



CODE OF CONDUCT FOR THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

Approver	Board of Directors
Document Owner	Secretarial Department

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INTRODUCTION

Corporate governance is essentially a set of standards, systems, and procedures aimed at effective, honest, transparent and responsible management of a company within the applicable statutory and regulatory structures. This Code of Conduct (hereinafter referred to as “the Code”) represents a set of desirable, corporate governance practices to be adopted by the Bank. This Code of Conduct has been framed and adopted by ESAF Small Finance Bank Limited (hereinafter referred to as “Bank”) in compliance with Regulation 17(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act, 2013. Further, Regulation 46(2)(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) requires every listed company to publish a code of conduct for its board of directors and senior management personnel on its website.

The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress should be on its substance and spirit rather than on its form. This Code is not exhaustive to cover each and every issue or situation that may arise or occur, but would guide where the decisions are to be taken on ethical lines.

The Company Secretary shall be the Compliance Officer for the purpose of this Code.

APPLICABILITY

The Directors both Executive and Non-Executive, are obliged to carry out their duties in an honest, fair, diligent and ethical manner, within the scope of the authority conferred upon them and in accordance with the laws, rules, regulations, agreements, guidelines, standards and internal policies and procedures. The Board of Directors of the Bank is entrusted with the fiduciary responsibility of oversight of the affairs of the bank. As Directors of the Bank, they have a duty to make decisions and implement policies in the best interests of the Bank and its stakeholders. This code of conduct is applicable to: The Directors, both executive and non-executive Directors, Senior Management team comprising of members of Management one level below the Executive Directors, including all functional heads.

GENERAL STANDARDS OF CONDUCT

The Bank expects all Directors and Senior Management to exercise good judgement, to ensure the interests, safety and welfare of customers, employees, and other stakeholders and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organisation. The Directors and Senior Management must act honestly and with due diligence while discharging duties of their office. They are expected to act with that amount of utmost care and prudence, which an ordinary person is expected to take in his / her own business. These standards need to be applied while working in the premises of the Bank, at offsite locations where the business is being conducted whether in India or abroad, at Bank

sponsored business and social events, or at any other place where they act as representatives of the Bank.

BOARD OF DIRECTORS

The primary responsibility for good corporate governance of the Bank rests with its Board of Directors. The shareholders have entrusted the Board with the responsibility of overall direction, supervision and control of the Bank. The Board's fiduciary responsibility to the shareholders requires that the Board should act in their shared corporate interest, in good faith, and with due diligence. While directing the Bank toward achieving its corporate objective, the Board should also fulfill its obligation of accountability to the shareholders, by providing them with reliable and adequate information on the Bank's affairs and condition. At the same time, the Board should recognize and take into account the interests of other stakeholders in the Bank, such as depositors, other creditors, employees, the government, and the community in which it functions. Equally important, the Board should ensure that the Bank's policies, operations, dealings, and disclosures are in conformity with the applicable laws and regulations as prescribed by RBI, Companies Act, 2013, SEBI (LODR) Regulations, 2015 etc. from time to time.

A) Functions of the Board of Directors

The main functions of the Bank's Board include the following and is in line with the requirements of Reserve Bank of India, Companies Act, 2013 and the regulations of Securities and Exchange Board of India (SEBI), as amended from time to time:

1. to guide, approve, and review the Bank's corporate objectives; competitive position and strategy; operational, financial, personnel, and other policies; and operational goals, and business plans;
2. to monitor the Bank's performance, including effective implementation of the approved policies, strategies, and plans, and statutory and regulatory compliance;
3. to appoint and replace the Chairman, the Managing Director and Chief Executive Officer and Executive Directors (whether or not members of the Board), determine their compensation, counsel and guide them on important issues, oversee and review their performance, and plan their succession;
4. to review the utilization and development of the Bank's human resources;
5. to ensure that appropriate internal control systems, including those relating to accounting, financial management, risk exposure and management, and statutory and regulatory compliance, are in place and are effective;
6. to monitor the adequacy and integrity of the accounting and financial reporting systems and the internal (including concurrent) audit and inspection functions;
7. to recommend to shareholders' appointment and replacement of the external auditors, and interact with the auditors on their findings and concerns;
8. to oversee disclosure to shareholders and regulatory and other governmental authorities;
9. to review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and

corporate performance, and overseeing major capital expenditures, acquisitions and divestments;

