

**AU SMALL FINANCE BANK LIMITED**

**Code of Conduct for Directors and Senior Management  
Personnel**

**Contents**

1. INTRODUCTION .....	1
2. APPLICABILITY .....	1
3. OBJECTIVES .....	1
4. DO'S & DONT'S.....	2
5. CONFLICT OF INTEREST .....	3
6. DEALINGS IN SHARES/ INSIDER TRADING .....	5
7. CONFIDENTIALITY.....	6
8. DISCLOSURE OF INFORMATION .....	6
9. APPLICABLE LAWS.....	6
10. ANNUAL COMPLIANCE REPORTING .....	6
11. AMENDMENT/ MODIFICATION/ WAIVER .....	7
12. ACKNOWLEDGEMENT OF RECEIPT OF THE CODE.....	7
13. POLICY REVIEW AND UPDATES .....	7



## 1. INTRODUCTION

This Code of Conduct (hereinafter referred to as “the Code”) has been framed and adopted by AU Small Finance Bank Limited (hereinafter referred to as “**Bank**”) in compliance with the Regulation 17 (5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 2. APPLICABILITY

The Code applies to the Members of Board of Directors (hereinafter referred to as “Board Members”) and Senior Management personnel (SMPs) of the Bank who are one level below the chief executive officer / managing director / whole time director / manager (including chief executive officer /manager, in case chief executive officer / manager not part of the board) and shall specifically include Company Secretary and Chief Financial Officer of the Bank.

The Company Secretary shall be the Compliance Officer for the purpose of this Code.

The Code shall come into force with effect from April 01, 2017 and future amendments / modifications shall take place with effect from the date stated therein.

The Code shall be available on the website of the Bank.

## 3. OBJECTIVES

The Directors/Senior Management personnel shall perform their duties in good faith and integrity while making business judgment and in the best interests of the Bank and its stakeholders. They are expected to use their best endeavors and organize the resources for advancing the Bank’s objectives.

They shall act ethically, responsibly and diligently in order to safeguard of all the stakeholders associated with the Bank and to protect the Bank’s goodwill, assets by fulfilling their fiduciary obligations.

Every Board member & Senior Management Personal shall:

- act in accordance with the highest standards of personal and professional integrity, prudence, exercise diligence and responsiveness, demonstrate excellence in quality and ethical conduct;
- act in utmost good faith and fulfil the fiduciary obligations without compromising their independence of judgment;
- act in a manner which is most conducive to the interest of the depositors, of the shareholders and of the nation as a whole;
- adopt zero tolerance approach toward bribery and corruption.
- treat Bank’s assets with due care and make use of it only for legitimate business purposes.
- commit any financial obligation on behalf of the Bank only with the prior approval from Bank.
- comply with all applicable laws, rules and regulations in true letter and spirit.

In addition to the norms as prescribed under this Code,

- the Independent Directors of the Bank shall also abide by the “Code for Independent Directors” as prescribed under Schedule IV to the Companies Act, 2013
- all directors as per the provisions of Section 166 of Companies Act, 2013 as amended, from time to time.

Please refer Annexure ‘A’ attached herewith.

Further, the Bank’s POSH policy, as applicable to all employees shall also be applicable to the Directors & SMPs of the Bank and in consonance with the provisions contained under “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013”, as amended, from time to time.

#### **4. DO’S & DONT’S**

Every Director of the Bank shall adhere to the following norms as specified by the Reserve Bank of India vide its Circular no. DBOD.No.BC.94/16.13.100/92 dated March 9, 1992, as applicable.

##### **DO'S**

- i) Attend the Board meetings regularly and effectively.
- ii) Study the Board papers thoroughly and use the good offices of the Chief Executive for eliciting any information at the Board meeting.
- iii) Ask the Chairman to furnish you with the Board papers and follow-up reports on a definite time schedule.
- iv) Involve yourself as Director on the Board thoroughly in the matter of formulation of general policy and also ensure that performance of the bank is monitored adequately at Board levels.
- v) Be familiar with the broad objectives of the bank and the policy laid down by the Government and the Reserve Bank.
- vi) All constructive ideas for the better management of the bank and for making valuable contribution would be welcome.
- vii) You must work as a team and not sponsor or be prejudice against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.
- viii) Try to give as much of your wisdom, guidance and knowledge as possible to the management.
- ix) 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.

