

POLICY ON APPOINTMENT AND FIT AND PROPER CRITERIA FOR DIRECTORS

INTRODUCTION

The Nomination and Remuneration Committee of Directors (“**NRC**”) has formulated this “Policy on Appointment of Directors” (the “**Policy**”), and at its meeting held on March 7, 2019, approved this Policy for recommending the same for the approval of the Board of Directors (the “**Board**”). Upon such recommendation, the Board at its meeting held on March 7, 2019 has approved this Policy.

OBJECTIVE

The Bank recognizes that a committed, well-balanced Board creates a culture of leadership to provide long-term vision, ensure governance as well as protect the interest of all stakeholders. In order to ensure that the Board can discharge its duties and responsibilities effectively, the Bank needs an optimum combination of individuals who have special knowledge or practical experience and ability to guide the Bank towards achieving its stated goals and strategic objectives. The Bank also recognizes the importance of independent directors for bringing objectivity and independent judgments to the Board discussions. The primary objective of the Policy is to provide a framework, set out the ‘fit and proper’ criteria and other standards based on which candidate(s) may be evaluated for appointment or re-appointment as Directors on the Board of the Bank.

The NRC of the Board has been constituted to inter-alia identify persons who are qualified to become directors on the Board, considering inter alia the following factors while recommending appointment of directors on the Board of the Bank:

1. Relevant Qualifications, skills and experience of the existing Board of Directors;
2. Mix of Executive, Non-Executive and Independent Directors;
3. The optimum size of the Board commensurate with the size of the Bank’s operations and complexity;
4. Gender Diversity, etc. with at least one independent woman Director

PROCESS FOR APPOINTMENT / RE-APPOINTMENT OF DIRECTOR

1. The NRC shall identify persons who are qualified to become directors on the Board of the Bank.
2. Prior to recommending a candidate for appointment/ re-appointment on the Board, the NRC shall consider following factors for evaluation:
 - a. The proposed candidate / appointee shall be between 35 to 70 years of age or such other age as prescribed by law or under regulations or by any other applicable statutory authority from time to time.
 - b. The candidate shall possess relevant educational qualifications, knowledge and skills, competence, expertise, track record, integrity and judgement for performing the duties and responsibilities of a Director of the Bank.
 - c. The candidate shall possess special knowledge and/ or practical experience in any of the following fields: accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, public administration, small scale industry, information technology, cyber security, payment and settlement systems, human resources, risk

- management, business management, marketing, fintech or any other field of expertise as deemed appropriate for the Bank's business from time to time.
- d. The candidate shall be able to devote sufficient time and attention required to properly discharge his/her fiduciary duties in his capacity as Director of the Bank.
 - e. The prior experience of the candidate shall be suitable to the present and/or potential future needs and the requirements of the Bank vis-à-vis its stature and complexity of its operations.
 - f. The candidate should not be disqualified to become a director under the Companies Act, 2013 and the rules thereunder, the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 ("**SEBI Listing Regulations**"), Banking Regulation Act, 1949 and such other applicable laws, as may be amended, replaced, substituted, re-enacted from time to time (collectively "**Applicable Laws**").
 - g. There shall be no conflict of interest in performing duties as a Director on the Board or in case of conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform the duties properly and independently, and adequate disclosures are made by the person in this regard.
3. Based on the results of the above assessment of the candidate(s), the NRC shall shortlist the candidate(s) suitable for appointment as the directors of the Bank and shall conduct a thorough due diligence and scrutiny to evaluate whether the candidate(s) is "Fit and Proper" in order to be appointed as a Director of the Bank as per the criteria laid down in the circular no. RBI/2004/268 DBOD.No.BC.105/08.139.001/2003-04 dated June 25, 2004, as amended vide circular RBI/2004-2005/303 DBOD.No.BC. 60 /08.139.001/2004-2005 dated 16th December, 2004 and circular RBI/2010-11/ 541 DBOD. No.BC.No. 95 /29.39.001/2010-11 dated 23rd May, 2011 issued by the Reserve Bank of India ("**RBI**") (collectively the "**Fit and Proper RBI Circular**"). The said circular inter-alia directed the banks in private sector to undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration ("**Fit and Proper Declaration**") from the proposed / existing directors for this purpose. Accordingly, in its assessment, the NRC shall scrutinize the Fit and Proper Declaration received from the candidate(s) being considered for directorship of the Bank.
- The format of the Fit and Proper Declaration as presently prescribed in the Fit and Proper RBI Circular is annexed to this Policy as Annexure II. The said Annexure hereto shall be deemed to be replaced suitably upon any amendment or change or substitution thereto by the RBI by way of its circulars or directives.
4. In addition to assessment of fit and proper criteria as above, the NRC shall also assess whether the candidate(s) fulfil all the eligibility criteria to be appointed as director as prescribed in the Applicable Laws. The NRC may obtain such declarations/ confirmations from the candidate(s), including as necessary under the Applicable Laws, for determining the eligibility.
 5. In case of appointment of independent directors, the NRC shall also consider the additional criteria prescribed for independent directors under the Applicable Laws.

