

POLICY FOR SELECTION AND APPOINTMENT / RE-APPOINTMENT OF NON-EXECUTIVE DIRECTOR INCLUDING PART TIME CHAIRPERSON AND THEIR REMUNERATION

Introduction:

The Nomination and Remuneration Committee (“**NRC**”) of Board of Directors of DCB Bank Limited (“the Bank”) has formulated and approved this “Policy for Selection and Appointment/ Reappointment of Non-Executive Directors including Part-Time Chairperson and their Remuneration” (“**Policy**”) at its meeting held on March 25, 2023 and recommended the same for the approval of the Board of Directors (“**the Board**”). Upon such recommendation, the Board at its meeting held on March 27, 2023 has approved this Policy.

This Policy supersedes the following:

- (i) Criteria for determining qualifications, positive attributes and independence of a director earlier approved by the Board
- (ii) Policy relating to the remuneration to Directors earlier approved by the Board.

This policy was last reviewed and approved by the NRC and Board in their meeting held on March 25, 2023 and March 27, 2023, respectively.

Objective:

The Bank has an engaged, experienced, diverse and a well-informed Board which is accountable to various stakeholders such as Shareholders, Employees, Reserve Bank of India, Securities and Exchange Board of India and other Regulatory Authorities, etc.

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. An enlightened Board creates a culture of leadership and provides a long-term policy approach to enhance the quality of governance. In order to ensure that the Board can discharge its duties and responsibilities effectively, the Bank needs an optimum combination of individuals 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. The primary objective of the 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 Directors on the Board of the Bank.

The Policy will also set out the process of due diligence undertaken by the NRC before appointment/re-appointment or annually. It also provides the code of conduct to be followed by all Directors.

The NRC of the Board has been constituted to inter-alia identify persons who are qualified to become directors on the Board, considering inter alia the following factors while recommending appointment/re-appointment of directors on the Board of the Bank:

- a) Relevant Qualifications, skills and experience of the existing Board of Directors
- b) Mix of Executive, Non-Executive and Independent Directors
- c) The optimum size of the Board commensurate with the size of the Bank’s operations and complexity
- d) Gender Diversity, etc. with at least one independent woman Director
- e) Remuneration of Non-Executive Directors

1. CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF INDIVIDUAL DIRECTOR AND PREPARING ROLES AND RESPONSIBILITIES OF PROPOSED POSITION OF DIRECTOR(S)

The NRC shall identify persons who are qualified to become directors on the Board of the Bank. Prior to recommending a candidate for appointment/ re-appointment on the Board, the NRC shall consider following factors for evaluation:

- 1.1. There shall be minimum six (6) and maximum fifteen (15) Directors as per the requirement of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015 (SEBI Listing Regulations).
- 1.2. The composition of its Board at any time shall be commensurate with the size of the Bank's operation and complexity and shall, as far as possible, embrace diversity in many aspects.
- 1.3. There shall be optimum combination of Executive, Non-Executive and Independent Directors as per the regulatory requirement.
- 1.4. The Board shall have at least one-Woman Independent Director not less than fifty percent of the Board of directors of the Bank shall comprise of non-executive directors as per the provisions of the Companies Act, 2013 ("the Act") and SEBI Listing Regulations.
- 1.5. The Proposed candidate shall not attract any disqualification to become a director under the Act and rules made thereunder, SEBI Listing Regulations, Banking Regulations Act, 1949 and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time.
- 1.6. The candidate shall be persons of sound integrity and honesty, apart from knowledge, experience etc. in their respective fields.
- 1.7. The proposed candidate shall be between 35 to 75 years of age or such other age as prescribed by law or under regulations or by any other applicable statutory authority from time to time.
- 1.8. 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.
- 1.9. 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, 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.
- 1.10. The candidate shall be able to devote sufficient time and attention required to properly discharge his/her fiduciary duties in his/her capacity as Director of the Bank.
- 1.11. 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 stature and complexity of its operations.
- 1.12. There shall be no conflict of interest in performing duties as a Director of the Bank.
- 1.13. The proposed candidate shall not hold a directorship in other banking company.

