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CHAPTER 1 - INTRODUCTION AND NEED FOR CORPORATE GOVERNANCE IN BANKS

1.1. Corporate Governance may be defined as "a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders." It ensures commitment to values and ethical conduct of business; transparency in business transactions; statutory and legal compliance; adequate disclosures and effective decision-making to achieve corporate objectives. In other words, Corporate Governance is about promoting corporate fairness, transparency and accountability. Good Corporate Governance is simply Good Business.

1.2. Corporate Governance also means a set of relationships between a company's management, its board, its shareholders as well as other stakeholders which provides the structure through which objectives of a company are set, along with the means of attaining those objectives and monitoring performance. It helps define the way authority as well as responsibility are allocated and how decisions are made.

1.3. Corporate Governance is very important in general because, at its most basic level, corporate governance sets up the "rules of the game" to deal with issues arising from separation of ownership and management so that the interests of all stakeholders are protected. Empirical evidence shows that businesses with superior governance practices generate bigger profits, higher returns on equity and larger dividend yields. Besides this, corporate governance also shows up in such soft areas as employee motivation, work culture, corporate value system and corporate image.

1.4. Banks are different from other corporates in important respects, and that makes corporate governance of banks not only different but also more critical. Banks lubricate the wheels of the real economy, are the conduits of monetary policy transmission and constitute the economy's payment and settlement system. By the very nature of their business, banks are highly leveraged. They accept large amounts of uncollateralized public funds as deposits in a fiduciary capacity and further leverage those funds through credit creation. The presence of a large and dispersed base of depositors in the stakeholders' group sets banks apart from other corporates.

1.5. Banks are interconnected in diverse, complex and oftentimes opaque ways, underscoring their 'contagion' potential. If a corporate fails, the fallout can be restricted to the stakeholders. If a bank fails, the impact can spread rapidly through to other banks with potentially serious consequences for the entire financial system and the macro-economy.

1.6. All economic agents tend to behave in a pro-cyclical manner, and banks are no exception. In case of banks, their pro-cyclical behaviour hurts not just the institution but the larger economy.

Among the many lessons of the financial crisis is the one that financial markets are not self-correcting. This is in part because the signals of financial instability are difficult to

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detect in real time. On top of that, banks escape some of the disciplinary pressures of the market as their balance sheets are typically opaque. Given the centrality of banks to modern financial systems and the macro-economy, the larger ones become systemically important.

1.7. If banks are 'special' in so many ways, then it follows that Corporate Governance of banks has to be special too; reflecting these special features. In particular, Boards and Senior Managements of banks have to be sensitive to the interests of the depositors, be aware of the potentially destructive consequences of excessive risk taking, be alert to warning signals and be wise enough to contain irrational exuberance.

1.8. Further, there are additional dimensions to Corporate Governance of banks in emerging economies. In emerging economies, banks are more than mere agents of financial intermediation; they carry the additional responsibility of leading financial sector development and of driving the government's social agenda.

1.9. Second, in emerging economies, the institutional structures that define the boundaries between the regulators and the regulated and across regulators are still evolving. Managing the tensions that arise out of these factors makes corporate governance of banks in emerging economies even more challenging.

1.10. The scenario of Corporate Governance in banks changed after the reforms in 1991, when public sector banks saw a dilution of government shareholding and a larger number of private sector banks came on the scene. How did these changes shape the post-reform standards of corporate governance?

The competition brought in by the entry of new private sector banks and their growing market share forced banks across board to pay greater attention to customer service. As customers were now able to vote with their feet, the quality of customer service became an important variable in protecting, and then increasing, market share.

1.11. Post-reform, banking regulation shifted from being prescriptive to being prudential. This implied a shift in balance away from regulation and towards corporate governance. Banks now had greater freedom and flexibility to draw up their own business plans and implementation strategies consistent with their comparative advantage. The Boards of banks had to assume the primary responsibility for overseeing this. This required directors to be more knowledgeable and aware and also exercise informed judgement on the various strategy and policy choices.

1.12. Further the entry of institutional and retail shareholders into public sector banks - and listing on stock exchanges - brought about marked changes in their corporate governance standards. Directors representing private shareholders brought new perspectives to board deliberations, and the interests of private shareholders began to have an impact on strategic decisions. On top of this, the listing requirements of SEBI enhanced the standards of disclosure and transparency.

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1.13. Now public sector banks were accorded larger autonomy. They could now decide on virtually the entire gamut of human resources issues, and subject to prevailing regulation, were free to undertake acquisition of businesses, close or merge unviable branches, open overseas offices, set up subsidiaries, take up new lines of business or exit existing ones, all without any need for prior approval from the Government.

All this meant that greater autonomy to the Boards of Public Sector Banks came with bigger responsibility.

1.14. Series of structural reforms raised the profile and importance of corporate governance in banks. The 'structural' reform measures included mandating a higher proportion of Independent Directors on the boards; inducting board members with diverse sets of skills and expertise; and setting up of board committees for key functions like risk management, compensation, investor grievances redressal and nomination of Directors.

Structural reforms were furthered by the implementation of the Ganguly Committee recommendations relating to the role and responsibilities of the Boards of Directors, training facilities for Directors, and most importantly, application of 'fit and proper' norms for Directors.

1.15. Regulation can complement corporate governance, but cannot substitute for it. While regulation has a role to play in ensuring robust corporate standards in banks, the point to recognize is that effective regulation is a necessary, but not a sufficient condition for good corporate governance. Regulation can establish principles and lay down rules but the motivation to implement these principles and rules in their true spirit is a matter of organizational culture. If banks see adherence to regulation as a mere compliance function, and not as a culture building objective, the ability of regulation to further corporate governance can be quite restrictive.

In above backdrop, the Corporate Governance in Banks assumes greater significance.

ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) DEFINITION OF CORPORATE GOVERNANCE

"Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions in corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance"

Thus corporate governance includes within its ambit, the relationship of a company to its shareholders and to society; the promotion of fairness, transparency and accountability; reference to mechanisms that are used to "govern" managers and to ensure that the actions taken by them are consistent with the interests of key stakeholder groups. The salient features span issues of transparency and accountability, the legal and regulatory environment, appropriate risk management measures, information flows and the responsibility of Senior Management and the Board of Directors.

1.16. Policy Maintenance, Review and Approval

Secretarial Department, Compliance & RBS Wing shall be responsible to maintain and update this policy. Secretarial Department shall review the policy annually and shall engage with relevant business and functional Wings to make necessary updates to the policy and framework. This policy shall be implemented by all the concerned Wings.

Policy shall be annually reviewed and approved by the Board of Directors via Operational Risk Management Committee (ORMC) and Audit Committee of the Board (ACB) for approval and adoption.

If any change in this policy is subsequently approved, consequent upon any change in regulatory guidelines, market conditions, etc., such changes and approvals shall be deemed to be part of the policy and framework until the policy and framework are comprehensively reviewed next time. All such changes will be approved by the ORMC and ACB.

At the end of March every year, the Secretarial Department shall obtain relevant certifications from the Statutory Central Auditors as per the Part E of Schedule V of the SEBI (LODR) Regulations 2015 & SEBI (LODR) Amendment Regulations 2021 (As amended as on date)

1.17. Policy effective date: This policy comes into effect immediately on approval by the Board of Directors.

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CHAPTER 2 - BANK'S PHILOSOPHY ON CORPORATE GOVERNANCE & OBJECTIVES OF CORPORATE GOVERNANCE POLICY

2.1. The bank's Philosophy: The vision of Canara Bank is to emerge as the Best Bank to Bank with by pursuing industry benchmarks in profitability, operational efficiency, asset quality, risk management and digital innovation with a mission to provide State-of-the-Art Banking solutions, leveraging technology, aiding Ease of Doing business and enhancing value for all stakeholders through inclusive growth. In its endeavour to attain the goal visualized, the bank is laying maximum emphasis on the effective system of Corporate Governance.

