

AU CODE OF CONDUCT FOR EMPLOYEES

Contents

CODE OF CONDUCT.....	4
POLICY OWNER	Error! Bookmark not defined.
ELIGIBILITY.....	4
PURPOSE	4
DETAILS	5
1. Principles guiding the Code of Conduct.....	5
2. Objectives of the Policy.....	6
3. Governance Structure.....	7
3.1 Chief Vigilance Officer (CVO)	7
3.2 Immediate supervisor/ skip level supervisor	7
4. Usage of the Bank’s Resources & Assets	7
5. Acts of Financial Impropriety.....	7
6. ACTS OF NON-FINANCIAL IMPROPRIETY	8
7. GENERAL GUIDELINES FOR PROFESSIONAL CONDUCT.....	8
A. ATTENDANCE & PUNCTUALITY	10
B. GROOMING GUIDELINES	10
C. SMOKING, DRUGS AND ALCOHOL POLICY	12
D. AUDIT & INVESTIGATION.....	13
E. HEALTH, SAFETY & ENVIRONMENT	13
F. GIFTS FROM BUSINESS ASSOCIATES	13
G. COMPLIANCE WITH LAW AND REGULATIONS.....	15
H. OUTSIDE EMPLOYMENT	15
I. ANTI-BRIBERY AND CORRUPTION.....	16
J. PROPER ACCOUNTING.....	16
K. COMMUNITY VOLUNTEERING AND POLITICAL ACTIVITIES	16
L. HANDLING BUSINESS OPPORTUNITIES	16
M. AU VENDORS & BUSINESS ASSOCIATES.....	17
N. FAIR COMPETITION	17

8. Privacy/Confidentiality & Intellectual Property.....	17
8.1 Proprietary and Confidential Information	17
8.2 Privacy of Employee Information.....	18
8.3 Confidentiality, Security & Intellectual Property	18
9. Disciplinary procedures.....	20
Corrective Action	21
Annexure 1 – Code Of Conduct Violations.....	22
10. Complaint Filing Process	24
11. Consequence Management.....	25
Adequate Internal Communication	26
Deviation	26
Communication and Implementation of the Policy.....	27
12. Zero Tolerance Policy.....	27

CODE OF CONDUCT



ELIGIBILITY

The policy is applicable to all employees of the AU Small Finance Bank (hereon referred to as Bank or AU).

This policy is also applicable to the all the Subsidiaries and the outsourcing vendors of AU Small Finance Bank.



PURPOSE

1. The purpose of this policy is to set out guidelines for
 - our employees, or those who work with us
 - our customers
 - our financial stakeholders
 - our joint-venture partners or other business associates
 - the communities and the environment in which we operate
 - our value-chain partners, including suppliers and service providers, distributors, sales representatives, contractors, channel partners, consultants, intermediaries, and agents
2. In this Code, 'we' or 'us' means AU SMALL FINANCE BANK LIMITED (hereinafter referred to as 'AU or Bank'), our officers, employees and those who work with us, as the context
3. This Code sets out our expectations of all those who work with us. We also expect those who deal with us to be aware that this Code underpins everything we do, and to work with us they need to act in a manner consistent with it
4. AU expects all its employees and officers to act in accordance with high professional and ethical standards. Must be, and be seen to be, committed to integrity in all aspects of your activities and comply with all applicable laws, regulations, and internal policies
5. While covering a wide range of business practices and procedures, these standards cannot and do not cover every issue that may arise, or every situation where ethical decisions must be made, but rather set forth key guiding principles that represent the Bank's policy.

This Code of Conduct attempts to set forth the guiding principles and values on which the Bank's employees shall operate and conduct its business with its multitudinous stakeholders, government, regulatory agencies, media and anyone else with whom they are connected or interact. The Bank recognizes that maintaining the trust and confidence of all its stakeholders is crucial to its continued growth and success. The Code sets the standards to be adopted by all staff and employees of the Bank.

The Bank will function or perform its activities in accordance with the below mentioned values and will emphasize on inculcating them among its stakeholders:

- Act honestly, diligently and in good faith & integrity in all its dealings with and for the Bank
- Not use any confidential information obtained in the course of its official duty, whether from the Bank or otherwise, for personal gain or use/ allow the use of such information for the financial benefit for any other person
- Not engage in any business, relationship, or activity, which might detrimentally conflict with the interest of the Bank
- Conduct its business in a professional, polite, ethical, honest, and respectful manner
- Encourage the zero-tolerance approach to bribery and corruption in the dealings of the Bank as per the Anti-Bribery and Corruption Policy of the Bank and abide by all applicable laws & regulations including the Bank's Prevention of Insider Trading Code
- Not share any information regarding the Bank, its business and/ or affairs with media without the prior approval as defined in the Communication Policy
- Not use its status to seek or accept any personal gains or favours from those doing or seeking to do business with the Bank or from other employees of the Bank
- Abide by and comply with all applicable laws and regulations including the Bank's Prevention of Insider Trading Code.

Each of us is responsible for our behavior. This accountability reinforces our commitment to one another, our shareholders, our customers, our business partners, and the communities in which we do business. If you are a manager, you are responsible for ensuring that those who report to you understand and act in compliance with the Code.

The Code provides clear statement of the conduct expected of every colleague around the world, but it is not intended to be a summary of all AU policies, procedures or laws that apply to our business, nor does it address every situation we might encounter in our firm. There can be no substitute for our good judgment and common sense. We must avoid conflicts of interest and always ensure we are protecting all our information and following data privacy laws and regulations.

The Bank has a **Zero Tolerance** approach with respect to any breach of the Code of Conduct and all complaints of breaches shall be investigated and suitable action will be taken if the allegations are found to be correct.



DETAILS

1. Principles guiding the Code of Conduct

The principles based on which the above values have been derived by AU Dharma, are outlined below:

1. **Customer focus:** - Bank strives to be focused on the needs of Audit Committee & Senior Management by providing them assurance on the effectiveness and existence of the controls.

