



## Code of Conduct & Ethics for Directors & Senior Management of the Bank

### 1. Introduction

As per Regulation 17(5)(a) of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“hereinafter referred to as Listing Regulations”), the Board of Directors shall lay down a Code of Conduct for the members of Board of Directors and Senior Management of the listed entity. Further, as per Section 149 (8) of the Companies Act, the company and independent directors shall abide by the provisions specified in Schedule IV i.e., Code for Independent Directors.

In compliance with the aforesaid law/Regulations, the Bank has laid down this Code which is intended to provide guidance in recognizing and dealing with ethical issues, maintaining highest standards of Corporate Governance and provide mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability.

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.

### 2. Definitions:

- i. Bank/Company means Karnataka Bank Limited.
- ii. Directors means a director appointed on the Board of Directors of the Bank and includes whole time directors, independent directors and non-executive directors.
- iii. Senior Management (“Designated Officers”) for the purpose of this Code includes Chief General Manager/s, General Managers, Material Risk Takers, Key Managerial Personnel as per Section 2(51) of Companies Act, 2013, Chief Financial Officer, Company Secretary, Chief Technology Officer, Chief Information Security Officer, Chief Risk Officer, Chief Compliance Officer, Chief Learning Officer, Head of Internal Audit and Chief of Internal Vigilance and Heads of all Head Office departments across India and all the Regional heads of the Bank.

### 3. Applicability

Each Director and Officer in Senior Management cadre (collectively also referred to as “all Directors & Designated Officers” in some places herein below) is expected to comply with this Code in letter and spirit.

### 4. General Standards of Conduct

The Designated Officers must not only comply with applicable laws, rules and regulations but should also promote honest and ethical conduct of the business. They must abide by the policies and procedures that govern the conduct of the Bank’s business. Their responsibilities include helping to create and maintain a culture of high ethical standards and commitment to compliance and to maintain a work

environment that encourages the stakeholders to raise concerns to the attention of the Management.

The Bank expects all Directors & Designated Officers to act prudently, to ensure the interests, safety and welfare of customers, employees, and other stakeholders and to maintain an efficient, positive, harmonious and productive work environment. The Directors & Designated Officers while discharging duties of their office must act honestly and with due diligence. They are expected to act with utmost care and prudence, which befits the position they are occupying. These standards need to be applied while working in the premises of the Bank, and also at off-site 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 or purport to act as representatives of the Bank.

## 5. Philosophy of the Code

The Code envisages and expects –

- a. adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships.
- b. full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies.
- c. compliance with applicable laws, rules and regulations.
- d. to address misuse or misapplication of the Bank's assets and resources.
- e. the highest level of confidentiality and fair dealing within and outside the Bank.

## 6. Conflicts of Interest

A "conflict of interest" occurs when personal interest of any Director or Designated Officer interferes or appears to interfere in any way with the interests of the Bank. Although this does not prevent them from engaging in personal transactions and investments, it does demand that they avoid situations where a conflict of interest might occur or appear to occur. Conflict with the Bank's interest arise in situations such as:

- i. **Outside Employment:** The Wholetime Directors and Designated Officers are expected to devote their total attention to the business interests of the Bank. They are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Bank or otherwise is in conflict with or prejudicial to the Bank.
- ii. **Business Interests:** If any Director or Designated Officer considers entering into any dealing with the Bank's customer, supplier or competitor, they should ensure that these transactions do not compromise their responsibilities to the Bank. Many factors including the size and nature of the investment; their ability to influence the Bank's decisions; their access to confidential information of the Bank, or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, they should disclose to the Bank any interest that they have which may conflict with the business of the Bank.

- iii. **Related Parties:** As a general rule, all Directors & Designated Officers should avoid permitting Banking transactions either by himself/herself or in association with a relative or any other person, firm, company etc., in which the relative or other person is associated in any significant role except for opening of deposits accounts and acceptance of deposits at the rates of interest as permitted by the Bank from time to time and to the limited extent of authority specifically delegated by the Board to the Designated Officer/s for granting of advances against security of fixed and other deposits of our Bank, surrender value of life insurance Policies, Government Securities, and Housing loans, vehicle loans, etc., granted by the Bank under any scheme applicable generally to employees subject to compliance to the extant RBI circulars issued in the matter.

