



**POLICY ON APPOINTMENT AND**  
**FIT AND PROPER CRITERIA FOR DIRECTORS**

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<b>1.</b>	<b><u>INTRODUCTION</u></b>
	<p>The “Policy on Appointment and Fit &amp; Proper Criteria for Directors” (the “<b>Policy</b>”) was placed before the Nomination and Remuneration Committee (“<b>NRC</b>”) of the Board at its meeting held on September 24, 2019 and after review of the same, NRC recommended the Policy for the approval of the Board of Directors (the “<b>Board</b>”). Upon such recommendation, the Board at its meeting held on December 11, 2019 has approved this Policy and accordingly, the Policy is effective from December 11, 2019.</p>
<b>2.</b>	<b><u>OBJECTIVE</u></b>
2.1	<p>Bandhan Bank Limited (the ‘<b>Bank</b>’) recognizes that a committed, well-balanced Board creates a culture of leadership to provide long-term vision, ensure governance as well as protect the interest of all stakeholders. In order to ensure that the Board can discharge its duties and responsibilities effectively, the Bank needs an optimum combination of individuals who have special knowledge or practical experience and ability to guide the Bank towards achieving its stated goals and strategic objectives. The Bank also recognizes the importance of Independent Directors for bringing objectivity and independent judgments to the Board discussions. The primary objective of this Policy is to provide a framework, set out the ‘fit and proper’ criteria and other standards for appointment or re-appointment of Directors on the Board of the Bank.</p>

2.2	<p>In compliance with the Applicable Laws (defined hereinbelow), the Bank has constituted a NRC with majority of Independent Directors being its members. The NRC also includes one member from the Risk Management Committee of the Board ("<b>RMCB</b>") as required under the extant RBI direction. The terms of reference of the NRC, as approved by the Board, <i>inter alia</i>, includes:</p> <ul style="list-style-type: none"> <li>(i) Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board of Directors their appointment and removal, and carrying out evaluation of every Director's performance.</li> <li>(ii) Determining whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.</li> <li>(iii) To formulate the criteria for determining qualifications, positive attributes and independence of a Director and decide their 'fit &amp; proper' status.</li> </ul>
2.3	<p>As per the terms of reference of the NRC, the NRC is required to identify the persons who are qualified to become Directors on the Board of the Bank and consider, <i>inter alia</i>, the following factors while recommending appointment of directors on the Board of the Bank:</p> <ul style="list-style-type: none"> <li>a) Relevant qualifications, skills and experience of the new and existing Board of Directors;</li> </ul>

		<ul style="list-style-type: none"> <li>b) Appropriate mix of Executive, Non-Executive Non-Independent and Independent Directors;</li> <li>c) The optimum size of the Board commensurate with the size of the operations and complexity of the Bank;</li> <li>d) Gender Diversity, etc., with at least one Independent Woman Director.</li> </ul>
	2.4	<p>In addition to above, the NRC shall evaluate the balance of skills, knowledge and experience on the Board of Directors and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying appropriate candidates, the NRC may:</p> <ul style="list-style-type: none"> <li>a) consider candidates from a wide range of backgrounds, having due regard to diversity;</li> <li>b) consider the time commitments of the candidates; and</li> <li>c) use the services of an external agency, if required.</li> </ul>
	2.5	<p>The NRC shall be authorized to undertake any action / steps required to be taken to comply with the requirements prescribed under the Applicable Laws.</p>