2. PROCESS FOR APPOINTMENT/ RE-APPOINTMENT OF DIRECTOR

- 2.1 According to the skill profile for the proposed appointment on the basis of assessment criteria as mentioned in point no. 1 above, the NRC would identify persons who are eligible to become directors on the Board of the Bank. The NRC/Board members may source names directly or may appoint head hunters/search partners/ external agency to provide reference names of the candidates for the position of directors as per the identified criteria/roles and responsibilities.
- 2.2 The proposed names as received from various sources as mentioned in point 2.1 shall be placed before the NRC for shortlisting the candidates.
- 2.3 Before undertaking the due diligence to identify the 'fit and proper' status of the candidate, the NRC shall undertake primary assessment of the candidate(s) basis the informal market reference of the candidate.
- 2.4 Based on the results of the above assessment, the NRC shall shortlist the candidate(s) suitable for the appointment as the director(s) of the Bank. (Preliminary shortlist)
- 2.5 A panel of members of the Board as formed by the NRC from case to case basis may have informal interactions with the shortlisted candidate(s) at any point of time and would present its feedback to the NRC before finalizing the candidates.
- 2.6 The NRC thereafter shall conduct a thorough due diligence and scrutiny to evaluate if the candidate(s) in the final shortlist 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 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, expertise, track record, integrity and other fit and proper criteria.
- 2.7 For conducting the due diligence as mentioned above, the NRC shall advise the Company Secretary to obtain necessary information and declaration ("Fit and Proper Declaration") from the proposed candidate(s) for this purpose. The NRC or the Chairperson of the NRC may suggest approaching any 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 or legal run-ins (eg. 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 would ascertain and provide his/her report on the following:

- (i) The candidate has been allotted Director Identification Number (DIN) and the same stands active and valid as per MCA database.
- (ii) The candidate shall not be disqualified to become a director under the Act and rules made thereunder, SEBI Listing Regulations, Banking Regulations Act, 1949 and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time. The candidate for the position of Independent Director shall be registered under independent directors' databank maintained by Ministry of Corporate Affairs.
- (iii) In case of appointment of Independent Directors, to consider the additional criteria prescribed for independent directors under the Act and SEBI Listing Regulations or any other applicable laws.

- (iv) The number of directorships of candidate are within the limit provided in the Act, SEBI Listing Regulations, any rules, notifications, circulars issued by the RBI from time to time as applicable to the Bank.
- (v) 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. If Candidate has any credit relationship with the Bank (basis input from Credit Unit /Concerned Unit of the Bank).
- (vi) To check the credit integrity of the candidate by verifying the CIBIL data.
- (vii) To check the CIBIL suit filed cases against the candidate, if any, as per the information available on public domain.

The format of the Fit and Proper Declaration 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.

- 2.8 The NRC shall assess and evaluate the fit and proper status of the candidate in accordance with the RBI Circulars as mentioned in para 2.6 above and may advise the Company Secretary to obtain any further information /confirmations/declarations from the candidate, including as necessary under the various applicable laws. . The Company Secretary shall provide his/her report on the above-mentioned points to the NRC.
- 2.9 The report by the Company Secretary and external agency shall be submitted to the NRC for consideration and determination & assessment of the fit and proper status of the candidate(s).
- 2.10 For ascertaining the fit and proper status, the NRC may obtain such additional declarations/ confirmations from the candidate(s) as may be deemed fit by the NRC.
- 2.11 Based on the information obtained from the various declarations from the candidates, reports by the Company Secretary and external agency and the feedback received from the panel, the NRC would consider the eligibility of the candidate(s) for the position of director(s) and if satisfied that the candidate(s) is/are eligible and fit for being appointed as Director(s), it shall recommend to the Board the appointment of the proposed candidate(s).
- 2.12 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, it may direct the NRC to consider selection of fresh candidate(s).
- 2.13 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 new directors at the time of their 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.
- 2.14 Any director appointed during the financial year for which performance review / evaluation exercise of the Board of Directors is being conducted, must have attended at least 3 (three) Board / Committee meetings convened in that financial year in order to participate in such review / evaluation exercise carried out in accordance with applicable laws.