The interaction between the Board, Senior Management and the Executives is so configured as to have a distinctly demarcated role so as to derive enhanced value to its stakeholders in particular and society in general.

The Corporate Philosophy of the bank is as reflected in its Brand Identity of two seamlessly connected triangles which is based on the idea of a bond and is a representation of the close ties between the bank and its many stakeholders - from customers and employees to investors, institutions and society at large. The slogan of the bank, "**Together We Can**" also reinforces the same.

2.2. Objectives: The overall objective is to optimise sustainable value to all stakeholders - depositors, creditors, shareholders, customers, borrowers, employees and the society through:

- Adherence to corporate values, codes of conduct and other standards of appropriate behaviour.
- A well-defined corporate strategy through which the success of the bank and the contribution of individuals can be measured.
- A clearly defined assignment of responsibilities and hierarchical decision-making authorities at all levels up to the Board of Directors with built-in mechanism for interaction for upward and downward communication.
- Strong Orientation in Social Banking.
- Strong internal control systems – including internal and external audit functions, risk management functions – independent of business lines, with checks and balances.
- Special monitoring of risk exposures where conflicts of interest are likely to be great.
- Appropriate information flows internally and to the public.

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CHAPTER 3 - SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

3.1. The term 'Clause 49' refers to clause number 49 of the Listing Agreement between a company and the stock exchanges on which it is listed. This clause was inserted as late as 2000 consequent to the recommendations of the Kumar Mangalam Birla Committee on Corporate Governance constituted by the Securities Exchange Board of India (SEBI) in 1999.

3.2. Clause 49, when it was first added, was intended to introduce some basic corporate governance practices in Indian companies and brought in a number of key changes in governance and disclosures. It specified the minimum number of Independent Directors required on the board of a company. The setting up of an Audit Committee and a Shareholders' Grievance Committee, among others, were made mandatory as were the Management's Discussion and Analysis (MD&A) section and the Report on Corporate Governance in the Annual Report, and disclosures of fees paid to non-executive Directors. A limit was placed on the number of committees that a Director could serve on.

3.3. In late 2002, SEBI constituted the Narayana Murthy Committee to assess the adequacy of current corporate governance practices and to suggest improvements. Based on the recommendations of this committee, SEBI issued a modified Clause 49 on 29th October 2004 (the 'Revised Clause 49') which came into operation on 1st January 2006.

3.4. Clause 49 of the SEBI guidelines on Corporate Governance as amended on 29th October 2004 has made major changes in strengthening the responsibilities of Audit Committee, improving quality of financial disclosures, including those relating to related party transactions and proceeds from public / rights / preferential issues, requiring Boards to adopt formal Code of Conduct, requiring CEO/CFO certification of financial statements and for improving disclosures to shareholders.

3.5. The Revised Clause 49 has suitably pushed forward the original intent of protecting the interests of investors through enhanced governance practices and disclosures. Five broad themes predominate.

The independence criteria for Directors have been clarified. The roles and responsibilities of the board have been enhanced. The quality and quantity of disclosures have improved.

The roles and responsibilities of the Audit Committee in all matters relating to internal controls and financial reporting have been consolidated, and the accountability of top management - specifically the CEO and CFO - has been enhanced. Within each of these areas, the revised Clause 49 moves further into the realm of global best practices and sometimes, even beyond.

In 2015, SEBI has come out with new regulations in place of Clauses in the Listing Agreement, namely SEBI (Listing Obligations and Disclosure Requirements) Regulations,

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2015, wherein they have amended the provisions of Corporate Governance under Regulations 17 to 27, with the objective to align with the provisions of the Companies Act, 2013; adopt best practices on Corporate Governance and to make the Corporate Governance framework more effective. The SEBI (LODR) Regulations 2015 was further amended vide SEBI (LODR) (Second Amendment) Regulations, 2021 (As amended as on date).

3.6 Applicability to Public Sector Banks:

The Reserve Bank of India (RBI), vide its letter DBOD. No. 588/08.139.001/2004-2005, dated 10.01.2005, informed that the listed Indian Scheduled Commercial Banks may comply with the provisions of Clause 49 of the Listing Agreement insofar as the same are not in conflict with the provisions of the relevant statues as applicable to banks and also the instructions issued by Reserve Bank from time to time.

The Indian Banks' Association (IBA) vide its letter No. C&I/C/1049, dated 03.01.2006, informed that they concurred with our interpretation of the views of SEBI/RBI. The Statutory rules and provisions of the Regulatory authorities overrule the SEBI guidelines.

Further, the IBA had organized a meeting of Bankers on the Revised Clause 49 of the Listing Agreement on 07.04.2006 and took note of the submission of the particulars in the format (as per the Listing Agreement) by Public Sector Banks.

Even in the SEBI (LODR) Regulations, 2015, SEBI, vide Regulation 15 (2) (b), informed as under:

Provided that for other listed entities which are not companies, but body corporate or are subject to regulations under other statutes, the provisions of corporate governance provisions as specified in regulation 17, 18, 19, 20, 21,22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D and E of Schedule V shall apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.

SEBI has amended SEBI (LODR) Regulations vide SEBI (LODR) (Second amendment) Regulations, 2021 as below:

In Regulation 15, sub-regulation 2, Under clause (b), the provision shall stand omitted with effect from September 01, 2021.

Further Reserve Bank of India vide RBI/2021-22/24 DOR.GOV.REC.8/29.67.001/2021-22 dated 26.04.2021 provided guidelines on review the framework for governance in the commercial banks.

Based on the extent of applicability of the Corporate Governance Regulations under SEBI (LODR) Regulations, 2015 & SEBI (LODR) (Second Amendment) Regulations, 2021 and the above referred RBI circular, the Roles, Responsibilities & Functions of the Board of Directors & Audit Committee of the Board are detailed in this Policy.

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CHAPTER 4 - BOARD OF DIRECTORS

4.1. Constitution

The composition of the Board is governed by the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Regulation Act, 1949 and the Nationalized Banks (Management and Miscellaneous Provisions) Scheme, 1970, as amended from time to time.

The composition of Board of Directors of the bank shall be as per provisions of Section 9(3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and in line with RBI Guidelines dated 26.04.2021 and SEBI (LODR) Regulations 2015 as amended from time to time:

Sr. No	Post	Clause under which appointed	Remarks (nature of appointment in the bank / other Companies)
1	Chairman / Managing Director & CEO / Executive Director/s	9(3)(a)	Not more than five Whole Time Directors to be appointed by the Central Government after consultation with the Reserve Bank of India.
2	Government Nominee Director	9(3)(b)	One Director who is an official of the Central Government to be nominated by the Central Government.
3	RBI Nominee Director	9(3)(c)	One Director to be nominated by the Central Government on the recommendation of the Reserve Bank of India
4	Workmen Employee Director	9(3)(e)	One Director from among such of the employees of the bank, who are workmen.
5	Officer Employee Director	9(3)(f)	One Director from among such of the employees of the bank, who are not workmen.
6	Chartered Accountant Director	9(3)(g)	One Director who has been a Chartered Accountant for not less than fifteen years to be nominated by the Central Government after consultation with the Reserve Bank of India.
7	Part Time Non-official Directors #	9(3)(h)	Having special knowledge or practical experience in respect of a. Agriculture & Rural Economy b. Banking c. Co-operation d. Economics

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			e. Finance f. Law g. Small scale Industry h. Any matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank of India, be useful to the bank.
8	Shareholder Directors #	9(3)(i)	Elected by Shareholders of Bank other than Central Government. where the capital issued under clause (c) of sub-section (2B) of section (3) is i) not more than sixteen per cent of the total paid-up capital, one Director; ii) more than sixteen per cent but not more than thirty two per cent of the total paid-up capital, two Directors, iii) more than thirty two per cent of the total paid-up capital, three Directors.