If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority. 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/KMPs should ensure compliance with the Bank's 'Policy on Related Party Transactions' as approved from time to time.

## 7. **Prohibition of Trading on Insider Information**

All Directors & Designated Officers of the Bank are prohibited from using the price sensitive information to deal in securities either directly or indirectly. They must learn to understand what constitutes "Unpublished Price Sensitive Information", whether of the Bank or its securities or of its customers, and ensure that they do not deal in the securities of the Bank or other entities whose information they hold and they seek or provide access to such information only on a "need to know basis" and use or share such information only in the course of performance of their duties for legitimate purpose. They should comply with the Bank's "Code of Conduct to Regulate, Monitor and Report Trading by Insiders" adopted by the Board.

## 8. **Promoting Ethical Practices**

It is critical to the Bank's reputation that the actions of the Directors & Designated Officers are seen to be appropriate and ethical. The persons heading each business vertical are responsible for knowledge of the laws and regulations that apply to its businesses, communicating necessary information to the Directors and Designated Officers and maintaining an appropriate compliance program. The following sections outline some key requirements.

- **Anti-Corruption and Bribery:** Bank has zero tolerance towards all forms of bribery and is sensitive to this aspect in dealings with the various entities that come in contact with it. In particular, the Bank prohibits offering, promising, giving, accepting or authorizing others to give bribe, either directly or indirectly, to any person or entity. Under no circumstances Directors & Designated Officers shall offer, promise or grant anything of value to anyone for the purpose of influencing the recipient. Payments made indirectly through any intermediary or other third party are subject to the same restrictions.

- **Compliance with Regulation relating to KYC and Money Laundering:** The Bank expects all Directors & Designated Officers to ensure compliance with the extant regulations relating to KYC and Money Laundering issued by the regulators.
- **Inappropriate Sales and Customer Commitment:** Inducing a customer for purchasing an unnecessary product or indulging in “mis-selling” for the purpose of achieving budgetary targets is an unacceptable practice that not only affects the customer adversely but also results in erosion of the Bank’s credibility and reputation. Bank should help customers take an informed decision based upon their needs, the products most appropriate for fulfilling those needs and the customers’ profile. Since the Bank has corporate tie-ups for sale of third party products, it is imperative that the customers’ needs are satisfied by suggesting the right product mix at their request, depending on their risk profile and financial needs.

However,

- i. **Reclassification or Transfer:** Reclassifying or transferring existing business should not be viewed as an actual sale and should not result in sales credit, unless the reclassification or transfer:
    - a) is part of a specific product program.
    - b) is a general strategy of the Bank.
    - c) there is a clear benefit to the customer who has provided an express agreement.
  - ii. **Discounts or customer incentives:** It is not appropriate for the Designated Officers to supplement standard discounts or customer incentives by substituting personal funds, including salary or incentive income, to complete a sale or earn a higher commission by recording a cross-sell. It is inappropriate to pay a fee, such as a card fee, or fund a deposit account on behalf of a customer to complete a sale.
- **Undue Influence:** It is not appropriate for the Directors or the Designated Officers to influence, or attempt to influence anyone to do something that is outside the scope of standard business practice for the purpose of having him or her handle a transaction or process with or without personal benefit or to protect oneself, relatives or even to that a particular team member. Such benefit may result from using a relationship (whether personal, social, or professional) to prevail upon another person, such as a colleague, vendor, or someone who reports to Director or Designated Officer.
  - **Handling Business Opportunities:** No Director and Designated Officer of the Bank should take advantage of opportunities that rightly belong to the Bank. For instance:
    - Diverting business from the Bank for personal benefit;
    - Receive a commission or fee for a transaction conducted for the Bank (other than compensation or incentives, if any, paid by the Bank);
    - Refer a customer whose credit application was denied by the Bank to another financial institution/entity for funding etc.

