

AU Small Finance Bank Limited

Anti-Bribery and Anti-Corruption Policy

Version Control

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1. Introduction

AU Small Finance Bank's ("the Bank"'s) policy is to conduct business in an honest and ethical manner. The Bank adopts a zero-tolerance approach to bribery and corruption and are committed to act professionally, fairly and with integrity in all our dealings wherever we operate. The Bank is committed to implement and enforce effective systems to counter bribery.

The Policy seeks to provide guidance on the approach to be adopted in situations where gifts/ bribes are offered/ accepted.

Anti-corruption measures of the Bank is a responsibility of the Disciplinary/ Audit Committee as applicable that has the responsibility of looking into the acts of misconduct committed by the employees within its control and to take appropriate punitive action. It is also required to take appropriate preventive measures so as to prevent misconducts by the employees under its control and jurisdiction.

2. Objectives of the Policy

The Bank shall not encourage any kind of bribery and corruption and is determined to ensure compliance to all aspects of this policy. Accepting bribes as Annexure 1 or bribing anyone shall not be accepted, no matter for which purpose. The objectives of this policy are as under:

- Prohibit employees to make or offer to make an improper payment or other incentives/ accept any inappropriate benefit from anyone in exchange for gaining any sort of benefit. An improper payment can be anything of value, not just cash but also gifts, services, job offers, loans, travel expenses and entertainment.
- Prohibit the persons and institutions within the scope of this Policy to offer facilitation payments to guarantee or speed up a routine transaction or process (obtaining authorization and license, providing document, etc.) with government agencies
- Define the disciplinary procedures and reporting in case of violations or deviations from the policy
- Prescribe procedures to be followed in case of conflicts of interest or in case of receipt of gifts.
- Compliance of Foreign Corrupt Practise Act as per Bank's investor requirement.

3. Applicability

This Policy applies to all employees working at all levels and grades, including directors, and any other person directly associated with the Bank like Business Correspondents of the Bank.

This Policy shall be applicable in all dealings/ transactions of the Bank's staff inter se or with customers, regulators, investors, Vendors or other Governmental agencies.

4. Governance Structure

The Bank shall devise a mechanism enabling employees to freely communicate their concerns about illegal or unethical practices.

The Bank has an Audit Committee which reviews the vigil mechanism prevailing within the Bank to provide adequate safeguards against victimization of employees/ directors or other stakeholders. The details of the same have been covered in the Whistle Blower Policy of the Bank.

All whistle blower related complaints are reported to the Audit Committee and all other complaints are reported to the Disciplinary Committee.

The Disciplinary Committee of the Bank shall review all the complaints which are in the nature of violations of this policy. The Committee shall enforce disciplinary action including fines, suspension or termination as deemed appropriate.

The Whole-Time Director of the Bank (“Responsible Director”), who is part of the Board of Directors, shall be responsible for overseeing the application of this policy. The Responsible Director shall be assisted by the Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer & Chief Vigilance Officer in implementation of this policy. The Responsible Director shall report to the Board of Directors while discharging this role.

5. Guiding Principles

- The Bank shall not pay and accept bribes, either directly or via third party, in any circumstances. Breach or attempt to breach of this principle by an employee will be considered as an act of gross misconduct.
- The Bank seeks to encourage an equivalent Policy in other business entities with which it has significant business relationship.

6. Mode of Complaints

Complaints related to bribery and corruption shall be made via two channels:

1. Supervisor/ Head of concerned department: The employee who notes any such instance of corruption shall report the same to his/ her supervisor or the HR Department. The HR Department shall make necessary inquiries and investigations and accordingly take action against the employees indulging in malpractices.
2. Whistle blower route: All employees of the bank can report any instance of bribery/ corruption via a whistle blower mechanism institutionalized by the Bank. The use of the mechanism shall be elaborated in the Whistle Blower Policy.

No employee will suffer demotion, penalty or other adverse consequence for raising genuine concerns about bribery including refusal to pay or accept a bribe even if such a refusal may result in the Bank losing business or failing to win a deal. Employees shall be encouraged to raise concerns about any issue or suspicion of offer or request for or the receipt or payment of bribe at the earliest possible stage.

7. Hospitality, Promotional and Other Expenditure

The Bank acknowledges that bonafide hospitality and promotional or other business expenditure including promotion or demonstration of products or services of the Bank or establish cordial relations are an important part of doing business. Therefore, this Policy does not prohibit reasonable and proportionate hospitality, promotional or other business expenditures that are intended for the aforementioned purposes and do not conflict with the framework defined in this Policy. However, expenditures which have been incurred with an intention to influence the officer from his or her official role and thereby securing any business advantage to the Bank or himself are prohibited under this Policy.

7.1 Policy on Providing Gifts

Gifts, payments, business courtesies, favours and entertainment may be given to stakeholders at the Bank's expense only if they meet all of the following criteria:

- They are consistent with customary business practices;
- They are not in contravention of applicable law; and
- Public disclosure of the facts will not create the appearance of impropriety or embarrass either the Bank or the employee.

