

Terms and Conditions of appointment of Independent Directors

We hereby inform you that the Members of the Dhanlaxmi Bank Limited, had approved your appointment as Independent Director on the Board of the Bank in accordance with the provisions of Section 149 (4) read with Schedule IV of the Companies Act, 2013 on the following terms and conditions-

1. You are appointed as Independent Director with effect from ...
2. Your appointment shall be subject to the provisions of Sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and other applicable rules, if any, Section 10A and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or reenactment thereof for the time being in force) and the Rules, Circulars and Guidelines issued by the Reserve Bank of India & the listing agreement entered with stock exchanges.
3. During the tenure of your office, you may be required to serve on one or more of the Committees of the Board of the Bank. Upon your appointment to any one or more Committees, you will be provided with the appropriate Committee charter which sets out the functions of that Committee.
4. You shall act in accordance with the Memorandum of Association and Articles of Association of the Bank.
5. Your role and duties will be those normally required of a Non -Executive Independent Director under Schedule IV of the Companies Act, 2013 and the Code of Conduct for Directors adopted by the Board of Directors in pursuance of the Listing Agreement (copy of the extract from Schedule IV and the Code of Conduct are enclosed as Annexure 1 and Annexure 2).
6. In terms of the Remuneration Policy of the Bank, you will be paid sitting fees at the rate of Rs.....for attending each meeting of the Board and at the rate of Rs..... for attending each meeting of the Committees of the Board & will be revised upon amendment of remuneration policy of the Bank.

It is a pleasure to have you on the Board. I am confident that your association, expertise and advice will immensely benefit the Bank and the Board.

Kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

Best Regards,

Yours sincerely,

Chairman of the Board

Encl: Annexure 1- Code for Independent Directors (Schedule IV of Companies Act, 2013)
Annexure 2- Code of Conduct for Directors adopted by the Board of Directors in
pursuance of Clause 49 of listing agreement.

I hereby acknowledge receipt of the same and accept the terms set out in this letter

Signed:

Date :

CODE FOR INDEPENDENT DIRECTORS
(SCHEDULE IV OF COMPANIES ACT, 2013)

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

I. Guidelines of professional conduct:

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his independence;
- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

II. Role and functions:

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties:

The independent directors shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

(4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;

(5) strive to attend the general meetings of the company;

(6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

(7) keep themselves well informed about the company and the external environment in which it operates;

(8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

(9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

(10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

(13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

(1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

(2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

(3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified

in the Act and the rules made thereunder and that the proposed director is independent of the management.

(4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :

(a) the term of appointment;

(b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;

(c) the fiduciary duties that come with such an appointment along with accompanying liabilities;

(d) provision for Directors and Officers (D and O) insurance, if any;

(e) the Code of Business Ethics that the company expects its directors and employees to follow;

(f) the list of actions that a director should not do while functioning as such in the company; and

(g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

(1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.

(2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one

hundred and eighty days from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings:

(1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;

(2) All the independent directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

CODE OF CONDUCT FOR DIRECTORS

1. NEED AND OBJECTIVE OF THE CODE

The Listing Agreement entered into with the Stock Exchanges read with Schedule IV of the Companies Act, 2013, requires the Bank to lay down a Code of Conduct for Directors, including independent Directors, on the Board and the Senior Management. Senior Management has been defined to include personnel who are members of its core management and functional heads excluding the Board of Directors.

Accordingly the Bank has laid down this Code for its Directors, including independent Directors, on the Board and its Senior Management comprising Chief General Manager, General Managers, Chief Financial Officer, Chief Compliance Officer, Company Secretary, Chief Credit Officer, Chief Risk Officer and heads of Inspection department, Vigilance department, Legal department, Credit Monitoring & Recovery department and Human Resources department.

2. BANK'S BELIEF SYSTEM

The Code of Conduct for Directors and Senior Management (hereinafter referred to as the "Code") attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected. It recognizes that the Bank is a trustee and custodian of public money and in order to fulfill its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of public at large.

