will be eligible for re-appointment as WTDs or MD & CEO 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 (if any) in any capacity, either directly or indirectly.

Further, no person shall continue as WTD or MD & CEO of the Bank beyond the age limit prescribed under the RBI Guidelines/ or any other applicable law/ regulations.

RESIGNATION/ TERMINATION

The WTDs or MD & CEO may resign from his office by giving a notice in writing to the Chairperson / Board along with the copy of resignation letter mentioning reason(s) of the resignation and the Board shall on receipt of the same take note of the same. The Bank shall intimate to Registrar of Companies (ROC) and Stock exchange about the resignation of the WTDs or MD & CEO along with the reason thereof and shall place the fact of such resignation in the report of directors in the immediately following Annual General Meeting of the shareholders of the Bank. Such resignation shall take effect from the date on which the notice is received by the Bank or the date, if any, specified in the notice of resignation, whichever is later. The WTDs or MD & CEO, who has resigned, shall be liable even after his resignation for the offences which occurred during their tenure.

Any termination of WTDs or MD & CEO shall not have effect unless approved by the RBI.

REMUNERATION TO WTDs OR MD & CEO

The remuneration to WTDs and MD & CEO shall be governed by the Bank's Compensation Policy and Guidelines/Circulars/Directions issued by the RBI and as amended from time to time and as may be approved by NRC and the Board of Directors, the prior approval of Reserve Bank of India and the shareholders or any other authorities as may be required.

DISCLOSURES / AFFIRMATIONS AT THE TIME OF APPOINTMENT / RE-APPOINTMENT / ANNUALLY

Board member/identified candidate(s) shall give all disclosures/affirmations as required by the Bank before his/her appointment/re-appointment/annually, as applicable or as and when any material development occurs that warrants disclosure, in the format as applicable under applicable laws or as devised and approved by the NRC/ Board of the Bank.

Apart from the declarations as required under applicable laws, it is the responsibility of Board Member / Candidate to provide all information that he/she think is required to be disclosed to the Board of the Bank before taking up the position of Director & during their tenure as directors and within a reasonable time of any subsequent development that warrants disclosure. The Bank shall, at the end of every financial year, obtain not later than 30th April, the following declarations reflecting the position as on 31st March from the WTD or MD & CEO:

- a. Fit and Proper declaration in the format prescribed by RBI.

- b. Deed of Covenants executed with the Bank in the format prescribed by the RBI.
- c. Other declarations prescribed in the applicable laws or as may be needed by the NRC.

The declarations as provided by the WTDs and MD & CEO shall be reviewed by the NRC members and shall be placed then placed before the Board meeting for noting purpose.

Based on the information obtained from aforesaid declarations/ confirmations and assessment of the same as per the due diligence process set out in this Policy, the NRC or the Board, as the case may be, shall decide whether the director continues to fulfil the criteria of being fit and proper.

REVIEW

This Policy shall be amended, modified, supplemented or substituted from time to time to ensure compliance with the Applicable Laws. In case of no change in the Applicable Laws necessitating the review / amendment of this Policy, it shall be taken up for review once every two years by the NRC and thereafter recommended to the Board for approval.

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

LAWS TO TAKE PRECEDENCE

If any of the provisions of this Policy are inconsistent with the Applicable Laws/ Regulations and circulars/guidelines/directions issued by the RBI from time to time (“collectively as 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.