3. TENURE OF DIRECTORSHIP

- 3.1 The total tenure of a Non-Executive Director (NED), continuously or otherwise, on the board of the Bank shall not exceed eight years as per the regulatory requirement. After completing eight years on the board of the Bank, the person may be considered for re-appointment only after a minimum gap of three years. This will not preclude him/her from being appointed as a director in another bank subject to meeting the requirements.
- 3.2 No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for re-appointment after the expiration of three years of ceasing to become Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Bank in any other capacity, either directly or indirectly.
- 3.3 In case of appointment of Independent Directors, the first term shall be maximum of three years and second term shall be maximum of 5 years subject to the satisfaction of all other conditions for re-appointment of director(s) by the NRC as per the regulatory requirement.
- 3.4 In case of Non-Independent Director other than Nominee Director, as per the provisions of the Act, a shall be persons whose office is liable to retirement by rotation and one third of such of the directors shall retire by rotation at every Annual General Meeting (AGM). If the number of retiring directors is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from the office. The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, The Bank may fill up the vacancy on account of retirement by rotation, by appointing the retiring director or some other person subject to maximum period of continuous eight years.

4. RE-APPOINTMENT OF DIRECTORS

- 4.1 At the time of re-appointment of Director(s), the NRC shall follow the same process prescribed in this Policy for appointment of director(s) in terms of due diligence as may be appropriate, with the exception of a panel screening. The NRC shall take into consideration the Director's ratings in the annual Board performance evaluation /appraisals carried out by the Bank as per the applicable laws.
- 4.2 The NRC shall scrutinize the declarations/ confirmations obtained from the Director(s) under the applicable laws, including the Fit and Proper declaration.
- 4.3 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).
- 4.4 The Board may, basis the recommendation of the NRC, approve the re-appointment of the Director subject to approval of the shareholders, if needed or in case the Board is not satisfied with the re-appointment, it may direct the NRC accordingly.
- 4.5 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.

5. LETTER OF APPOINTMENT

- 5.1 The Bank shall issue a formal letter of appointment/ re-appointment to the person appointed/ re- appointed as a Non-Executive Director of the Bank at the time when he/she is appointed/ re-appointed by the Board and at the time he/she is appointed/ re-appointed by the shareholders.
- 5.2 The letter of appointment / re-appointment to be issued to the Independent Director shall inter alia also set out the matters as stated in Schedule IV of the Act and shall be placed on the website of the Bank.

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

- 6.1 Board member/Candidate shall give all disclosures/affirmations as required by the Bank before his/her appointment/re-appointment/annually 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.
- 6.2 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 and within a reasonable time of any subsequent development that warrants disclosure.
- 6.3 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 existing directors:
- 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 Directors other than the members of NRC shall be scrutinized by the NRC. The declarations furnished by the members of NRC shall be scrutinized by the Board, excluding the members of the NRC.

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.

7. REMUNERATION TO DIRECTORS

- 7.1 The Board of Directors shall recommend all fees or compensation, if any, paid to Non-Executive Directors, including Independent Directors and shall require approval of shareholders in general meeting.
- 7.2 The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to Non-Executive Directors, if made within the limits prescribed under the Act.
- 7.3 The Independent Directors are not entitled to any Stock Options.
- 7.4 All the Non-Executive Directors of the Bank shall be paid sitting fees for attending Board & Committee meetings as may be approved by the Board from time to time, and reimbursement of expenses for attending meetings of the Board and its Committees.
- 7.5 In accordance with the RBI circular on 'Corporate Governance in Banks' dated April 26, 2021, as may be amended from time to time, in addition to payment of sitting fees for attending Board & Committee meetings as may be approved by the Board from time to time, and reimbursement of expenses, the Board on the recommendation of NRC, may provide for payment of compensation to NEDs (other than Chairperson) 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 an NED, other than the chair of the board, shall not exceed ₹20 lakh per annum.

