

## Terms of Reference of Audit Committee

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time
- b) Section 177 of the Companies Act, 2013 and
- c) Regulation 18 of the SEBI (LODR) Regulations, 2015
- d) Regulation 9A(4) of SEBI (PIT) Regulations, 2015

The terms of reference of the Audit Committee of the Board are as follows:

### **Under Companies Act, 2013:**

1. Recommendation for appointment, remuneration and terms of appointment of auditors of the company
2. Review and monitor auditor's independence and performance, and effectiveness of audit process
3. Examination of the financial statement and auditors' report thereon
4. Approval or any subsequent modification of transactions of the company with related parties
5. Granting omnibus approval for related party transactions proposed to be entered into by the company subject to other conditions.
6. Scrutiny of inter-corporate loans and investments
7. Valuation of undertakings or assets of the company, wherever necessary
8. Evaluation of internal financial controls and risk management systems
9. Monitoring the end use of funds raised through public offers and related matters
10. To monitor the vigil mechanism and have an access to Chairman of the Audit Committee for reporting under vigil mechanism in exceptional cases.
11. Review fraud cases involving amount of `1crore or more reported by the auditors in accordance with Section 143 of the Companies Act, 2013.

### **Under SEBI (LODR) Regulations, 2015**

1. Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;

- d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions;
  - g. Modified opinion(s) in the draft audit report;
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
  6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  7. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
  8. Approval or any subsequent modification of transactions of the Bank with related Parties.
  9. Scrutiny of inter-corporate loans and investments.
  10. Valuation of undertakings or assets of the Bank, wherever it is necessary.
  11. Evaluation of internal financial controls and risk management systems.
  12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
  13. Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  14. Discussion with internal auditors of any significant findings and follow up there on.
  15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
  18. To review the functioning of the Whistle Blower Mechanism.
  19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background etc of the candidate.
  20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
  21. Reviewing the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/investments.
  22. Review of utilization of the funds raised through capital market:
    - a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

- b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

**Under extant guidelines of RBI:**

**QUARTERLY**

1. Review of compliance in respect of Annual Financial inspection conducted by the RBI (ACB should review this on an ongoing basis till the bank furnishes full compliance. ACB should closely monitor persisting deficiencies pointed out in RBI Inspection Reports)
2. Review of Audit Plan and status of achievement thereof
3. Review of significant Audit Findings of the following audits along with the compliance thereof - i) LFAR ii) Concurrent Audit iii) Internal Inspection iv) Management Audit at Controlling Offices/ Head Offices v) Audit of Service Branches vi) Currency Chest vii) FEMA Audit of branches authorized to deal in foreign exchange etc.
4. Synopsis of Regular Inspection reports of Specialized branches.
5. Synopsis of Regular Inspection reports of very large branches and extra large branches.
6. Review of information on violations by various functionaries in the exercise of discretionary powers.
7. Review of significant Audit Findings of the following audits along with the compliance thereof - i) IS Audit of Data Centre.
8. Report on findings of monitoring of the end use of the funds sanctioned to the borrowers in consonance with the extant of RBI guidelines. (Ref: DBS.CO. IPC.No.14051/ 12.01.001/05-06 dated 29.03.2006). This along with the directions of the Audit Committee also be brought to the notice of Board of Directors.
9. KYC / AML Guidelines-(i) Review of implementation ii) review of compliance of concurrent audit reports with respect to adherence to KYC/ AML guidelines at branches.
10. Exposure to sensitive sectors i.e. capital market & real estate, including information in respect of equity share holdings in borrower companies more than 30% of their paid up capital.
11. Review of housekeeping - particularly balancing and reconciliation of long outstanding entries Suspense / Sundries / Drafts payable / paid / Funds in Transit / Clearing / SGL/CSGL accounts
12. Review of financial results for the quarter.
13. Review of frauds of Rupees One Crore and above as and when reported.
14. Review of compliance report on directives issued by ACB/Board/RBI.
15. Review of performance of Audit / Inspection Department.
16. Review of inspection reports of poorly rated branches - Progress in rectification of deficiencies.

