

To All Independent Directors

Dear Sir

Sub: Constitution of the Board- appointment as an Independent Director.

**A. Terms of appointment and vacation of office:**

You will hold the office upto the date of the next Annual General Meeting (AGM) to be held in the calendar year \_\_\_\_\_ and thereafter your appointment as a Director of the Bank by the members at the above AGM is subject to the notice to be received pursuant to Section 160 of the Companies Act, 2013. Further based on the declaration to be received from you, the Board of Directors will form an opinion as to whether you are an Independent or not and after approval of your appointment at the ensuing AGM, you will be classified as an Independent Director.

You will cease to hold office as a Director at any time that you resign by written notice. In such a case, as per the prevailing provisions of the Act, reason for resignation shall be furnished in your resignation letter and you shall also intimate the same to the Registrar of Companies. Wherever possible, it is desirable that you give the Managing Director reasonable forewarning of your intention to resign or not to seek re-appointment so that Bank can plan for succession of skills and experience on the Board.

The Board may from time to time request you to participate in one or more Board Committees.

**B. Induction**

Immediately after the appointment, the Bank will provide a comprehensive induction to help you build up an understanding of the Bank, its business and the regulatory environment in which it carries on its business and the market in which it operates. You may be required to attend periodical training /workshop/conferences organized by professional training institute or other bodies/regulators to update your skill.

**C. Role and functions:**

As a Director you shall:-

- (i) Help in bringing an independent judgement to bear on the Board`s deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (ii) Bring an objective view in the evaluation of the performance of Board and management;
- (iii) Scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (iv) Satisfy yourself on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (v) Safeguard the interest of all stakeholders.
- (vi) Balance the conflicting interest of the stakeholders;
- (vii) Determine appropriate levels of remuneration of whole time, key managerial personnel and senior management and have prime role in appointing and where necessary, recommend removal of whole time director, key managerial personnel and senior management;
- (viii) Moderate and arbitrate in the interest of the bank as a whole in situations of conflict of interest between management and shareholder`s interest.

## **D. Duties**

You as a Director shall –

- i) Undertake appropriate induction and regularly update and refresh your 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 you are a member;
- iv) Participate constructively and actively in the committee of the Board in which you are chairperson or member;
- v) Strive to attend the general meetings of the Bank;
- vi) Where you have concern about the running of the Bank or a proposed action, ensure that these are addressed by the Board;
- vii) Keep yourself well informed about the Bank and the external environment in which it operates;
- viii) Not to 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 yourself 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 about unethical behaviour, actual or suspected fraud or violation of the Bank`s Code of Conduct that may come to your knowledge;
- xii) Acting within your authority, assist in protecting the legitimate interests of the Bank, shareholders and employees;
- xiii) Not to disclose confidential information, whether during your tenure or thereafter including commercial secrets, technologies, advertising and sales promotion plans, and unpublished price sensitive information.

## **E. Deed of covenants**

You shall execute deed of covenants in duplicate with the Bank upon your appointment and thereafter as on 31st March every year as per the extant guidelines.

## **F. Fees**

You will be paid a sitting fee of ₹70,000 for your services as a Non Executive Director for each meeting of the Board of Directors, ₹50,000 for your services as a Non Executive Director for each meeting of the other Board level Committees w.e.f 01.01.2017 or such amount as may be fixed by the Board from time to time having regard to the provisions of the Companies Act, 2013 and the rules framed there under.

## **G. Expenses**

You are eligible to receive payment for other expenses necessarily incurred in carrying out your duties on par with the whole time director/s. All expenses incurred in connection with attending the meetings of the Board/Committee or general meetings shall be borne by the Bank or reimbursed by the Bank to you on receipt of claim in this regard. In case of travel by using your own car, reimbursement of expenditure will be made at ₹15/- per KM or such other rate as may be fixed by the Board from time to time.

## **H. Insurance**

The Bank will use its best endeavors to maintain appropriate Directors and Officers Liability Insurance (together with ensuring that the premiums are properly paid) for your benefit in respect of any matter occurring or alleged to have occurred while you are or were a Director of the Bank.

Details of the current D&O policy are being sent to you separately and you will be informed of any changes to that policy.

## **I. Other directorships and business interests**

The Bank acknowledges that you have business/other interest that you have declared pursuant to section 184(1) of the Companies Act, 2013 and rule 9(1) of the Companies (Meetings of Board and its Powers) Rules, 2014. 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.

## **J. Code of conduct**

During your tenure as an Independent Director of the Bank, you are required to comply with any relevant regulations as may be issued by the Securities and Exchange Board of India (SEBI) including SEBI (Prohibition of Insider Trading) Regulations, 2015 and such other requirements as the Board of Directors may from time to time specify.

## **K. Confidentiality**

You may apply the highest standards of confidentiality and not disclose to any person or company any confidential information concerning the Bank which you come into contact by virtue of your position as a Director whether during your tenure or thereafter.

Your attention is drawn to the requirements under Karnataka Bank`s Code of Conduct & Procedure for Prevention of Insider Trading as to the disclosure of price-sensitive information. Consequently you should not make any statements that might risk a breach of these requirements without prior clearance from the MD & CEO or Company Secretary.

Your attention is also drawn to the list of “Dos and don`ts” (enclosed) issued by Reserve Bank of India applicable to the directors of the private sector banks.

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 in Mangaluru, India.

Please confirm your agreement to the above by signing and returning to me the enclosed duplicate of this letter.

**For The Karnataka Bank Ltd**

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**Mahabaleshwara M S**  
**Managing Director & CEO**

I have read the appointment letter and agree to the terms mentioned above regarding my appointment as an Independent Director of The Karnataka Bank Ltd.

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Independent Director