



Utkarsh Small Finance Bank

**CODE OF CONDUCT FOR THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT
PERSONNEL**



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Code of Conduct for the Board of Directors and Senior Management Personnel

1. Background

Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**") states that the board of directors shall lay down a code of conduct for all members of board of directors and senior management of the listed entity. In compliance with the aforesaid regulation, this code of conduct for the board of directors and senior management personnel ("**Code**") of the Bank has been formulated with an aim to ensure transparency and high ethical standards in managing the affairs of the Bank. The board of directors ("**Board**") and senior management personnel of the Bank are to conduct themselves so as to meet the expectations of operational transparency to the shareholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

2. Applicability

This Code would be applicable to all the directors on the Board ("**Board**") and Senior Management Personnel. Senior Management Personnel refers to those persons who are members of the Bank's core management team excluding the Board and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager, including all Key Managerial Personnel, as defined under Section 2(51) of the Companies Act, 2013, as amended (excluding the whole-time director/chief executive officer/managing director/manager of the Bank), functional and departmental heads and any other person at the discretion of the Nomination and Remuneration Committee of the Board ("**Senior Management Personnel**"). Compliance with this Code will be in addition to any other code which may be adopted by the Board from time to time, including the Code of Conduct for Senior Management, Key Managerial Personnel (KMP), Employees with Loan Sanctioning Authority, Employees directly related with sourcing/servicing Corporate or Wholesale Banking Relationships and Employees directly involved in procurement of goods and services for the Bank.

3. Code Of Conduct

The members of the Board and Senior Management Personnel of the Company should:

1. Demonstrate the highest standards of integrity, business ethics, and corporate governance.
2. Perform their roles with competence, diligence, in good faith and in the best interests of the Bank.
3. Provide expertise and experience in their areas of specialization and share learnings at the meetings of the Board with best interests of the Bank and its stakeholders in mind. They should point the Bank's management in the 'right' direction based on their experience and judgement.
4. Give careful and independent consideration to the affairs of the Bank and all documents placed before them to satisfy themselves with the soundness of key



decisions taken by the management. They should call for additional information, where necessary, for making such judgements.

5. Not engage in any business, relationship or any activity which detrimentally conflicts with the interest of the Bank or bring discredit to the Bank. Any situation that creates a conflict of interest between personal interests and the Bank and its stakeholders' interests must be avoided at all costs.
6. Follow all the guidelines put forth in the policy for prevention of insider trading adopted by the Board.
7. Not disclose any confidential / privileged information of the Bank and should direct any media queries or approaches to the appropriate spokesperson within the Bank.

As per Section 166 of Companies Act, 2013, all directors should perform the following duties:

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

In addition to the abovementioned duties, independent directors shall ensure compliance to Schedule IV of the Companies Act, 2013, the Listing regulations and any other applicable law, rule and regulation.

Directors of the Bank should perform the following duties as per the RBI Circular on Do's and Don'ts for directors dated March 9, 1992:

DOs

Director should:

1. Attend the Board meetings regularly and effectively.
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 at a definite time schedule.
4. Be familiar with the broad objectives of the Bank and the policies laid down by the Government of India and the Reserve Bank of India.
5. Involve themselves thoroughly in the matter of formulation of general policy and also ensure that performance of the Bank is monitored adequately at the 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 the economy, assist in the discharge of the management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the Bank's management.
9. Work as a team and not sponsor or be prejudiced against individual proposals. The management on its part is supposed to furnish full facts and complete papers in advance.

Don'ts

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 discussion. They should disclose their interest, well in advance, to the chief executive officer of the Bank 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. 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 management.
13. Display the logos of distinctive design of the Bank on the visiting card/letter head.

Also, as directors are expected to ensure confidentiality of the Bank's agenda papers/notes, the Board papers may ordinarily be returned to the Bank after the meeting.

Directors shall also, at all times, comply with the Reserve Bank of India's Circular on 'Fit and Proper' Criteria for Directors on the Board of Banks dated June 25, 2004 and any amendments or modifications made to the circular thereunder.

Norms to avoid Conflict of Interest situations

A "conflict of interest" occurs when personal interest or benefit of any of the directors on the Board or the Senior Management Personnel interferes or appears to interfere in any way with the interests or benefits of the Bank. Every director and Senior Management Personnel 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 acts to be undertaken by a director or Senior Management Personnel in relation to the aforesaid:

- 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/ gifts from third parties which are conferred on them either because they are directors/ senior management personnel or for doing (or not doing) something as a director/ senior management personnel.

Compliance with all laws, rules and regulations

The members of the Board and Senior Management Personnel are required to comply with all applicable laws and internal policies and procedures adopted by the Bank, to the extent applicable. In order to promote lawful and ethical behaviour, the members of the Board and Senior Management Personnel must report any violation/possible violation of law, rules, regulations or this Code in accordance with the provisions of the whistleblower policy in force



in the Bank.