<b>3.</b>	<b><u>PROCESS FOR APPOINTMENT / RE-APPOINTMENT OF DIRECTOR</u></b>	
3.1		The NRC shall identify persons who are qualified to become directors on the Board of the Bank.
3.2		<p>Prior to recommending a candidate for appointment/ re-appointment on the Board, the NRC shall consider following factors for evaluation:</p> <p>a) In case the proposed candidate / appointee is considered for the office of Non-Executive Director including Independent Director, he/she shall be between 35 to 75 years of age and in case of Managing Director &amp; CEO ('<b>MD&amp;CEO</b>') or Whole-time Director ('<b>WTD</b>'), he/she shall be between 35 to 70 years of age or such other age as prescribed by law, regulations or by any other applicable statutory authority from time to time.</p> <p>b) The candidate shall possess relevant educational qualifications, knowledge and skills, competence, expertise, track record, integrity and judgement for performing the duties and responsibilities of a Director of the Bank.</p> <p>c) As required under the Banking Regulation Act, 1949, the candidate shall possess special knowledge and / or practical experience in any of the following fields: accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small scale industry, information technology, cyber security, payment and settlement systems, human resources, risk management, business management, marketing, fin-tech or any other field of expertise as deemed appropriate for the Bank's business from time to time.</p>

		<p>d) The candidate shall be able to devote sufficient time and attention required to properly discharge his/her fiduciary duties in his/her capacity as a Director of the Bank.</p> <p>e) The prior experience of the candidate shall be suitable to the present and /or potential future needs and the requirements of the Bank vis-à-vis its stature and complexity of its operations.</p> <p>f) The candidate should not be disqualified to become a Director under the Companies Act, 2013 and the rules thereunder, the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("<b>SEBI Listing Regulations</b>"), Banking Regulation Act, 1949 and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time (collectively "<b>Applicable Laws</b>").</p> <p>There shall be no conflict of interest in performing duties as a Director on the Board or in case of conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the Director will fail to perform his/her duties properly and independently, and adequate disclosures are made by the Director in this regard.</p>
3.3		<p>Based on the results of the above assessment of the candidate(s), the NRC shall shortlist the candidate(s) suitable for appointment / re-appointment as the Director(s) of the Bank and shall evaluate the due diligence conducted by the Bank and adjudge whether the candidate(s) is "<b>Fit and Proper</b>" in order to be appointed as a Director of the Bank as per the criteria laid down in the circular no. RBI/2004/268 DBOD.No.BC.105/08.139.001/2003-04</p>

		<p>dated June 25, 2004, as amended vide circular RBI/2004-2005/303 DBOD.No.BC. 60 /08.139.001/2004-2005 dated December 16, 2004 and circular RBI/2010-11/ 541 DBOD. No.BC.No. 95 /29.39.001/2010-11 dated May 23, 2011, RBI/2019-20/204 DoR.Appt.No.58/29.67.001/2019-20 dated March 31, 2020 and RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated April 26, 2021, issued by the Reserve Bank of India ("<b>RBI</b>") (collectively, the "<b>Fit and Proper RBI Circular</b>"). The said circulars, <i>inter alia</i>, direct the banks in private sector to undertake a process of due diligence to determine the suitability of the person for appointment /re-appointment /continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration ("<b>Fit and Proper Declaration</b>") from the proposed / existing directors for this purpose. Accordingly, in its assessment, the NRC shall scrutinize the Fit and Proper Declaration received from the candidate(s) being considered for directorship of the Bank.</p>
	3.4	<p>The format of the Fit and Proper Declaration shall be in such format, as may be prescribed by RBI, from time to time.</p>
	3.5	<p>In addition to the assessment of fit and proper criteria as above, the NRC shall also assess whether the candidate(s) fulfil all the eligibility criteria to be appointed as Director as prescribed in the Applicable Laws. The NRC may obtain such declarations / confirmations from the candidate(s), including as necessary under the Applicable Laws, for determining the eligibility.</p>



