

COASTAL LOCAL AREA BANK LIMITED

NOMINATION AND REMUNERATION POLICY

(Pursuant to Section 178 of the Companies Act, 2013)

1. Introduction

Coastal Local Area Bank's philosophy on Corporate Governance encompasses fullest commitment of the Board of Directors and Management to attain highest standards of transparency, accountability and equity in all facets of its activities and operations to all Stake holders, viz. Customers, Shareholders, Employees and Regulators.

In compliance with the provisions of the Companies Act, 2013, Banking Regulation Act, 1949 and applicable RBI Guidelines, this policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and the Senior Management Personnel(SMP) has been formulated by the Nomination and Remuneration Committee and approved by the Board of Directors of the Bank.

The Policy shall ensure that the Bank has a Board with diverse background and varied experience in relevant areas. It also seeks to lay down principles for fixation of remuneration so as to attract and retain the best suitable talent on the Board and Management of the Bank.

2. Objectives

This policy is formulated with the following broad objectives:

- To institutionalize and regulate the mechanism for appointment /removal of Directors, KMP and SMP in compliance with the applicable Laws, Rules and Regulations.
- To ensure that the remuneration to Directors, KMP and other employees involves a balance between components of fixed & variable pay

reflecting short and long term performance objectives appropriate to the working results of the Bank and its goals.

- To retain, motivate and promote talent and to ensure long term sustainability of talented KMP and SMP
- To develop and regularly review the Succession plan for the Board.

3. Definitions: (as per the provisions of the Companies Act, 2013)

3.1 Key Managerial Personnel (KMP): means

- a) Managing Director & Chief Executive Officer
- b) Company Secretary
- c) Whole-Time Director
- d) Chief Financial Officer
- e) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f) Such other officer as may be prescribed by the Act and Rules made thereunder from time to time.

3.2 Managing Director: means a director who by virtue of the Articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company.

3.3 Senior Management Personnel (SMP): means personnel of the Company who are members of its core management team excluding Board of Directors comprising all the members of the Management one level below the Managing Director, including the functional heads.

4. Applicability:

The Policy is applicable to all the Directors, Key Managerial Personnel (KMP), Senior Management Personnel (SMP) and other employees as may be specified.

APPOINTMENT OF BOARD OF DIRECTORS

5. BOARD OF DIRECTORS

The Board of Directors of a Company is central to its decision making and governance process. Its obligation to ensure compliance with the law underpins the corporate governance structure in a Company, the aspirations of the promoters and the rights of stakeholders, all of which get articulated through the actions of the Board. There should be an obligation on the part of the Company to constitute and maintain a Board of Directors as per the provisions of the law and to disclose particulars of the Directors so appointed in the public domain through statutory filing of information. Such obligation should extend to the accuracy of the information and its being updated regularly as well as on occurrence of specific events such as appointment, resignation, removal or any change in prescribed particulars of Directors. The Board of Directors of the Bank shall ensure that there is succession plan in place for appointment of Directors, KMP & SMP. The Board also have to ensure a transparent nomination process of the Directors with diversity of thought, experience, knowledge, perspective and gender in the Board.

5.1 Composition:

The Bank shall have a Board of Directors consisting of individuals as Directors and shall have a minimum of Three Directors and maximum of Fifteen Directors. The Bank may appoint more than Fifteen Directors by passing a Special Resolution in the Members meeting. The Bank shall have at least One Director who stayed in India for a total period of not less than 180 days in the previous calendar year. The Board shall have at least one-third of the total number of directors as Independent directors.

5.2 Qualification:

A person to be appointed as a Director of the Bank shall have a minimum educational qualification of regular Bachelor's Degree from any recognized Educational Institution/University.

In terms of the Banking Regulation Act, majority of the Board members shall have special/practical knowledge in one or more of the following fields:

- Accountancy
- Agriculture
- Banking
- Cooperation
- Economics
- Finance
- Law
- Small-scale Industries
- Information technology
- Payment and settlement systems
- Human Resource
- Risk Management
- Business Management

Not less than two shall be persons having special knowledge of agriculture and rural economy, cooperation and small-scale industry.

Not less than 51% of total directors should consist of persons who shall not:

- a) Have substantial interest in, or be connected with, whether as an employee, manager or managing agent of:
 - any Company not being a Company registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013 (or)
 - any firm,

which carries on any trade, commerce, or industry and which, in either case, is not a small – scale industrial concern, or

b) be proprietors of any trading, commercial or industrial concern, not being a small – scale industrial concern.