Protection of the assets of the Bank

Protecting the assets of the Bank is a responsibility of the members of the Board and Senior Management Personnel. Proper use of the Bank's property, electronic communications systems, material facilities and equipment is the responsibility of the members of the Board and Senior Management Personnel and the assets are not misappropriated, sold, or taken out in any manner without appropriate authorization. The members of the Board and Senior Management Personnel shall not use the assets of the Bank for personal use, nor shall they allow any other person to misuse these assets.

Gifts, Benefits, Contributions, etc.

The members of the Board or Senior Management Personnel should not solicit services, gifts, or benefits from customers / suppliers / vendors, etc. that influence or appear to influence the person's conduct in representing it. Any business dealings should always be free from even the perception that favourable treatment was sought, received or given in exchange for gifts or favours. No cash or cash equivalent payments should be given or received. In addition, gifts must not be given to or received from public officials.

Further, all political donations, no matter how small, made on behalf of Bank, directly or indirectly, must be approved in advance by the person(s) designated to approve such donations.

The directors on the Board and Senior Management Personnel are expected to perform their duties in a way that they do not conflict with the Bank's interest such as:

Business Interests

If any member of the Board or Senior Management Personnel 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.

Related Parties

As a general rule, the directors and Senior Management Personnel 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 mean relative as defined under Section 2(77) of the Companies Act, 2013 and the rules prescribed thereunder and as per the RBI Master Circular on Loans and Advances – Statutory and Other Restrictions dated July 01, 2015 and shall include: -

- Members of HUF;



- Spouse;
- Father (including step-father);
- Mother (including step-mother);
- Son (including step-son);
- Son's wife;
- Daughter (including step-daughter);
- Daughter's husband;
- Brother (including step-brother);
- Brother's wife;
- Sister (including step-sister);
- Sister's husband;
- Brother (including step-brother) of the spouse;
- Sister (including step-sister) of the spouse.

If such a related party transaction is unavoidable, they must act as per the Related Party Transaction Policy adopted by the Bank. Any dealings with a related party must be devoid of any preferential treatment or favouritism and must be avoided altogether wherever it is likely to impact the decision in the matter in favour of such related 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.

4. Annual Affirmation With Compliance Of This Code:

All members of the Board and Senior Management Personnel of the Bank shall affirm compliance with this Code on an annual basis.

5. Amendments To The Code

The contents of this document may be changed / modified / revised, subject to the approval of the Board, by the Board or any committee of the Bank, an authorized by the Board, depending on the changing circumstances or changes in the provisions of applicable law.

6. Violations Of The Code

The Bank will take appropriate action against any director or Senior Management Personnel whose actions are found to violate the Code or any other policy of the Bank. Where the Bank has suffered a loss, it may pursue its remedies against the individuals or entities responsible.



Where laws have been violated, the Bank will cooperate fully with the appropriate authorities.

7. Website

Pursuant to Regulation 46(2) of the Listing Regulations, this Code and any amendments thereto shall be posted on the website of our Bank.

8. Disclosures

As per Regulation 4(2)(f)(i) members of board of directors and Key Managerial Personnel shall disclose to the board of directors whether they, directly or indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Bank.

A. Necessary declarations to be submitted by the Directors and Senior Management Personnel:

I. "As and when it comes to their knowledge of change of status whereby any of their relatives have become Directors or KMPs in an entity post the Bank having sanctioned/ or availing any facility, they will submit a declaration to that effect to the Bank.

AND

II. (Directors need to tick either of the two options)-

"I hereby declare that during the quarter ended < date >, there has been no change in the number of companies in which I am the Director or have substantial interest."

OR

"I hereby declare that during the quarter ended < date_>, I have also become Director/ relinquished charge as a Director and/or acquired/relinquished substantial interest in the following companies as per the details in the appended table.

Sr. No.	Name of the Company	Date when became Director	Date when acquired Substantial interest	Date when relinquished Directorship	Date when relinquished substantial interest
1.	[•]	[•]	[•]	[•]	[•]

B. Declaration to be submitted by the Directors / Senior Management Personnel by e-mail at the time of sanction of Corporate/Wholesale Banking cases:

(Directors / SMPs need to tick either of the two options)-

"I hereby declare that neither am I related to any Directors/ Key Managerial Personnel (KMP) of M/s < Name of the Prospective Borrower Entity> to whom the Bank is



considering sanction of loan/ borrowal facilities nor do I have any substantial interest therein.”

OR

- “I hereby declare that the following Directors/Key Managerial Personnel (KMP) of M/s < Name of the Prospective Borrower Entity > to whom the Bank is considering sanction of loan/ borrowal facilities are related to me:

Sr. No.	Name of the Person	Category (Directors/KMP)	Relationship with me
1.	[•]	[•]	[•]

- I further declare that I do not have substantial interest in **M/s** < Name of the Prospective Borrower Entity >

OR

- I further declare that I have substantial interest in **M/s** < Name of the Prospective Borrower Entity > and I am holding number of shares of **M/s** < Name of the Prospective Borrower Entity >