#subject to provisions of Section 9(3)(i) of the Act, total not more than six Directors under category 9(3)(h) and (i).

Following guidelines of RBI vide circular dated 26.04.2021 and SEBI (LODR) Regulations will also be considered in composition of Board:

1) The Chair of the board shall be an Independent Director.

2) In the absence of the Chair of the board, the meetings of the board shall be chaired by an Independent Director.*

3) The quorum for the board meetings shall be one-third of the total strength of the board or three Directors, whichever is higher.

4) At least half of the Directors attending the meetings of the board shall be Independent Directors.

These guidelines would apply to the extent the stipulations are not inconsistent with provisions of specific statutes applicable to these banks or instructions issued under the statutes

*The bank is following DFS guidelines, i.e., MD & CEO shall chair the meetings of the board in the absence of non executive Chairman of the bank.

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As per Regulation 17 of SEBI (LODR) Regulations, 2015 (applicable from 01.09.2021):

1) The Board of Directors shall have an optimum combination of executive and non-executive Directors with at least one woman Director and not less than fifty per cent of the Board of Directors shall comprise of non-executive Directors

2) where the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of Independent Directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of Independent Directors

The Managing Director & CEO shall chair the meeting of Board till separate Chairman is appointed by Government of India in terms of clause 5 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970 on Board of Bank.

Chairman appointed by Government of India shall preside over the meetings of the Board as per clause 5 of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970.

If, for any reason, the Chairman is unable to attend a meeting of the Board, the Managing Director shall preside over that meeting and in the absence of the Managing Director or in the event of the Chairman and the Managing Director being the same person, any other Director elected by the Directors present at the meeting from among themselves shall preside at the meeting as per clause 12(6) of the Nationalised Banks (Management and Miscellaneous Provisions) Scheme, 1970.

Shareholder Director to be elected shall possess requisite educational qualifications and experience so as to be eligible and qualify for fit and proper criteria as prescribed by Reserve Bank of India / Government of India from time to time.

The above pattern of composition of the Board ensures that the Board is broad based, consists of employees, professionals from various fields and administrators, and results in representation to the stakeholders and administrators and Independent Directors in the process of decision making.

The predominance of non-executive/Independent Directors is aimed at enabling the board to have a meaningful discussion, ensuring transparency and taking an unbiased and qualitative view on matters placed before the Board.

4.2. Limit on Committee Memberships

No Director of the bank shall be a member in more than ten Committees or act as a Chairman of more than five Committees across all listed entities in which he is a Director. Every Director shall inform the bank every year about the Committee positions he

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occupies in other Companies and must also notify any changes therein as and when they take place as per the format included in the Corporate Governance Procedure Manual.

4.3. Functions

The Board of Directors of a Bank is entrusted with the management and direction of the bank. The Directors of the bank are collectively called the 'Board of Directors' or the 'Board'. The Board of Directors of the bank have the responsibility of overseeing the performance of the bank and ensuring that they function in accordance with the objectives set before them and in doing so, abide by the guidelines given by Reserve Bank of India and the Government.

The board of a bank has overall responsibility for the bank, including culture, governance framework and approving as well as overseeing management's implementation of the bank's strategic objectives. Directors have responsibilities to the bank's overall interests, regardless of who appoints them.

4.4. Quorum

The quorum for the meeting of the Board shall be one-third of the number of Directors holding office as such Directors of the Board on the day of the meeting; subject to a minimum of three Directors, two of whom shall be Directors referred to in clause (b), (c), or (h) of sub-section (3) of Section 9 of the Act.

4.5. Frequency of Meetings

The Board shall meet as frequently as may be necessary for the smooth and efficient conduct of business. However, the Board shall meet at least once in a quarter and six times in a year. The time gap between any two Board meetings shall not be more than four months.

4.6. Agenda for Board Meetings

The Managing Director & Chief Executive Officer (MD&CEO) of the bank and, in his absence, the senior most Executive Director shall decide the Agenda for each meeting of the Board.

RBI vide its communication DBR No.BC.93/29.67.001/2014-15 dated 14.05.2015, mandated that in order to give focused attention to matters of strategic and financial importance, seven critical themes namely, business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources shall be deliberated in the Board Meetings.

Among other things, the information as detailed in Corporate Governance Procedure Manual shall be placed before the Board.

4.7. Code of Conduct

The bank has put in place a Code of Conduct for all the Board Members and the Senior Management with the permission of the Board of Directors. The Code of Conduct for the

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Board Members and Senior Management Personnel is furnished in the Corporate Governance Procedure Manual.

The Code of Conduct approved by the Board for all Board members and Senior Management of the bank shall be posted on the website of the bank. All Board members and Senior Management personnel shall affirm compliance with the code on an annual basis. Non adherence or non compliance to the Code of Conduct may result in Reputation Risk for the bank and may also result in ***regulatory actions on the bank.*** At times, instances of non adherence or non compliance of Code of Conduct may also lead to adverse publicity. All cases of non adherence / non compliance to the code of conduct shall be dealt with in terms of Staff Accountability Policy or as per prevailing laws/regulations.

All the members of the Board shall submit a declaration as per the format furnished in Corporate Governance Procedure Manual at annual intervals and Senior Management Personnel shall submit annual declaration as per the format in Corporate Governance Procedure Manual. The Annual Report of the bank shall contain a declaration to this effect signed by the Managing Director & Chief Executive Officer (MD&CEO), as per the format in Corporate Governance Procedure Manual.

4.8. Code of Conduct for Prohibition of Insider Trading

The bank has in place Canara Bank Code of Conduct for Prohibition of Insider Trading (as amended in 2015). The guidelines of SEBI in these matters shall be strictly adhered to. All designated persons intending to deal in the shares of the bank exceeding the threshold limit should seek the prior clearance of the Compliance Officer under the regulation.

No designated person shall pass on any unpublished price-sensitive information to any person directly or indirectly by way of making a recommendation for the purchase or sale of the shares of the bank.

4.9. Compliance Reports of all Laws Applicable to the bank

The Board shall review compliance reports of all laws applicable to the bank at half-yearly intervals as at the end of March & September of every year. In this connection, the Compliance Department of the bank shall submit a Note to the Board of Directors at half-yearly intervals, as at March & September, duly indicating the non compliances, if any; as well as steps taken to rectify such non compliances.

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CHAPTER 5 - AUDIT COMMITTEE OF THE BOARD (ACB)

5.1. Constitution

The Audit Committee of the Board (ACB) is constituted as per the guidelines of the Reserve Bank of India and Government of India, SEBI (LODR) Regulations, 2015 as amended from time to time.

Following guidelines of RBI vide circular dated 26.04.2021 and SEBI (LODR) Regulations will also be considered in composition of ACB -

1) The ACB shall be constituted with only non-executive Directors (NEDs).

2) The Chair of the board shall not be a member of the ACB.

3) The ACB shall meet with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB shall be Independent Directors.

4) The ACB shall meet at least once in a quarter.

5) The meetings of the ACB shall be chaired by an Independent Director who shall not chair any other committee of the Board.

6) The Chair of the ACB shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures. All members should have the ability to understand all financial statements as well as the notes/ reports attached thereto and at least one member shall have requisite professional expertise/ qualification in financial accounting or financial management [e.g., experience in application of accounting standards and practices, including internal controls around it].