Substantial Interest means (holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in shares of a Company / firm, the paid – up amount of which exceeds Rs. 5 lakh or 10% of the paid-up capital of the Company/firm, whichever is less). (Section 5 of BR Act, 1949)

The Director must meet the ‘fit and proper’ criteria as follows:

- The Board of Directors of the Bank while nominating/co-opting directors should be guided by broad ‘fit and proper’ norms for directors, viz. formal qualification, experience, track record, integrity etc. For assessing the integrity and suitability, features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by Regulators or similar bodies should be considered. The Board of Directors may, therefore, evolve appropriate systems for ensuring ‘fit and proper’ norms for Directors, which may include calling for information by way of self-declaration, verification reports from market etc.

- The Director shall furnish his Director Identification Number (DIN) and a declaration that he is not disqualified to become a Director under the Companies Act, 2013.

- A person appointed as a Director or KMP shall not act in such capacity, unless he gives his consent to hold the office as director in DIR – 2 and such consent has to be filed with the Registrar within thirty days of his appointment along with the E-form DIR – 12.
- The proposed Director should not be a Member of Parliament / Member of the Legislative Assembly / Member of Legislative Council.

5.3 Age Criteria:

- The person proposed to be appointed as Director should have atleast 35 years as on the date of nomination.
- The upper age limit for Non-Executive Directors including the Part-Time Chairman of the Board shall be 72 years. However, in very special circumstances they may continue upto 75 years. After attaining the age of 75 years no person can continue in these positions.
- The upper age limit for MD & CEO / Executive Director shall be 70 years.

5.4 Tenure of the Directors:

- The total tenure of the Non-Executive Director, whether continuously or otherwise, on the Board of the Bank shall not exceed eight years. After completing years, the person may be considered for reappointment on the Board after a minimum gap of three years.
- The post of MD & CEO / Executive Director can be held by the same incumbent for a tenor not exceeding 15 years.

5.5 Disqualifications:

The Bank shall not employ any person as a Director:

- who is of unsound mind and stands so declared by the Competent Court
- who at any time has been adjudged as an undischarged insolvent
- who applied for adjudication as an insolvent and the application is pending
- who has been convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced to imprisonment for not less than six months and a period of 5 years has not elapsed from the date of expiry of the sentence
- who has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more

5.6 Restrictions:

The Bank shall not have more than three Directors who amongst themselves are entitled to exercise voting rights in excess of 20% of total voting rights of all the Shareholders of the Bank.

The Bank shall appoint any person as a Director if such person is on the Board of an NBFC only if the below conditions are complied with:

- he / she is not the owner of the NBFC, [i.e., share holdings (single or jointly with relatives, associates, etc.) should not exceed 50%]
- he / she is not related to the promoter of the NBFC
- he /she is not a full – time employee in the NBFC
- the NBFC shall not have business interest in the area of operations of the Bank.

5.7 Due Diligence:

The procedure for conducting a due diligence for deciding on the fit and proper requirements for appointment of a Director as per regulatory requirement is given in the Annexure.

5.8 Duties of Director:

- The Director of the Bank shall act in accordance with the Articles of the company.
- The Director of the Bank shall act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees, the shareholders, the community and for the protection of environment.
- The Director of the Bank shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgement
- The Director of the Bank shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict with the interest of the Bank.
- The Director of the Bank shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Bank.

- The Director of the Bank shall maintain confidentiality of Bank's matters and under any circumstances shall not compromise on Bank's interests.
- The Director of the Bank shall not assign his office and any assignment so made shall be void.

5.9 Re-appointment / Retirement of Directors

One third of the total number of directors (excluding MD & CEO and Independent Directors) shall retire by rotation at every Annual General Meeting. If the number of retiring directors is neither three or multiple of three, then the number nearest to one-third shall retire from office.

The Directors to retire by rotation at every Annual general meeting shall be those who have been longest in office since their last appointment. The retiring director is eligible to offer himself for re-appointment.

5.10 Resignation of Director:

The Director of the Bank may resign from his office by giving a notice in writing to the Company and the Board shall on receipt of such notice take note of the same and the company shall intimate the Registrar in E form DIR -12 within 30 days of the receipt of notice and shall also place the fact of such resignation in the Report of Directors laid in the immediately following General meeting by the Company.

