

## Appointment Letter

Date:

To,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Sir

We in Equitas are happy to welcome you to the Board of Directors of the Bank as an Independent Director and are confident that your association with the Bank and your presence on the Board would further enrich the quality of deliberations and processes at the Board and help the Bank achieve its mission. The Bank tries to set the highest standards of governance and ethics in all its transactions with all its stakeholders. Equitas is a Latin word which means Equitable, meaning Fair and Transparent. The Bank is committed to the highest standards of fairness and transparency in all its actions and hopes to set global benchmarks on the same. It has been a trend-setter in this area and its efforts in this direction have been appreciated.

The terms of your appointment as set out in this letter and the enclosed Annexure 1, are subject to the extant provisions of the (i) applicable laws, including the Companies Act, 2013 (ii) Articles of Association of the Bank and (iii) RBI guidelines issued in this regard.

### Term of Appointment

In accordance with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws, you will hold the position as an Independent Director of the Board for a period of [ ] years with effect from [ ] up to [ ]. Your appointment is subject to the approval of shareholders by way of a special resolution. The appointment is also subject to the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949 and other applicable statutory and regulatory requirements.

### Time Commitment

You will be expected to attend the Board meetings, meetings of the Committees of the Board to which you may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively.

### Role

The Board as a whole, directly or through its Committees, is collectively responsible for promoting the success of the Bank by directing and supervising the affairs of the Bank. The Independent Directors as members of the Board of Directors and its Committee:

- provide direction and vision for the Bank within a framework of prudent and effective controls which enable risk to be assessed and managed;
- set the strategic aims and oversee the performance of the Bank;
- set the values and standards of the Bank and ensure that its obligations to all its stakeholders are understood by the Management.

## **Sitting Fees & Remuneration**

You will be entitled to sitting fee for attending the meetings of the Board or Committee thereof either in person or through Video Conference or other audio visual means or for any other purpose whatsoever as may be determined by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and RBI guidelines issued in this regard.

You will also be entitled to remuneration in accordance with the provisions of the Companies Act, 2013 and RBI guidelines issued in this regard.

The fee and remuneration payable shall be subject to applicable tax deduction at source. In addition to the above you will be entitled to reimbursement of reasonable expenses incurred in discharging the above role.

## **Outside interests**

It is accepted and acknowledged that you may have business interests other than those of the Bank and have declared any conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest these should be disclosed to the Chairman, the Chairman of the Audit Committee or Company Secretary as soon as the same becomes apparent.

## **Confidentiality**

You will follow the highest standards of confidentiality. You shall not disclose to any person or Bank (either during the course of the tenure or at any time after resignation), any confidential information concerning the Bank or any of its Group Company which you acquire by virtue of your position as a Director, except as permitted by law or with prior clearance from the Chairman.

## **Induction**

Immediately after appointment, the Bank will provide a comprehensive, formal and structured induction as you may so desire. .

## **Insurance**

The Bank has a 'Directors and Officers Liability Insurance Policy' and such cover will be maintained for the full term of your appointment.

## **Independent professional advice**

Occasions may arise when you consider that you need professional advice in furtherance of your duties as a Director. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the Bank's expense. In such cases, you are requested to discuss the same with the Chairman and subject to such costs as may be mutually agreed to between you and the Chairman, you may go ahead with consulting such professionals and the Bank shall reimburse the cost of the same.

## **Code of Conduct**

The Bank has in place, a Code of Conduct which all Directors of the Bank are required to sign and comply with.

**Dealing in shares**

Directors are prohibited from dealing in the Bank’s shares during the trading window closure period. You are required to comply with the Internal Code of conduct for prevention of Insider trading of the Bank and the SEBI (Prohibition of Insider Trading) Regulations, 2015

**Resignation or Termination**

You may resign from the directorship of the Bank by giving a notice in writing to the Bank stating the reasons for resignation. The resignation shall take effect from the date on which the notice is received by the Bank or the date, if any, specified by you in the notice, whichever is later.

Continuation of your appointment after the end of your tenure is contingent on your getting re-elected by the shareholders in accordance with provisions of Act, the Articles of Association of the Bank and RBI guidelines issued in this regard, from time to time in force. You will not be entitled to compensation if the shareholders do not re-elect you at any time.

Your appointment may also be terminated in accordance with the provisions of Act, and the Articles of Association of the Bank from time to time in force.

We once again warmly welcome you to the Equitas Family.

May I now request you to please confirm your acceptance of the terms of your appointment by returning a signed copy of this letter.

**By Order of the Board**

\_\_\_\_\_  
**Chairman / Managing Director / Chief Executive Officer**

I, \_\_\_\_\_, accept the terms of appointment as set out in this letter.