6. The NRC or the Chairperson of the NRC or the Chairperson of the Bank may have informal interactions with the shortlisted candidate(s) before recommending his / her appointment to the Board. A detailed checklist setting out all the relevant provisions for appointment of directors, as prescribed under the Applicable Laws, shall be deemed to form an integral part of this Policy.
7. Based on the information obtained from the aforesaid declarations / confirmations and the NRC's own examination / scrutiny, if the NRC is satisfied that the candidate(s) are eligible and fit for being appointed as Director(s), it shall recommend to the Board the acceptance or otherwise of the proposed candidate(s).
8. The Board may, basis the recommendation of the NRC, approve the appointment of the new director(s) subject to approval of the shareholders or in case the Board is not satisfied with the candidate(s) selected, direct the NRC to consider selection of fresh candidates.
9. The Board shall ensure that a Deed of Covenants (as prescribed under the Fit and Proper RBI Circular, presently as per Annexure III) ("Deed of Covenants") is also executed with the new directors at the time of their appointment. The said Annexure hereto shall be deemed to be replaced suitably upon any amendment or change or substitution thereto by the RBI by way of its circulars or directives.
10. Any director appointed during the financial year for which performance review / evaluation exercise of the Board of Directors is being conducted, must have attended at least 3 (three) Board meetings convened in that financial year in order to participate in such review / evaluation exercise carried out in accordance with Applicable Laws.

ANNUAL AFFIRMATIONS FOR CONTINUING DIRECTORS

The Bank shall, at the end of every financial year, obtain not later than 30th April, the following declarations reflecting the position as on 31st March from the existing directors:

- a. Fit and Proper declaration in the format prescribed by RBI
- b. Deed of Covenants executed with the Bank in the format prescribed by the RBI
- c. Other declarations prescribed in the Applicable Laws.

The declarations as provided by the directors other than the members of NRC shall be scrutinized by the NRC. The declarations furnished by the members of NRC shall be scrutinized by the Board, excluding the members of the NRC.

Based on the information obtained from aforesaid declarations / confirmations and evaluation of the eligibility criteria set out in this Policy, the NRC or the Board, as the case may be, shall decide whether the directors continue to fulfil the criteria of being fit and proper.

RE-APPOINTMENT OF DIRECTORS

At the time of re-appointment of Director(s), the NRC shall follow the process prescribed in this Policy for appointment of directors. The NRC shall scrutinize the declarations / confirmations obtained from

the Director(s) under the Applicable Laws, including the Fit and Proper Declaration. If NRC is satisfied that the candidate is eligible and fit for being re-appointed as a Director under the Applicable Laws, it shall recommend to the Board the acceptance or otherwise of the re-appointment of the Director(s). The Deed of Covenants shall also be required to be signed by the director who is re-appointed as above, in accordance with the Fit and Proper RBI Circular.