As per extant guidelines of GOI and RBI, while constituting the Audit Committee of the Board, the following points shall be adhered to:

(i) Directors representing staff shall not be included in the Audit Committee of the Board.

(ii) The Chairman of the Committee shall be a Non-Executive Director.

(iii) Non-Official Directors shall be rotated every two years, at least one Non-Official Director being a Chartered Accountant.

(iv) If the bank has only one Non-Official Chartered Accountant Director, he shall not be rotated and will continue to be on the Audit Committee of the Board.

(v) As per the GOI guidelines, Directors appointed under Section 9 (3)(g) and (h) of the Act, who are on the Management Committee /Credit Approval Committee shall not be on the Audit Committee in any capacity.

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(vi) Company Secretary shall act as a Secretary to the Audit Committee of the Board.

5.2. Functions: The following shall be the areas of focus of the Audit Committee of the Board:

a. The Committee shall provide direction and also oversee the operation of the total audit function in the bank.

b. As regards internal audit, Audit Committee of the Board shall review the internal inspection/audit function in the bank in regard to the system, its quality and effectiveness in terms of follow up. It shall review the inspection reports of specialised and extra-large branches and all branches with unsatisfactory ratings.

c. ACB shall also specially focus on the follow-up of:

- Inter-branch adjustment accounts
- Un-reconciled long outstanding entries in the inter-bank accounts and Nostro accounts
- Arrears in balancing of books at various branches
- Frauds and
- All other major areas of house-keeping.

d. It shall obtain and review half-yearly reports from the Compliance Officer appointed by the bank in terms of instructions of Reserve Bank of India.

e. Regarding statutory auditors, the Audit Committee shall follow up on all the issues raised in the Long Form Audit Report (LFAR). It shall interact with the external auditors before the finalisation of the Annual / Quarterly financial accounts and reports.

f. The committee shall follow up on all issues / concerns raised in the inspection reports of Reserve Bank of India.

g. Oversee the bank's financial reporting process and ensure correct, adequate and credible disclosure of financial information.

h. Review with Management the financial statements with special emphasis on accounting policies and practices, compliance of accounting policies and practices, compliance of accounting standards and other legal requirements concerning financial statements.

i. Review the adequacy of external and internal audit, internal control system, discuss and review significant findings of inspection and investigation.

j. Discuss with external auditors before finalization of annual accounts and report.

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k. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

l. Approval of appointment of CFO (the person heading the finance function or discharging that function, i.e., General Manager who is heading the Financial Management Wing, Head Office) after assessing the qualifications, experience, background, etc. of the candidate.

m. Review of any other function as may be required under the provisions of Corporate Governance as per SEBI (LODR) Regulations, 2015.

n. Review of Wilful Defaulters

o. Periodical Review of various matters as per the Calendar of Reviews prescribed by Reserve Bank of India, vide letter dated 10.11.2010 and as detailed in Corporate Governance Procedure Manual shall be placed before the ACB.

p. The Audit Committee of the Board should monitor the work done by concurrent audit, internal audit, statutory audit and compliance of RBI inspection very closely and should take an active role in appointment of statutory auditors.

5.3. Quorum

Three members shall constitute the quorum for the meetings of the Committee. At least two-thirds of the members attending the meeting of the ACB shall be Independent Directors.

5.4. Frequency of Meetings

The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.

CHAPTER 6 - OTHER COMMITTEES OF THE BOARD

6.1. The Board may constitute as much number of Committees as deemed necessary from among its members and delegate such powers as may be considered expedient in furtherance of the best interests and corporate objectives of the bank. The constitution, powers and functioning of such committees shall be consistent with the best practices and standards as well as in conformity with the prevailing guidelines of RBI & SEBI (under Listing Regulations, 2015).

6.2. Accordingly, the following Committees of the Board are constituted:

1	Management Committee of the Board (MC)
2	Audit Committee of the Board (ACB)*
3	Risk Management Committee of the Board (RMCB)
4	Committee for Monitoring Recovery (CMR)
5	IT Strategy Committee (ITSC)
6	Board Committee on Performance Evaluation (BCPE)
7	Sub-Committee Human Resources (SC HR)
8	Special Committee of the Board for Monitoring & Following Up Cases of Frauds (Rs 1.00 Crore & above) (SCF)
9	Sub-Committee of the Board to Review Classification of Wilful Defaulters (SCRW)
10	Sub-Committee Business Plan Strategy (SC BP)
11	Sub-Committee – Capital Planning Process of the bank (SC CP)
12	Sub-Committee -Sustainable Development and Corporate Social Responsibility (SC SDCSR)
13	Customer Service Committee of the Board (CSC)
14	Nomination and Remuneration Committee of the Board (NRC)
15	Stakeholders' Relationship Committee of the Board (SRC)
16	Sub-Committee - Compensation Committee (SC CC)
17	Committee of Directors (CD)
18	Committee of Board (CB)
19	Departmental Promotion Committee (DPC)

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*Please refer Chapter 5

Various details such as constitution, powers and roles of the Committees {which are more relevant in terms of provisions of Corporate Governance as per the SEBI (LODR) Regulations, 2015} are detailed in Corporate Governance Procedure Manual.

6.3. The bank has also constituted several Committees of Executives for ensuring smooth decision taking.

The full details regarding the composition, functions, etc., of the Committees are outlined as under:

1. MANAGEMENT COMMITTEE (MC)	
Full name	Management Committee of the Board
Function	Considering credit / loan compromise / write off proposals, approval of capital and revenue expenditure, acquisition and hiring of premises, filing and defending suits/appeals, investment in Government and other approved securities, shares and debentures of companies, including underwriting, donations, etc., beyond the discretionary powers of the Chairman & Managing Director
Total members	As per Clause 13, sub clause 2 of Nationalised Banks (Management & Miscellaneous provisions) Scheme, 1970/1980 a) The Managing Director & CEO c) The Executive Director/s d) The Directors nominated by RBI under Section (9)(3)(c) of the Act e) Three Directors nominated by the Board from amongst the Directors referred to in clauses (e), (f), (h) and (i) of sub-section (3) of section 9 of the Act The Directors appointed under Section 9(3)(g) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, ceases to be a member on Management Committee of the Board, consequent to the amendment in the Nationalized Banks (Management & Miscellaneous

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	Provisions) Scheme 1970/80 regarding composition of Management Committee under Clause 13(2). Directors appointed under Section 9(3) (g) & (h) of the Banking Companies (Acquisition & Transfer of undertaking) Act 1970, who are on Management Committee shall not be on the Audit Committee in any capacity. However this provision will not be applicable in case of whole time Directors and RBI Nominee Directors appointed under Section 9 (3)(a) and 9 (3)(c) of the Act, respectively.
Quorum	**Four :** MD & CEO Any other three Directors of which one should be non executive Director
Chairman	MD & CEO of the bank
Periodicity of meeting	As and when required
Tenure of members	Not more than 1 year

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2. RISK MANAGEMENT COMMITTEE (RMC)	
Full name	Risk Management Committee of the Board
Function	The Committee will have the overall responsibility of deciding the Risk Management Policy of the bank and set limits for liquidity, interest rate, foreign exchange and equity price risks. The functions of the Risk Management Committee is to co-ordinate, review and monitor and functioning of Credit Policy Committee (CPC) dealing with credit risk related matters and Asset Liability Management Committee (ALCO) which is dealing with market risk. The Committee shall devise the policy and strategy for integrated risk management containing various risk exposures of the bank including the credit risk. For this purpose, the Committee shall effectively coordinate between the Credit Risk Management Committee (CRMC), the Asset Liability Management Committee and other Risk Committees of the bank, if any.
Total members	The board shall constitute an RMCB with a majority of NEDs. The RMCB shall meet with a quorum of three members. At least half of the members attending the meeting of the RMCB shall be Independent Directors of which at least one member shall have professional expertise/ qualification in risk management. Meetings of RMCB shall be chaired by an Independent Director who shall not be a Chair of the board or any other committee of the board. **The Chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise.**
Quorum	**Three:** The RMCB shall meet with a quorum of Three Members. At least half of the members attending the meeting of the RMCB shall be Independent Directors.