10. to monitor the effectiveness of Bank's governance practices and making changes as needed;
11. to select, compensate, monitor and, when necessary, replacing key management personnel and overseeing succession planning;
12. aligning key management personnel and remuneration of board of directors with the longer term interests of the Bank and its shareholders;
13. to ensure a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors;
14. to monitor and manage potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions;
15. to ensure the integrity of Bank's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
16. to oversee the process of disclosure and communications;
17. to monitor and review board of director's evaluation framework. As at present, the Board shall reserve for itself the power to make decisions on certain specified matters, including those which are required under statute, regulations, RBI directives, Companies Act and guidelines, and/or stock-exchange listing requirements to be submitted to it for decision. In other matters, to facilitate and expedite decision-making, the Board may delegate appropriate authority to Committees of Directors, the Managing Director & Chief Executive Officer and other members of the executive management, or to specified other officers of the Bank singly or jointly.

B) Roles and Responsibilities of the Board

The Board of Directors shall have the following responsibilities:

1. Disclosure of information: Members of Board of Directors and senior management personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Bank.
2. Members of the Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Bank and the shareholders.
3. The Board of Directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
4. The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
5. The Board of Directors shall exercise objective independent judgement on corporate affairs.

6. The Board of Directors shall consider assigning a sufficient number of non-executive members of the board of directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
7. The Board of Directors shall have ability to “step back” to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of Bank’s focus.
8. When committees of the board of directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
9. Members of the Board of Directors shall be able to commit themselves effectively to their responsibilities.
10. The Board of Directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of board of directors.
11. In order to fulfil their responsibilities, members of the Board of Directors shall have access to accurate, relevant and timely information.

C) Duties of Directors

1. Shall act in good faith and as per the provisions contained in the Articles of Association of the Bank, 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.
2. Shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
3. Shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Bank.
4. Shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
5. Shall not assign his office and any assignment so made shall be void.

D) Attributes suggested for Independent Directors on 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 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 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 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.

E) Role and functions of Independent Directors

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. Scrutinize 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 management personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key management 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.

F) Duties of Independent Directors

The independent directors of the bank are subject to certain additional duties as laid down by the Companies Act, 2013 which are set out herein:

1. Undertake appropriate induction and regularly update and refresh 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;
3. Strive to attend all meetings of Board and Committee of Board of which he/she is a member, but should attend at least half the number of meetings of the Board and of committees of which they are members;
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 Committees 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 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 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.

G) Separate meetings

1. The Independent Directors of the Bank 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 Bank shall strive to be present at such meeting;
3. The meeting shall: a. reviews the performance of non-independent directors and the Board as a whole; b. reviews the performance of the Chairperson of the Bank, 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 management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

H) Obligations with respect to directors and senior management

1. All members of the board of directors and senior management personnel shall maintain and help the Bank in maintaining highest degree of Corporate Governance practice.
2. All members of the board of directors and senior management personnel shall ensure that they use the bank's assets, properties, information and intellectual rights for official purpose only or as per the terms of their appointment.
3. Non-executive directors shall disclose their shareholding, held either by them or on a beneficial basis for any other persons in the Bank in which they are proposed to be appointed as directors, in the notice to the general meeting called for appointment of such director.

4. Senior management shall make disclosures to the board of directors 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.

CONFLICT OF INTEREST

The Directors and senior management personnel shall endeavor to avoid and disclose any activity or association that creates or appears to create a conflict between the personal interests and the Company's business interests. A Conflict of interest exists where the interests or benefits of one person or entity conflict with the interests or benefits of the Company. Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect the independent and sound judgment on behalf of the Company. Board members and Senior Management shall disclose to the Board any transaction or relationship that could reasonably be expected to give rise to such a conflict. If a related party transaction is proposed to be undertaken, they must fully disclose the nature of the related party transaction to the appropriate authority and any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party. In case of related party transactions, the Directors/ Senior Management should ensure compliance with the Bank's "Related Party Transactions" as approved from time to time.