2. **Work hard and look for details:** - Bank strives to work hard, go beyond boundaries, and keep an eye for detail to ensure that all important areas get covered as a part of audit coverage.
3. **Responsibly entrepreneurial:** - Bank believes in taking ownership and accountability of what it does to provide value to the organization.
4. **Bias for action:** - Bank understands and recognizes the importance of work it does and believes in delivery with value. Bank always prioritizes the key deliverables to meet the deadlines.
5. **Integrity:** - Bank believes in being fair in all dealings, highlighting the deficiencies that add value to the organization and deliver on the promises to the Board and the Audit Committee. Bank also believes in 'no compromise' with important deliverables and 'zero tolerance' for any acts that may not be in the interest of the organization.
6. **Nurture talent & succeed together:** - Bank believes in grooming talent in the audit function to have wide gamut of knowledge across business verticals, encourage open exchange of ideas and seek feedback for improvement.
7. **Communication:** Bank encourages clear and consistent communication that leads to holistic perspective & better solution and helps AUites communicate effectively within the organization. This plays a vital role in resolving conflicts and preventing potential ones from arising.

2. Objectives of the Policy

The key objectives of the Code of Conduct are:

- To establish professional business standards and ensure adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships;
- To provide full, fair and accurate disclosures in the periodic reports required to be filed by the Bank with its stakeholders
- To ensure compliance with applicable laws, rules and regulations;
- To address misuse or misappropriation of the Bank's assets and resources;
- To retain the highest level of confidentiality of customer information and promote fair dealing within and outside the Bank;
- To prescribe procedures to be followed in case of conflicts of interest or in case of receipt of gifts or insider trading;
- To define the disciplinary procedures and reporting in case of violations or deviations from the policy;
- To focus on customer centricity, convenience to customers, appropriate governance and controls and sustainable growth while adhering to the Code of Conduct.

While this Code covers a wide range of business practices and procedures, these standards cannot be deemed to cover each and every procedure. If the Bank's employees face any situation wherein, they face a legal, moral or ethical dilemma in which there is no specified action to be taken, they may approach their regional HR representatives, or their senior authorities as elaborated in this policy document.

3. Governance Structure

This Code defines the culture across the Bank on the manner of conduct of employee behaviour with any of the stakeholders. To drive this culture, the Bank will have a mechanism for disciplinary actions and procedures at three levels viz. the Disciplinary Committee at the Board level, the Chief Vigilance Officer and immediate supervisor/ skip level supervisor at department level. Depending on the severity of the violation, the forum will be decided. The indicative list of misbehaviour or violations has been covered in Annexure 1.

3.1 Chief Vigilance Officer (CVO)

The Chief Vigilance Officer will review all the cases which classify as irregularities in high-risk areas, fraudulent irregularities, or gross violations of the Code. The officer may take appropriate disciplinary measures as elaborated in this policy as deemed fit considering the type and impact of the misbehaviour of the employee.

3.2 Immediate supervisor/ skip level supervisor

With respect to habitual irregularities of minor misconducts, the immediate supervisor may give an oral warning if it is the first or the second instance of misbehaviour. If the misbehaviour is repeated for the third time, then the skip level supervisor will give an oral warning. Beyond two instances of misbehaviour, the skip level supervisor will initiate necessary disciplinary action against the erring employee.

4. Usage of the Bank's Resources & Assets

Employees are responsible for all the properties issued to them by the Bank or made accessible to them to carry out their duties properly including but not limited to intellectual property, physical property, proprietary information, supplier information, equipment, computer systems, software etc.

Colleagues must comply with AU's policies and safeguard all firm assets from loss by theft, carelessness, misuse, or waste. AU's assets are only to be used for authorized business. They are not to be used for personal purposes or in support of a non-AU business or activity. Some assets, such as telephones or computers, may be used for limited personal purposes in accordance with AU policies, provided such use is appropriate, minimal and does not interfere with job performance. As permitted by law, AU reserves the right to monitor communications made using AU's assets. Colleagues should have no expectation of privacy when using AU assets. If any employee is found to have misused the Bank's resources/ assets, he/ she will be liable for enquiry and disciplinary action up to and including separation and return of asset.

5. Acts of Financial Impropriety

The policy as stated in the objective, deals with consequences arising due to financial and non-financial improprieties arising out of non-compliance to Code of Conduct.

The term '**Financial Impropriety**' refers to the intentional act involving the use of deception to obtain an unfair, unethical or illegal benefit by one or more individuals in the employment of the Bank (permanent

or otherwise) or by a third-party including **Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate**.

The following acts of financial impropriety have been identified which may result in direct or indirect financial loss to the business and interests of the Bank. The list is indicative and not exhaustive:

- Failure in financial reporting involving intentional misstatements of disclosure of information
- Misappropriation of assets
- Loss of business due to deliberate and malaise actions of an employee or a third party
- Illegal gratification with or without excess cost of the Bank
- Bribery, corruption & kickbacks
- Abuse of position & authority to gain personal benefit with or without loss to the Bank

These acts are categorized under four major heads: -

- Violation of Code of Conduct.
- Violation of Bank's policy / guidelines.
- Negligence of duty towards Code of Conduct.
- Misreporting / non-reporting of critical information

As stated in the policy, non-compliance is defined as the following: -

- Violation of established policies, processes and procedures
- Any exceptions identified through audit as against the self-certification submitted by respective employee which points towards false information/certification/details

6. ACTS OF NON-FINANCIAL IMPROPRIETY

A certain standard of conduct is expected from every employee and all employees are required to treat their colleagues (irrespective of age or seniority) and others whom they interact with for official purposes with dignity and mutual respect.

Non-Financial Impropriety includes (indicative and not exhaustive) abusive behavior at work to colleagues and others, discrimination, harassment, threats, use of abusive language in written or oral communication and discrimination based on gender, region, community, religion or ethnic group etc.