Provided that the Director shall also forward a copy of his resignation along with detailed reasons for the resignation to the Registrar within thirty days of resignation in E form DIR 11 with the ROC.

5.11 Vacation of office of Director

The office of a Director of the Bank shall become vacant in case if:

- (a) he incurs any of the disqualifications specified in section 164;
- (b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
- (c) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
- (d) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;
- (e) he becomes disqualified by an order of a court or the Tribunal;
- (f) he is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than six months:
Provided that the office shall be vacated by the director even if he has filed an appeal against the order of such court;
- (g) he is removed in pursuance of the provisions of this Act;
- (h) he, having been appointed as Director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

5.12 Removal of Director

Due to any reasons of any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations, the Nomination and Remuneration Committee may recommend to the Board with the reasons recorded in writing, removal of Director, in accordance with the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949 and the Articles of Association of the Bank from time to time.

The Bank shall by an Ordinary resolution, remove a Director before the expiry of the period of his office after giving him a reasonable opportunity of being heard. The Director who was removed from office shall not be re-appointed as a Director by the Board of Directors.

A vacancy created by the removal of a Director, may be filled by the appointment of another Director in his place and the Director so appointed shall hold office till the date up to which the predecessor would have held office if he had not been removed or till the date of the ensuing Annual General Meeting whichever is earlier.

5.13 Register of Directors and Key managerial personnel and their shareholding

The Bank shall maintain a Register containing such particulars of its Directors and Key managerial personnel as may be prescribed, which shall also include the details of the securities held by each of them in the company in the format prescribed either physically or electronically, at the Registered Office of the Bank.

6. PART-TIME CHAIRMAN

The Bank shall have one of its Directors as a Part-Time Chairman of the Board and such appointment shall be made with the prior approval of Reserve Bank of India. The Part-Time Chairman shall exercise his powers subject to the superintendence, control and direction of the Board of Directors. The Chairman of the Board shall be an Independent Director. In the absence of Chairman of the Board, the meetings of the Board shall be chaired by an Independent Director.

The Chairman of the Bank shall hold the office for such period, not exceeding 5 years or such lower term as fixed by the NRC & Board and is eligible for re-appointment. The proposals for appointment / re-appointment should be submitted to the Reserve Bank at least four months before the expiry of the term of office of the present incumbent.

7. MANAGING DIRECTOR

The Bank shall have a Managing Director & CEO who is entrusted with the management of the whole affairs of the Bank, subject to the superintendence, control and direction of the Board.

7.1 Qualifications

The Managing Director of the Bank should have a special knowledge and practical experience of

- working of a Banking Company, State Bank of India or a Financial institution or
- financial, economic or business administration.

Proposals for appointment of MD & CEO should invariably contain a panel of at least two names in the order of preference. The proposals for appointment / re-appointment should be submitted to the Reserve Bank at least four months before the expiry of the term of office of the present incumbent and for re-appointment of the incumbent MD & CEO, at least six months before the expiry of term of office.

7.2 Disqualifications & Restrictions

The Bank shall not appoint any person as a Managing Director who:

- is below the age of thirty - five years or has attained the age of seventy years
- Provided that appointment of a person who has attained the age of seventy years may be made by passing a special resolution in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such person;
- is an undischarged insolvent or has at any time been adjudged as an insolvent
- has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them; or
- has at any time been convicted by a court of an offence and sentenced to imprisonment.
- Is a Director in any other Bank except the subsidiary of the banking Company or Section 8 Company registered under the Companies Act, 2013
- Is a partner of any firm which carries on any trade, business or industry

- Has a substantial interest in any other Company or firm
- Is a director, manager, managing agent, partner or proprietor of any trading, commercial and industrial concern
- Is engaged in any business or vocation

7.3 Tenor

The Managing Director of the Bank shall hold the office for such period, not exceeding 5 years or such lower term as may be fixed by the NRC & Board, with the prior approval of RBI and is eligible for re-appointment. No re-appointment of Managing Director shall be made earlier than one year before the expiry of his term. The proposals for appointment / re-appointment should be submitted to the Reserve Bank at least four months before the expiry of the term of office of the present incumbent. The Managing Director so appointed is not liable to retire by rotation.