- **Lending Transactions:** No Director or Designated Officer shall grant on behalf of the Bank any loan or advance to himself/herself or his/her spouse, a Joint Hindu Family of which he/she or his/her spouse is a member or a partnership with which he/she or his/her spouse is connected in any manner or a Trust in which he/she or his/her spouse is a Trustee, or a private or public limited company, in which he/she or his/her spouse hold substantial interest. (Substantial interest as defined in clause of Section 5(ne) of the Banking Regulation Act 1949).

No Director or Designated Officer/s shall grant on behalf of the Bank any loan or advance to (a) a relative; (b) an individual who is the guarantor of a family member or an individual who is a partner in business of a family member; (c) a Joint Hindu Family in which a family member is a member; (d) a firm in which a family member is a partner, manager or guarantor; and € a company in which a family member holds substantial interest or is interested as director manager or guarantor, without prior permission of the Bank.

- **Client/ Third Party information/copy rights etc:**

The Director or Designated officer/s shall ensure that intellectual property rights of the Bank's customers/service providers/consultants etc., are not infringed upon in any manner. The information such as presentations, proposals, pricing etc., received from such parties shall not be used/copied for the purposes other than for which such information was provided/collected.

## 9. Gifts & Entertainment

The Directors and Senior Management should restrict themselves from accepting any sort of gifts. However, considering customs/culture of the regions and/or in order to maintain a healthy and professional relationship with various stakeholders without giving scope for any obligation to entertain/accept any request that may cause loss to the Bank, it shall be ensured that the non-nominal gifts accepted, if any, shall not exceed worth Rs.20,000 per financial year. Further, under no circumstances should any Director or Designated Officer solicit any gifts/entertainment from Bank's customers, service providers or any person/company with which the Bank has current or prospective business dealings that might influence or appear to influence his/her independence of judgement or affect his/her decision or action concerning the business of the Bank.

## 10. Fair Dealings and Confidentiality

The Designated Officers shall maintain the confidentiality of information of the Bank or that of any customer of the Bank to which Bank has a duty to maintain confidentiality, except when disclosure is authorized or legally mandated. The Confidential information includes all non-public information that might be of use or harmful to the Bank. The use of confidential information for his/her personal advantage or profit is prohibited.

## 11. Workplace Conduct

**Fair behaviour and Employment Practices:** The Directors and Designated Officers are expected to practice this Code and maintain professionalism, integrity, mutual

respect and fairness in daily course of business and relationship with colleagues or any other points of contact (internal or external).

**Harassment and Discrimination:** Harassment is an undesirable verbal or physical behaviour that interferes with work or creates an intimidating, hostile or offensive work environment. Examples include:

- Public or private tirades or bullying by a supervisor, subordinate, or peer
- Severe or repeated insults related to personal or professional competence
- Threatening or insulting oral or written comments
- Deliberate desecration of religious, racial, ethnic, or national symbols
- Malicious and knowingly false complaints against others

Bank has zero tolerance for any discrimination based on race, gender, caste, religion, disability, marital status, culture, ancestry, socioeconomic status etc. The Bank prohibits use of its communications, equipment, systems and services, including e-mail services and/or intranet/Internet services, to create a hostile, discriminatory, or offensive work environment. This includes downloading, transmitting, viewing or exchanging jokes, pictures, stories, videos or other communications or content which are threatening, harassing, demeaning or offensive to any individual.

The Bank also strictly prohibits any kind of sexual harassment and takes allegations of sexual harassment with utmost seriousness. Employees will be subject to disciplinary measures up to and including termination (as per Bank's internal guidelines) for sexual harassment.

**Workplace Health & Safety:** The Bank strives to provide a safe work environment and comply with guidelines and applicable local laws or regulations that govern workplace health and safety.

**Communication with Media:** Any official communication, verbal or electronic (which includes speeches, interviews etc.) with media and publishing houses, blog posts, websites, agencies, books, articles, podcasts, web casts, videos or such other media, can be undertaken only with prior approval from the appropriate authority as contained in the Bank's Policy on Market Disclosure. Designated Officers must be diligent while using social media like Twitter, Facebook, YouTube, LinkedIn, etc. and should not post a comment, provide any recommendation, or endorse customers or vendors (either current or former) in the social media unless they are authorized to do so.