## **DONT'S**

- i) Do not send any instruction to any individual officer of the bank or give direction to individual officer in any matter.
- ii) Do not involve yourself in any matter relating to personnel administration whether it is appointment, transfer, posting or promotion or a redressal of individual grievances of any employee.
- iii) Do not interfere in the day-to-day functioning of the bank.
- iv) Do not approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official.
- v) Do not involve yourself in the routine or every day business and in the management functions.
- vi) Do not participate in the Board discussion if a proposal in which you are directly or indirectly interested comes up for discussion. Disclose your interest well in advance to the Chief Executive.
- vii) Do not reveal any information relating to any constituent of the bank to anyone as you are under oath of secrecy and fidelity.
- viii) Directors should not send for individual officers of the bank or give directions to such officers on any matter.
- ix) You should discourage the individual employee or unions approaching you in any matter.
- x) You may indicate your directorship of the bank on your visiting card or letter heads, but the logos or distinctive design of the banks should not, however, be displayed on the visiting card/ letter head.
- xi) Directors should not 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 will be made available by the executive.
- xii) Directors are expected to ensure confidentiality of the Bank's agenda papers/notes. Ordinarily, it is suggested that by way of abundant precaution, the Board papers may be returned to the bank after the meeting.
- xiii) Do not sponsor any loan proposal, buildings and sites for bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc. Do not do anything which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.

## **5. CONFLICT OF INTEREST**

The concept of conflict of interest could be described as the convergence between an individual's private interests, obligations, relationships in his / her professional obligations to the organization such that an independent observer might reasonably question the motive, actions and outcome regarding decisions made or actions taken by the individual as a director, SMP or employee. Also, the individual, the individual's immediate family or a third party or organization in which the individual or the individual's immediate family has a business interest or association receiving any "thing of value" as a

result of decisions made, or actions taken by the individual as a director, SMP or employee of the organization.

Preventing Conflicts of Interest is an integral part to avoid conflict of Interest and reduce the likelihood of reputational damage, loss of income and/or trust and legal risks (e.g. breach of the fiduciary duties owned by the Bank to the Customer).

To prevent Conflicts of Interest, effective management depends on **Senior** management and directors being aware of organization's approach towards conflicts of interest and their responsibilities within it. Accordingly, individuals should follow below while performing their duty:

- I. shall act in conformity with applicable legal provisions, including those relating to Related Party Transactions, disclose personal and/ or financial interest in any business dealings concerning the Bank and shall declare information about their relatives (spouse, dependent children and dependent parents) including transactions, if any, entered into with them so as to enable the Board Members to take an informed decision.
- II. shall ensure compliance of the prescribed safety & environment related norms and other applicable codes, laws, rules, regulations and statutes, which if not complied with may, otherwise, disqualify him/ her from his/ her association with the Bank.
- III. act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees, the shareholders, the community and for the protection of environment.
- IV. exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- V. not involve in a situation in which the director may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- VI. not to achieve or attempt to achieve any undue gain or advantage either to director himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal to the gain accrued in the said transaction(s) to the Bank.
- VII. not to assign his office and any assignment, if so made shall be void.
- VIII. shall maintain and help the Bank in maintaining highest degree of Corporate Governance practice.
- IX. shall ensure to use the Bank's assets, properties, information and intellectual rights for official purpose only or as per the terms of appointment.
- X. shall not seek, accept or receive, directly or indirectly, any gift, payments or favour of any kind from Bank's business associates, which can be perceived as being given to gain favour or dealing with the Bank.
- XI. Shall maintain confidentiality of information entrusted or acquired during performance of their duties and shall not use it for personal gain or advantage.