8. INDEPENDENT DIRECTOR

8.1 Criteria of Independence:

An independent director in relation to a Bank, means a director other than a Managing director or a whole-time director or a nominee director-

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the Bank

(ii) who is not related to promoters or directors of the Bank

(c) who has or had no pecuniary relationship with the Bank or the promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) none of his relatives has or had pecuniary relationship or transaction with the Bank or the promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a Key managerial personnel or is or has been employee of the Bank in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(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 / Company Secretaries in practice/ Cost Auditors of the company or its holding, subsidiary or associate company: or
- Any legal or a consulting firm that has or had any transaction with the Bank amounting to 10% or more of the gross turnover of such firm

(iii) holds together with his relatives 2% or more of the total voting power of the Company; or

(iv) is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives 25% or more of its receipts from the Bank, any of its promoters, Directors or that holds 2% or more of the total voting power of the company.

8.2 Registration

In terms of the rules notified by the Ministry of Company Affairs under the Companies Act, 2013, all Independent Directors are required to register themselves with Independent Directors Databank maintained by Indian Institute of Company Affairs and shall comply with the qualification requirements for inclusion in the databank as per the Institute's terms such as passing an online proficiency self-assessment test, etc.

8.3 Declaration

The Independent Director at the time of his appointment has to submit a declaration to the effect that he meets the criteria of independence and at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her status as an Independent Director.

The appointment of the Independent Director shall be approved by the Members in the general meeting and the explanatory statement annexed to the notice of the general meeting shall indicate the justification for choosing the appointee for appointment as Independent Director.

8.4 Tenor

An Independent Director shall hold the office for a term up to 5 consecutive years or such lesser term as may be fixed by the Board and shall be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in the Board's report. The re-appointment of such Independent Director is based on the performance evaluation report being carried out by the Board.

The total tenure of an Independent Director, continuously or otherwise, on the Board of the 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 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. The Independent Directors so appointed by the Members are not liable to retire by rotation.

9. APPOINTMENT OF KEY MANAGERIAL PERSONNEL

The Bank shall have the following as whole-time key managerial personnel:

- Managing Director & Chief Executive Officer
- Company Secretary; and
- Chief Financial Officer

The Bank shall not appoint a person as Part-Time Chairman as well as MD & CEO at the same time.

The whole-time key managerial personnel of the Bank shall be appointed by means of an Ordinary resolution of the Board containing the terms and conditions of the appointment including the remuneration, based on the recommendations of the Nomination and Remuneration Committee.

The Whole-time key managerial personnel so appointed shall not hold office in any other company at the same time.

The Key managerial personnel can be appointed as a Director of any Company only with the permission of the Board of the Bank.

If the office of any whole-time Key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

10. APPOINTMENT OF SENIOR MANAGEMENT PERSONNEL

The Bank shall have the following as the Senior Management Personnel:

- Chief Compliance Officer
- Chief Operating Officer
- Chief Information Technology Officer
- Chief Credit Officer
- Chief Risk Officer
- Head, Internal Audit
- Head, HR

The appointment of Senior Management Personnel shall be made by the Board subject to the recommendation of the NRC.

The Senior Management Personnel so appointed shall not hold office in any other Company at the same time.

11. REMUNERATION

Just as profits drive business, incentives drive the managers of the business. In a fiercely competitive banking environment, managerial remuneration is an important piece of management puzzle. While it is important to incentivize the workforce performing the challenging role of managing companies, it is equally important not to go overboard with the perks and the pay.

In order to enable the Bank to attract and retain the professional Directors and talented KMP and SMP and for their long-term sustainability the Bank, shall effectively align its compensation that has to be adjusted to all types of risks and in line with the industry standards.

The Bank has a Compensation Policy in place which is in compliance with the RBI Guidelines on compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function Staff. The fixation of remuneration both Fixed and Variable to the KMP and SMP should be in compliance of the provisions of the said Compensation Policy.

Remuneration to Part-Time Chairman

The Board of the Bank shall fix the remuneration to be paid to the Part-Time Chairman based on the recommendations of the NRC Committee and with the prior approval of Reserve Bank of India. The remuneration so paid shall be approved by the Members at their General meeting and the same has to be disclosed in the Board's Report.