LETTER OF APPOINTMENT

The Bank shall issue a formal letter of appointment / re-appointment to the person appointed / re-appointed as a Non-Executive Director of the Bank at the time when he is appointed / re-appointed by the Board and at the time he is appointed / re-appointed by the shareholders at the General Meeting. The letter of appointment / re-appointment to be issued to the Independent Director shall inter alia also set out the matters as stated in Schedule IV of the Companies Act, 2013 and shall be placed on the website of the Bank. In case of Executive Director, the Bank shall enter into an agreement with the Executive Director.

FAMILIARISATION PROGRAMME FOR THE NON-EXECUTIVE DIRECTORS OF THE BANK

Regulation 25(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, requires a company to provide suitable training to its independent directors to familiarize them inter alia with the company, their roles, rights, responsibilities in the company, nature of industry in which the company operates and the business model of the company.

Accordingly, in order to familiarize the Bank's Non-Executive Directors (NEDs) including independent directors with the Bank's functioning and their roles, responsibilities, etc. the Bank may undertake the following:

1. The newly appointed NEDs shall be provided with a copy of the Memorandum and Articles of Association, all the applicable codes, policies, etc. formulated and adopted by the Bank.
2. An orientation / overview of the Bank's segments, various products, services, and functions may be provided.
3. The newly appointed NEDs may also be introduced to certain key members of the senior management of the company.
4. A detailed briefing on the roles and responsibilities of independent directors shall also be provided to the independent directors as part of their appointment letters.
5. The Bank may nominate the NED(s) to attend relevant external programs at reputed forums and/ or internally provide deep-dives/ presentations on subjects relevant from Bank's perspective, as may be necessary from time to time.

AUTHORITY TO NRC

The NRC shall be authorized to undertake any action / step required to be taken to comply with the requirements prescribed under the Applicable Laws.

PLACEMENT

The Board approved Policy for Appointment of Directors or salient features thereof (as the case may be, as may be required under the Applicable Laws) may be made available on the Bank's Website.

REVIEW

This Policy may be amended, modified, supplemented or substituted from time to time to ensure compliance with the Applicable Laws.

In case of no change in the Applicable Laws necessitating the review / amendment of this Policy, it shall be taken up for review once every two years by the NRC and thereafter recommended to the Board for approval.

The NRC may issue / implement such guidelines, procedures, formats and/or reporting mechanisms to implement this Policy as it may deem fit.

LAWS TO TAKE PRECEDENCE:

If any of the provisions of this Policy are inconsistent with the Applicable Laws, then the provisions of Applicable Laws shall prevail over the Policy to that extent and the Policy shall be deemed to have been amended so as to be read in consonance with Applicable Laws. As this Policy is pursuant to the Applicable Laws, if any change to Applicable Laws or interpretation thereof necessitates any change to the Policy, then this Policy shall be read so as to accommodate the changes.

Annexure I**Primary Conditions for Appointment of Director as per Banking Regulation Act, 1949 and circulars issued by RBI in this regard****1. Nature of Expertise and Substantial Interest**

Not less than fifty-one per cent, of the total number of members of the Board of Directors of a banking company shall consist of persons -

- Having special knowledge or practical experience in respect of one or more of the following matters, namely accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law and public administration, small-scale industry, information technology, payment and settlement systems, human resources, risk management and business management;
provided, of the aforesaid number of Directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small scale industry and
- shall not have substantial interest [as defined in Section 5(ne) of the Banking Regulation Act, 1949] in, or be connected with, whether as employee, manager or Managing agent, in
 - (i) any company, not being a company registered under section 8 of the Companies Act, 2013, or
 - (ii) any firm, which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, orbe proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

2. Tenure of Directorship

Notwithstanding anything to the contrary contained in the Companies Act, 2013, or any other law for the time being in force, no Director of a banking company, other than its Chairman or whole-time Director, by whatever name called, shall hold office continuously for a period exceeding eight years.