7. GENERAL GUIDELINES FOR PROFESSIONAL CONDUCT

- Employees are expected to consistently maintain discipline, punctuality, courtesy, a respectful demeanor and good working relationships

- Any behavior which contradicts the above, or can be categorized as insubordination, unlawful, disruptive behavior, negligence of work, theft, fraud, activities that hamper productive work etc., is discouraged. This is an indicative and not an exhaustive list
- Excessive and loud talking should be avoided at all times
- Personal telephone calls should stem from necessity or emergencies; telephone calls of a personal nature should be kept strictly to the minimum
- Employees must refrain, except as courtesy requires, from interrupting their work, to attend to personal work in the Bank premises during working hours
- Employees should treat every individual (sub-ordinates, colleagues, business associates, customers) with respect and dignity. Insulting, bad mouthing etc. are strictly discouraged and deemed unacceptable work behavior

Employees should deal with each individual (sub-ordinates, colleagues, business associates or customers) fairly without any prejudices or biases. Merit is the sole criteria for all actions/ decisions towards employees.

In official as well as personal capacity, employees should not indulge in any action/ behaviour that are:

- Illegal or immoral; or violates any law; or
- Indicative of personal indiscretion; or
- Socially unacceptable; or
- Not in line with the organization's policies, processes and manuals.

Employees are expected to ensure that their conduct is such that the Bank's reputation is upheld and not compromised.

The Bank is committed to providing a work environment that fosters cooperation, professionalism and teamwork among co-workers. The Bank requires that every employee will respect the rights and dignity of all employees without any prejudice to any race, colour, religion, national origin, sex, disability or other characteristics protected by law.

AU covers a wide range of Code of Conduct as mentioned below:

- A. Attendance and Punctuality
- B. Grooming Guidelines
- C. Smoking, Drugs & Alcohol
- D. Audit and Investigations
- E. Health, Safety & Environment
- F. Gifts from Business Associates
- G. Compliance with Laws & Regulations
- H. Outside Employment

- I. Anti-Bribery and Corruption
- J. Proper Accounting
- K. Community Volunteering & Political Activities
- L. Handling Business Opportunities
- M. AU Vendors and Business Associates
- N. Fair Competition

A. ATTENDANCE & PUNCTUALITY

- Regular attendance and punctuality are a must for all the employees at AU
- Tardiness and absenteeism are important factors when considering employees for salary increases, promotions and bonuses
- Employees are expected to comply with the working hours and maintain a good attendance record so that the Bank can plan and conduct its business with little or no disruption
- Employees are responsible for regular attendance and punctuality. This means that all employees are expected to be at their workstations on each working day, in accordance with the hours of work established by the Bank
- If an employee expects to be late or absent from work, for a justified reason, the employee must notify his supervisor
- Employees may not leave their workstations during normal working hours for personal reasons other than with prior approval of their Supervisor/ Branch or Department Manager
- Any absence, for a period of one working day or more will be treated as misconduct when that has not been pre-approved by an employee's immediate manager, nor has it (the absence) been notified to the manager at the start of the first working day of absence. Hence, the employee will be liable for disciplinary action
- When an employee is absent without justification and does not notify the Bank, the immediate supervisor shall make an effort to contact the errant employee
- Immediate line managers are responsible for counseling their staff whose attendance has been unsatisfactory or where a problem appears to be developing and should focus on ways to correct the situation, emphasizing that the problem must be resolved

B. GROOMING GUIDELINES

- Employees should be dressed appropriately for the business and for their position in particular
- AU expects its employees to dress appropriately and reflect a sense of respect for their customers, public, colleagues and superiors. A professional appearance is deemed extremely important by the Bank
- Unkempt appearance and unprofessional attire are unacceptable

MEN

All male employees of the Bank are required to dress formally on all official working days except Saturdays.

Guidelines

1. Suits: Dark colored or Khaki suits or blazers. Bright color and fancy looking suits and blazers are to be avoided
2. Shirts: Light Colored Shirts like – white, off white, cream, pastel shades, light shades of Blue, Pink etc. are acceptable. Dark shades like – Black, Dark Grey, Red, etc. are to be avoided
3. Trousers: Formal trousers in dark colour shades like Black, Grey, Blue, Brown and Dark Khaki. Trousers in odd colors are to be avoided
4. Winter Wear: During winter, employees may opt for plain sweaters or sober color formal jackets/ tweeds. Casual Jackets are not allowed
5. Ties: All men are expected to wear ties. Ties should be simple and should not be loud with crazy prints or design. Wearing of tie is not mandatory for employees of 'C and below' category branches/ Operations/ IT or similar noncustomer facing roles
6. Belts and Shoes: Employees are expected to wear formal belts and shoes in either black or brown colour. The belt and shoes colour should be coordinated and shoes should be polished. Boots, sneakers, moccasins, and casual shoes are not allowed
7. Socks: One is expected to maintain hygiene and wear clean socks matching the color of shoes or trousers. White socks or bright patterned socks should be avoided
8. On Saturdays, employees can wear semi-formal solid color -collared T-shirts. These T-shirts should not have slogans or prints on them. Employees can also wear AU Small Finance Bank T-Shirt (provided by company), paired with jeans or casual trousers. Torn pattern jeans, worn out jeans, jeans with embroidery etc. are not acceptable. Casual shoes may be worn. Floaters, crocs, slippers & sandals are not allowed. If an employee is unable to match the required Saturday dress code, one should opt for regular formal attire instead of experimenting with flashy or casual clothes
9. Male employees should have neat haircut. Male employees should preferably be clean shaved. If at all male employees choose to have beards, beards should be short and neatly trimmed
10. Hygiene needs to be maintained at all levels, one is expected to wear clean clothes and hair & nails should be neatly cut and managed

WOMEN

All female employees of AU Small Finance Bank are expected to wear formal dressing as accepted in Indian Culture.

