

# Code of Conduct for Directors

The code of conduct for the Board of Directors of the Bank is drafted with an aim to ensure transparency and high ethical standards in managing the affairs of the Bank. This code of conduct would be applicable to all the Board Members of the Bank. Every Board Member shall adhere to the Code of Conduct and the Norms prescribed for monitoring and management of the conflict of interest. This code conduct for Directors was approved and adopted by the Board of Directors in its meeting held on September 27, 2016. As per the Section 166 of Companies Act, 2013, Director should perform the following duties:

1. He / She shall act in accordance with the article of the company, subject to the provision of the act.
2. He / She shall act in good faith in order to promote the object of the company for the benefit of its members as a whole, and in the best interest of the company, its employees, the shareholders, the community and for the protection of environment.
3. He / She shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. He / She shall not involve in a situation which may have a direct or indirect interest that conflicts, or possibly may conflict with the interest of the company.
5. He / She shall not achieve or attempt to achieve any undue gain or advantage to himself or to his relatives, partners or associates and if such director is found guilty of making and under gain he shall be liable to pay an amount equal to that gain to the company.
6. He / She shall not assign his office and any assignment so made shall be void.

As per the guidelines of Reserve Bank of India, director should perform the following duties:

## **DOs**

### **Director should:**

1. Attend the Board Meeting regularly.
2. Study the Board papers thoroughly and use the good offices of the Chief Executive Officer for eliciting any information at the Board Meeting.
3. Ask the chairman to furnish the Board papers and follow up reports on a definite time schedule.
4. Be familiar with the broad objectives of the bank and the policy laid down by the Government and the Reserve Bank.

5. Involve themselves thoroughly in the matter of formulation of general policy and also ensure that performance of the bank is monitored adequately at Board level.
6. Welcome all constructive ideas for the better management of the bank and for making valuable contribution.
7. Try to give as much of their wisdom, guidance and knowledge as possible to the Management.
8. Try to analyse the trends of economy, assist in the discharge of Management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the bank management.
9. Work as a team and not sponsor or be prejudiced against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.

**The directors should have attention on the following aspects of the bank's working:**

1. Compliance with monetary and credit policies of the Reserve Bank/Government.
2. Observance of Cash Reserve and Statutory Liquidity Ratio.
3. Efficient management of funds and improving profitability.
4. Compliance with guidelines on income recognition, asset classification, provisioning towards non-performing assets.
5. Deployment of funds to priority sector/weaker sections.
6. Ensure that recoveries are made promptly and overdues reduced to the minimum.
7. Review of action taken on the Reserve Bank's inspection /statutory audit reports.
8. Strengthen the internal control system and housekeeping viz. proper maintenance of books of accounts and periodical reconciliation.
9. Review on several items as prescribed by the Reserve Bank/Government.
10. Development of a good management information system.

## **Don't**

### **Directors should not:**

1. Interfere in the day-to-day functioning of the bank.
2. Involve themselves in the routine or everyday business and in the management functions.
3. Send instructions/directions to any individual officer/employee of the bank in any manner.
4. Sponsor any loan proposal, buildings and sites for bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc.
5. Approach or influence for sanction of any kind of facility.
6. Participate in the Board discussions, if a proposal in which they are directly or indirectly interested, comes up for discussions. They should disclose their interest, well in advance, to the Chief Executive Officer and the Board.
7. Sponsor any candidate for recruitment or promotion or interfere in the process of selection/appointment or in transfers of staff.
8. Do anything which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.
9. Involve themselves in any matter relating to personnel administration – whether it is appointment, transfer, posting or a promotion or a redressal of individual grievances of any employee.
10. Encourage the individual officer/employee or unions approaching them in any matter.
11. Reveal any information relating to any constituent of the bank to anyone as he is under oath of secrecy and fidelity.
12. Expected to ensure confidentiality of the bank's agenda papers/notes. The Board papers may ordinarily be returned to the bank after the meeting.
13. Directly call for papers/files/notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the meetings. All information/clarification that they may require for taking a decision should be made available by the executive.
14. Display the logos of distinctive design of the bank on the visiting card/letter head.

# **Norms to avoid Conflict of Interest of Director**

The Board of Directors in its meeting held on September 27, 2016 approved and adopted the “norms to avoid conflict of interest of director”.

A “conflict of interest” occurs when personal interest of any member of the Board of Directors and of the Core Management interferes or appears to interfere in any way with the interests of the Bank. Every member of the Board of Directors has a responsibility to the Bank, its stakeholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, it does demand that they avoid situations where a conflict of interest might occur or appear to occur. Following are the prime duties Directors related with respect to avoidance of Directors’ conflict of interest:

A duty to avoid a situation which gives rise or may give rise to a conflict of interest;

A duty to declare interests in transactions and arrangements (which must be disclosed to the board but need not be approved);

A duty not to accept benefits from third parties which are conferred on them either because they are directors or for doing (or not doing) something as a director.

Directors are expected to perform their duties in a way that they do not conflict with the Company’s interest such as:

## **1. Employment / Outside Employment**

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

## **2. Business Interests**

If any member of the Board of Directors considers investing in securities issued by the Bank’s customer, supplier or competitor, they should ensure that these investments do not compromise their responsibilities to the Bank. Many factors including the size and nature of the investment; their ability to influence the Bank’s decisions; their access to confidential information of the Bank, or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, they should disclose to the Bank any interest that they have which may conflict with the business of the Bank.

### **3. Related Parties**

As a general rule, the Directors should avoid conducting Bank's business with a relative or any other person or any firm, Company or Association in which the relative or other person is associated in any significant role. Relatives shall include:

- i. Members of HUF
- ii. Spouse
- iii. Father(including step father)
- iv. Mother (including step mother)
- v. Son (including step son)
- vi. Son's wife
- vii. Daughter (including step daughter)
- viii. Daughter's husband
- ix. Brother (including step brother)
- x. Sister (including step sister)

If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority and take prior permission from Audit Committee of the Board for such Related Party Transactions and Interested Board member(s) recusing themselves from participating in deliberations and voting on the matter is required. Any dealings with a related party must be conducted in such a way that no preferential treatment is given and deliberations should be made to analyze its impact to that party. In the case of any other transaction or situation giving rise to conflicts of interests, the Audit Committee of the Board should after due deliberations decide on its impact.