**Maintaining accurate Records and Reporting Requirements:** Data and information relating to the Bank that is publicly disclosed or is provided to regulators should be complete and accurate. The Bank is committed to integrity of financial reporting and complete disclosures as mandated under applicable law and regulation. Falsification of any information or data (i.e. mis-statement, alteration, modification, omission or deleting of information) related to the Bank is a misdemeanor and is prohibited.

**Protecting Bank's Property and Assets:** Bank's assets should be protected and safe guarded against loss, theft or other misuse. It is the duty of each and every one who is covered under this code to safeguard each and every asset of the Bank and prevent its misuse by anyone.

All Directors & Designated Officers have a duty to the Bank to advance its legitimate interests while dealing with the Bank's assets and resources and are prohibited from using corporate property, information or position for personal gain; soliciting, demanding, accepting or agreeing to accept anything of value from any person while dealing with the Bank's assets and resources; acting on behalf of the Bank in any transaction in which they or any of their relative(s) have a significant direct or indirect interest.

## **12. Commitment to External Stakeholders**

**Maintaining Business Relationships and Fair Competition:** The Bank's commitment to dealing with external stakeholders such as customers, competitors, suppliers, and any related agency is based on the principles of fair competition, compliance with laws and regulations of the land, and in the spirit of honesty and integrity of our corporate values.

While maintaining a competitive outlook in the market, we will practice the following:

- Following transparency in all of our business dealings;
- Conducting business in accordance with applicable laws and regulations;
- Respecting the confidentiality, privacy and intellectual property of external stakeholders;
- Transfer of accurate and complete information from and to our customers while complying with internal proprietary policies, data protection laws and any contractual obligations;
- Avoiding conflict of interest in business dealings with the customer. This includes having controls to minimise and resolve potential conflicts;
- Fair hearing to any concern from our customers while acting promptly on the resolution. If the complaint involves data privacy or an accounting or auditing matter, special measures will be followed;
- In terms of supplier relationship, the Bank's protocols on pricing quotation, SLAs, quality of services or goods or any other related matters will be followed in compliance with internal and external rules or be subject to other internal restrictions or disclosure obligations under securities or other laws.

**To maintain the spirit of fair dealings with any external body, we will refrain from the following:**

- Engaging with any third party known to be involved in manipulative or concealing market practices (fixing prices, allocating sales markets, exclusive dealing with vendors) or with activities that threaten public order or safety
- Payment, acceptance, offer, or authorisation of money, gifts, or any other forms of bribe and corruption with the customers
- Offering of anything of value to external stakeholders that could be construed as requiring or influencing any official decision and would give an impression of either obtaining or retaining business, suggesting that any business or service may be withdrawn or awarded in return for other business or securing an improper advantage vis-à-vis other organizations in the market.

### **13. Enhanced Public Disclosures**

The Bank shall make full, fair, accurate, timely and meaningful disclosures in the periodic reports required to be filed with Government and Regulatory agencies by duly adhering to the Market Disclosure Policy. The Designated Officer/s of the Bank shall initiate all actions deemed necessary for proper dissemination of relevant information to the Board of Directors, Auditors and other Statutory Agencies, as may be required by applicable laws, rules and regulations.

The Bank undertakes to make an effective communication with its shareholders by furnishing all the requisite information with accuracy about the financial aspects and results of its operations.

### **14. Compliance with the Laws of the Land**

The Bank is totally committed to conducting its business dealings by complying with various laws of the land including the rules and regulations of the various regulatory authorities. No Director or Designated Officer shall commit an illegal and unethical act either directly or indirectly for any reason whatsoever. The bank disseminates information in compliance with the laws, rules and regulations that are applicable to its business.

All Directors & Designated Officers shall adhere to their duties as prescribed in the Banking Regulation Act, 1949, Companies Act 2013, SEBI Regulations, 'Dos & Don'ts' prescribed by the RBI, RBI Circulars/ Letters/Guidelines issued/amended from time to time, etc.