Guidelines

1. Saree, salwar suit or salwar kameez is an acceptable professional outfit at the Bank, provided the color, type and style is appropriate for working environment. One should avoid loud colors or festive heavy clothes with loud embroidery or embellishments
2. Western Wear: Female employees may opt for formal shirt and trousers or knee length or longer formal skirts. The color of skirt should be dark, and design should be formal.
3. Casual Wear: On working Saturdays, female employees may opt for formal shirt, block colored collared T-Shirt, AU Small Finance Bank brand T- Shirt (provided by the Bank) paired with jeans (not torn pattern or with embroidery) skirt
4. Jewelry and Accessories: Female employees of the Bank are expected to wear simple and minimal jewelry at work
5. Footwear: Female employees are expected to wear appropriate formal footwear. Flip-flops and slipper patterned foot wear should be avoided
6. Hair should be neat and tidy at all times. Headscarves worn for religious purposes are permitted.
7. Nails should be of appropriate length, filed neatly and if painted, then with light and sober colors.

Other Grooming Guidelines

- All employees are supplied with an employee Identity Card which must be worn and visible at all times during official working hours
- Visible tattoos are to be discouraged and, where present, should not be offensive to others. Where they are deemed to be offensive they should be appropriately covered
- Facial/body piercing (except nose and ear piercing for females) is not permitted and must be removed before coming on duty. Men are recommended not to wear ear studs

C. SMOKING, DRUGS AND ALCOHOL POLICY

- AU Small Finance Bank operates in a no smoking environment
- Smoking is allowed only in designated areas outside the building
- Employees should minimize disruption to their work by limiting their smoking breaks
- Drugs and alcohol are prohibited at work. It impairs performance and is a serious threat to health, safety, environment and productivity
- It is strictly prohibited to be at work whilst impaired by drugs or alcohol
- The illicit use of legal drugs or the use, possession, distribution, or sale of illegal drugs on AU business or work location is strictly prohibited
- In case any employee is sure that another employee uses legal drugs illicitly or uses, possesses, distributes, or sells illegal drugs inside AU premises, he/ she should inform his/ her manager and the HR team immediately to take necessary action
- Failure to comply with the above will lead to disciplinary measures which could include dismissal

D. AUDIT & INVESTIGATION

Employees must cooperate and comply with the requirements of any internal or external audit or investigation. There should be no purposeful concealment of information from the Bank's internal and external auditors or the Bank's lawyers whose specific enquiries should be answered to the best of the employee's knowledge.

Further, if at any time an employee is involved in any legal proceedings, he/ she should immediately bring this to the notice of their reporting manager and the HR department who should then inform the Senior Management, if required. Senior Management of the Bank must be informed at all times on matters which might be considered sensitive in preserving the Bank's reputation. Concealment may be considered as a signal that the Bank's policies and procedures can be ignored and such conduct cannot be tolerated.

Any attempt to withhold information, sabotage or otherwise interfere with an investigation may be subject to disciplinary action. All investigations are confidential matters and employees are not allowed to discuss any aspect of an investigation, even the fact that an investigation is being conducted, with any person other than the Senior Management, the HR Department and their Reporting Manager, if required.

E. HEALTH, SAFETY & ENVIRONMENT

- AU Small Finance Bank will provide information to employees about workplace safety and health issues through regular internal communication such as training sessions, team meetings and bulletin board postings
- Each employee is expected to obey safety rules and exercise caution and common sense in all work activities. Employees must immediately report any unsafe conditions to their manager
- Employees who violate safety standards, cause hazardous or dangerous situations, fail to report or remedy such situations, may be subject to disciplinary action including termination of employment
- In the case of an accident that results in injury, regardless of how insignificant the injury may appear, employees should notify their immediate manager and the HR Department

F. GIFTS FROM BUSINESS ASSOCIATES

Gifts, payments, business courtesies, favors and entertainment may be given to stakeholders at the Bank's expense only if they meet all of the following criteria:

- They are consistent with customary business practices
- They are not in contravention of applicable law
- Public disclosure of the facts will not create the appearance of impropriety or embarrass either the Bank or the employee.

Permissible exceptions include offering Bank's advertising or promotional items such as a calendar or similar item displaying the Bank's logo and name, and providing modest hospitality in connection with business activities.

An employee should never use personal funds or resources to do something that cannot be done with Bank's resources. In no case, shall a bribe be garbed as a payment, gift or business courtesy. In case of

doubt whether a particular article is an eligible gift, approval from the Chief Compliance Officer shall be taken.

Employees may offer business courtesies to customers, provided the following four conditions are met:

- The business courtesy does not violate any law or regulation or known policy of the customer.
- The business courtesy is customary and consistent with the business practices of the marketplace in which it is offered.
- Approval at an appropriate level is obtained.
- The business courtesy is properly reflected on the books and records of the Bank.

POLICY ON RECEIPT OF GIFTS

As a rule, the Bank's employees shall not accept valuable gifts, entertainment or incentives from current or prospective customers or suppliers. All business courtesies offered to and accepted by the Bank employees are courtesies that belong to the Bank. In no case shall an employee accept any gift which is in the nature of a bribe. Employees do not have a right to keep a business courtesy for personal use.

When offered a business courtesy, employees should determine whether it is appropriate to accept the courtesy on behalf of the Bank after considering why is it being extended and possible repercussions of acceptance.

Employees shall neither seek nor accept for themselves or others any gifts, favours, business courtesies or entertainment without a legitimate business purpose, nor seek or accept loans (other than conventional loans at market rates from lending institutions) from any person or business organization that does or seeks to do business with, or is a competitor of the Bank.

Employees who award contracts or who can influence the allocation of business, who create specifications that result in the placement of business, or who participate in negotiating contracts must be particularly careful to avoid actions that create the appearance of favouritism or that may adversely affect the Bank's reputation.

Employees should avoid a pattern of accepting frequent courtesies from the same persons or companies.

Acceptance and disposal of any gift / business courtesy has to be in line with the requirements of this code. The Bank shall internally define a limit for acceptance of gifts up to a limit of Rs 1100/-.

In unavoidable circumstances, an employee can accept a business courtesy when acceptance of the courtesy:

- Is usually associated with customary business practices.
- Promotes successful working relationships and goodwill with persons or firms with whom.
- If such courtesy is not in the nature of a bribe
- Is not from a prospective customer of the Bank
- Is not for the purpose of obtaining or retaining business or for influencing the decision or action of the employee in favours of the person giving the gift

- Does not create conflict of interest of divided loyalty, such as placing the interests of the person at the time it is offered.