Permissible exceptions include offering Banks advertising or promotional items such as a calendar or similar item displaying the Bank's logo and name, and providing modest hospitality in connection with business activities.

An employee should never use personal funds or resources to do something that cannot be done with Bank's resources. In no case, shall a bribe be garbed as a payment, gift or business courtesy. In case of doubt whether a particular article is an eligible gift, approval from the Responsible Director shall be taken.

Employees may offer business courtesies to customers, provided the following conditions are met:

- The business courtesy does not violate any law or regulation or known policy of the Customer.
- The business courtesy is customary and consistent with the business practices of the market place in which it is offered.
- Approval at an appropriate level is obtained.
- The business courtesy is properly reflected on the books and records of the Bank.

7.2 Policy on Receipt of Gifts

As a rule, the Bank's employees shall not accept valuable gifts, entertainment or incentives from current or prospective customers or suppliers. All business courtesies offered to and accepted by Bank employees are courtesies that belong to the Bank. In no case shall an employee accept any gift which is in the nature of a bribe. Employees do not have a right to keep a business courtesy for personal use.

When offered a business courtesy, employees should determine whether it is appropriate to accept the courtesy on behalf of the Bank after considering why is it being extended and possible repercussions of acceptance.

Employees shall neither seek nor accept for themselves or others any gifts, favours, business courtesies or entertainment without a legitimate business purpose, nor seek or accept loans (other than conventional loans at market rates from lending institutions) from any person or business organization that does or seeks to do business with, or is a competitor of the Bank.

Employees who award contracts or who can influence the allocation of business, who create specifications that result in the placement of business, or who participate in negotiating contracts must be particularly careful to avoid actions that create the appearance of favouritism or that may adversely affect the bank's reputation.

Employees should avoid a pattern of accepting frequent courtesies from the same persons or companies.

Acceptance and disposal of any gift / business courtesy has to be in line with the requirements of this code.

An employee can keep a business courtesy when acceptance of the courtesy:

- Is usually associated with customary business practices.
- Promotes successful working relationships and goodwill with persons or firms.
- If such courtesy is not in the nature of a bribe
- Is not from a prospective customer of the Bank
- Is not for the purpose of obtaining or retaining business or for influencing the decision or action of the employee in favour of the person giving the gift
- Does not create conflict of interest or divided loyalty, such as placing the interests of the person or firm that offered the courtesy above the interests of Bank including the Company's interest in conducting business fairly and impartially; and
- Does not create the appearance of an improper attempt to influence business decisions, such as accepting courtesies or entertainment from a supplier whose contract is expiring in the near future.
- When local customs or practices make it inappropriate to decline the business courtesy at the time it is offered.

The following actions by employees would be completely unacceptable:

- Asking for a business courtesy.
- Accepting a business courtesy when:
 - An attempt is being made by the donor to offer the courtesy in exchange for or to influence, favourable action by the Bank.
 - An attempt is being made to motivate an employee to do anything that is prohibited by law, regulations, or Bank.
 - An attempt is being made to gain an unfair competitive advantage by improperly influencing an employee's discretionary decisions.
 - Using the Bank's name as a means of obtaining business courtesies, such as personal discounts (on products, services, or other items). Employees may accept Banks approved discounts or discounts available to all Banks employees.
- Accepting offers of expense-paid leisure trips from persons or firms with whom Bank maintains or may establish a business relationship.
- Accepting a gift in cash or cash equivalents of any amount.

8. Creating awareness amongst the employees and other stakeholders

The Bank shall adopt the following procedures to create awareness of this policy amongst employees and other stakeholders:

- a. **Disclosure on Website:** The Bank shall communicate to its employees and vendors regarding the implementation of this Policy by publishing the policy on employee portal.
- b. **Code of Conduct:** The Bank shall incorporate this Policy in its code of conduct, including appropriate business integrity and legal compliance policies to ensure compliance with applicable anti-corruption, anti-terrorism, and anti-money laundering laws.
- c. **Training:** Compulsory training preferably at the time of induction will be provided to the employees of the Bank so that they can be made aware of their obligations under this Policy, relevant legislation and Code of Conduct policy of the Bank. Employees will also be made aware of their obligations regarding prevention of corruption and prohibition on bribery under their contract of employment.
- d. **Contractors & Associates:** The Bank shall encourage screening procedures to be carried out on those its agents, advisers, contractors, intermediaries, and other representatives who supply material goods and services to it, to protect the Bank from the risk of it being associated with illegal or corrupt payments (or of payments purportedly being made on its behalf) and to ensure that the highest ethical standards are maintained. The Bank shall endeavour that agents, advisors etc. are made aware of its principles and practical procedures; to confirm that they will not make or receive any payment
- e. **Foreign Corrupt Practices Act:** The Foreign Corrupt Practices Act of 1977 (FCPA) is a United States federal law known primarily for two of its main provisions, one that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and another concerning bribery of foreign officials and subsequently this act applies to any person who has a certain degree of connection to the United States.