Remuneration to the Managing Director & CEO

The remuneration of the MD & CEO shall be fixed by the Board of the Bank on the recommendations of the NRC Committee and with the prior approval of the

RBI. The remuneration so fixed shall have an appropriate balance of Fixed and Variable pay co-related with the performance targets.

The remuneration so paid to the MD & CEO shall not exceed 5% of the net profits of the Bank for the relevant financial year. The Bank can pay the remuneration in excess of 5% of the net profits, by passing of a Special Resolution in the General meeting.

The Bank shall comply with the provisions of Section 197 & Schedule V of the Companies Act, 2013, Guidelines of RBI on Compensation to the MD & CEO and the provisions of the Banking Regulation Act, 1949, while fixing the remuneration to the MD & CEO.

The remuneration of the MD & CEO shall be approved by the Members in the General Meetings and be disclosed in the Director's Report.

Remuneration to Non-Executive / Independent Director:

The Bank shall pay sitting fees to the Non-Executive Directors and the Independent Directors and reimburse the expenses incurred for participation in the Board and Committee meetings subject to the compliance of Section 197 & Schedule V of the Companies Act, 2013, and the RBI Guidelines on Compensation of Non-Executive Directors of Private Sector Banks

The Board of the Bank may, at its discretion provide payment of compensation in the form of profit related commission subject to Bank making profits and such compensation shall not exceed Rs. 10 lakhs for each Director with the approval of Members in the General Meeting.

The total remuneration paid to the Non-Executive & Independent Directors shall not exceed 1% of the net profits of the Bank for the relevant Financial Year. The Bank can pay remuneration in excess of 1% of the net profits, by passing a Special resolution in the General Meeting.

Maximum limit of Managerial Remuneration to be payable by the Bank

The total managerial remuneration payable by the Bank to its Part-Time Chairman, MD & CEO and the Directors, in any Financial Year shall not exceed 11% of the net profits of the Bank and the net profits for this purpose has to be computed in compliance with the provisions of Section 198 of the Companies Act, 2013. The Bank if its wants to pay the Managerial Remuneration in excess of 11% of the net profits for the relevant financial year, then it shall be done subject to the approval of Members in the General Meeting and subject to the provisions of Schedule V of the Companies Act, 2013.

The total managerial remuneration so payable, is exclusive of the Sitting fees.

Remuneration to Key Managerial Personnel

The Board shall fix the remuneration to be payable to KMP & SMP based on the recommendations of the NRC Committee. The remuneration shall involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The remuneration paid to the Directors and the Key Managerial Personnel shall be disclosed in the Director's report and the Annual Financial Statements.

9. Reporting Requirement

The Bank shall disseminate the information relating to the Nomination and Remuneration Policy on its Website and the Board's Report.

9.1 Disclosures relating to Appointment of Directors

The Bank shall provide the Shareholders with the following information in case of appointment/re-appointment of Director:

- A brief resume of the Director
- Nature of his expertise in specific functional areas
- Disclosure of relationships between Directors per se
- List of other entities in which the person holds directorships
- Shareholding of Non-Executive directors

9.2 Reporting to the Nomination and Remuneration Committee

- Annual remuneration proposed to Directors, KMP & SMP
- Declarations on fit and proper criteria as submitted by the Directors/proposed Directors
- Employee benefit plans including deferred benefit plans and retirement plans.

9.3 Reporting in the Annual Report

- All pecuniary relationship or transactions of the Directors & KMP vis-à-vis the Bank shall be disclosed in the Annual Report
- The details of remuneration paid to the Directors, Part-Time Chairman, MD & CEO and KMP.

9.4 Reporting Authority

Designation	Role	Reporting Authority
MD & CEO	Management of whole affairs of the Bank	Board
<i>Chief Financial Officer</i>	<i>Finance & Accounts</i>	<i>MD & CEO</i>
<i>Company Secretary</i>	<i>Secretarial & Compliance</i>	<i>MD & CEO /RMCB/ACB/BOARD</i>
<i>Chief Information Technology Officer</i>	<i>IT & IT allied functions</i>	<i>MD & CEO</i>
<i>Chief Credit Officer</i>	<i>Credit functions</i>	<i>MD & CEO</i>

PROCESS OF APPOINTMENT OF DIRECTORS IN
COASTAL LOCAL AREA BANK

Appointing Authority

Every Director of the Bank shall be appointed by the Members in the General Meeting. The Board can appoint the Additional Director subject to the approval of the Members in the General Meeting.