If the employee has accepted any gift or business courtesy on account of the above, the employee shall submit the gift to the Head Office in case of functional departments/Zonal Offices in the case of branches. In case of any perishable items received as gifts, the employees shall distribute such gifts within the branch/department.

The following actions by employees would be completely unacceptable:

- Asking for a business courtesy.
- Accepting a business courtesy when:
 - An attempt is being made by the donor to offer the courtesy in exchange for or to influence, favorable action by the Bank.
 - An attempt is being made to motivate an employee to do anything that is prohibited by law, regulations, or the Bank.
 - An attempt is being made to gain an unfair competitive advantage by improperly influencing an employee's discretionary decisions.
 - Using the Bank's name as a means of obtaining business courtesies, such as personal discounts (on products, services, or other items). Employees may accept Banks approved discounts or discounts available to all Banks' employees.
- Accepting offers of expense-paid leisure trips from persons or firms with whom the Bank maintains or may establish a business relationship.
- Accepting a gift in cash or cash equivalents of any amount.

Employee shall ensure that they should abide by the rules and conditions framed under Anti-Bribery & Anti-Corruption Policy of the Bank

G. COMPLIANCE WITH LAW AND REGULATIONS

The Bank strives to be in strict compliance with all the Laws and Regulations of India that may be applicable to its business.

Responses to regulatory information requests should be completed accurately within the agreed time frame as per the internal policy guidelines and external regulations and must be safeguarded for delays, if any, by keeping the internal and external authorities in the loop. Your manager should be kept informed of any such request of information.

In some instances, Laws and Regulations may be ambiguous and difficult to interpret. To this end, the Bank has access to legal advice and employees are expected to seek advice as is necessary in complying with this policy of observance of all Laws and Regulations through proper channels.

H. OUTSIDE EMPLOYMENT

All employees should devote their full attention, knowledge, and skills exclusively to the business interests of the Bank. Employees are specifically prohibited from and shall cease engaging in any outside employment or business activities which shall interfere with their ability to devote their full attention to fulfilling their obligations to the Bank.

Employees who have any outside employment or business activities e.g. in the form of directorship, proprietorship, partnership, etc. must declare it to the Bank in writing at the time of joining the Bank. Employees are not permitted to become Directors or Officials of a business organization without first obtaining a written approval from the Bank.

The Bank reserves the rights and shall have the sole and full discretion, at any point in time, to disallow such outside employment or business activities.

I. ANTI-BRIBERY AND CORRUPTION

AU Small Finance Bank take a zero-tolerance approach to bribery and corruption and are committed to act professionally, fairly and with integrity in all our dealings wherever we operate. We are also committed to implement and enforce effective systems to counter bribery.

As per AU Small Finance Bank, Bribe is offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an Official in the discharge of his or her public or legal duties. A bribe can consist of immediate cash or of personal favors, a promise of later payment, or anything else the recipient views as valuable.

J. PROPER ACCOUNTING

Compliance with accepted accounting norms and controls is expected at all times. The Books of Account, budget proposals, financial evaluations and the like must truly reflect the transaction they are purported to record in accordance with the Bank's internal guidelines and external regulations including the International Accounting Practices and Methods.

K. COMMUNITY VOLUNTEERING AND POLITICAL ACTIVITIES

AU Small Finance Bank encourages its employees to participate in community volunteering and charitable activities as part of the Bank's social responsibility. Employees may volunteer for community activities and support the political party or candidate of their choice as long as involvement in these activities does not impact their ability to devote their full attention to fulfilling their obligations to AU Small Finance Bank.

Further, such participation and service will only be deemed acceptable if business relationship between the Bank and the organizations undertaking such activities would not be prohibited or limited because of statutory or administrative requirements or a conflict of interest. Employees are neither permitted to use AU's name in connection with any political neither campaigning nor use AU funds for political purposes.

L. HANDLING BUSINESS OPPORTUNITIES

Employees shall not accept personal fees or commission in connection with any transaction on behalf of the Bank. Further, employees should not divert business from the Bank for a personal benefit. Any employee found indulging in these activities will be liable to strict disciplinary action including termination.

M. AU VENDORS & BUSINESS ASSOCIATES

AU Small Finance Bank discourages the practice of using any Bank relationships for personal requirements. Employees must award orders, contracts and commitment to suppliers without favoritism/ prejudice, all other things being equal. Bank business of this nature must be considered strictly on the basis of merit. Further, employees should take it as their personal responsibility to avoid engaging in situations that may lead to or involve a conflict of interest. They should at all times ensure that their dealings with suppliers, business associates and contractors do not place them in a position of obligation which may lead to a conflict of interest.

N. FAIR COMPETITION

Under no circumstances should employees enter into arrangements with competitors affecting pricing or marketing policies of the Bank without prior approval of the Senior Management.

8. Privacy/Confidentiality & Intellectual Property

8.1 Proprietary and Confidential Information

The Bank's employees shall always protect the confidentiality of proprietary and confidential information (sensitive to the Bank) as well as customer/ other employees' information in connection with their activities for the Bank, in accordance with the applicable law. The obligation to protect the Bank's proprietary and confidential information shall continue even after they leave the Bank, and employees must return all proprietary information in their possession upon leaving the service of the Bank.

Proprietary and confidential information include any system, information or process (sensitive in nature) that gives the Bank an opportunity to obtain an advantage over competitors; non-public information about Bank's businesses, its customers and its employees, any other non-public information received. Proprietary and confidential information about the Bank, its customer, supplier or distributor, should not be disclosed (even with best of intentions) to anyone (including other employees) not authorized to receive it or has no need to know the information, unless such disclosure is authorized by the customer or is required by law, appropriate legal process or appropriate internal authorities or is required to be disclosed in public interest.

Unauthorized use or distribution of proprietary information violates the internal policies and could be illegal. Such use or distribution could result in negative consequences for both the Bank and the individuals involved, including potential legal and disciplinary actions.