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Dated.....

## **Annexure 1**

### **Terms & Conditions of appointment of Independent Director**

#### **Duties and Liabilities**

Your duties will be those normally required of a Non-Executive Independent Director under the Act. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and are as under:

- You shall act in accordance with the Bank's Articles of Association.
- You shall act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interest of the Bank.
- You shall discharge your duties with due and reasonable care, skill and diligence.
- You shall not involve yourself in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
- You shall not achieve or attempt to achieve any undue gain or advantage either to yourself or to your relatives, partners or associates.
- You shall not assign your office as Director and any assignments so made shall be void.
- The laws and regulations that currently govern the duties and liabilities of an Independent Director are the Act and the rules thereunder,

#### **Code of conduct**

You will follow the Equitas Code of Conduct for Board Members as set out in Annexure-2 and submit an annual confirmation of the same.

You are specifically required to follow "the Code for the Independent Director" as per Schedule IV of the Companies Act, 2013 ("Act") as set out at Annexure-3.

In case you so desire, Bank would help you to familiarize yourself with the duties and liabilities of an independent director.

#### **Performance Evaluation**

Your performance evaluation shall be done by the Board of Directors annually, without your participation. You will participate in reviewing the performance of other directors.

#### **General**

- During your tenure as an Independent Director, you will have to submit a declaration as per Section 149(7) of the Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stating that you meet the criteria of independence as envisaged under Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- So long as you are an Independent Director of the Bank, the number of companies in which you hold office as a Director or a Chairman or Committee Member will not exceed the limit stipulated under the Act and the SEBI Regulations.

- So long as you are an Independent Director of the Bank, you will ensure that you do not get disqualified to act as a Director pursuant to the provisions of Section 164 of the Act.
- You will ensure compliance with other provisions of the Act as applicable to you as an Independent Director.
- As per Section 149 of the Act, you will be held responsible, only in respect of such acts of omission or commission by a Bank which had occurred with your knowledge, attributable through Board processes, and with your consent or connivance or where you had not acted diligently.

## **Annexure - 2**

### **CODE OF CONDUCT FOR DIRECTORS OF EQUITAS SMALL FINANCE BANK LTD**

#### **Code of Conduct for Directors:**

The Board of Directors are expected to carry out their role in the organisation in a fair and transparent manner. They are entrusted with and are responsible for the oversight of the assets and business affairs of the Bank. As Directors, they must make and enact informed decisions and policies in the best interests of the Bank.

The Board of Directors have adopted the following Code of Conduct and the Directors are expected to adhere to the standards of care, loyalty, good faith and avoidance of conflicts of interest that follow.

Board Members will always:

1. act in the best interests of, and fulfil their fiduciary obligations to the Bank;
2. act honestly, fairly, ethically and with integrity;
3. not use the Bank's property or position for personal gain other than as agreed with the Board
4. not use any information or opportunity received by them in their capacity as Directors in a manner that would be detrimental to the Bank's interests;
5. disclose any personal interest that they may have regarding any matters that may come before the Board and abstain from discussion, voting or otherwise influencing a decision on any matter in which the concerned Director has or may have such an interest;

#### **Duties of Directors**

1. A Director of the Bank shall act in accordance with the articles of the Bank.
2. A director of the Bank shall act in good faith in order to promote the objects of the Bank for the benefit of its members as a whole, and in the best interests of the Bank, its employees, the shareholders, the community and for the protection of environment.
3. A director of the Bank shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
4. A director of the Bank shall not be involved in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
5. A director of the Bank shall not achieve or attempt to achieve any undue gain or advantage either to himself/herself or to his/her relatives, partners, or associates and if such director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal

to that gain to the Bank, apart from facing other action of the Bank as deemed necessary

6. A director of the Bank shall not assign his office and any assignment so made shall be void.

### **Duties of Independent Directors as specified under Schedule IV of Companies Act, 2013**

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 they are 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 to the Board, concerns about unethical behaviour, actual or suspected fraud or violation of the Bank's code of conduct or ethics policy;
- (12) acting within their 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.

A Director who has concerns regarding compliance with this Code should raise those concerns with the Chairman of the Board and the Chairman of the Audit Committee, who will determine what action, shall be taken to deal with the concern.

There may be situations in which a Director would be in breach of his duty of confidentiality to another entity were he to disclose a conflict of interest to the Board of the Bank. In such a situation, it shall be sufficient for the Director concerned to abstain from any participation in the matter concerned, without disclosing the nature of the conflict.

## Annexure – 3

### SCHEDULE IV [See section 149(8)] CODE FOR INDEPENDENT DIRECTORS

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 shareholders 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 Companies 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 Companies' 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.