

# CAPITAL SMALL FINANCE BANK LIMITED

Code of Conduct for Board of Directors and Senior Management  
[Updated upto September 23, 2021]

**CAPITAL SMALL FINANCE BANK LIMITED**

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## **1. PREAMBLE**

- 1.1** This Code of Business Conduct ("Code") shall be called "The Code of Conduct for Directors and Senior Management" of Capital Small Finance Bank Limited (the "Bank"). The Code envisages that the Board of Directors ("Board") and Senior Management must act within the bounds of the authority conferred upon them and with a duty to make and keep themselves informed about the development in the industry in which the Bank is involved and the legal requirements to be fulfilled.
- 1.2** The Code is intended to maintain the high standards of transparency, business conduct ethics, corporate culture and the values The Code is also to act as a deterrent from unethical doings and to promote ethical values and is the manifestation of the Bank's commitment to successful operation of the Bank's business in the best interest of the shareholders, creditors, employees and other business associates.
- 1.3** The principles embodied in this Code lay down broad standards of compliance and ethics, as required by Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "SEBI LODR Regulations").

## **2. APPLICABILITY**

This Code is applicable to the directors and Senior Management Personnel of the Bank.

Explanation: For the purpose of this Code the expression "Senior Management" shall have the same meaning as it is defined in Regulation 16 (d) of SEBI LODR Regulations and Section 178 of the Companies Act, 2013 ('the Act').

The principles laid down in this Code are general in nature. Directors and Senior Management are expected to read and understand this Code, uphold these standards in their day-to-day activities, and comply with all applicable laws, rules and regulations and all applicable policies and procedures adopted by the Bank that govern the conduct of its employees.

## **3. OBJECTIVES**

This Code has been framed with the objective of setting forth the Guiding Principles and Duties with which the Company's Directors and Members of Senior Management shall operate and conduct its business with its various stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected with an aim to ensure transparency and high ethical standards in managing the affairs on behalf of the Bank. It recognizes that the Bank is a trustee and custodian of public money and to fulfil its fiduciary responsibilities and obligations, it has to conduct its business in a fair and transparent manner such that it always enjoys the trust and confidence of its investors and the public at large.

## **4. DUTIES OF DIRECTORS**

Subject to the provisions of the Act and SEBI LODR Regulations, a Director on the Board of the Bank shall

- a. act in accordance with the Articles of Association of the Bank;
- b. 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;
- c. exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
- d. not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank;
- e. not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if any director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Bank;
- f. not assign his office and any assignment so made shall be void;

### **4.1 In addition to the duties as a Director as specified in any provision of the Act and SEBI LODR Regulations and Clause 4 of this code, an Independent Director on the Board of the Bank shall also:**

- a. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Bank;
- b. 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;
- c. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

- d. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- e. strive to attend the general meetings of the Bank;
- f. 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;
- g. keep themselves well informed about the company and the external environment in which it operates;
- h. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- i. 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;
- j. 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;
- k. report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- l. act within their authority, assist in protecting the legitimate interests of the Bank, shareholders and its employees;
- m. 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.

#### **5. GUIDELINES FOR CONDUCT:**

Every person to whom the Code is applicable, shall conduct the affairs of the Bank and perform his duties with due care, diligence, dignity, honesty and integrity and shall conform to the highest moral and ethical standards and at all time, be loyal to the Bank and act in good faith and in the best interest of the Bank. Besides the duties and responsibilities cast upon Directors by applicable laws, articles of association of the Bank and provisions of the Code, set out hereinbefore, a Director is also expected to:

- a. use such degree of skill as may be reasonable to expect from a person with his/ her knowledge or experience;
- b. not seek to influence any decision of the Board for any consideration other than in the interests of the Bank;
- c. make reasonable efforts to attend Board meetings, meetings of the committees of the Board where the Director is a member and general meetings of shareholders, regularly;
- d. inform the chairman of the Board/ committee or the Company Secretary of the Bank well in advance in case he is not in a position to attend a Board/ committee meeting and apply for the grant of leave of absence;
- e. dedicate sufficient time, attention and energy to the deliberations at the meetings to ensure diligent performance of their duties;
- f. notify the other Directors about the material personal interest in any matter and must not vote on such matter;
- g. bring an open and independent mind to the Board/ committee meetings and should not make a decision about a matter before attending and participating in the deliberations of the meeting;
- h. treat each other with courtesy and observe the other guidelines set out in the Code;
- i. act in a cooperative and respectable manner with their colleagues;
- j. maintain order and decorum at the meetings and obey the directions given by the Chairman; and
- k. comply with all applicable laws, regulations, confidentiality obligations and Bank's policies.

#### **6. CONFLICT OF INTEREST**

The Directors and Senior Management shall not engage in any activity, business, or relationship, which may be in conflict with the interest of the Bank or prejudicial to the Bank's interest. They should avoid transacting bank business with their relative or with a firm/ company in which either they themselves or their relative are interested or plays any significant role and in case such related party transaction is unavoidable, it must be made only after proper and fullest disclosure to the Board.

The Directors and Senior Management shall also not accept gifts from persons or firms who deal with the Bank, or are seeking to deal with the Bank, where the gift is being made in order to influence the director's actions as a member of the Board, or where acceptance of the gift could create the appearance of a conflict of interest.