General guidelines to better understand several of the most common examples of situations that may cause a conflict of interest are listed below. Directors and the Senior Management personnel are required to disclose to the Board any situation that may be, or appear to be, a conflict of interest. When in doubt, disclosure is the best way out.

- a) **Outside Employment:** Executives Directors and Senior Management personnel shall not work for or receive payments for services from any competitor, customer, distributor or supplier of the Company without approval of the Board. Any outside activity must be strictly separated from the company's employment and should not harm job performance at the company. The Executive Directors and the Senior Management personnel shall devote themselves exclusively to the business of the Company and shall not accept any other work or assignment (part-time or otherwise).
- b) **Board Memberships:** Acceptance of Directorship on the Boards of other Companies, which compete with the Bank, amounts to conflict of interest. Helping the community by serving on Boards of non-profit or welfare organizations is encouraged.
- c) **Family Members and Close Personal Relationships:** Directors and Senior Management personnel shall not use personal influence to make the Company do business with a company/ institution in which his or her relatives are interested.
- d) **Gifts:** The Directors and Senior Management personnel shall not accept gifts or gratuities or any offer, payment, promise to pay, or authorization to pay any money, or anything of value

that could be interpreted to adversely affect business decisions or likely to compromise their personal or professional integrity.

- e) **Investments:** Directors and Senior Management personnel may not allow their investments to influence, or appear to influence, their independent judgment on behalf of the Company.
- f) **Diversion of Business:** Directors and Senior Management personnel shall not divert business opportunities of the Bank, by exploiting for their own personal gain.
- g) **Use of Company's assets:** The assets of the Company shall be used for legitimate business purposes and shall not be used for personal purposes. Incidental personal use, if reasonable, does not amount to violation of the code.
- h) **Loans and Contracts:** No relative of the directors are provided loans or awarded contracts, unless it is in line with the provisions of the RBI guidelines.
- i) **Others:** It would be impracticable to attempt to list all possible conflict of interest situations and it is possible that other such situations, which are not enumerated above, may arise. All such situations, which arise any questions or doubts, may please be brought to the notice of the Board for appropriate decision.

BANK'S CONFIDENTIAL INFORMATION

- a) The Bank's confidential information is a valuable asset. It includes all trade related information, trade secrets, confidential and privileged information, customer information, employee related information, strategies, administration, research in connection with the Bank and commercial, legal, scientific, technical data that are either provided to or made available to each member of the Board of Directors and the Senior Management by the Bank either in paper form or electronic media to facilitate their work or that they are able to know or obtain access by virtue of their position with the Bank. All confidential information must be used for Bank's business purposes only.
- b) This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Bank's policy on maintaining and managing records. This obligation extends to confidential information of third parties, which the Bank has rightfully received under non-disclosure agreements.
- c) To further the Bank's business, confidential information may have to be disclosed to potential business partners. Such disclosure should be made after considering its potential benefits and risks. Care should be taken to divulge the most sensitive information, only after the said potential business partner has signed a confidentiality agreement with the Bank.

- d) Any publication or publicly made statement that might be perceived or construed as attributable to the Bank, made outside the scope of any appropriate authority in the Bank, should include a disclaimer that the publication or statement represents the views of the specific author and not the Bank.

Other Confidential Information

The Bank has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce the Bank to enter into a business relationship. At other times, the Bank may request that a third party provide confidential information to permit the Bank to evaluate a potential business relationship with that party. Therefore, special care must be taken by the Board of Directors and Senior Management to handle the confidential information of others responsibly. Such confidential information should be handled in accordance with the agreements with such third parties.

DEALING IN SHARES/ INSIDER TRADING

The Directors and Senior Management personnel shall not deal in securities of the Bank either on their own behalf or on behalf of any other person when in possession of any unpublished price sensitive information or communicate, provide or allow access, counsel or procure, directly or indirectly any unpublished price sensitive information to any other person except the same is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. They should comply with the Code of Conduct relating to Insider Trading, processes made there under and any amendments thereof to the extent applicable to them.