Recommending Authority

- The Nomination and Remuneration Committee (NRC) of the Board has been constituted to inter-alia identify persons who are qualified to become Directors of the Board
- After carrying out due diligence, it will recommend to the Board for consideration of the candidature of the proposed Director. The following factors has to be taken into consideration by the NRC while recommending the Directors to the Board:
 - i. Relevant qualification, skills and experience of the existing Board of Directors

- ii. Mix of Executive, Non-Executive and Independent Directors
 - iii. The optimum size of the Board commensurate with the size of the Bank's operations and complexity.
 - iv. Gender Diversity etc.
- The present Directors on the Board, can also propose the prospective candidate as Director, if the person is considered prima facie suitable for appointment as Director.
 - The Board has to recommend the list of persons to be appointed as Directors alongwith the detailed profile, to the Members in the General Meeting for their approval.
 - Considering the strict fir and proper criteria and stringent corporate governance standards required for the Banks, the appointment of Directors on the Board of the Bank shall be generally on invitation basis.

Process of Due diligence for appointment of a Director

- The NRC shall be responsible for conducting a detailed due diligence and ensure strict compliance with the fit and proper criteria stipulated by RBI and other regulatory instructions and guidelines and also the policies of the Bank before recommending to the Board for appointment.
- NRC shall obtain the required forms and information as stipulated for regulatory compliances and as per Bank's requirement from the proposed Director.
- NRC shall consider the suitability of the person in terms of his/her background, experience, value addition possible, capability to contribute to the Bank's business, business sector representation, investments etc., before going for regulatory compliance process.
- The disclosures made by the proposed director shall be considered carefully and confirmed that they are correct and acceptable in terms of the regulatory prescriptions. The Company Secretary, on behalf of NRC, shall get all the information furnished by the proposed Director verified and validated independently through various other sources such as MCA website etc., and if required, through references. Any further

information/clarification required shall be called for from the candidate and the due diligence process completed. NRC shall decide on the sources and modes of obtaining the information for the due diligence process.

- After confirming the status of the suitability and fit and proper criteria, NRC shall submit a detailed due diligence note to the Board along with its recommendations which may be wither way as per its decision.
- The Board based on the information submitted by NRC, may consider and do independently a due diligence process and approve the appointment of the new Director and recommend to the Board for further approval of the Members in the General Meeting. The Board shall take an Independent decision on its own on the appointment of a person as Director and is not bound by the recommendation/conclusion of the NRC. The Board shall have absolute authority to appoint/reject the candidature of a person as Director on the Board. While it is generally not expected to contravene the recommendations of NRC, in case of the Board taking a conflicting decision after detailed deliberations, reasoned note shall be recorded along with the resolution. The decision to appoint a Director on the Board is expected to be on consensus basis invariably.
- The Board's reasoned decision on determining the acceptability of fit and proper status and suitability of the Director based on overall eligibility, compliance of regulatory guidelines and keeping the interests of the Bank uppermost, shall be final.

Appointment

- Shareholders in the General Meeting will appoint a Director on the Board based on the recommendations by the Board.
- Directors shall be appointed for a term of three years. However, the total tenor of Directors shall be subject to regulatory guidelines and the Bank's policy in this regard.

- The Bank at the time of appointment has to enter into the Deed of Covenant with the Director in the format prescribed by RBI.

Re-appointment

At the time of re-appointment of Directors, the NRC shall follow the same procedure as prescribed for appointment of Directors. The NRC shall scrutinize the Declarations/Undertakings obtained from the Directors under the applicable Laws, including Fit & Proper Declaration. If the NRC is satisfied that the candidate is eligible and fit for being re-appointed as a Director, it can recommend to the Board the acceptance or otherwise of the re-appointment of the Director.

Annual Affirmations for continuing Director:

The Bank shall, at the end of the Financial Year, obtain not later than 30th April, the following declarations reflecting the changes is any from the existing Directors:

- Declaration & Undertaking in the format prescribed by RBI
- Declaration of Independence from the Independent Directors
- Declarations as prescribed by the Banking Regulation Act, 1949 and the Companies Act, 2013.

The declarations so provided by the Directors shall be scrutinized by the NRC and based on the evaluation, the NRC/Board, shall decide whether the Directors continue to fulfil the criteria of being fit and proper.