3.6	In case of appointment of Independent Director, the NRC shall also consider the additional criteria prescribed for independent directors under the Applicable Laws.
3.7	The NRC or the Chairperson of the NRC or the Chairperson of the Bank or the MD & CEO may have informal interactions with the shortlisted candidate(s) before recommending his / her appointment to the Board. A detailed checklist setting out all the relevant provisions for appointment of Directors, as prescribed under the Applicable Laws, shall be deemed to form an integral part of this Policy.
3.8	Based on the information obtained from the aforesaid declarations / confirmations, due diligence conducted by the Bank and the NRC's own examination / scrutiny, if the NRC is satisfied that the candidate(s) are eligible and fit & proper for being appointed/re-appointed as Director(s), it shall recommend to the Board, the acceptance or otherwise of the proposed candidate.
3.9	The Board may, on the basis of the recommendation of the NRC, approve the appointment of the new Director subject to approval of the shareholders (as may be required) or in case the Board is not satisfied with the candidate(s) selected, direct the NRC to consider selection of fresh candidates.
3.10	The Board shall ensure that a Deed of Covenants (" <b>Deed of Covenants</b> ") is also executed with the new Director(s) at the time of their appointment. The

		said Deed of Covenants shall be in such format, as may be prescribed by RBI, from time to time.
<b>4.</b>	<b><u>ANNUAL AFFIRMATIONS FOR CONTINUING DIRECTORS</u></b>	
4.1		<p>The Bank shall, at the end of every financial year, obtain not later than April 30, the following declarations reflecting the position as on March 31, from the existing directors:</p> <ul style="list-style-type: none"> <li>a) Fit and Proper declaration in the format prescribed by RBI,</li> <li>b) Deed of Covenants executed with the Bank in the format prescribed by the RBI,</li> <li>c) Other declarations prescribed in the Applicable Laws.</li> </ul>
4.2		The declarations as provided by the Directors other than the members of NRC shall be scrutinized by the NRC. The declarations furnished by the members of NRC shall be scrutinized by the Board, excluding the members of the NRC.
4.3		Based on the information obtained from aforesaid declarations / confirmations and evaluation of the eligibility criteria set out in this Policy, the NRC or the Board, as the case may be, shall decide whether the Directors continue to fulfil the criteria of being fit and proper.

<b>5.</b>	<b><u>RE-APPOINTMENT OF DIRECTORS</u></b>	
5.1	<p>At the time of re-appointment of Director(s), the NRC shall follow the process prescribed in this Policy for appointment of Directors. The NRC shall scrutinize the declarations / confirmations obtained from the Director(s) under the Applicable Laws, including the Fit and Proper Declaration. If NRC is satisfied that the candidate is eligible and fit &amp; proper for being re-appointed as a Director under the Applicable Laws, it shall recommend to the Board, the acceptance or otherwise of the re-appointment of the Director. The Deed of Covenants shall also be required to be signed by the Director who is re-appointed as above, in accordance with the Fit and Proper RBI Circular.</p>	
5.2	<p>a) In addition to para 5.1, in case of re-appointment of the MD&amp;CEO or WTD, the NRC shall review the Fit and Proper criteria along with his/her performance in the previous years, relevant compliance with Applicable Laws. The WTD including MD&amp;CEO shall not be disqualified under Section 10B(4) and the appointment shall be in compliance with Section 10(1)(b)(i) and (ii) and Section 10(1)(c) of the Banking Regulation Act, 1949.</p>	
	<p>b) Any appointment of WTD or the MD&amp;CEO or the Part-time Chairman shall be subject to prior approval of the RBI as required under Section 35B of the Banking Regulation Act, 1949.</p>	
	<p>c) After evaluating the above, the NRC may recommend to the Board for obtaining prior approval of RBI for the appointment / re-appointment of</p>	