Acts of ignorance that could lead to leakage of such proprietary information, especially through electronic means – like e-mails, web uploads, removable media (e.g. CD/DVD/pen drive) etc., may lead to investigation and probe against the employees.

The Bank reserves the rights to monitor its employees' activities on its owned assets.

8.2 Privacy of Employee Information

The Bank recognizes and protects the privacy and confidentiality of its employee medical and personal records. Such records would be shared strictly on need to know basis or as required by any law, rule and regulation or when authorized by the employee or as per subpoena or court order and requires approval by internal counsel.

8.3 Confidentiality, Security & Intellectual Property

Every employee must observe strict confidentiality about the Bank's business and records. No employee of the Bank shall communicate directly or indirectly to any person or to the press with regard to any document or information which may come into his/ her possession in the course of his/ her duties or may have been prepared or collected by him/ her in the course of such duties.

Security of Intellectual Property:

- It is important to be alert to ensure the security of corporate assets, which include not only physical assets, but also intellectual property in the shape of documentation, ideas and strategic plans, etc.
- All employees must understand that violations of security will be viewed very seriously
- If any employee notices any such lapse he/ she is expected to bring them promptly to the notice of the Department Head/ Branch Manager
- All employees will be required to sign a Confidentiality & Non-Disclosure Agreement which is an integral part of the terms of appointment and service. It has been agreed to by all employees that all improvements, developments and all works of authorship created or made while under employment of the Bank shall be the sole and exclusive property of the Bank.

Conflict of Interest

The Bank expects its employees to maintain the highest levels of professional and personal integrity to avoid situations in which an individual's personal interest may conflict or appear to conflict with either the interest of the Bank or its stakeholders. A conflict of interest may exist when an employee is involved in an activity or has a personal (direct or indirect, by himself or through any relative) interest that in the opinion of the Bank can interfere with the employee's objectivity in performing Banks duties and responsibilities.

As per rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

- Father including step-father.
- Mother including step-mother.
- Son including step-son.
- Son's wife
- Daughter
- Daughter's husband
- Brother and includes step-brother

- Sister and includes step-sister

A direct loss or disadvantage to the Bank need not be present / evident. Activities that create the appearance of a conflict of interest are also automatically deemed to be covered by this policy in order not to reflect negatively on the reputation of the Bank or its employees. Conflict of interest may arise due to the following reasons:

- Out of personal investments
- Through outside activities
- Related party transactions

In situations where a conflict arises, employee's first responsibility is to disclose the Conflict of Interest and seek approval. The supervisor and respective HR Officer will assess the nature of conflict and recommend either a course of action that the employee must adhere to or approve the same with appropriate safeguards to minimize the conflicts. In cases where the above safeguards are not feasible / have not been implemented, the suggestion of discontinuance would apply.

Conflicts of interest arising out of personal Investments:

Any 'indirect' interest, held by an employee, in any property, proprietorship, concern, partnership, investment, arrangement, agreement or transaction that creates or can create direct or indirect personal advantage or gains can lead to a conflict of interest.

While undertaking personal investments, it should be borne in mind that such investments should not:

- a. Affect or appear to affect employees' ability to make unbiased business decisions for the Bank;
- b. Be contrary to the Bank's interests (e.g. using proprietary knowledge obtained through the course of employment to make investments that are not in the best interest of the Bank);
- c. Be in conflicting businesses which is also undertaken by the Bank that could cause divided loyalty, or even the appearance of divided loyalty.

Conflicts of interest through outside business activities:

A conflict of interest can arise when an employee is involved in a transaction or arrangement with any person acting on his or her behalf or at his or her behest for the employee's direct or indirect personal advantage or gains. Such activities, arrangements, transactions, agreements are not allowed and must be discontinued by the employees immediately, failing which the Bank will commence the contract termination process and disciplinary action.

- Due to potential conflicts with the Bank, employees must obtain approval from supervisor and the respective HR Officer before employees accept a position as a director of an unaffiliated for-profit company or organization or when the employee wants to work with a professional organisation/ association outside the Bank.
- Working with professional organisations/ associations does not typically create a conflict of interest where :

- a. The work is related to the legitimate professional interest and development of the employee and does not interfere with the employee's regular duties;
 - b. Does not use official resources inappropriately (either physical resources or time);
 - c. Does not compete with the work of the Bank;
 - d. Does not violate national, international or local law
- The Bank's employees shall not misrepresent while undertaking outside activities, that the activity is being carried on by the Bank by using the Bank's name, facilities, or relationships for personal benefit. Further any employee accepting an appointment, as director of an unaffiliated for-profit company/ organisation must ensure proper treatment of confidential information received from such entity in connection with being a director.

9. Disciplinary procedures

The primary objective of the disciplinary procedure is to make employees aware of the instance/s of apparent and reported breach of the Code/ misconduct on their part and to afford such employees with an opportunity of making submission against such reported instance/s including improving their attendance, work performance or amending/ rectifying their conduct as the case may be, should they fall below the standards expected by the Bank

The Bank will follow the below procedures for dealing with misconducts:

- a. In the cases of minor misconducts oral warning will be given to the concerned employee by the immediate supervisor/skip level supervisor, which has to be documented by way of email to HR department. With respect to habitual irregularities of minor misconducts, the immediate may give an oral warning if it is the first or the second instance of misbehavior. If the misbehavior is repeated for the third time, then the skip level supervisor shall give an oral warning. Beyond three instances of misbehavior, the skip level supervisor shall issue warning in writing to the erring employee.
- b. All complaints and proceedings with respect to irregularities in high risk areas, fraudulent irregularities or gross violations of the Code as well as minor aberrations in the region shall be addressed to and led by the respective HR officer and shall take necessary corrective action.
- c. An employee who is alleged to have committed an act of misconduct (other than minor misconduct) shall be given a show cause in writing by the HR department or such other officer/s who are so authorized by the management, calling for a written explanation within the specified time duration (minimum of 24 hrs and not more than 7 working days, except if the employee requests for more time, in such a case the time can be extended to another 7 working days) from the date of receipt of the show cause.
- d. The employee shall submit his explanation in writing accepting the guilt or refuting the allegations made against him in the charge-sheet within the stipulated time. The management shall consider the explanation submitted by the employee, and if the explanation is found to be unsatisfactory, a domestic enquiry may be conducted. If for any reason, it is not possible to conduct the domestic enquiry, the respective HR officer may straightaway proceed to take necessary disciplinary actions based on the available materials.
- e. No domestic enquiry shall be necessary:
 - if any employee has been convicted of a criminal offence by a court of law.