7.6 Further, as permitted by the Banking Regulation Act, the Part Time Chairperson of the Bank shall be entitled to a remuneration as may be approved by the Reserve Bank of India and the Bank's shareholders.

8. FAMILIARISATION PROGRAMME FOR THE NON-EXECUTIVE DIRECTORS OF THE BANK

8.1 Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, requires a company to provide suitable training to its independent directors to familiarize them inter alia with the company, their roles, rights, responsibilities in the company, nature of industry in which the company operates and the business model of the company.

Accordingly, in order to familiarize the Bank's Non-Executive Directors including independent directors with the Bank's functioning and their roles, responsibilities, etc. the Bank may undertake the following:

- a) The newly appointed NEDs shall be provided with a copy of the Memorandum and Articles of Association, all the applicable codes, policies, etc. formulated and adopted by the Bank.
- b) An orientation / overview of the Bank's segments, various products, services, and functions may be provided within 30 working days from the appointment subject to availability of the Director(s).
- c) The newly appointed NEDs may also be introduced to certain key members of the senior management of the Bank within 30 working days from the appointment subject to availability of the Director(s).
- d) A detailed briefing on the roles and responsibilities of independent directors shall also be provided to the independent directors as part of their appointment letters.
- e) The Bank may nominate the NED(s) to attend relevant external programs at reputed forums and/ or internally provide deep- dives/ presentations on subjects relevant from Bank's perspective, as may be necessary from time to time.

9. RESIGNATION/ RETIREMENT/ REMOVAL OF DIRECTOR OF THE BANK

9.1 **Resignation:** A director 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 Director along with the reasons for resignation and shall place the fact of such resignation in the report of directors laid in the immediately following general meeting. The resignation of a director shall take effect from the date on which the notice is received by the Bank or the date, if any, specified by the director in the notice, whichever is later. The director, who has resigned, shall be liable even after his resignation for the offences which occurred during his tenure.

9.2 **Retirement:** At the beginning of the year, the Company Secretary will place before the NRC the details of the retirement(s) during the year and the NRC will see the composition of Board in view of the retirement during the year and take appropriate steps. Company Secretary on behalf of the Board shall intimate the concerned director and also to the stock exchanges within prescribed timelines. Retirement of director shall also to be noted by the Board of Directors in its meeting.

9.3 **Removal:** The Bank may, by means of an ordinary resolution, remove a director, not being a director appointed by the tribunal under section 242 of the Companies Act, 2013, before the expiry of the period of his/her office after giving him/her a reasonable opportunity of being heard.

- 9.4 The independent director re-appointed for a second term under sub section (10) of section 149 of the Companies Act 2013 shall be removed by the Bank only by passing a special resolution and after giving him/her a reasonable opportunity of being heard.
- 9.5 The director who was removed from office shall not be re-appointed as a director by the Board of Directors.
- 9.6 The Bank shall send a special notice to remove a director or to appoint somebody in place of a director at the general meeting at which he is removed. A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

10. ADDITIONAL PROCESSES FOR THE APPOINTMENT /RE_APPOINTMENT OF PART-TIME CHAIRMAN (PTC) OF THE BANK

- 10.1 The PTC shall be an Independent Director and his appointment/re-appointment on the Board shall be as per the process mentioned above.
- 10.2 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 Act
- 10.3 The Board on the recommendation of NRC shall elect and approve the appointment of PTC subject to the approval of the Reserve Bank of India.
- 10.4 The Bank shall thereafter file the application for appointment of PTC to the RBI and seek its approval. Various documents and declarations duly signed by the elected Director as per the applicable laws, rules, regulations, circulars, etc as issued from time to time shall be submitted to the RBI at earliest from the date of Board approval.
- 10.5 The appointment of PTC shall be effective from the date of the approval of the Reserve Bank of India and be subject to such conditions as the RBI may specify while giving such approval.

REVIEW:

This Policy may 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, 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.