		<p>a WTD or the MD&amp;CEO to the Board and the Board, after considering the recommendation of the NRC, may approve the proposal for submitting an application to RBI for seeking its prior approval. After receiving approval from the RBI, the NRC shall consider and recommend to the Board and the Board after considering the recommendation of the NRC and noting the RBI approval, appoints the WTD or the MD&amp;CEO.</p>
<b>6</b>	<b><u>TENURE AND AGE OF DIRECTORS AND ONLINE TEST FOR INDEPENDENT DIRECTORS</u></b>	
	6.1	<p><b>Tenure of Directorship</b></p> <p>Pursuant to Section 10A (2A) of the Banking Regulation Act, 1949, notwithstanding anything to the contrary contained in the Companies Act, 2013, or any other law for the time being in force, no Director of a banking company, other than its Chairman or WTD, by whatever name called, shall hold office continuously for a period exceeding eight years. After completing eight years on the Board of the Bank the person may be considered for re-appointment only after a minimum gap of three years. The NRC shall recommend to the Board, the tenure of such Director(s), based on which the Board shall approve the tenure of the Directors.</p> <p>Since the Part-time Chairman and the WTD including the MD&amp;CEO will be appointed with prior approval of RBI, the tenure of such appointment shall be as per approval of the RBI. However, the post of the MD&amp;CEO or WTD cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as MD&amp;CEO or WTD in the</p>

		<p>Bank, if considered necessary and desirable by the Board, after a minimum gap of three years, subject to meeting other conditions. Further, in case the incumbent is also a promoter/major shareholder, he/she cannot hold these offices for more than 12 years. However, in extraordinary circumstances, at the sole discretion of RBI, such MD&amp;CEO or WTDs may be allowed to continue up to 15 years.</p> <p>The NRC shall recommend to the Board, the tenure of the Part-time Chairman and WTD or the MD&amp;CEO, based on which the Board shall approve the tenure of the Directors, which will be subject to approval of RBI.</p>
6.2		<p><b>Age of Director</b></p> <p>The Bank has specified under this Policy that all proposed Non-Executive Directors shall be between 35 to 75 years of age and all proposed WTDs including the MD&amp;CEO shall be between 35 to 70 years of age or such other age as prescribed by law or under regulations or by any other applicable statutory authority from time to time. No Director shall be appointed / re-appointed who has attained age of 75 years, in case of Non-Executive Directors and the age of 70 years, in case of WTD. A Director who has completed a term shall not be re-appointed for such period so that his age after considering the re-appointment exceeds 75 or 70 years, as the case may be. The total tenure of a Non-Executive Director, continuously or otherwise, on the board of a bank, shall not exceed eight years. After completing eight years on the Board of the Bank the person may be considered for re-appointment only after a minimum gap of three years.</p>

6.3	<p><b>(i) Inclusion of name of Independent Director in data bank</b></p> <p>The Directors who have already been appointed as an Independent Director in the Bank shall register themselves with the online databank maintained in this respect by the Indian Institute of Corporate Affairs – within a period of 13 months from December 01, 2019. The Directors who intend to get appointed as an Independent Director in the Bank shall get themselves registered with the aforesaid databank before such appointment and renew from time to time during his/her tenure as an Independent Director. Every Independent Director shall submit a declaration of compliance of the above to the Board, each time he/she submits the declaration of independence required under Section 149(7) of the Companies Act, 2013.</p>
	<p><b>(ii) Online proficiency self-assessment test</b></p> <p>Every Director whose name is so included in the data bank shall pass an online proficiency self-assessment test conducted by the Indian Institute of Corporate Affairs within a period of two years from the date of inclusion of his/her name in the data bank. Provided that an individual shall not be required to pass the online proficiency self-assessment test when he/she has served for a period of not less than three years as on the date of inclusion of his/her name in the databank:</p> <ul style="list-style-type: none"><li>• as a director or key managerial personnel, in one or more of the following, namely:<ul style="list-style-type: none"><li>○ listed public company; or</li><li>○ unlisted public company having a paid-up share capital of rupees ten crore or more; or</li></ul></li></ul>