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Chairman	RMCB shall be chaired by an Independent Director who shall not be a chair of the Board or any other Committee of the Board
Periodicity of meeting	Quarterly **(The RMCB shall meet at least once in each quarter.)**
Tenure of members	1 year

3. COMMITTEE OF THE BOARD FOR MONITORING RECOVERY (CMR)	
Full Name	Committee of the Board for Monitoring Recovery
Function	1. To monitor the progress in recovery on regular basis. 2. To submit report to the Board on monthly basis.
Total members	1. Managing Director & CEO - Chairman of the Committee. 2. Executive Directors. 3. Director representing Government of India. 4. One Non-Executive Director from the Board
Quorum	**Three:** Managing Director & Chief Executive Officer – Chairman Executive Director overseeing Recovery Director representing GoI or Non-Executive Director on the Committee
Chairman	Managing Director & CEO
Periodicity of meeting	Monthly
Tenure of members	1 year

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4. IT STRATEGY COMMITTEE (ITSC)	
Full name	**IT Strategy Committee (ITSC)** **erstwhile Sub-Committee of the Board for Monitoring the progress in implementation of Information Technology in the Bank (SC IT)**
Function	Approving IT strategy and policy documents Ensuring that the management has put an effective strategic planning process in place. Ratifying that the business strategy is indeed aligned with IT strategy. Ensuring that the IT organizational structure complements the business model and its direction. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources. Ensuring proper balance of IT investments for sustaining bank's growth. Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT risks. Assessing Senior Management's performance in implementing IT strategies. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks). Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT. Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks.

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	Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value).
Total members	1.Chairman of the bank 2. Managing Director & CEO 3. Executive Directors 4.Part Time Non Official Director 5.Chief Information Officer **(CIO)-**Member **Invitees:** Chief Technology Officer**(CTO)** Chief Information Security Officer **(CISO)** IT Advisor
Quorum	**Four** Chairman, MD & CEO & along with any two of the other members.
Chairman	Chairman of the bank*
Periodicity of meeting	Frequency as and when needed **(at least four times in a year)** and not more than four months should elapse between two meetings.
Tenure of members	1 year

*Independent Director as per RBI guidelines

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5. BOARD COMMITTEE FOR PERFORMANCE EVALUATION (BCPE)	
Full Name	Board Committee for Performance Evaluation for Recording the Annual Performance Appraisal Report (APAR)
Function	Reporting / Reviewing and Accepting Authorities for recording the Annual Performance Appraisal Report (APAR) of 1. MD & CEO, 2. Executive Directors 3. General Managers in charge of internal functions (Risk, Compliance and Audit) of the bank.
Total members	1.Non-Executive Chairman of the bank and in case of vacancy in the office of NEC, the Chairman of the Audit Committee of the Board. 2.Governmnet Nominee Director 3. Shareholder Director who has served on the banks Board for the longest duration.
Quorum	**Three** All
Chairman	Non-Executive Chairman of the bank
Periodicity of meeting	Yearly
Tenure of members	1 year

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6.SUB-COMMITTEE ON HUMAN RESOURCES(SCHR)	
Full Name	Sub Committee of the Board on Human Resources
Function	To discuss, review and suggest on various HR related issues.
Total members	Chairman of the bank Managing Director & CEO Executive Directors Director representing Government of India Members on rotation : Two other Directors to be nominated by the Board
Tenure of members	The two member Directors on rotation shall be nominated by the Board of Directors for a period of one year.
Quorum	**Four:** 1. Chairman of the bank 2. MD & CEO 3. ED Overseeing Human Resources Wing 4. Any one of Independent Directors nominated on the Sub Committee.
Chairman	Chairman of the bank
Periodicity of meeting	Once in a Quarter
Tenure of members	1 year

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7. SPECIAL COMMITTEE OF THE BOARD FOR MONITORING LARGE VALUE FRAUDS (Rs.1.00 CRORE & ABOVE) (SCF)	
Full name	Special Committee of the Board for Monitoring Large Value Frauds (Rs.1.00 Crore & above)
Function	The major functions of the Special Committee would be to monitor and review all the frauds of Rs.1.00 crore and above so as to: - Identify the systemic lacunae, if any, that facilitated perpetration of the fraud and put in place measures to plug the same. - Identify the reasons for delay in detection, if any, in reporting to top management of the bank and RBI. - Monitor progress of CBI / Police Investigation and recovery position. - Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time. - Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls. - Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

Total members	- Chairman of the bank - Managing Director & CEO. - Executive Directors of the bank - Two members from Audit Committee of Board and - Two other members from the Board excluding RBI nominee. It is not appropriate for RBI Nominee Director to be associated with the Special Committee of the Board of Directors for monitoring Large Value Frauds of Rs.1 Crore and above GOI Nominee Directors are required to closely monitor the fraud cases in their respective banks and they should ensure that they are nominated in the Large Value Fraud Monitoring Committee of the bank.
Tenure of members	Directors nominated by the Board shall be on rotation every Two years
Chairman	Chairman of the bank
Quorum	**Four:** Chairman, Managing Director & CEO of the bank, Executive Director Overseeing Recovery and any other 1 Member Director
Periodicity of meeting	As and when required
Tenure of members	1 year

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8. SUB COMMITTEE OF THE BOARD TO REVIEW CLASSIFICATION OF WILLFUL DEFAULTER OF THE BANK (SCRW)	
Full name	Sub Committee of the Board for Review Classification of willful Defaulter
Function	To Review the Orders of the Committee for identification & Grievance redressal of Wilful Defaulter.
Total members	- Managing Director & CEO . - Two Members from the Board, on rotation.
Tenure of members	One year
Chairman	Managing Director & CEO.
Quorum	**Three:** **All**
Periodicity of meeting	As and when required
Tenure of members	1 year

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9. SUB COMMITTEE OF THE BOARD FOR BUSINESS PLAN STRATEGY (SC BP)	
Full Name	Sub Committee of the Board for Business Plan Strategy
Function	To Discuss Business Plan Strategy of the bank, with specific reference to Resources mobilisation, Credit, Asset quality management and Marketing of bank's Products
Total members	(i) Chairman (ii) Managing Director & Chief Executive Officer (iii) Executive Directors (iv) Any one Director from the Board of the bank
Quorum	**Four:** Chairman MD & CEO One of the Executive Directors Member Director
Chairman	Chairman of the bank
Periodicity of meeting	Quarterly
Tenure of members	1 year