### **15. Code specifically applicable to Independent Directors**

The Code of Conduct & Ethics is guided by the Code for Independent Directors as mentioned in Schedule IV of Companies Act's and an Independent Director shall:

- i) Undertake appropriate induction and regularly update and refresh his skills, knowledge and familiarity with the Bank;
- ii) Seek appropriate clarification or amplification of information and where necessary, take and follow appropriate professional advice;
- iii) Strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
- iv) Participate constructively and actively in the committee of the Board in which he is a chairperson or member;
- v) Strive to attend the general meetings of the Bank;
- vi) Where s/he has concern 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 his concerns are recorded in the minutes of the Board meeting;
- vii) Keep himself/herself well informed about the Bank and the external environment in which it operates;
- viii) Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- ix) Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure himself/herself that the same are in the interest of the Bank;



- x) 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 the such use;
- xi) Report concerns as mentioned in Para No.17 of the Code about unethical behaviour, actual or suspected fraud or violation of the Bank's Code of Conduct & Ethics;
- xii) Acting within their authority, assist in protecting the legitimate interests of the Bank, Shareholders and Designated Officers;
- xiii) Not disclose confidential information, whether during his tenure or thereafter 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.

#### **16. Annual Confirmation and Acknowledgement**

Each Board Member and Designated Officer both present and future 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.

All Directors & Designated Officers shall affirm compliance with the Code of Conduct & Ethics on an annual basis as per the Regulation 26(3) (or such other regulation as amended by the SEBI from time to time) of the Listing Regulations and provide confirmation thereto in the form annexed to this Code as Appendix - II and forward the same to the Company Secretary. The Annual Report of the Bank shall contain a declaration to this effect duly signed by the Managing Director & CEO.

The Secretarial Department is the owner of this document and will be responsible to ensure compliance thereof.

#### **17. Compliance with the Code:**

If any Director or Designated Officer who knows of or suspects of a violation of applicable laws, rules or regulations or this Code, s/he must immediately report the same to the Chairman/Managing Director & CEO/Board of Directors or any committee thereof, as the case may be. Such person should as far as possible provide the details of suspected violations with all known particulars relating to the issue. The Bank recognizes that resolving such problems or concerns will advance the overall interests of the organisation that will help to safeguard the Bank's assets, financial integrity and reputation.

Violations of this Code of Conduct & Ethics will result in disciplinary action. The Board or any Committee/person designated by the Board for this purpose shall determine appropriate action in response to violations of this Code of Conduct & Ethics.

#### **18. Interpretation of the Code:**

Any question or interpretation under this Code of Conduct & Ethics will be handled by the Board or any person /committee authorised by the Board. The Board of Directors or any designated person/committee has the authority to waive compliance with this Code of conduct & ethics for any designated officer of the Bank.

The person-seeking waiver of this Code shall make full disclosure of the particular circumstances to the Board or the designated person/ committee.

**19. Amendments and Waivers**

Any amendment or waiver of the provisions of this code shall be done by the Board of Directors of the Bank.

**Annexure-I**

From:

Date:

To  
The Board of Directors  
The Karnataka Bank Ltd  
Regd. & Head Office  
Mahaveera Circle, Kankanady  
Mangaluru-575002

Dear Sir,

**Sub: Compliance of "CODE OF CONDUCT & ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT" (Code of Conduct & Ethics) in terms of Regulation 17(5) and 26(3) of the of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Pursuant to my appointment as \_\_\_\_\_ or designation as \_\_\_\_\_ *(strike off if not applicable)*  
I hereby confirm that I will abide by the Bank's 'Code of Conduct & Ethics' at all times on an on-going basis.

\_\_\_\_\_  
Signature

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**Annexure-II**

From:

Date:

To  
The Board of Directors  
The Karnataka Bank Ltd  
Regd. & Head Office  
Mahaveera Circle, Kankanady  
Mangaluru-575002

Dear Sir,

**Sub: Compliance of "CODE OF CONDUCT & ETHICS FOR DIRECTORS AND SENIOR MANAGEMENT" (Code of Conduct & Ethics) in terms of Regulation 17(5) and 26(3) of the of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

I hereby confirm that I have complied with the Bank's 'Code of Conduct & Ethics' on an on-going basis for the year ended \_\_\_\_\_.

\_\_\_\_\_  
Signature