GOOD CORPORATE GOVERNANCE PRACTICES

Each member of the Board of Directors of the Bank should adhere to the following so as to ensure compliance with good Corporate Governance practices.

1. Do's

- a) Attend Board meetings regularly and participate in the deliberations and discussions effectively.
- b) Study the Board papers thoroughly and enquire about follow-up reports on definite time schedule.
- c) Involve actively in the matter of formulation of general policies.
- d) Be familiar with the broad objectives of the Bank and the policies laid down by the Government and the various laws and legislations.
- e) Ensure confidentiality of the Bank's agenda papers, notes and Minutes.

2. Dont's

- a) Do not interfere in the day to day functioning of the Bank (Applicable only to Non-Executive Directors).
- b) Do not reveal any information relating to any constituent of the Bank to anyone.
- c) Do not display the logo / distinctive design of the Bank on their personal visiting cards / letter heads.
- d) Do not sponsor any proposal relating to loans, investments, buildings or sites for Bank's premises, enlistment or empanelment of contractors, architects, auditors, doctors, lawyers and other professionals, etc.
- e) Do not do anything, which will interfere with and / or be subversive of maintenance of discipline, good conduct and integrity of the staff.

ANNUAL CONFIRMATION AND ACKNOWLEDGEMENT

Each Board Member and member of the Senior Management upon appointment or getting covered within the purview of this Code as the case may be, shall acknowledge receipt of the Code or any modification(s) thereto, in the Acknowledgement Form annexed to this Code as **Annexure-I** and forward the same to the Company Secretary.

The Directors and Senior Management personnel shall affirm compliance with the code of conduct on an annual basis as per Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, as at the end of each financial year (as per format prescribed herewith as **Annexure-II**, within 15 days of the close of every financial year and forward the same to the Company Secretary. The Annual Report of the Bank shall contain a declaration to this effect signed by the Managing Director and CEO stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct.

The compliance certificate shall be furnished by Chief Executive Officer and Managing Director and Chief Financial Officer stating that the Company has not entered in any transactions during the year which are fraudulent, illegal or violate the listed entity's code of conduct.

The Bank shall disseminate the code of conduct of board of directors and senior management personnel on its website.

WAIVERS

Any waiver of any provision of this Code of Conduct 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.

POLICY REVIEW AND UPDATES

The Board approved document shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

FORMATS PRESCRIBED FOR AFFIRMATION OF CODE OF CONDUCT

Annexure – I

_____ (Date)

To,

The Board of Directors
ESAF Small Finance Bank Limited,
ESAF Bhavan, Thrissur-Palakkad National Highway,
Mannuthy, Thrissur, Kerala, PIN – 680 651

Subject: Confirmation of Compliance to the Code of Conduct for Board of Directors and Senior Management personnel in terms of Regulation 17(5) and 26(3) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

Pursuant to my appointment as _____ or designation as _____ (strike off, if not applicable), having read and understood the provisions of the Code of Conduct for Board of Directors and Senior Management personnel, hereby confirm that I will abide by the Bank's "Code of Conduct and Ethics" at all times on an on-going basis.

_____ (Signature)

_____ (Name)

_____ (Designation)

Annexure – II

_____ (Date)

To,

The Board of Directors
ESAF Small Finance Bank Limited,
ESAF Bhavan, Thrissur-Palakkad National Highway,
Mannuthy, Thrissur, Kerala, PIN – 680 651

Subject: Confirmation of Compliance to the Code of Conduct for Board of Directors and Senior Management personnel in terms of Regulation 17(5) and 26(3) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

I, _____ (Name), _____ (Designation), having read and understood the provisions of the Code of Conduct for Board of Directors and Senior Management personnel, hereby solemnly affirm compliance to the Code of Conduct and has not violated any of the provisions of the Code during the year ended March 31,

_____ (Signature)

_____ (Name)

_____ (Designation)