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10. SUB COMMITTEE OF THE BOARD FOR CAPITAL PLANNING PROCESS OF THE BANK (SC CP)	
Full Name	Sub Committee of the Board for Capital Planning Process of the Bank
Function	1. To oversee the Capital Planning process 2. To ensure that Capital to Risk Weighted Assets Ratio is maintained above the minimum regulatory requirement along with the prescribed norms. 3. To recommend quantum, mode and types of Capital raising, as per the requirement. 4. To ensure compliance of instruction / directions of Ministry / RBI / any other statutory body in the matter relating to Capital. 5.To decide on Modalities of Qualified Institutional Placement. 6. To carefully consider the qualification, experience, profile and background of the various candidates and take a decision in supporting the candidates in the election as Share Holder Directors in various Companies including banks and Financial Institutions where the bank has equity. 7. To decide and permit on: (a) terms (b) timing (c) pricing (d) and other modalities of the rights issue as required under SEBI guidelines. 8. To explore all possibilities of monetization of Non Core Assets of the bank including Subsidiaries / Associates of the bank and to plan, finalise strategy and place to Board for permission/approval including financial sanctions for engaging the services of Consultants.
Total members	MD & CEO All the Executive Directors Three other Non-Executive Directors
Quorum	**Three:** MD & CEO

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	Either of Two Executive Directors overseeing SP&D Wing/FM Wing One of the three other Non-Executive Directors
Chairman	Managing Director & CEO
Periodicity of meeting	As and when required
Tenure of members	1 year

11. SUB COMMITTEE OF THE BOARD ON SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY (SC SDCSR)	
Full Name	Sub Committee of the Board on Sustainable Development and Corporate Social Responsibility
Function	To oversee the implementation and monitoring of Sustainability and CSR activities of the bank. To examine the proposals/requests and to accord approval/sanction/rejection within the overall CSR budget sanctioned by the Board
Total members	1. Managing Director & CEO 2. Executive Director overseeing FI Wing 3. Independent Director - on rotation
Quorum	**Three** 1.Managing Director & CEO 2. Executive Director overseeing FI Wing 3. Independent Director - on rotation
Chairman	Managing Director & CEO
Periodicity of meeting	As and when required
Tenure of members	1 year

12. CUSTOMER SERVICE COMMITTEE(CSC)	
Full name	Customer Service Committee of the Board
Function	i) It is advised vide communication dated 17.08.2004 of the Reserve Bank of India, that the Committee shall address the formulation of a Comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account, the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services. ii) Besides, the Committee could also examine any other issues having a bearing on the quality of customer service rendered. iii) The Committee shall oversee the functioning of the Adhoc Committee of the bank as long as it operates, including compliance with the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS). iv) The Committee shall also initiate innovative measures for enhancing the quality of customer service and improving the level of customer satisfaction for all categories of clientele, at all times. v) The Committee be dedicated to bring about ongoing improvements in the quality of customer service provided by the bank.
Total members	The RBI communication stipulates that the Committee shall be chaired by the Chairman & Managing Director / Executive Director and include non-officials representing customers' interests as its members to enable an independent feedback on the quality of customer service.
	- Managing Director & CEO - Executive Directors - Two Non-Official Directors [Since there are four Executive Directors on the Board of the bank, all the Executive Directors are members of the Committee]

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	Experts and representatives of customers as invitees to be included to formulate policies and assess the compliance thereof internally with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer service provided by the banks
Quorum	Two: Managing Director & CEO of the bank and any other member Director.
Chairman	Managing Director & CEO of the bank
Periodicity of meeting	Once in a quarter
Tenure of members	1 year

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13. NOMINATION AND REMUNARATIONCOMMITTEE(NRC)	
Full name	Nomination and Remuneration Committee
Function	Determine the "Fit and Proper" status of the Existing Elected Directors / Proposed candidates based on the broad criteria as mentioned hereunder: - Educational Qualification - Experience and Field of Expertise - Track record and integrity (The above list is only illustrative and not exhaustive). The Committee should see whether the non-adherence to any of the above criteria would hamper the existing Elected Director / Proposed Candidate from discharging the duties as a Director on the Board of the bank. Further, the candidate coming to the adverse notice of any Authority / Regulatory agency or insolvency or default of any loan from any bank or Financial Institution would make the candidate unfit and improper to be a Director on the Board of the bank. Performance Linked Incentives to Whole Time Directors of Public Sector Banks
Total members	The board shall constitute an NRC made up of only NEDs. The NRC shall meet with a quorum of three members. At least half of the members attending the meeting of the NRC shall be Independent Directors, of which one shall be a member of the RMCB. The meetings of the NRC shall be chaired by an Independent Director. The Chair of the board shall not chair the NRC. The meeting of NRC may be held as and when required.
Quorum	**Three:** The quorum of the Committee is three in number, including the Chairman.

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Chairman	One among the members can be nominated as the Chairman. But Non Executive Chairman of the bank shall not chair the committee
Periodicity of meeting	As and when required
Tenure of members	1 year

14. STAKEHOLDERS' RELATIONSHIP COMMITTEE (SRC)	
Full name	Stakeholders' Relationship Committee of the Board
Function	To specifically look into the grievances of shareholders, debenture holders and other security holders, and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend, etc.
Total members	Executive Director/s and two Non Official Directors Chairman of the Committee should be Non official Director
Quorum	**Two** 1. One of the Executive Directors 2. Any one of the Non Official Directors nominated on the Sub Committee.
Chairman	The Chairman of the Committee shall be a Non-Official Director
Periodicity of meeting	Half Yearly
Tenure of members	1 year

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15. SUB COMMITTEE - COMPENSATION COMMITTEE(SC CC)	
Full Name	Sub Committee of the Board for Compensation Committee
Function	Administration and superintendence of the scheme (CanBank – ESPS)
Total members	Three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors
Quorum	**Three:** The quorum of the Committee is three in number, including the Chairman.
Chairman	One among the members can be nominated as the Chairman. But Non Executive Chairman of the bank shall not chair the committee
Periodicity of meeting	As and when
Tenure of members	1 year

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16. COMMITTEE OF DIRECTORS (CD)	
Full name	Committee of Directors of the Board
Function	Review of Vigilance Disciplinary cases and departmental enquiries
Total members	Managing Director & CEO and the nominee Directors of Government of India and Reserve Bank of India
Quorum	**Three** All
Chairman	Managing Director & CEO
Periodicity of meeting	Quarterly
Tenure of members	Permanent Member

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17. COMMITTEE OF BOARD (CB)	
Full name	Committee of Board
Function	The appeals preferred by Officers (i.e., Scale VI and VII) wherever the Managing Director has acted as Disciplinary Authority, are to be placed before the Committee of Board. Amended vide Orders of the Board dated 28.02.2000: The appeals preferred by Officers wherever the Managing Director has acted as Disciplinary Authority, are to be placed before the Committee of Board, ie., Scale IV and V – In the absence of the Chairman & Managing Director or in case C&MD is functioning as Disciplinary Authority Scale VI and VII.
Total members	Director representing Government of India – under Category (b) – Chairman Two Executive Directors in the order of seniority in case where three Executive Directors are available. When only two Executive Directors are available, both shall be members, provided one of the Executive Directors is not a Disciplinary Authority. In case senior-most Executive Director happens to be Disciplinary Authority, then remaining Executive Director or two Executive Directors shall be members of the Committee. Non Executive Director under Category (h) – Member

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Quorum	**Two:** Director representing GOI along with any one of the other members.
Chairman	Director representing Government of India
Periodicity of meeting	As and when
Tenure of members	1 Year

18. DEPARTMENTAL PROMOTION COMMITTEE (DPC)	
Full name	Departmental Promotion Committee of the Board
Function	To consider and approve promotion of Top Management Executives from Scale VI to VII and VII to VIII in the bank.
Total members	The committee shall comprise of: The Managing Director & Chief Executive Officer (MD&CEO) The GOI Nominee Director and The RBI Nominee Director Two experts to be nominated with the approval of bank's board of which: One should be a former CMD/MD of a Public Sector Bank other than the bank concerned; and One from any of the following: A former member of an All India Service or a Central Service Group 'A', with experience at the level of Higher Administrative Grade or above; An academician from a premier institute, with at least 5 years of experience at the level of professor or equivalent in the field of finance, economics or business management. The committee meetings shall be presided over by the Managing Director & Chief Executive Officer (MD&CEO).
Quorum	All above
Chairman	Managing Director & Chief Executive Officer
Periodicity of meeting	As and when
Tenure of members	Permanent Member

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CHAPTER 7 – SUBSIDIARIES

7.1. The bank shall monitor the Subsidiaries as per the policy document on monitoring of subsidiary companies and also as per the SEBI (LODR) Regulations, 2015 (to the extent of their applicability to the bank). The bank as a promoter / sponsoring institution shall maintain an "Arm's-Length Relationship" with each entity / subsidiary in regards to business parameters and operations so as to ensure that no undue advantage is taken inter-alia:

- In borrowing/lending funds inter-se such entities and the bank;
- Transferring/selling/buying of securities, interest at rates other than the prevailing market rates;
- In giving special terms / consideration to each other for transactions involving investments;
- By way of over indulgence in supporting/financing each other;
- By financing the bank's constituents/clients when the bank itself is not able to or not permitted to do so, and vice versa.