	<ul style="list-style-type: none"><li>○ body corporate listed on any recognized stock exchange or in a country which is a member State of the Financial Action Task Force on Money Laundering and the regulator of the securities market in such member State is a member of the International Organization of Securities Commissions; or</li><li>○ bodies corporate incorporated outside India having a paid-up share capital of US\$ 2 million or more; or</li><li>○ statutory corporations set up under an Act of Parliament or any State Legislature carrying on commercial activities; or</li><li>● in the pay scale of Director or equivalent or above in the Ministry or Department, of Central Government or any State Government, and having experience in handling:-<ul style="list-style-type: none"><li>○ the matters relating to commerce, corporate affairs, finance, industry or public enterprises; or</li><li>○ the affairs related to Government companies or statutory corporations set up under an Act of Parliament or any State Act and carrying on commercial activities.</li></ul></li><li>● in the pay scale of Chief General Manager or above in the Securities and Exchange Board or the Reserve Bank of India or the Insurance Regulatory and Exchange Board or the Reserve Bank of India or the Insurance Regulatory and Development Authority of India or the Pension Fund Regulatory and Development Authority and having experience in handling the matters relating to corporate laws or securities laws or economic laws.</li></ul>
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		<p>For the purpose of calculation of the period of three years, any period during which a Director was acting as a director or as a key managerial personnel in two or more companies or bodies corporate or statutory corporations at the same time shall be counted only once.</p> <p>In addition to the above exemption, the following individuals shall not be required to pass the online proficiency self-assessment test, who are or have been, for at least ten years :—</p> <ul style="list-style-type: none"> <li>○ an advocate of a court; or</li> <li>○ in practice as a chartered accountant; or</li> <li>○ in practice as a cost accountant; or</li> <li>○ in practice as a company secretary.</li> </ul> <p>Further, an individual who has obtained a score of not less than fifty percent. in aggregate in the online proficiency self-assessment test shall be deemed to have passed such test. Furthermore, there is no limit on the number of attempts an individual may take for passing the online proficiency self-assessment test.</p>
<b>7.</b>	<b><u>LETTER OF APPOINTMENT</u></b>	
7.1		<p>The Bank shall issue a formal letter of appointment / re-appointment to the person appointed / re-appointed as an Non-Executive Director of the Bank at the time when he is appointed / re-appointed by the Board and at the time he is appointed / re-appointed by the shareholders at the General Meeting. The letter of appointment / re-appointment to be issued to the Independent Director shall, <i>inter alia</i>, also set out the matters as stated in Schedule IV to the Companies Act, 2013. A proforma of the appointment</p>



		letter shall be placed on the website of the Bank. In case of WTD, the Bank shall enter into an agreement with such WTD.
<b>8</b>	<b><u>FAMILIARISATION PROGRAMME FOR THE NON-EXECUTIVE DIRECTORS OF THE BANK</u></b>	
	8.1	Regulation 25(7) of the SEBI Listing Regulations, as amended from time to time, requires a company to provide suitable training to its independent directors to familiarize them, <i>inter alia</i> , with the company, their roles, rights, responsibilities in the company, nature of industry in which the company operates and the business model of the company.
	8.2	<p>Accordingly, in order to familiarize the Bank's Non-Executive Directors (NEDs) including Independent Directors with the functioning of the Bank and their roles, responsibilities, etc., the Bank may undertake the following:</p> <ol style="list-style-type: none"> <li>a) The newly appointed NEDs shall be provided with a copy of the Memorandum and Articles of Association, all the applicable codes, policies, etc., formulated and adopted by the Bank.</li> <li>b) An orientation / overview of the Bank's segments, various products, services, and functions may be provided.</li> <li>c) The newly appointed NEDs may also be introduced to certain key members of the senior management of the Bank.</li> <li>d) A detailed briefing on the roles and responsibilities of Independent Directors shall also be provided to the Independent Directors as part of their appointment letter.</li> </ol>