- where the management is satisfied for the reasons to be recorded in writing that it is not practicable to hold an enquiry in the manner provided in the service rules.
 - where the management is satisfied that in the interest of the security of the establishment, it is not expedient to hold an enquiry in the manner provided in these service rules.
 - where the charges are admitted by the employee.
- f. The respective HR officer, in consultation with the CVO/ Head of HR Department shall appoint an enquiry officer from amongst the members of the committee or any outsider who is not a witness to the charges alleged against the employee. The employee will be communicated in writing the date, time and the place where the enquiry is to be conducted. The employee shall be given full opportunity to answer the charges and permitted to be defended by a co-employee working in the same unit in which he is detailed to work, excepting employees who are accused of the misconduct or against whom an enquiry is pending. No other employee or outsider shall be permitted to assist, defend or represent the employee in the domestic enquiry.
- The enquiry officer shall submit his report to the CVO/ Head of HR Department.
 - If after the enquiry, the employee is adjudged guilty and punished, he shall be deemed to have been absent from duty during the period of suspension and he shall not be entitled to any wages. However, subsistence allowance paid during the period of suspension shall not be reclaimed.
 - If the employee is held not guilty, the order of suspension shall be withdrawn, if the employee is under suspension and the employee shall be deemed to have been on duty during the period of suspension and shall be paid wages as if he had not been placed under suspension after deducting the amount of subsistence allowance paid to him for such period.
- g. Where for the order of dismissal, permission is required to be obtained from any authority/court/tribunal under law; the employee concerned shall be under suspension until orders are passed by the aforesaid authorities.
- h. If during the enquiry, it is found that the employee is guilty of an act of omission or commission other than that stated in the show cause, and that act of omission or commission is an offence /misconduct under the Standard Operating Procedure (SOP), the management, at its discretion may, instead of issuing a fresh show cause, amend the original show cause accordingly, and the employee shall be given further opportunity for explaining and defending himself against the amended charge. Even in such cases, if the management feels that a fresh show cause should be issued, it shall be open to the management to do so.
- i. In awarding punishment, the management shall take into account the gravity of the misconduct, previous record of the employee and any other extenuating or aggravating circumstances that may exist. The disciplinary action shall be communicated in writing to the employee concerned in accordance with the provision of the SOP.

Corrective Action

Any violation of this policy is subject to corrective action up to and including termination of employment. The Bank may prefer civil or criminal action against errant employees. Such actions may include penalties as deemed appropriate considering the nature of violation and its implications on the Bank. These actions could be – Cautionary Action in the form of fines, Deterrent Action in the form of warning letters and Capital Action in the form of suspension or termination of the employee.

Annexure 1 – Code Of Conduct Violations

Dealing with outside parties violation

CODE OF CONDUCT	VIOLATION	IMPACT
Towards customers	<ul style="list-style-type: none"> • Ill-treatment of customers • Indulging in wrong and unfair practices • Bribe/ Gratification 	<ul style="list-style-type: none"> • Annoyed customers leading to break relationship with the Bank • Brand reputation risk • Financial loss
Conflicts of Interest	<ul style="list-style-type: none"> • Undertaking services in an organization that competes with or provides services to AU Small Finance Bank • Getting a relative/family member/blood relative hired in his/her work domain without disclosure 	<ul style="list-style-type: none"> • Manipulation risk in operations • Disclosure of Bank information
Gifts and entertainment	<ul style="list-style-type: none"> • Acceptance of personal favor or entertainment outside the scope of normal business for self 	<ul style="list-style-type: none"> • Manipulation risk in operations as a result of influence • Disclosure of Bank information
Improper Payments	<ul style="list-style-type: none"> • Receiving payment from third parties which are out of norm, in relation to the services being received • Offering payments to third parties which are out of norm, in relation to services being offered 	<ul style="list-style-type: none"> • Kickbacks • Out of budget cost
Working with Government & regulators	<ul style="list-style-type: none"> • Involvement in a transaction which may jeopardize the interest or reputation of the Bank 	<ul style="list-style-type: none"> • Non-compliance risk to legal & regulatory requirements

Working with Vendors/ Channel Partners / procurement vendors and business associates	<ul style="list-style-type: none"> • Accepting discounts on personal purchases from customers and suppliers outside the normal course of business • Unprofessional behavior and seeking/accepting gratifications in cash or kind 	<ul style="list-style-type: none"> • Manipulation risk in operations as a result of influence • Risk of disclosure of Bank confidential information
Dealing with media and social media on internet	<ul style="list-style-type: none"> • Discussion of Bank's internal matter on internet without vetting of content from Senior Management/ Bank communication department 	<ul style="list-style-type: none"> • Brand reputation risk • Risk of disclosure of confidential information

Work Place Conduct Violation

CODE OF CONDUCT	VIOLATION	IMPACT
Personal Conduct intentional violation	<ul style="list-style-type: none"> • Abuse of position, unethical behavior 	Unpleasant work environment and poor productivity
Fair Employment practices	<ul style="list-style-type: none"> • Discrimination on the basis of gender, color, caste, race, ethnicity having no bearing on job performance 	<ul style="list-style-type: none"> • Brand reputation risk • Unpleasant work environment