The bank shall not utilize subsidiaries/mutual fund as a vehicle for undertaking activities which are not permitted or which are specifically prohibited.

7.2. The bank will consider extending credit facilities to the subsidiaries on such terms and conditions as are normally applicable to other clients. The arm's length relationship is only in regard to business parameters and not in regard to monitoring/regulating functions of the bank acting as the parent bank / promoter.

The bank, through its nominated representatives acting as Directors on the Board of Subsidiaries /sponsored companies/ mutual funds shall get appropriate feedback on the working of the entities to which they are nominated. The reports, in addition to the feedback, shall be at such periodic intervals and on such matters, as the bank shall determine, keeping in view the nature of activities and operations of each entity.

7.3. In order to provide direction and support to all the Group Entities in identification, assessment and management of certain aspects of the business, the bank has put in place a Group Risk Management (GRM) Policy with the permission of the Board of Directors.

The GRM policy of the bank covers Subsidiaries/Joint Ventures/Associates and the Regional Rural Banks sponsored by the bank.

7.4. The objectives of the Group Risk Management Policy shall be to:

- Improve the balance of risk and return through developing and maintaining a proactive, risk aware culture across all parts of the Group.

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- Identify and manage risk in Intra Group Transactions and Exposures.

- Raise the standard of Corporate Governance by reducing/avoiding Conflict of Interest (COI).

- Ensure maintenance of an Arm's Length Distance from the Subsidiaries/Joint Ventures / Sponsored Entities with regard to the business parameters.

- Maintain and improve stakeholders' confidence in the ability of the bank to deliver the bank's commitments, thereby maintaining and improving the bank's reputation at the market place, through reducing the chances of major surprises.

- Improve the bank's competitive advantage through actively demonstrating to its customers of the bank's ability to manage risk effectively.

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CHAPTER 8 - DISCLOSURES

8.1. The bank aims at achieving high standards of Market Discipline through a sufficiently high level of transparency in public disclosure of information so as to ensure a safe and sound banking environment.

The bank shall strike an appropriate and harmonious balance between transparency in public disclosures and safeguarding the proprietary information on Bank's systems and products, and also the confidentiality obligations to the customers and other counterparties.

The bank shall however, comply with all applicable laws, directives and requirements of listing agreement relating to, inter-alia, transparency and disclosures.

8.2. The bank has put in place a Disclosure Policy with the permission of Board of Directors. The following are the broad objectives of the Disclosure Policy:

- To comply with continuous disclosure obligations imposed by law/regulators.
- To ensure that market participants and shareholders are provided with timely, reliable and accurate information in respect of all material matters concerning the bank.

The Disclosure Policy also outlines the Corporate Governance measures adopted by the bank in light of the above objectives.

8.3. The bank is committed to provide comprehensive public disclosure of all material information about the bank & provide fair and equal access to such information. The bank shall comply with all legal and regulatory requirements related to prompt disclosure of information as detailed below:

A. Basis of Related Party Transactions

- A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the Audit Committee.
- Details of material individual transactions with related parties, which are not in the normal course of business, shall be placed before the Audit Committee.
- Details of material individual transactions with related parties or others, which are not on an arm's-length basis, should be placed before the Audit Committee, together with Management's justification for the same.
- Details of related party transactions shall be disclosed in the Annual financial statement.

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B. Disclosure of Accounting Treatment

Where, in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the Management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

C. Board Disclosures - Risk Management

The bank shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework. All qualitative and quantitative disclosures under Basel III norms pertaining to Risk Management shall be made periodically along with financial statements and on the website of the bank as per the Disclosure Policy of the bank.

D. Proceeds from public issues, rights issues, preferential issues, etc.

When money is raised through an issue (public issues, rights issues, preferential issues, etc.) it shall disclose to the Audit Committee, the uses / applications of funds by major category (Capital expenditure, sales and marketing, working capital, etc), on a quarterly basis as a part of their quarterly declaration of financial results. Further, on an annual basis, the bank shall prepare a statement of Funds utilized for purposes other than those stated in the offer document/prospectus/notice and place it before the Audit Committee. Such disclosures shall be made only till such time that the full money raised through the issue has been fully spent.

The statutory auditors of the bank shall certify this statement. Furthermore, where the bank has appointed a monitoring agency to monitor the utilization of proceeds of a public or rights issue, it shall place before the Audit Committee the monitoring report of such agency, upon receipt without any delay. The Audit Committee shall make appropriate recommendations to the Board to take steps in this matter.

E. Remuneration of Directors

- All pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the bank shall be disclosed in the Annual Report.

- Further the following disclosures on the remuneration of Directors shall be made in the section on the Corporate Governance of the Annual Report

  - All elements of remuneration package of individual Directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension, etc.

  - Details of fixed component and performance linked incentives, along with the performance criteria.

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- Service contracts, notice period, severance fees.

- Stock option details, if any - and whether issued at a discount as well as the period over which accrued and over which exercisable.

- The bank shall publish its criteria of making payments to Non-Executive Directors in its Annual report. Alternatively, this may be put up on the bank's website and reference drawn thereto in the Annual Report.

- The bank shall disclose the number of shares and convertible instruments held by Non-Executive Directors in the Annual Report.

- Non-Executive Directors shall be required to disclose their shareholding (both own or held by / for other persons on a beneficial basis) to the bank if they are proposed to be appointed as Directors, prior to their appointment. These details should be disclosed in the notice to the General Meeting called for appointment of such Director.

F. Management

As part of the Director's report or as an addition thereto, a Management Discussion and Analysis report should form part of Annual report to shareholders. This Management Discussion and Analysis should include discussion on the following matters within the limits set by the bank's competitive position:

- Industry structure and developments
- Opportunities and Threats
- Segment-wise or product-wise performance
- Outlook
- Risks and concerns
- Internal control systems and their adequacy
- Discussion on financial performance with respect to operational performance
- Material developments in Human Resources / Industrial Relations front, including number of people employed.

Senior Management shall make disclosures to the Board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the bank at large (for e.g., dealing in Bank shares, commercial dealings with bodies which have shareholding of management and their relatives, etc.)

Explanation: For this purpose, the term "Senior Management" shall mean personnel of the bank who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the Executive Director including all functional heads.

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G. Shareholders

In case of the appointment of a new Director or reappointment of a Director, the shareholders must be provided with the following information:

- A brief resume of the Director;
- Nature of his expertise in specific functional areas;
- Names of companies in which the person also holds the directorship and the membership of committees of the Board; and
- Shareholding of Non-Executive Directors.