		The Bank may nominate the Directors to attend relevant external programs at reputed forums and/ or internally provide deep- dives/ presentations on subjects relevant from Bank’s perspective, as may be necessary from time to time.
<b>9.</b>	<b><u>REVIEW</u></b>	
		This Policy may be amended, modified, supplemented or substituted from time to time to ensure compliance with the Applicable Laws. In case of no change in the Applicable Laws necessitating the review / amendment of this Policy, it shall be taken up for review every year by the NRC and thereafter, recommended to the Board for approval. The NRC may issue / implement such guidelines, procedures, formats and/or reporting mechanisms to implement this Policy as it may deem fit.
<b>10.</b>	<b><u>LAWS TO TAKE PRECEDENCE</u></b>	
		If any of the provisions of this Policy are inconsistent with the Applicable Laws, then the provisions of Applicable Laws shall prevail over the Policy to that extent and the Policy shall be deemed to have been amended so as to be read in consonance with Applicable Laws. As this Policy is pursuant to the Applicable Laws, if any change to Applicable Laws or interpretation thereof necessitates any change to the Policy, then this Policy shall be read so as to accommodate the changes.

**Annexure I****A. Primary Conditions for Appointment of Director as per Banking Regulation Act, 1949 and circulars issued by RBI in this regard****1. Nature of Expertise and Substantial Interest**

Not less than fifty- one per cent, of the total number of members of the Board of Directors of a banking company shall consist of persons, who -

- a) shall have special knowledge or practical experience in respect of one or more of the following matters, namely:

accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, payment and settlement systems, human resources, risk management and business management;

provided, of the aforesaid number of Directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small scale industry; and

- b) shall not –

(1) have substantial interest [as defined in Section 5(ne) of the Banking Regulation Act, 1949] in, or be connected with, whether as employee, manager or Managing agent, in

- a. any company, not being a company registered under section 8 of the Companies Act, 2013, or
- b. any firm, which carries on any trade, commerce or industry and which, in either case, is not a small- scale industrial concern, or

- (2) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

## **2. Restriction on loans and advances**

2.1 Notwithstanding anything to the contrary contained in Section 67 of the Companies Act, 2013, the Bank cannot grant loans or advances on the security of its own shares, or enter into any commitment for granting any loan or advance to or on behalf of-

- a) any of its directors,
- b) any firm in which any of the directors is interested as partner, manager employee or guarantor, or
- c) any company of which or the subsidiary or the holding company of which, any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds a substantial interest.  
Exception – subsidiary of a banking company, company registered under section 8 of Companies Act, 2013 or Government Company
- d) any individual in respect of whom any of its directors is a partner or guarantor.  
However, pursuant RBI Circular no. DBR.Dir.BC.No.38/13.03.00/2015-16 dated September 16, 2019, the following loans and advances granted by the Bank to the Chief Executive Officer / Whole Time Directors will not be considered as 'loans and advances':
  - (i) loan for purchasing of car
  - (ii) loan for purchasing of personal computer
  - (iii) loan for purchasing furniture
  - (iv) loan for constructing / acquiring a house for personal use

- (v) festival advances
- (vi) credit limit under credit card facility

subject to such loans and advances form part of the compensation / remuneration policy and no prior approval of RBI is required for such loans. Also the guidelines on Marginal Cost of Lending Rate ("**MCLR**") will not be applicable on the interest charged on such loans. However, the interest rate charged on such loans cannot be lower than the rate charged on loans to the employees of the Bank.

## 2.2 **Exceptions:**

- 2.2.1 In case of advances granted/ commitment made by the Bank to the companies prior to appointment of director of the companies on the Bank's board, provided the facility is not renewed and/ or enhanced after maturity, the aforesaid restriction shall not be applicable.
- 2.2.2 While examining the restrictions (and any exceptions thereof) on such loans and advances, the Bank shall be guided by the Master Circular on Loans and Advances (Statutory and Other Restrictions) issued by the RBI, as amended from time to time.

## 3. **Prior Approval of Reserve Bank of India**

- 3.1 Any amendment in the provisions relating to maximum permissible number of directors or appointment / re-appointment or termination of appointment or remuneration of chairperson, managing director or any other whole time director or manager or CEO shall not have effect unless prior approval of RBI is obtained.