Protecting Bank Assets Violation

CODE OF CONDUCT	VIOLATION	IMPACT
Fraud	<ul style="list-style-type: none"> • Misappropriation of funds, assets or other items of value belonging to the Bank • Involvement in forgery • Involvement in wrongful expense claims 	<ul style="list-style-type: none"> • Financial risk due to fraud • Out of budget cost incurrence • Personal financial gain to violator
Confidential Information Leakage, Data Leakage	<ul style="list-style-type: none"> • Leakage of confidential information 	<ul style="list-style-type: none"> • Brand reputation risk • Risk of disclosure of information

	<ul style="list-style-type: none"> • Unauthorized access to confidential information • Discussions, criticism of Bank matters in public places 	<ul style="list-style-type: none"> • Financial Loss to Product/Business
Insider Trading	<ul style="list-style-type: none"> • Discussions of Bank performance, financials and share price movements, • Unauthorized access to confidential information • Discussion, criticism of Bank matter in public places 	<ul style="list-style-type: none"> • Brand reputation risk • Regulatory Risk
Use of Bank property, email/ internet	<ul style="list-style-type: none"> • Unauthorized permission for access to Bank property • Unauthorized download of unlicensed software for personal use on Bank provided assets 	<ul style="list-style-type: none"> • Cyber security threat to assets
Finance and accounting practices	<ul style="list-style-type: none"> • Non-compliance to financial policies and procedures • Misreporting / Non reporting of critical information • Concealment of information • Unauthorized destroying or discarding original copies of any Bank records and documents 	<ul style="list-style-type: none"> • Risk of unavailability of information within the retention period

The above is not an exhaustive list of misconducts and includes only the major misconducts. For a detailed list of all misconducts, refer to the Standing Operating Procedures

10. Complaint Filing Process

The process for reporting non-compliances & instances of violations to the Code of Conduct clauses as above mentioned is as follows:

Whenever an employee has concerns or receives information about any possible non-compliance, violation of the Code of Conduct or an impropriety in connection with the affairs of the Bank, it is the employee's responsibility to promptly report those concerns and / or that information as below:

Report the concern at the Whistle Blower Officer of AU Small Finance Bank.

The complaint may be in writing or oral and the complainant may choose to reveal his/her identity or rename anonymous. It must be based on facts/data and if found prima facie to be of some merit, will be investigated in detail through witnesses, interviews and supporting evidence or documentation wherever available.

11. Consequence Management

The investigating officer will submit his findings in a report, mentioning the violation and recommendation for action to be taken up as per the consequence management under the below heads:

Employees

- **Intentional Impropriety (Blatant Violation)**

If there is an occurrence of violation to the Code of Conduct and as per the findings if it was done by a malicious intent of causing financial impropriety, the concerned employee will be subject to immediate termination with forfeiture of ESOPS granted, if any. Further, legal action as advised by the Senior Management may be initiated depending on the circumstances of the instance

- **Unintentional Impropriety (Oversight)**

If there is an occurrence of a violation to **the Code of Conduct and as per the findings if it was done by an oversight with no malicious intent resulting in financial or non-financial impropriety, the concerned employee will be subject to the consequence management procedure as follows:**

First Occurrence

In case the non-compliance or violation has occurred for the first instance, the employee will be given a written warning by AU Small Finance Bank's HR.

The detailed report should be submitted to HR on the violation.

A copy of the report and warning letter will also be placed in the personal file of concerned employee.

The reporting manager should also take all necessary steps to train the employee on the relevant processes so as to avoid recurrence.

Second Occurrence

If the employee repeats the same behavior/conduct for the second instance, the concerned employee shall be dismissed from the organization.

In case where the employee in question happens to be **Deputy Vice President** and above, the termination will be approved by Business Head/ vertical head and HR.

Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate

In the event, a **Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate** is found guilty for any act of financial impropriety, the matter will be referred to Business Head/ Vertical head who may take the decision to terminate the contract of the erring Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate.

Any excess gain derived by the Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate as a result of financial impropriety shall be recovered from them.

In cases where the act of non-compliance and / or financial impropriety done by an Associate/employee of Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate then he/she will be removed from the assignment immediately and the concerned Vendor/ Service Provider/ Channel/ DSA/ Dealer/ Business Associate will be informed. However, the vendor will be held liable for any financial loss that the Bank may have incurred due to the action of their employee.

A Caution Note will be issued by the respective department to the Vendor/ Service Provider/ Channel/ DSA/ Dealer/Business Associate on the first breach. In the event of a second breach by any other employee of the vendor/ Service provider, the Bank should levy a substantial financial penalty on the vendor in addition to the recovery of loss and In case of any further incident, the agreement with the vendor/channel/ service provider/ Business Associate should be terminated.

Adequate Internal Communication

On an ongoing basis the Whistle Blower Officer will release formal communications to all the employees of the business units with reference to circumstances, which allowed such a financial impropriety to be perpetuated, but without any specifics of the persons involved.

The purpose of this communication is to sensitize employees against wrongful act and the sense of seriousness with which the Management deals with such acts. This will serve to strengthen the organization governance environment and share learning on how to prevent such instances in future.

Deviation

In case of any deviation on the policy it can be done by Managing Director / Executive Director/ CEO/ COO/ Group Head - Liabilities/ Group Head Assets/ CRO as deemed appropriate depending on the severity of non-compliance.

Communication and Implementation of the Policy

Respective vertical heads of AU Small Finance Bank are accountable for ensuring the compliance on the policies, process or procedures.

The Office of the Human Resources and Whistle Blower Officer is responsible for the implementation of this policy. Continuous communication will ensure that awareness of the Code of Conduct is cascaded across the organization.

A copy of the policy will be available to all employees on the employee portal.

12. Zero Tolerance Policy

AU has a zero-tolerance approach towards violation of the Code of Conduct policy. Misconduct on accounts of unethical behavior and use of drugs and alcohol at work will lead to immediate dismissal of the employee.

Any reported suspicion will result in a warning letter being issued by HR after internal discussions and reported deviation will result in dismissal of the employee.

When it is determined by the immediate manager in Bank with the Department Head (or manager's manager) that an employee could be disciplined or discharged for good and just cause, Human Resources should be consulted. Termination/ dismissal authorization resides with the Business Head and Human Resources Head only.