

National Bank for Financing Infrastructure and Development

CODE OF CONDUCT FOR DIRECTORS
AND SENIOR MANGEMENT



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1. Preamble

The Code of Conduct ('the **Code**') for the Board of Directors ('the **Directors**') and Senior Management of the National Bank for Financing Infrastructure and Development (the "Institution") is laid down with an aim to ensure transparency and set high ethical standards in managing the affairs of the Institution. The Code is also to act as a deterrent from unethical doings and to promote ethical values and is the manifestation of the Institution's commitment to successful operation of the Institution's business in the best interest of the shareholders, creditors, employees, Government, regulators and other business associates.

The Code shall be adhered to by every Director and every member of senior management of the Institution, while carrying out the fiduciary duties conferred upon him/her under applicable laws, as amended, from time to time.

2. Need and Objective of the Code

This Code sets out the fundamental standards to be followed by the Directors and senior management. The Code envisages and expects the following:

- Act in accordance with the highest standards of personal and professional integrity, honesty, prudence, exercise diligence and responsiveness, demonstrate excellence in quality and ethical conduct;
- Act in utmost good faith and fulfil the fiduciary obligations without allowing his/her independence of judgment to be compromised;
- Not make any statement which has the effect of an adverse criticism of any policy or action of the Institution or which is capable of affecting the relations between the Institution and the shareholders, employees, government, regulators and other stakeholders;
- Neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of the business of the Institution;
- Act in a manner most conducive to the interest of the shareholders and of the nation as a whole;

3. Good Corporate Governance Practices

The Directors of the Institution should adhere to the following so as to ensure compliance with good Corporate Governance practices:

- In addition to the norms prescribed under the Code, Independent Directors of the Institution shall also abide by the "Code for Independent Directors" as prescribed under Schedule IV to the Companies Act, 2013, as amended, from time to time. Please refer **Annexure 'A'** attached herewith.
- Further, the Directors of the Institution shall also abide by the "Duties of Directors". Please refer **Annexure 'B'** attached herewith.

In addition to the above, every Director of the Institution shall adhere to the following norms:

Do's

- i. Attend the Board meetings regularly and effectively.
- ii. Study the Board papers thoroughly and use the good offices of the Managing Director for eliciting any information at the Board meeting.
- iii. Ask the Chairman to furnish you the Board papers and follow-up reports on a definite time schedule.
- iv. Involve yourself as Director, on the Board thoroughly in the matter of formulation of general policy and also ensure that performance of the Institution is monitored adequately at Board levels.
- v. Be familiar with the broad objectives of the Institution and the policy laid down by the Government and the Reserve Bank.
- vi. All constructive ideas for the better management of the Institution and for making valuable contribution would be welcome.
- vii. You must work as a team and not sponsor or be prejudiced against individual proposals. Management on its part is supposed to furnish full facts and complete papers in advance.
- viii. Try to give as much of your wisdom, guidance and knowledge as possible to the management.
- ix. Try to analyze the trends of economy, assist in the discharge of management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the Institution's management.

Don'ts

- i. Do not send any instruction to any individual officer of the Institution or give direction to individual officer in any matter.
- ii. Do not involve yourself in any matter relating to personnel administration whether it is appointment, transfer, posting or a promotion or a redressal of individual grievances of any employee.
- iii. Do not interfere in the day-to-day functioning of the Institution.
- iv. Do not approach or influence for sanction of any kind of facility from an individual/ any official of the Institution.
- v. Do not involve yourself in the routine or everyday business and in the management functions.
- vi. Do not participate in the Board discussion if a proposal in which you are directly or indirectly interested comes up for discussion. Disclose your interest well in advance to the Chair of the Board.
- vii. Do not reveal any information relating to any constituent of the Institution to anyone as you are under oath of secrecy and fidelity.
- viii. Directors should not send for individual officers of the Institution or give directions to such offices on any matter.
- ix. You should discourage the individual employee or unions approaching you in any matter.
- x. You may indicate your directorship of the Institution on your visiting card or letter heads, but the logos or distinctive design of the Institution should not, however, be displayed on the visiting card / letter head.
- xi. Directors should not directly call for papers/files/notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the

- meetings. All information / clarification that they may require for taking a decision will be made available by the executive.
- xii. Directors are expected to ensure confidentiality of the Institution's agenda papers/notes. Ordinarily, it is suggested that by way of abundant precaution, the Board papers may be returned to the Institution after the meeting.
 - xiii. Do not sponsor any loan proposal, buildings and sites for Institution's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc. Do not do anything which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.