Quarterly results and presentations made by the bank to analysts shall be put on Bank's website, or shall be sent in such a form so as to enable the Stock Exchange on which the bank is listed, to put it on its own website.

A Board Committee under the chairmanship of a Non-Executive Director shall be formed to specifically look into the redressal of grievances of shareholders, debenture holders and holders of other securities like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends, etc. This committee shall be designated as "Stakeholders' Relationship Committee".

To expedite the process of share transfers, the Board of the bank shall delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority shall attend to share transfer formalities at least once in a fortnight.

H. Other Disclosures in Annual Report

Bank shall ensure disclosure of the following information in the Annual Report:

- The details of establishment of vigil mechanism on its website and in the Board's report.

CHAPTER 9 - OTHER MATTERS

9.1. CEO/CFO CERTIFICATION

The Managing Director & Chief Executive Officer (MD&CEO) and the General Manager/Chief General Manager, Financial Management Wing (CFO) shall submit a certificate to the Board every year as per the format given in Corporate Governance Procedure Manual.

9.2. REPORT ON CORPORATE GOVERNANCE

There shall be a separate section on Corporate Governance in the Annual Report of the bank, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement of as per Paras 2 to 10 under Item C of Schedule V of SEBI (LODR) Regulations, 2015, with reasons thereof and the extent to which the non-mandatory requirements as specified in Part E of Schedule II have been adopted should be specifically highlighted.

The bank shall submit a quarterly compliance report to the stock exchanges signed by the Company Secretary within 21 days from the close of quarter as per the formats given in Corporate Governance Procedure Manual.

9.3. COMPLIANCE

The bank has put in place a Comprehensive Compliance Policy of the bank. As per the Policy adopted by the bank, suitable organizational structure has been laid down defining the roles and responsibilities for Compliance Officers of various Wings, Departments, Subsidiaries, Circle Offices, other operating units, branches both in India and abroad as also Exchange Houses abroad, so as to address group wide and multi jurisdictional compliance risk.

The bank has obtained suitable software, which contains regulatory guidelines issued by various regulators, which is updated on daily basis and can be downloaded by Compliance Officers and for taking appropriate action for complying with the regulatory guidelines. Suitable reporting system is also put in place for effective implementation of Compliance Policy of the bank.

In terms of provisions of Corporate Governance under SEBI (LODR) Regulations:

- The bank shall obtain a certificate from either the auditors or the company secretaries regarding compliance of conditions of corporate governance as stipulated in this clause and annex the certificate with the Directors' report, which is sent annually to all the Shareholders of the bank. The same certificate shall also be sent to the stock exchanges along with the Annual Report filed by the bank.

- The non-mandatory requirements as given in Part E of Schedule II of SEBI (LODR) Requirements, 2015 may be implemented as per the discretion of the bank. However, the

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disclosures for the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the section on Corporate Governance of the Annual Report.

9.4. INTERNAL CONTROLS - INTERNAL AUDIT

The overall objective of internal Inspection is to aid the bank in achieving efficiency and effectiveness in all its operations. Towards this end, Internal Inspection or Risk Based Internal Audit (RBIA) shall provide the Management with analysis, appraisals, observations and recommendations concerning the activities reviewed. This shall extend to financial as well as other operational areas, to provide both protective and constructive services.

The mission of inspection function shall be to provide comprehensive and quality services to the organization which assure effectiveness and efficiency of business operations and processes, maintain and enhance the integrity of information and financial soundness of Bank, identify and evaluate significant exposure to risk, suggest the means to mitigate and overcome the business risks to enable the bank to achieve its objectives.

The appointment of General Manager, Inspection Wing, HO as Audit Head of the bank shall have the concurrence of Board of Directors. He shall report directly to the ACB / Board.

Internal Inspection System of the bank depends on the freedom to Inspecting Officers to report without fear of reprisal or incurring displeasure of higher authorities. It is therefore, of utmost importance that the Inspection Wing shall be headed by an officer of the rank of General Manager and is directly accountable to the Audit Committee of the Board as per RBI guidelines.

With a view to have functional convenience, the field staff (Inspecting Officers) shall be placed at various centres i.e., under Zonal Inspectorates (ZI) headed by Scale VI and above officers.

The General Manager, Inspection Wing and the officials nominated by him have unrestricted access to all records, assets, functions and personnel; have full and free access to the Audit committee of the Board and the Senior Management.

The Board of Directors and Audit Committee of the Board shall support inspection function by ensuring that:

- The inspection process is understood and respected at all levels within the bank,
- Developing a culture in the bank where the results of Inspection work is treated with adequate seriousness and result in appropriate management action plans.

In this direction, Board recognizes inspection as a valuable function and ensures inspection is adequately resourced in terms of staff and tools and also moves resources into and out of inspection system as part of career development within the organization.

Since the Inspection function of the bank is considered effective only on ensuring the compliance of the findings observed by the inspecting officers, it should be the endeavour of the Top Management to ensure that compliance of inspection findings are prioritized by the Operational units (Circles) leading to speedy compliance of reports, thus making the inspection function effective.

9.5 SECRETARIAL AUDIT

In terms of Regulation 24A in Chapter IV - obligations of listed entity which has listed its specified securities of SEBI (LODR) Regulation, 2015 (amended on 29th July 2019), every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its Annual Report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019.

9.6. CONDUCT OF MEETINGS & ISSUE OF AGENDA ITEMS

Adequate notice shall be given for all Board meetings and Committee meetings.

Agenda Notes shall be sent at least seven days prior to the meeting date. In exceptional/ time bound/ emergency, notes may be sent with a shorter notice.

9.7. RIGHTS OF SHAREHOLDERS

A. Bank seeks to protect and facilitate the exercise of shareholders' rights:

- The bank shall seek to protect and facilitate the exercise of shareholders' rights.
- Shareholders shall have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes.
- Shareholders shall have the opportunity to participate effectively and vote in general shareholder meetings.
- Shareholders shall be informed of the rules, including voting procedures that govern general shareholder meetings.
- Shareholders shall have the opportunity to ask questions to the board, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
- Effective shareholder participation in key Corporate Governance decisions, such as the nomination and election of Shareholder Directors, shall be facilitated.
- The exercise of ownership rights by all shareholders, including institutional investors, shall be facilitated.

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- The bank shall have an adequate mechanism to address the grievances of the shareholders.
- Minority shareholders shall be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and shall have effective means of redress.

B. Bank shall provide adequate and timely information to shareholders.

- ➢ Shareholders shall be furnished with sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
- ➢ Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership shall be disclosed.
- ➢ All investors should be able to obtain information about the rights attached to all series and classes of shares before they purchase.

C. Bank shall ensure equitable treatment of all shareholders, including minority and foreign shareholders.

- ✓ All shareholders of the same series of a class should be treated equally.
- ✓ Effective shareholder participation in key Corporate Governance decisions, such as the nomination and election of Shareholder Directors, should be facilitated.
- ✓ Exercise of voting rights by foreign shareholders should be facilitated.
- ✓ The bank shall devise a framework to avoid Insider trading and abusive self-dealing.
- ✓ Processes and procedures for general shareholder meetings should allow for equitable treatment of all shareholders.
- ✓ Bank procedures should not make it unduly difficult or expensive to cast votes.

9.8. ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

A. Bank recognizes the rights of stakeholders and encourage co-operation between Bank and the stakeholders.

- The rights of stakeholders that are established by law or through mutual agreements are to be respected.
- Stakeholders should have the opportunity to obtain effective redress for violation of their rights.

B. Bank encourages mechanisms for employee participation.

C. Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in Corporate Governance process.

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D. Bank shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.

*******End of the Document*******