The Bank has certain Investors connected with United State and accordingly Banks has to follow provisions of anti-corruption laws like the Prevention of Corruption Act, 1988 (“PCA”) and anti-bribery laws such as the Foreign Corrupt Practices Act, 1977 (“FCPA”) of the United States of America.

9. Disciplinary procedures

The primary objective of the disciplinary procedure is to make employees aware of the instance/s of apparent and reported breach of the Policy on their part should they fall below the standards expected by the Bank

The Bank will follow the below procedures for dealing with bribes/ corruption:

- a. An employee who is alleged to have committed an act of fraud/ bribery/ corruption shall be given a show cause in writing by the HR department or such other officer/s who are so authorized by the management, calling for a written explanation within the specified time duration (minimum of 24 hrs and not more than 7 working days, except if the employee requests for more time, in such a case the time can be extended to another 7 working days) from the time of receipt of the show cause.
- b. The employee shall submit his explanation in writing accepting the guilt or refuting the allegations made against him in the charge-sheet within the stipulated time. The management shall consider the explanation submitted by the employee, and if the explanation is found to be not satisfactory, a domestic enquiry may be conducted. If for any reason, it is not possible to conduct the domestic enquiry, the management

may straightaway proceed to take necessary disciplinary actions based on the available materials.

- c. The Disciplinary committee shall appoint an enquiry officer from amongst the members of the committee or any outsider who is not a witness to the charges alleged against the employee. The employee will be communicated in writing the date, time and the place where the enquiry is to be conducted. The employee shall be given full opportunity to answer the charges and permitted to be defended by a co-employee working in the same unit in which he is detailed to work, excepting employees who are accused of the misconduct or against whom an enquiry is pending. No other employee or outsider shall be permitted to assist, defend or represent the employee in the domestic enquiry.
 - The enquiry officer shall submit his report to the Disciplinary Committee.
 - If after the enquiry, the employee is adjudged guilty and punished, he shall be deemed to have been absent from duty during the period of suspension and he shall not be entitled to any wages. However, subsistence allowance paid during the period of suspension shall not be reclaimed.
 - If the employee is held not guilty, the order of suspension shall be withdrawn, if the employee is under suspension and the employee shall be deemed to have been on duty during the period of suspension and shall be paid wages as if he had not been placed under suspension after deducting the amount of subsistence allowance paid to him for such period.
- d. In awarding punishment, the management shall take into account the gravity of corruption, previous record of the employee and any other extenuating or aggravating circumstances that may exist. The disciplinary action shall be communicated in writing to the employee concerned.

10. Reporting Requirements

The following matters shall be reported to the Disciplinary Committee:

- a. Details of the complaint and the corrective action plan/ disciplinary action proposed
- b. Report on the inquiry instituted against the erring employee
- c. Details to be included in the annual report which include the following:
 - Number of complaints received during the year
 - Number of complaints disposed off during the year
 - Number of cases pending for more than 90 days
 - Number of workshops or awareness programme carried out
 - Nature of action taken by the Bank

The Disciplinary Committee shall also report to the Board the following:

- a. Number and nature of complaints received and resolution status of the same
- b. Complaints to be filed with the appropriate authorities
- c. Disclosures to be made in the annual report

All complaints received via a whistle blower mechanism shall be reported to the Audit Committee of the Board. The reporting requirements of these complaints shall be elaborated in the Whistle Blower Policy of the Bank.

11. Record- Keeping

The Bank shall ensure that records are maintained of the policy review and the senior management is kept informed of the steps to implement the principles. The Bank shall

maintain the records of the investigations or inquiries conducted in respect of any employee for at least a period of 8 years from the date of report of the investigation.

12. Policy Review and Updates

The Policy shall be reviewed as and when required or at least once in a year, incorporating the regulatory changes, if any. This review shall also be to assess the effective implementation of the policy.

13. Policy Amendment Authority

Key owners responsible for Policy amendments

Policy Owners	Role
1. Chief Risk officer	Responsible for implementation of Policy
2. Chief Vigilance Officer	Responsible for ensuring the policy is reviewed annually

14. Regulatory References

- Guidelines on Internal Vigilance Setup in Private Sector and Foreign Banks dated May 26, 2011

Annexure 1: Definitions

Bribe:

Bribe is offering, giving, receiving, or soliciting of something of value for the purpose of influencing the action of an Official in the discharge of his or her public or legal duties. A bribe can consist of immediate cash or of personal favours, a promise of later payment, or anything else the recipient views as valuable.

Official:

The term "Official" includes any person who is performing (a) any function of a public nature, (b) any activity connected with business, (c) any activity performed in the course of a person's employment, (d) any activity performed by or on behalf of a body of persons (whether corporate or unincorporated) and wherein the person is performing the aforesaid activities is in a position of trust and is expected to perform them impartially and in good faith.

Approving Authority	Board of Directors
Date of Approval/ Review	26 th April 2018