3. Restriction on loans and advances

Notwithstanding anything to the contrary contained in Section 67 of the Companies Act, 2013, Bank cannot grant loans or advances on the security of its own shares, or enter into any commitment for granting any loan or advance to or on behalf of-

- any of its directors,
- any firm in which any of the directors is interested as partner, manager employee or guarantor, or
- any company of which or the subsidiary or the holding company of which, any of the directors of the banking company is a director, managing agent, manager, employee or guarantor or in which he holds a substantial interest.

Exception – subsidiary of a banking company, company registered under section 8 of Companies Act, 2013 or Government Company

- any individual in respect of whom any of its directors is a partner or guarantor

Exceptions:

In case of advances granted/ commitment made by the Bank to the companies prior to appointment of director of the companies on the Bank's board, provided the facility is not renewed and/ or enhanced after maturity, the aforesaid restriction shall not be applicable.

While examining the restrictions (and any exceptions thereof) on such loans and advances, the Bank shall be guided by the Master Circular on Loans and Advances (Statutory and Other Restrictions) issued by the RBI, as amended from time to time.

4. Prior Approval of Reserve Bank of India

Any amendment in the provisions relating to maximum permissible number of directors or appointment / re-appointment or termination of appointment or remuneration of chairperson, managing director or any other whole time director or manager or CEO shall not have effect unless approved by RBI.

5. Fit and Proper Evaluation of the proposed directors

Private Sector banks have to undertake a process of due diligence for determining the suitability of the persons proposed to be appointed as directors as well as for their continuation to hold office as directors of such banks, based upon qualification, expertise, track record, integrity and other fit and proper criteria and further obtain necessary information and declaration ("Fit and Proper Declaration") from the proposed / existing directors for this purpose.

Primary Conditions for Appointment of a Director as prescribed in SEBI Listing Regulations**1. Definition of an Independent Director**

The director should be a non-executive director, other than the nominee director of the listed entity

- who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;
- who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity
- who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company
- who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- (v) none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) who neither himself, nor whose relative(s)-
 - holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —
 - a) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or
 - b) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - holds together with his relatives two percent or more of the total voting power of the listed entity; or
 - is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;
 - is a material supplier, service provider or customer or a lessor or lessee of the listed entity;
- (vii) who is not less than 21 years of age
- (viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director

2. Age of Director

No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

The Bank has specified under this Policy that all proposed directors shall be between 35 to 70 years of age or such other age as prescribed by law or under regulations or by any other applicable statutory authority from time to time.

3. Composition of Board

- Minimum 6 Board Members at any given point of time

- At least one woman independent Director
- Not less than 50% of the Board shall comprise of Non-Executive Directors
- Where Chairman is a non-executive Director (mandatory for top 500 listed entities w.e.f. from 1st April 2020), at least one third of the Board shall comprise of Independent Directors; in case the Chairman is not a non-executive director, at least half of the total Board shall comprise of Independent Directors
- where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.
- The Non-Executive Chairman shall not be related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013:

4. Obligations with respect to Independent Directors

- No person shall be appointed or continue as an alternate director for an independent director of a listed entity.
- The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.
- Every independent director shall, at the first meeting of the board in which he participates as a director and thereafter at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, submit a declaration that he meets the criteria of independence as stated in point (1) above and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence. The Board of Directors of the listed entity shall take on record the aforementioned declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.

Primary Conditions for Appointment of a Director as prescribed in Companies Act, 2013

1. Definition of Independent Director

In addition to the conditions prescribed in SEBI Listing Regulations, following conditions are prescribed in Companies Act, 2013

An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, —

- a) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

- b) possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.
- c) none of whose relatives—
 - is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year
Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;
 - is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
 - has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees, at any time during the two immediately preceding financial years or during the current financial year;
 - has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred above

