



Date: April 13, 2017

Mr. MANNIL VENUGOPALAN

R/O-Mannil House, House No. 17/229

Thalakkolly Desom, Ernakulum, Aluva, 683102, Kerala, India

Sub: Appointment as an Independent part- time Non-Executive Chairman of AU Small Finance Bank Limited ("The Bank").

We are pleased to inform you that board of Directors of the bank by way of Resolution by Circulation dated **April 13, 2017** have approved your appointment as an Independent Part-time Non-executive Chairman of the Bank.

This Reserve Bank of India has approved your appointment w.e.f **April 13, 2017** in terms of Section 10B(1A)(i) of Banking Regulation Act 1949. You have assumed charge as Independent Part-time Non-executive Chairman of the Bank w.e.f **April 13, 2017**.

The terms of your appointment shall be governed by the provisions of Companies Act 2013, banking Regulation Act, 1949 and rules made thereunder, Memorandum of Association and Articles of Association of the bank.

Terms of Appointment:

- 1) Your appointment is for a period commencing from April 13, 2017 upto March 29, 2020 unless determined earlier by you or the Bank by giving prior written notice to the other.
- 2) During the appointment you may be required to serve as a member on one or more of the Board Committees.
- 3) You are considered to be an Independent **Part-time Non-Executive Chairman** and will be identified as such in the Annual Report and other documentation. If circumstances change, and you believe that your Independence may be in doubt, you should give a declaration to the Board as soon as possible in any case not later than 7 (seven) days of occurrence of event.



Registered Office

AU SMALL FINANCE BANK LIMITED

19-A Dhuleshwar Garden, Ajmer Road,

Jaipur - 302001, Rajasthan, India

Phone: +91 141 4110060/61, **Fax:** +91 141 4110090

CIN: L36911R.11996PI C011381

Expectation of the Board and fiduciary duties:

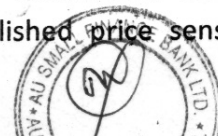
- 4) The Bank expects a commitment of sufficient time and attention as necessary in order to perform your duties under the Appointment. This will include attendance at regular and emergency Board and any General Meetings (both Annual & Extra ordinary). You will be required to attend regular meetings of any Committee of which you are a member. In addition you will also be expected to devote appropriate preparation and time ahead of each meeting. In case you wish to avail leave of absence from the meeting for any reason whatever, you may take prior leave of absence from the Board and/ or Committee for the said Meetings.
- 5) By accepting the Appointment, you confirm that you are able to allocate sufficient time to perform your role.
- 6) As an Independent Non-Executive Director you have the same general legal responsibilities to the Bank as any other Director.
- 7) You will abide by the provisions specified in Schedule IV of the Companies Act 2013 and the rules made thereunder.
- 8) You shall adhere to all the conditions of Independence during your term with the Bank and give a declaration of Independency in every financial year during your term with the Bank.
- 9) You shall continue to comply with the Section 10A, 16 & 20 and other applicable sections of the Banking Regulation Act 1949.

Code of Conduct

- 10) During the appointment you will comply with the Code of Business Ethics and the Code of Conduct Policy of the Bank.
- 11) The Bank acknowledge that you may have business interests other than those of the Bank and that you 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 Bank as soon as they become apparent but not later than 30 (thirty) days of the occurrence of such event.

List of actions restrained:

- 12) You should not allow any extraneous considerations that will vitiate your exercise of objective independent judgment in the paramount interest of the Bank as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making.
- 13) You should not abuse your position to the detriment of the Bank or its shareholders or for the purpose of gaining direct or indirect personal advantage(s) for any associated persons.
- 14) You should 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. Your attention is drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Board.

- 15) You shall not engage in forward dealings in securities of the Bank or in its holding, subsidiary or associate company nor shall you enter into insider trading in the securities of the Bank.
- 16) You shall not involve 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.
- 17) In terms of Section 149(6) of the Companies Act, 2013 you or your relative should not have any pecuth the Bank or any of its holding, subsidiary or associate company during your term of appointment with the Bank.
- 18) You or any of your relatives shall not hold more than 2(two) percent or more of the total voting power of the Bank.
- 19) You will receive remuneration by way of sitting fee for attending meetings of the Board or Committee as may be determined by the Board from time to time and in accordance with the Articles of Association of the Bank.
- 20) The sitting fee shall be paid by way of crossed account payee cheque and/or direct credit to your account or your designated bank account and shall be subject to deduction of all applicable taxes, if any in terms of RBI Circular dated June 10, 1998.
- 21) You will also be entitled to receive consolidated remuneration of **Rs. 17,00,000/-** (Rupees Seventeen Lakhs only) per annum in your capacity as a Director of the Bank in addition to the Point No-(19) above, as approved by the Reserve Bank of India vide their letter dated 13th April, 2017.
- 22) You will not be entitled to any stock option neither participate in any stock option scheme of the Bank.

Evaluation

- 23) The Bank will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis in compliance to the Companies Act 2013.

As per the prescribed procedures, evaluation of a Director shall be done by all the other directors on the basis of the criteria as may be determined by the Nomination and Remuneration Committee of the Board. The evaluation criteria shall be disclosed in the Bank's Annual Report. The actual evaluation process shall be confidential and shall be aimed to improve the effectiveness of the Board / Committees. Following important parameters, inter alia, would be considered by NRC while setting up the criteria for evaluation:

- Effectiveness as an Independent Director/Director
- Time allocated for participation
- Contributions made in the meetings and policy matters.



- Relationship with the Management and other stakeholders.
- Sharing of knowledge, expertise and ability to guide.
- Confidentiality, secrecy and integrity.

Disclosure of Interest

24) The Bank is required to include in its Annual Accounts a note of any material interest that a Director may have in any transaction or arrangement that the Bank has entered into. Such interest should be disclosed no later than when the transaction or arrangement comes up at a Board meeting, so that the minutes may record such director's interest appropriately and the Bank's records are updated. In terms of the provisions of the Companies Act, 2013, directors are required to disclose their interest in other entities in the prescribed format at the beginning of the financial year.

Publication of the letter of appointment:

25) In line with Schedule IV of the Companies Act, 2013, the Bank will make public a generic copy of this letter on its website at www.aubank.in and shall be open for inspection at the registered office of the Bank by any member during normal business hours.

This letter is governed by, and shall be construed in accordance with, the laws of India, and the parties agree to submit to the exclusive jurisdiction of the courts of Mumbai.

This letter constitutes neither a contract for services nor a service contract.

Please confirm your acceptance to the terms of appointment by signing and returning to us the enclosed duplicate of this letter as a token of your acknowledgement.

Yours sincerely,

For AU SMALL FINANCE BANK LIMITED

Manmohan Panigami
Company Secretary