## **7. HONESTY, INTEGRITY, FAIRNESS AND ACCOUNTABILITY**

Honesty, Integrity, Fairness and Accountability The Directors and Senior Management are entrusted with the responsibility to oversee and formulate the policies for the management and affairs of the Bank. Therefore in the interest of good corporate governance they shall conduct their activities, on behalf of the Bank and on their personal behalf, with honesty, integrity and fairness. All of them must act in good faith with honesty and accountability and with due care, competence and diligence. The Directors and Senior Management shall encourage employees of the Bank to report violations of laws, rules, regulations or this Code to the appropriate personnel.

## **8. DISCLOSURE OF INTEREST**

The Directors shall promptly disclose at the time of their appointment and subsequently whenever there is a change, their interest in other companies and body corporates in compliance with applicable laws.

The Directors and Senior Management shall also promptly disclose their relationships with other individuals, firms or body corporate wherever such relationship may affect their independence of judgment while performing their duties and responsibilities towards the Bank.

## **9. CONFIDENTIALITY**

Directors and Senior Management should maintain the confidentiality of information entrusted to them by the Bank.

The Bank's confidential and proprietary information shall not be inappropriately disclosed or used for the personal gain or advantage of the Director/ Senior Management or anyone other than the Bank.

Confidential information includes any information relating to the Bank's business, customers, suppliers, employees etc., which is not available in the public domain and to which the Director/ Senior Management has access or they possess such information because of their position in the Bank.

## **10. BANK PROPERTY**

Directors and Senior Management have a fiduciary relationship with the Bank and they should act like a trustee for the Bank's property/ assets as well as the property/ assets of other organizations that have been entrusted to the Bank. They are responsible for its safe custody and accountable for its use. The Directors and Senior Management shall not use these assets/ property except as specifically authorised and that too only for the purpose of Bank business.

## **11. CORPORATE BUSINESS OPPORTUNITY**

Corporate Business Opportunities here means those opportunities, which are made available to the Bank and which are known to the Directors/ Senior Management due to the position held by them in the Bank. The Directors/ Senior Management shall not utilise such opportunities for their personal benefit. However once an opportunity is fully and properly disclosed to the Board and after consideration rejected by them then it ceases to be a Corporate Business Opportunity.

## **12. COMPLIANCE WITH THE APPLICABLE LAWS & BANK'S POLICIES**

Every person to whom the Code is applicable and others directly or indirectly associated with the Bank shall comply with all applicable laws, rules, regulations and guidelines issued by the Government of India from time to time.

Further they shall also comply with the various policies, guidelines and codes formulated by the Company in compliance with the Listing Regulations and other applicable provisions including the Company's policy on insider trading and procedures for fair disclosure.

## **13. ANNUAL AFFIRMATION**

All members of the board of directors and senior management personnel shall affirm compliance with this Code on an annual basis as per the format attached herewith as **Annexure-1** and the same shall be forwarded to the Company Secretary within 30 days of close of every financial year ending on 31st March.

**14. AMENDMENT/ MODIFICATION**

This code may be amended, modified or varied by the Board as may be deemed necessary in the interests of the Bank and subject to the provisions of applicable laws, regulations or guidelines.

**15. POLICY REVIEW AND UPDATES**

This Code shall be reviewed by the Board as and when required as per the applicable laws, regulations or guidelines or at least annually for incorporating regulatory updates and changes, if any.

**16. ENFORCEMENT**

Violations of this Code by the members of Senior Management should be promptly reported to the HR Department and violations by Members of the Board of Directors of the Company to the Chairman of the Board.

The Board has the power to investigate, in such manner as it may deem fit, any breach or violation or alleged breach or violation of the Code. Appropriate action, as may be decided by the Board or any of its Committee to which power may be delegated by it, will be taken against any person whose actions are found to be in violation of the Code. Such action may be in addition and without prejudice to the penalty/fine levied under any applicable law for the time being in force for such breach or violation.

**17. INTERPRETATION OF THE CODE**

The Board or any person authorised by the Board will handle any question or interpretation of the Code.

Further all the words and expressions used but not defined herein, but defined in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 or Rules made thereunder shall have the same meaning as respectively assigned to them in such regulations, Act, Rules or any statutory modification or re-enactment thereto, as the case may be.

**ANNUAL AFFIRMATION**

**TO  
THE BOARD OF DIRECTORS  
CAPITAL SMALL FINANCE BANK LIMITED  
MIDAS CORPORATE PARK, 37, G.T. ROAD,  
JALANDHAR**

Dear Sir/Madam,

**Sub: Declaration confirming compliance with the Code of conduct**

I, Mr./Mrs./Ms. \_\_\_\_\_, \_\_\_\_\_(designation) do and hereby acknowledge and confirm that during the financial year \_\_\_\_\_, to the best of my knowledge and belief, I have not violated any of the provisions of the Code of conduct as applicable to the Directors of the Bank or any policies or legal/ regulatory requirement of the Bank, directly or indirectly applicable to my job or responsibility.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Place: \_\_\_\_\_

Date : \_\_\_\_\_