2. Appointment of Director

- a. No person shall be appointed/ reappointed as a Director of the Company unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to the Company a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- b. Every director shall be appointed by the company in general meeting. Following declarations are required to be obtained from the directors prior to their appointment:
 - Consent to be appointed as a Director in Form DIR 2
 - Notice of interest of directorships on boards of other companies in Form MBP-1
 - Notice of Director giving intimation that the director has been disqualified / not been disqualified as per the provisions of the Act. If a director is disqualified under the provisions of Section 164(2), the office of the director shall become vacant in all the companies, other than the company which is in default as per section 164 of the Act.
 - Details of Relatives under section 2(77) of the Companies Act, 2013 and their interest for the purpose of identification of related parties of the Bank
 - Declaration of Independence if the proposed appointed is to be appointed as an Independent Director

3. Adherence to Schedule IV

The Independent directors shall abide by the provisions specified in Schedule IV.

4. Tenure of Independent Director

Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

Notwithstanding anything contained in above, no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

Annexure II

Name of the Bank: _____

<u>Declaration and Undertaking by Director</u> <u>(with enclosures as appropriate as on _____)</u>		
I	Personal details of director	
a.	Full name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Relevant Background and Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address / Telephone Number	
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i.	Relevant knowledge and experience (Refer Section 10A(2)(a) of the Banking Regulations Act, 1949)	
j.	Any other information relevant to Directorship of the Bank	

II	Relevant Relationships of director	
a.	List of Relatives if any who are connected with the Bank (Refer Section 2 (77) of the Companies Act, 2013 and Rule 4 of Companies of Specification of definitions Details Rules, 2014)	
b.	List of entities if any in which he/she is considered as being interested (Refer Section Section 184 of the Companies Act, 2013)	
c.	List of entities in which he/she is considered as holding substantial interest within the meaning of Section 5(ne) of the Banking Regulation Act, 1949 proposed and existing	
d.	Name of Bank in which he/she is or has been a member of the Board (giving details of period during which such office was held)	
e.	Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the bank	
f.	Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the last five years in respect of credit facilities obtained from the bank or any other bank.	
III	Records of professional achievements	
a.	Professional achievements relevant	
IV	Proceedings, if any, against the Director	
a.	If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry of at any profession/ occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for	

	violation of economic laws and regulations	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d.	Whether the director attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013?	
e.	Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g.	Whether the director at any time come to the adverse notice of a regulator such as SEBI, IRDA, DCA.	
V	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the bank fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the bank.

Place: Mumbai

Signature of director

Date:

VI Remarks of Board of Directors of Bank

Place: Mumbai

Date:

Signature

Annexure III**DEED OF COVENANTS**

THIS DEED OF COVENANTS is made this _____ day of _____, _____

BETWEEN

HDFC BANK LIMITED, a Banking Company incorporated under the Companies Act, 1956 and having its Registered Office at 'HDFC Bank House', Senapati Bapat Marg, Lower Parel (West), Mumbai – 400 013, hereinafter called as **“the Bank”** of the one part

AND

Mr. / Ms _____, presently residing at _____, hereinafter called **“the Director”** of the other part.

WHEREAS

The Director has been appointed as a _____ on the Board of Directors of the Bank (hereinafter called "**the Board**") and as a good corporate practice, had signed the deed of covenants with the Bank with reference to financial year 2017-18.

As per the extant guidelines issued by the Reserve Bank of India (RBI), the directors of the banks are now required to execute the said deed of covenants every year as on 31st March.

Pursuant to the aforesaid RBI guidelines, the Director has agreed to sign the deed of covenants as under:

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSTH AS FOLLOWS:

- 1 The Director acknowledges that his appointment as Director on the Board of the Bank is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Bank and the provisions of this Deed of Covenants.
- 2 The Director covenants with the Bank that:
 - (i) The Director shall disclose to the Board the nature of his interest, direct or indirect, if he has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement into or to be entered into between the Bank and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if he was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement;
 - (ii) The Director shall disclose by general notice to the Board his other directorships, his memberships of bodies corporate, his interest in other entities and his interest as partner or proprietor of firms and shall keep the Board apprised of all changes therein;
 - (iii) The Director shall provide to the Bank a list of his relatives as defined in the Companies Act, 2013 (to the extent applicable) and to the extent the Director is aware of the Directorships and interests of such relatives of other bodies corporate, firms and other entities.
 - (iv) The Director shall in carrying on his duties as Director of the Bank:
 - (a) use such degree of skill as may be reasonable to expect from a person with

his knowledge or experience;