- XII. Shall not commit any offences involving moral turpitude or any act contrary to law or opposed to the public policy
- XIII. shall not communicate with any member of press or publicity media or any other outside agency on matters concerning the Bank, except through the designated spokespersons or authorized otherwise.
- XIV. Board members shall not without the prior approval of the Nomination and Remuneration Committee accepts employment or a position of responsibility with any other organization for remuneration or otherwise that is prejudicial to the interests of the Bank and shall not allow personal interest to conflict with the interest of the Bank.
- XV. Senior Management Personnel shall not accept employment or a position of responsibility with any other organization for remuneration or otherwise that is prejudicial to the interests of the Bank and shall not allow personal interest to conflict with the interest of the Bank.
- XVI. Managing Director & CEO of a Bank shall not be Director of any company except from being a Director of a subsidiary of the Banking Company or a Director of a company registered under Section 8 of the Companies Act, 2013 or partner of any firm which carries on any trade, business, or industry or Director, manager, Managing agent, partner, or proprietor of any trading, commercial or industrial concern and shall not be engaged in any other business or vocation in compliance of Section 10B (4b) of Banking Regulations Act,1949.
- XVII. Every Director of the Bank shall on his / her appointment / re-appointment and on an annual basis or pursuant to any changes in the disclosure(s) already made, disclose to the Bank, the list of entities where he / she holds substantial interest. Substantial Interest shall mean as defined under Section 5 (ne) of the Banking Regulation Act, 1949:
  - i. in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid up on which exceeds five lakhs of rupees or ten percent of the paid-up capital of the company, whichever is less;
  - ii. in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm.
- XVIII. Every Director of the Bank shall confirm whether he/she attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013. **Please refer Annexure 'B' attached herewith**

## **6. DEALINGS IN SHARES/ INSIDER TRADING**

The Board Members & Senior Management Personnel shall not deal in securities of the Bank either on their own or on behalf of any other person while in possession of any unpublished price sensitive information or communicate, provide or allow access, counsel or procure, directly or indirectly any unpublished price sensitive information to any other person except the same is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. The Board Members &

Senior Management Personnel need to comply with the Bank's 'Code of Conduct- Prohibition of Insider Trading Policy', processes made there under and any amendments thereof as applicable to them.

## **7. CONFIDENTIALITY**

All Board Members shall maintain confidentiality of competitive or confidential or price sensitive information relating to Bank which the director may access in the ordinary course of their dealings with the Bank and ensure that such information should not use or communicate for any direct or indirect commercial gains.

Board members and & Senior Management Personnel shall not accept any offer, payment, promise to pay, or authorization to pay any money, gift, or anything of value from customers, suppliers, stakeholders, etc. that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commission of fraud, or opportunity for the commission of any fraud.

## **8. DISCLOSURE OF INFORMATION**

Senior Management officials of the Bank shall initiate all actions which deemed necessary for proper dissemination of relevant information to the Board of Directors, Auditors and other Statutory or Regulatory Authorities, as may be required by applicable laws, rules and regulations.

Board members and Senior Management officials shall safeguard the interest of Bank, maintain confidentiality of information and business plans, and respect the confidential information of the other parties with which the Bank does business.

The director(s) shall disclose to the Board all the necessary disclosures as required under the provisions of the Companies Act, 2013, SEBI Listing Regulations, SEBI (Prohibition of Insider Trading) Regulations, 2015 and the Regulations/Guidelines issued by Reserve Bank of India ("RBI"), from time to time.

The Bank shall make full, fair, accurate & timely disclosures in periodic reports required to be filed with Government/regulatory authorities viz., RBI, SEBI, Stock Exchanges, MCA, etc.

## **9. APPLICABLE LAWS**

The Directors and Senior Management Personnel must comply with applicable laws, regulations including Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, rules and regulatory orders in compliance of Regulation 17(5) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Schedule IV read with section 149(8) of the Companies act 2013 and RBI Circular no. DBOD.No.BC.94/16.13.100/92 dated March 9, 1992 and other guidelines as applicable. They should report any inadvertent non-compliance, if detected subsequently, to the concerned authorities. They should affirm compliance with this Code on an annual basis.

## **10. ANNUAL COMPLIANCE REPORTING**

Board Member and Senior Management personnel shall affirm compliance with this Code on an annual basis as at the end of each financial year of the Bank (as per required format within 15 days of the close of every financial year).

#### **11. AMENDMENT/ MODIFICATION/ WAIVER**

This code may be amended/ modified/waived by the Board as may be deemed necessary in the interests of the Bank and subject to the provisions of applicable laws, regulations or guidelines.