#### **4. Fit and Proper Evaluation of the proposed directors**

4.1 Private Sector banks have to undertake a process of due diligence for determining the suitability of the persons proposed to be appointed as directors as well as for their continuation to hold office as directors of such banks, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration (“Fit and Proper Declaration”) from the proposed / existing directors for this purpose.

#### **B. Primary Conditions for Appointment of a Director as prescribed in SEBI Listing Regulations**

##### **5.1 Definition of an Independent Director**

The director should be a non-executive director, other than a nominee director of the listed entity

- a) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- b) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;
- c) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;
- d) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or

associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

e) none of whose relatives

(A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;

(B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;

(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or

(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

- f) who neither himself/herself, nor whose relative(s)-
- i. holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed; Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.
  - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
    - a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
    - any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - iii. holds together with his relatives two percent or more of the total voting power of the listed entity; or
  - iv. is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors



or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;

- v. is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- g) who is not less than 21 years of age;
- h) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director.

## **6 Composition of Board**

- a) Minimum 6 Board Members at any given point of time
- b) At least one woman Independent Director
- c) Not less than 50% of the Board shall comprise of Non- Executive Directors. Where Chairman is a Non- Executive Director, at least one third of the Board shall comprise of Independent Directors; in case the Chairman is not a Non- Executive Director, at least half of the total Board shall comprise of Independent Directors
- d) where the regular Non- Executive Chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of Board of Directors or at one level below the Board of Directors, at least half of the Board of Directors of the listed entity shall consist of Independent Directors.
- e) The Non- Executive Chairman shall not be related to the Managing Director or the Chief Executive Officer as per the definition of the term "relative" defined under the Companies Act, 2013.

## **7 Obligations with respect to Independent Directors**

- 7.1** No person shall be appointed or continue as an alternate director for an independent director of a listed entity.
- 7.2** The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.
- 7.3** Every independent director shall, at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, submit a declaration that he meets the criteria of independence as stated in point 5.1 above and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence.
- 7.4** The Board of Directors of the listed entity shall take on record the aforementioned declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.

### **C. Primary Conditions for Appointment of a Director as prescribed in the Companies Act, 2013**

#### **8 8.1 Definition of Independent Director**

- 8.1.1 In addition to the conditions prescribed in SEBI Listing Regulations, following conditions are prescribed in the Companies Act, 2013.
- 8.1.2 An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, —

- a) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- b) possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.
- c) none of whose relatives -
  - is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year. Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
  - is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
  - has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees, at any time during the two

immediately preceding financial years or during the current financial year;

- has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred above.

## **9 Appointment of Director**

**9.1** No person shall be appointed/ reappointed as a Director of the Company, unless he/she has been allotted the Director Identification Number (DIN) and he/she furnishes to the Company, a declaration to the effect that he/she is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force, and files consent to hold the office as Director.

**9.2** Following declarations are required to be obtained from the directors prior to their appointment:

- a. Consent to be appointed as a Director in Form DIR 2
- b. Notice of interest of directorships on boards of other companies in Form MBP-1
- c. Notice of Director giving intimation that the director has been disqualified / not been disqualified as per the provisions of the Companies Act, 2013. If a director is disqualified under the provisions of Section 164(2) of the said Act, the office of the director shall become vacant in all the companies, other than the company which is in default as per the said Section 164(2).

- d. Details of Relatives under Section 2(77) of the Companies Act, 2013 and their interest for the purpose of identification of related parties of the Bank Declaration of Independence if the proposed appointee is to be appointed as an Independent Director.

**9.3** Adherence to Schedule IV: The Independent directors shall abide by the provisions specified in Schedule IV to the Companies Act, 2013.

## **10 Tenure of Independent Director**

**10.1** Subject to the provisions of Section 152 of the Companies Act, 2013, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

**10.2** Notwithstanding anything contained in above, no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.