Dhanlaxmi Bank Limited (hereinafter referred to as the "Bank") acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behavior. The Bank shall be committed in all its actions to the interest of the countries where it operates. The Bank is conscious of the reputation it carries amongst its customers and public at large and shall endeavor to do all it can to sustain and improve upon the same in its discharge of obligations. The Bank shall continue to initiate policies, which are customer centric and which promote financial prudence.

3. PHILOSOPHY OF THE CODE

The Code envisages and expects-

1. adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships.
2. full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies.
3. compliance with applicable laws, rules and regulations.
4. to address misuse or misapplication of the Bank's assets and resources.
5. the highest level of confidentiality and fair dealing within and outside the Bank.

4. GOOD CORPORATE GOVERNANCE PRACTICES – DOs AND DON'Ts FOR DIRECTORS

Each member of the Board of Directors of the Bank should adhere to the following “DOs and DON'Ts” so as to ensure compliance with good Corporate Governance practices:-

(a) DOs

- Attend the meetings regularly and effectively.
- Study the Board papers thoroughly and use the good offices of the Chief Executive for eliciting any information at the Board meeting.
- Ask the Bank to furnish with the Board papers and follow-up reports on a definite time schedule.
- Involve as Director on the Board thoroughly in the matter of formulation of general policy and also ensure that performance of the Bank is monitored adequately at Board levels.
- Be familiar with the broad objectives of the Bank and the policy laid down by the Government and the Reserve Bank of India (RBI).
- Contribute constructive ideas for the better management of the Bank.
- Work as a team and not sponsor or be prejudice against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.
- Try to give as much wisdom, guidance and knowledge as possible to the Management.
- Try to analyze the trends of economy, assist in the discharge of Management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the Bank Management.
- Directors are expected to ensure confidentiality of the Bank's agenda papers/notes. Ordinarily, it is suggested that by way of abundant precaution, the Board papers may be returned to the Bank after the meeting.

(b) DON'TS

- Do not send any instruction to any individual officer of the Bank or give direction to individual officer in any matter.
- Do not involve in any matter relating to personnel administration, whether it is appointment, transfer, posting or promotion or a redressal of individual grievances of any employee.
- Do not interfere in the day-to-day functioning of the Bank.
- Do not approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official.
- Do not participate in the Board discussion if a proposal in which any Director is directly or indirectly interested comes up for discussion. Disclose interest well in advance to the Managing Director & Chief Executive Officer (MD & CEO).
- Do not reveal any information relating to any constituent of the Bank to anyone as Directors are under oath of secrecy and fidelity.
- Directors should not send for individual officers of the Bank or give directions to such officers on any matter.
- Should discourage the individual employee or unions approaching in any matter.
- May indicate Directorship of the Bank on visiting card or letter heads, but the logos or distinctive design of the Banks should not, however, be displayed on the visiting card / letter head.
- Directors should not directly call for papers/files/notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the meetings. All information/clarification that they may require for taking a decision will be made available by the executive.
- Do not sponsor any loan proposal, buildings and sites for Bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers etc. Do not do anything, which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.

5. DUTIES OF INDEPENDENT DIRECTORS

The independent Directors shall:-

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Bank;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Bank;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the Bank;

6. where they have concerns about the running of the Bank or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7. keep themselves well informed about the Bank and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Bank;
10. ascertain and ensure that the Bank has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behavior, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy;
12. acting within his authority, assist in protecting the legitimate interests of the Bank, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

6. GUIDELINES OF PROFESSIONAL CONDUCT FOR INDEPENDENT DIRECTORS

In addition to the above duties an independent Director shall:-

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a bona fide manner in the interest of the Bank;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the Bank as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the Bank or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the Bank in implementing the best corporate governance practices.

An independent director shall be held liable, only in respect of such acts of omission or commission by the Bank which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in the Listing Agreement.

7. WAIVERS

Any waiver of any provision of this Code for a member of the Bank's Board of Directors or a member of the Senior Management must be approved in writing by the Board of Directors of the Bank.

8. EFFECTIVE DATE

The Code was approved and adopted by the Board at its meeting held on September 29, 2015 ("Effective Date") and will be effective from that date.

9. AMENDMENTS TO THE CODE

In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Code, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Code and this Code shall stand amended accordingly. The Board has the power to replace this Code entirely with a new Code.