#### **12. ACKNOWLEDGEMENT OF RECEIPT OF THE CODE**

Each Board Members and Senior Management personnel shall acknowledge receipt of the Code including annexures or any modification(s) thereto.

#### **13. POLICY REVIEW AND UPDATES**

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

**Annexure-A**

**CODE OF INDEPENDENT DIRECTORS IN COMPLIANCE TO SCHEDULE IV AND SECTION 149(8) OF THE COMPANIES ACT 2013.**

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

<b>Guidelines of professional conduct</b>	<p>An independent director shall:</p> <ul style="list-style-type: none"> <li>i. uphold ethical standards of integrity and probity;</li> <li>ii. act objectively and constructively while exercising his duties;</li> <li>iii. exercise his responsibilities in a bona fide manner in the interest of the company;</li> <li>iv. devote sufficient time and attention to his professional obligations for informed and balanced decision making;</li> <li>v. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;</li> <li>vi. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;</li> <li>vii. refrain from any action that would lead to loss of his independence;</li> <li>viii. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;</li> <li>ix. assist the company in implementing the best corporate governance practices.</li> </ul>
<b>Role and functions</b>	<p>The independent directors shall:</p> <ul style="list-style-type: none"> <li>i. 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;</li> <li>ii. bring an objective view in the evaluation of the performance of board and management;</li> <li>iii. scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;</li> <li>iv. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;</li> <li>v. safeguard the interests of all stakeholders, particularly the minority shareholders;</li> <li>vi. balance the conflicting interest of the stakeholders;</li> </ul>

	<ul style="list-style-type: none"> <li>vii. 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;</li> <li>viii. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.</li> </ul>
<b>Duties</b>	<ul style="list-style-type: none"> <li>i. Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Bank;</li> <li>ii. 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;</li> <li>iii. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;</li> <li>iv. participate constructively and actively in the committees of the Board in which they are chairpersons or members;</li> <li>v. strive to attend the general meetings of the Bank;</li> <li>vi. 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;</li> <li>vii. keep themselves well informed about the Bank and the external environment in which it operates;</li> <li>viii. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;</li> <li>ix. 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;</li> <li>x. 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;</li> <li>xi. report concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy;</li> <li>xii. acting within their authority, assist in protecting the legitimate interests of the Bank, shareholders and its employees;</li> <li>xiii. 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.</li> </ul>

**DUTIES OF DIRECTORS: UNDER SECTION 166 OF THE COMPANIES ACT, 2013**

All Directors of the Bank shall –

- i. Subject to provisions of the Act, shall act in accordance with the Articles of the Bank.
- ii. act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees, the shareholders, the community and for the protection of environment.
- iii. exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- iv. not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- v. not achieve or attempt to achieve any undue gain or advantage either to himself or to his 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.
- vi. not assign his office and any assignment so made shall be void.

**Annexure- B - Disqualifications for appointment of Director - Section 164 of the Companies Act, 2013**

(1) A person shall not be eligible for appointment as a director of a company, if —

- (a) he is of unsound mind and stands so declared by a competent court;
- (b) he is an undischarged insolvent;
- (c) he has applied to be adjudicated as an insolvent and his application is pending;
- (d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

- (e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- (f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- (g) he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
- (h) he has not complied with sub-section (3) of section 152.
- (i) he has not complied with the provisions of sub-section (1) of section 165.

(2) No person who is or has been a director of a company which—

- (a) has not filed financial statements or annual returns for any continuous period of three financial years; or
- (b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more,

**Annexure-C**

**Declaration on Code of Conduct**

**To,  
The Company Secretary & Compliance Officer,  
AU Small Finance Bank Limited ("the Bank")  
19-A Dhuleshwar Garden - Ajmer Road,  
Jaipur - 302001**

**Sub: Declaration confirming compliance with the Code of Conduct for Directors and Senior Management Personnel**

I, <Name & Designation> of the Bank do hereby acknowledge and affirm the compliance of Code of Conduct for Directors and Senior Management Personnel of the Bank as laid down by the Bank under Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the Financial Year <>, to the best of my knowledge and belief.

Signature

**Name**

**Designation:**

**Place:**

**Date:**