**HALF YEARLY**

1. Review of loss assets with balance of Rs.10 lakh and above outstanding for more than two years and where legal action has not been initiated

## **ANNUAL**

1. Review of adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
2. Penalties imposed / penal action taken against bank under various laws and statutes and action taken for corrective measures.
3. Review of report on Revenue leakage detected by Internal / External Auditors and status of recovery thereof- reasons for undercharges and steps taken to prevent revenue leakage.
4. Review of policy relating to IS Audit Policy,
5. Review of bank's financial and risk management policies.
6. Change in accounting policy and practices which may have significant bearing on financial statements. A confirmation that accounting policies are in compliance with accounting standards and RBI guidelines.
7. Review of transactions with related parties.
8. Review of accounting policies/ systems of the bank with a view to ensure greater transparency in the Bank's Books of accounts and adequacy of accounting standards.
9. Review of financial performance of the bank.
10. Appointment of Statutory Auditors and Branch Auditors and review their performance.
11. Apart from the above, the ACB also considers such other matters as are prescribed by RBI either in the form of calendar of reviews or by separate circulars.

## **Under SEBI (PIT) Regulations, 2015**

1. Review compliance with the provisions of the regulations at least once in a financial year
2. Verify the systems for internal control are adequate and are operating effectively.

## Terms of Reference of Management Committee of the Board (MCB)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to:  
DBOD.No.PSBD.BC.93/16.13.100/2007-08 dated June 9, 2008

The terms of reference of the Management Committee of the Board are as follows:

- 1) Lending powers to such limits as may be fixed by the Board from time to time.
- 2) Non-Lending Powers such as power to incur Capital and Revenue Expenditure, Sanction of Publicity Budget etc up to limits as fixed by the Board from time to time.

### **Other calendar of items such as:**

#### **Monthly:**

1. Review of credit proposals sanctioned by the Managing Director.
2. Compliance on observations by the Committee (ATR).

#### **Quarterly:**

1. Review of Compromise proposals/bad debts written off - General Manager/CGM/COO/Managing Director & CEO
2. 2) Review of NPAs of above Rs.1.00 crore but below Rs.5.00 crore irrespective of asset category as on 31st March and slippages during the preceding quarter.

#### **Half Yearly:**

1. Review of Credit/ Smart /Debit Cards for the half year ended March/September.

#### **Annual:**

1. Review of Corporate budget-includes review of publicity expenses, capital expenditure vis-a-vis capital budget, donations made during the year etc for the year ended March. However, deviations, if any, will be reported to the Board.
2. Overdue loan proposals beyond six months falling in the powers of Management Committee for the year ended March.

## Risk and Capital Management Committee (RCMC)

(formed w.e.f. 05.09.2018 with combined terms of reference of erstwhile Board level Committees viz., IRMC and ICAAC)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to:
  - i. DBOD No. BP.(SC).BC.98/21.04.103/99 dated October 7, 1999 on Risk Management System in Banks
  - ii. RBI Guidelines on Information security, Electronic Banking, Technology risk management and cyber frauds (Circular No. DBS.CO.ITC.BC.No. 6/31.02.008/2010-11 dated April 29, 2011)
  - iii. Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline -New Capital Adequacy Framework (NCAF) (Circular No.DBR.No.BP.BC.4/21.06. 201/2015-16)
- b) Regulation 21 of the SEBI (LODR) Regulations, 2015

The terms of reference of the Committee are as follows:

### **Risk Function:**

1. Devise the policy and strategy for integrated risk management containing various risk exposures of the Bank including Credit Risk, Market Risk and Operational Risk..
2. Review of Risk Profile of the Bank, evaluation of overall risks faced by the Bank.
3. Review the decision of the 3 sub-committees namely ALCO, ORMC and CPC and ensure smooth transition to new capital adequacy framework.
4. Develop policies and strategies for integrated risk management containing the credit, market, operational risk, etc .
5. Ensure robustness of the financial models used for measuring risks and to ensure a smooth transition to the New Capital Adequacy Framework.