4. Conflict of Interest Norms

A conflict of interest occurs when personal interest of any member of the Board of Directors appears to interfere in any way with the interests of the Institution. Every member of the Board of Directors has a responsibility to the Institution, its stakeholders and to each other. Although this duty 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.

Every Director of the Institution shall adopt the following measures for monitoring and management of any situation of conflict of interest that may arise:

- Every 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 disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any body corporate, which shall include shareholding, by giving a notice in writing in Form 1 as set out in the Schedule to the National Bank for Financing Infrastructure and Development General Rules, 2022.
- Every Director of the Institution shall also disclose to the Board, details about himself/herself and that of his/her relatives as defined under Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 including details of their concern or interests, Directorships and shareholding for the purpose of complying with the provisions of related party transactions.
- Every Director of the Institution shall on his/her appointment/re-appointment and on an annual basis or pursuant to any changes in the disclosure(s) already made, disclose to the Bank the list of entities where he / she holds substantial interest.

"Substantial interest" shall have the same meaning as given under Section 18 of the NaBFID Act, 2021.

- The Director shall promptly notify any change in the disclosure(s), already made by him/her to the Institution.
- Every Director of the Bank shall provide such confirmations/declarations/ undertakings /information/documents/certificates, as may be requested by the Institution, in compliance with applicable laws, as amended, from time to time.
- If the Board has reason to believe or has knowledge of any development that may give rise to a situation of conflict-of-interest vis a vis any Director of the Institution, it may advise the concerned Director of the Institution to forthwith give a declaration in writing, clarifying the situation of conflict of interest, if any.
- Non-disclosure of any such actual or perceived or potential conflict of interest by any Director of the Institution would be treated as a misconduct if the same is conscious and

deliberate (not inadvertent) and the Board may decide on an appropriate action for the same. The Board may post facto ratify an inadvertent non-disclosure of actual or perceived or potential conflict of interest by any Director of the Institution and the reason for such non-disclosure would be duly incorporated in the minutes of the Board meeting at which such waiver is granted.

- If in the opinion of the Board, a conflict of interest is significant, ongoing and irreconcilable and is likely to impede the ability of a Director of the Institution to carry out his/her assigned role/responsibilities, the Board may recommend reassigning the allocated role/responsibilities.

Further, all the members of Senior Management shall make disclosures to the Board of Directors relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Institution at large.

Explanation: For the purposes of this sub-section, conflict of interest relates to dealing in the shares of the Institution or any of its subsidiaries or associate companies, commercial dealings with bodies in which the senior management individual or his relatives have shareholding, etc.

5. Use of Institution's Assets and Resources

Each member of the Board of Directors and senior management has a duty to the Institution to advance its legitimate interests while dealing with the Institution's assets and resources. Members of the Board of Directors and senior management are prohibited from:

- i. using corporate property, information or position for personal gain;
- ii. soliciting, demanding, accepting or agreeing to accept anything of value from any person while dealing with the Institution's assets and resources;
- iii. acting on behalf of the Institution in any transaction in which they or any of their relative(s) have a significant direct or indirect interest.

6. Confidentiality

Every Director / member of senior management of the Institution shall maintain confidentiality of any competitive, confidential or price sensitive information relating to the Institution which he/she may access for legitimate purpose, in the ordinary course of his /her dealings with the Institution and ensure that such information is not used or communicated for any direct or indirect commercial gains.

The obligation of confidentiality shall continue even after such person ceases to be Director / member of senior management of the Institution.

7. Annual Declaration

The Directors/ member of senior management shall provide undertaking to adhere to the Code at the time of their appointment/re appointment and on an annual basis in the prescribed format.

8. Violation of the Code

The Institution shall take appropriate action against any Director/ member of senior management whose actions are found to violate the Code or any other policy or rules or regulations of the Institution.