- (b) take such care as he might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interest of the Bank;
 - (c) shall keep himself informed about the business activities and financial status of the Bank to the extent disclosed to him;
 - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as “Board”) with fair regularity and conscientiously fulfill his obligations as Director of the Bank;
 - (e) shall not seek to influence any decision of the Board for any consideration other than in the interest of the Bank;
 - (f) shall bring independent judgement to bear on all matters affecting the Bank brought before the Board including but not limited to statutory compliance, performance reviews, compliance with internal control systems and procedures reviews, compliance with internal control systems and procedures, key executive appointments and standards of conduct;
 - (g) shall exercise his judgement in matters brought before the Board or entrusted to his by the Board be free from any business or other relationship which could materially interfere with exercise of his independent judgement; and
 - (h) shall express his views and opinions at the Board meetings without any fear or favour and without any influence on exercise of his independent judgement;
- (v) The Director shall have :
- (a) fiduciary duty to act in good faith and in the interest of the Bank and not for any collateral purpose;
 - (b) duty to act only within the powers as laid down by the Bank's Memorandum and Articles of Association and by applicable laws and regulations; and
 - (c) duty to acquire proper understanding of the business of the Bank.
- (vi) The Director shall:

- (a) not evade responsibility in regard to matters entrusted to him by the Board;
- (b) not interfere in the performance of their duties by the whole-time Directors and other officers of the Bank and wherever the Director has reasons to believe otherwise, he shall forthwith disclose his concerns to the Board; and
- (c) not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the Bank in his capacity as Director of the Bank only for the purpose of performance of his duties as a Director and not for any other purpose.

3 The Bank covenants with the Director that:

- (i) the Bank shall apprise the Director about:
 - (a) Board procedures including identification of legal and other duties of Director and required compliance with statutory obligations;
 - (b) Control systems and procedure;
 - (c) Voting rights at Board meetings including matters in which Director should not participate because of his interest, direct or indirect therein;
 - (d) Qualification requirements and provide copies of Memorandum and Articles of Association;
 - (e) Corporate policies and procedures;
 - (f) Insider dealing restrictions;
 - (g) Constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - (h) Appointments of Senior Executives and their authority;
 - (i) Remuneration policy;
 - (j) Deliberations of committees of the Board; and

- (k) Communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the Bank, delegation of authority, Senior Executives etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance;
 - (ii) the Bank shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a Director of the Bank and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof;
 - (iii) the disclosures to be made by the Bank to the Directors shall include but not limited to the following:
 - (a) all relevant information for taking informed decisions in respect of matters brought before the Board;
 - (b) Bank's strategic and business plans and forecasts;
 - (c) organisational structure of the Bank and delegation of authority;
 - (d) corporate and management controls and systems including procedures;
 - (e) economic features and marketing environment,
 - (f) information and updates as appropriate on Bank's products;
 - (g) information and updates on major expenditure;
 - (h) periodic reviews of performance of the Bank; and
 - (i) report periodically about implementation of strategic initiatives and plans.
 - (iv) the Bank shall communicate outcome of the Board deliberations to Directors and concerned personnel and to prepare and circulate minutes of the meeting of the Board to Directors in a timely manner; and
 - (v) the Bank shall advise the Director about the levels of authority delegated in matters placed before the Board.
- 4 The Bank shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.
- 5 The Bank shall appoint a compliance officer who shall be a Senior Executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India (RBI) and other concerned statutory and governmental authorities.
- 6 The Director shall not assign, transfer, sublet or encumber his office and his rights and obligations as Director of the Bank to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Bank.

- 7 The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
- 8 Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the representative of the Bank.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For HDFC Bank Limited

Director

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Name:

Name:

Designation:

In presence of:

1. 2.