### **Capital Function:**

1. To Review the assessment of Capital Adequacy and related issues.
2. To review the business projections, Risk Profile Assessment and Capital Budgeting.
3. To approve the Basel III Pillar II CRAR calculations along with the results of Stress Testing and Leverage Ratio & Liquidity Coverage Ratio.
4. To review and recommend to the Board the capital plan of the Bank at annual intervals and lay down capital planning process and responsibilities as well as contingency planning for dealing with deviations and unexpected events like restrictions on business activities, etc.
5. To incorporate and review/modify the 'Risk Appetite Statement'.
6. To set short term and long-term goals for capital levels based on current and projected changes to the risk profile.
7. To review and approve the methodologies and approaches for risk assessment under Pillar II of Basel Accord on an on-going basis.
8. To develop an internal strategy for maintaining adequate capital, which reflects desired level of risk coverage, expected balance sheet growth, future sources and application of fund, acquisitions, new products and services, market image, strategic goals.

9. To develop a sound methodology for allocation of capital across the business lines and allocating capital among the internal business in line with their amount of risk as well as taking into account the potential volatility of exposures, changes in assumed correlation between exposure under adverse circumstances.
10. To review and appraise the capital management and planning policy of the Bank and review the capital targets and levels in relation to such policy.
11. To ensure that detailed documentation of methodologies, assumptions, procedures and minutes of meeting etc. is available for all the processes of ICAAP and is communicated to the concerned stakeholders and appropriate authority and responsibilities have been allocated.
12. To ensure that robust stress testing and scenario analysis have been carried out to arrive at capital adequacy level.
13. To ensure that new risks arising out of events like new product launch, new business, increased volume, changes in concentration, changes in quality of portfolio or in overall economic scenario have been properly incorporated in the risk assessment.
14. To apprise the Board on the ICAAP and on capital adequacy level.

## **Stakeholders and Customers Relations Committee (SCRC)**

(formed w.e.f. 05.09.2018 with combined terms of reference of erstwhile Board level Committees viz., SRC and CSC)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to
  - DBOD.No.BC.112/08.138.001/2001-02 dated June 4, 2002
  - DBR.No.Leg.BC.21/09.07.006/2015-16 dated July 1, 2015
  - DOR.CO.Leg.BC.No.59/09.07.005/2019-20 dated March 31, 2020
- b) Section 178 of the Companies Act, 2013 and
- c) Regulation 20 of the SEBI (LODR) Regulations, 2015

The terms of reference of the SCRC are as follows:

### **Stakeholders Relationship:**

#### **Under Companies Act, 2013:**

1. The Committee shall consider and resolve the grievances of the security holders of Bank.

#### **Under SEBI (LODR) Regulations, 2015**

1. Specifically look into various aspects of interest of shareholders, debenture holders and other security holders.
2. Resolving the grievances of the security holders of the Bank including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
3. Review of measures taken for effective exercise of voting rights by shareholders.
4. Review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent.
5. Review of the various measures and initiatives taken by Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

### **Customer Service Function:**

To address the formulation of a comprehensive deposit policy, product approval process, annual survey of depositor satisfaction, tri-ennial audit of such services and review the performance of the Ad-hoc committee periodically.