9. Amendments

The Board may amend the provisions of this Code from time to time. Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.

10. Publication

This Code shall be published on the website of the Institution in compliance of SEBI LODR Regulations, 2015.

Code for Independent Directors
(In line with Schedule IV to the Companies Act, 2013)

The Code is a guide to professional conduct for Independent Directors. Adherence to these standards by Independent Directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of Independent Directors.

I. Guidelines of professional conduct:

An Independent Director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
- (6) not abuse his/her position to the detriment of the Institution or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his/her independence;
- (8) where circumstances arise which make an Independent Director lose his/her independence, the Independent Director must immediately inform the Board accordingly;
- (9) assist the Institution in implementing the best corporate governance practices.

II. Role and functions:

The Independent Directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of board and management;
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;

- (7) determine appropriate levels of remuneration of executive Directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive Directors, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties:

The Independent Directors shall-

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Institution;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Institution;
- (3) strive to attend all meetings of the Board of Directors and of the Board committees of which he/she is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;
- (5) strive to attend the general meetings of the Institution;
- (6) where they have concerns about the running of the Institution or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the Institution and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Institution;
- (10) ascertain and ensure that the Institution 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 such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the Institution's code of conduct or ethics policy;
- (12) act within their authority, assist in protecting the legitimate interests of the Institution, shareholders and its employees;
- (13) 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.

Roles and Responsibilities of the Board of Directors:

The Board of Directors shall adhere to the following roles and responsibilities in line with SEBI (LODR) Regulations, 2015 as amended from time to time.

(i) Duties of Directors

- (1) A Director of a Institution shall act in accordance with the provisions of the Act.
- (2) A Director of the Institution shall act in good faith in order to promote the objects of the Institution for the benefit of its members as a whole, and in the best interests of the Institution, its employees, the shareholders, the community and for the protection of environment.
- (3) A Director of the Institution shall exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (4) A Director of the Institution shall not involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Institution.
- (5) A Director of the Institution shall not achieve or attempt to achieve any undue gain or advantage either to himself/herself or to his/her relatives , partners, or associates and if such director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal to that gain to the Institution.
- (6) A Director of the Institution shall not assign his/her office and any assignment so made shall be void.

(ii) Disclosure of information in line with SEBI (LODR) Regulations, 2015:

- (1) Members of Board of Directors and key managerial personnel shall disclose to the Board of Directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
- (2) The Board of Directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(iii) Key functions of the Board of Directors in line with SEBI (LODR) Regulations, 2015 -

- (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
- (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.

- (4) Aligning key managerial personnel and remuneration of Board of Directors with the longer term interests of the listed entity and its shareholders.
- (5) Ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board of Directors.
- (6) Monitoring and managing potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- (8) Overseeing the process of disclosure and communications.
- (9) Monitoring and reviewing Board of Director's evaluation framework.

(iv) Other responsibilities in line with SEBI (LODR) Regulations, 2015:

- (1) The Board of Directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
- (2) The Board of Directors shall set a corporate culture and the values by which executives throughout a group shall behave.
- (3) Members of the Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
- (4) The Board of Directors shall encourage continuing directors training to ensure that the members of Board of Directors are kept up to date.
- (5) Where decisions of the Board of Directors may affect different shareholder groups differently, the Board of Directors shall treat all shareholders fairly.
- (6) The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- (7) The Board of Directors shall exercise objective independent judgement on corporate affairs.
- (8) The Board of Directors shall consider assigning a sufficient number of non-executive members of the Board of Directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- (9) The Board of Directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognised or exposes the listed entity to excessive risk.

(10) The Board of Directors shall have ability to 'step back' to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the listed entity's focus.

(11) When committees of the Board of Directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the Board of Directors.

(12) Members of the Board of Directors shall be able to commit themselves effectively to their responsibilities.

(13) In order to fulfil their responsibilities, members of the Board of Directors shall have access to accurate, relevant and timely information.

(14) The Board of Directors and senior management shall facilitate the independent directors to perform their role effectively as a member of the Board of Directors and also a member of a committee of Board of Directors.