## Terms of Reference of Special Committee for Monitoring and Investigation of Large Value Frauds (Special Committee)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to:  
DBS.FGV(F).No.1004/23.04.01A/2003-04 dated January 14, 2004

The terms of reference of the Special Committee for Monitoring and Investigation of Large Value Frauds of the Board are as follows:

1. Identify the systems lacunae, if any that facilitated perpetration of the fraud and put in place measures to plug the same.
2. Identify the reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.
3. Monitor progress of CBI/Police Investigation and recovery position.
4. Ensure that staff accountability is examined at all levels in all cases of frauds and staff side action, if required, is completed quickly without loss of time.
5. Review the efficacy of the remedial action taken to prevent recurrence of frauds such as strengthening of internal controls.
6. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

## Nomination and Remuneration Committee (NRC)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to:  
DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4 2019
- b) Section 178 of the Companies Act, 2013 and
- c) Regulation 19 of the SEBI (LODR) Regulations, 2015

### **Under Companies Act, 2013:**

The terms of reference of the Nomination and Remuneration Committee of the Board are as follows:

1. Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board for their appointment and/or removal.
2. Undertake the due diligence of candidates before their appointment/re-appointment as directors.
3. Formulate the criteria for determining qualification, positive attributes and independence of a director, key managerial personnel and other employees.
4. Recommend to the Board the policy for evaluation of performance of directors.
5. To oversee the framing, review and implementation of the Compensation Policy of the Bank on behalf of the Board.
6. Such other matters as may be delegated by the Board from time to time.

### **Under SEBI (LODR) Regulations, 2015**

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
2. Formulation of criteria for evaluation of performance of independent directors and the board of directors;
3. Devising a policy on diversity of board of directors;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. Recommend to the board, all remuneration, in whatever form, payable to senior management.

## IT Strategy and Governance Committee

### **Regulations governing this Committee:**

RBI Guidelines on Information security, Electronic Banking, Technology risk management and cyber frauds (Circular No. DBS.CO.ITC.BC.No.6/31.02.008/2010-11 dated April 29, 2011)

### **Powers of IT Strategy Committee:**

- Perform oversight functions over the IT Steering Committee (at a senior management level)
- Investigate activities within this scope
- Seek information from any employee
- Obtain outside legal or professional advice
- Secure attendance of outsiders with relevant expertise, if it considers necessary
- Work in partnership with other Board committees and Senior Management

### **The Recommended Roles and Responsibilities as defined under the aforesaid RBI Circular (terms of reference of the Committee) are as follows:**

- 1) Approving IT strategy and policy documents
- 2) Ensuring that the management has put an effective strategic planning process in place
- 3) Ratifying that the business strategy is indeed aligned with IT strategy
- 4) Ensuring that the IT organizational structure complements the business model and its Direction
- 5) Ascertaining that management has implemented processes and practices to ensure that the IT delivers value to the business
- 6) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
- 7) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
- 8) Ensuring proper balance of IT investments for sustaining bank's growth
- 9) Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks
- 10) Assessing Senior Management's performance in implementing IT strategies
- 11) Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
- 12) Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
- 13) Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks
- 14) Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value)

## Corporate Social Responsibility Committee

### **Regulations governing this Committee:**

- a) Section 135 of the Companies Act, 2013

The terms of reference of the Corporate Social Responsibility Committee of the Board are as follows:

- 1) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subject specified in the Schedule VII.
- 2) Recommend the amount of expenditure to be incurred on the CSR Activities.
- 3) Monitor the Corporate Social Responsibility Policy of the Bank from time to time.

## **Review Committee for Identification of Non-cooperative Borrowers and Willful Defaulters (RC-NCB &WD)**

(formed w.e.f. 01.04.2018 with combined terms of reference of erstwhile Board level Committees viz., RCNCB and RCWD)

### **Regulations governing this Committee:**

- a) RBI Circulars issued from time to time with specific reference to DBR.No.CID.BC.90/20.16.003/2014-15 dated April 23, 2015

The terms of reference of the RC-NCB &WD are as follows:

1. To review the order of the Internal Screening Committee classifying a borrower as Non-Cooperative borrower and the order of the said Screening committee will become final only when it is confirmed by the Committee for Identification of Non-Cooperative Borrowers.
2. To review the order of the Internal Committee for identification of willful default classifying a borrower as willful defaulter and the order of the said Internal committee will become final only when it is confirmed by the Committee for Identification of willful defaulters.