



HDFC Bank Sri Lanka

Policy on Corporate Governance, Nominations, and Re- election

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1. Corporate Governance Framework

1.1 Board Responsibility and Accountability

The Board of Directors shall entrusted with the ultimate responsibility for ensuring the proper management and governance of HDFC Bank. The Board shall accountable for ensuring that the bank operates in accordance with all applicable laws and regulations while prioritizing the safety of depositors, creditors, shareholders, and other stakeholders. Decisions made by directors shall represent collective Board decisions, ensuring a balance of accountability.

1.2 Strategic Objectives and Corporate Values

The Board shall define, approve, and oversee the bank's strategic objectives and corporate values. The bank's long-term goals shall be clearly communicated, aligning with a three-year business plan that includes measurable objectives and risk management strategies. These strategic objectives should be regularly (annually) reviewed to reflect changes in the business environment.

1.3 Risk Management and Internal Control

The Board shall responsible for implementing a robust risk governance framework that includes well-defined risk policies, risk appetite statements, and risk management procedures. The Board shall ensure that the internal audit, risk management, and compliance functions are independent, sufficiently resourced, and have the authority to perform their roles effectively. Any breaches of risk appetite shall be promptly escalated to the Board for corrective action.

1.4 Corporate Governance Policies

Bank shall maintain a comprehensive set of policies to govern corporate governance practices, including but not limited to a Policy on Corporate Governance, Nominations, and Re-election. These policies shall be disclosed on the bank's website and referenced in the Annual Report, ensuring transparency with stakeholders. Any changes to the policies shall be updated and disclosed accordingly.

1.5 Compliance and Annual Reporting

The Board shall ensure compliance with all applicable governance regulations, including Central Bank of Sri Lanka Banking Act Directions and Colombo Stock Exchange listing Rules. The bank shall provide a detailed report on its compliance with corporate governance standards in its Annual Report, explaining any deviations and outlining remedial actions taken.

2. Board Composition and Structure

2.1 Board Composition and Size

The Board of Directors shall consist of minimum of seven (7) and maximum of thirteen (13) directors, depending on the size, scale, and complexity of the Bank's operations. The Board shall ensure gender diversity by having at least one female director by 31 December 2025, and if the Board consists of more than ten (10) members, at least two female directors by 31 December 2026

2.2 Independent Directors

At least half of the Board shall comprise independent non-executive directors by 01 January 2027. Independent directors shall have no significant shareholding in the bank (less than 1%) and no material business relationships that could impair their independence. They shall not have been employed by the bank or have close personal relations with other directors within the last two years.

2.3 Chairperson and CEO Separation

The roles of the Chairperson and CEO shall be distinct and separate, with the Chairperson being an independent non-executive director. This separation ensures that power is not concentrated in one individual. The Chairperson shall not engage in day-to-day management activities and shall provide leadership in ensuring effective governance.

If the Chairperson loses independence, the Board shall appoint a Senior Independent Director (SID) for a period not exceeding six months.

2.4 Fit and Proper Criteria

The bank shall ensure that all directors meet the Fit and Proper Criteria, which assess their honesty, competence, and financial soundness. Directors must declare annually that they continue to meet these standards. Non-compliance with these criteria shall be immediately addressed, and remedial actions must be outlined.

3. Nominations and Re-election

3.1 Nominations and Governance Committee

The Board shall establish a Nominations and Governance Committee, comprising at least three members, of whom two shall be independent non-executive directors with an Independent Director as The Chairperson of the committee. The committee shall responsible for overseeing the process of appointing and re-electing directors in accordance with the bank's needs and strategic goals.

3.2 Director Re-election Process

Directors shall be re-elected at least once every three years, with the Nominations and Governance Committee assessing their performance, experience, and contributions before recommending their re-election. Factors such as their attendance at meetings and compliance with the Fit and Proper Criteria shall be considered. Directors shall disclose any significant commitments that may impact their ability to serve effectively.

3.3 Succession Planning

The Nominations and Governance Committee shall establish and maintain a formal succession plan for both the Board of Directors and Key Management Personnel. This ensures that the bank remains well-governed in the event of unexpected vacancies. The plan shall be reviewed regularly to reflect changes in the bank's structure or business environment.

3.4 Diversity and Board Effectiveness

The Board shall ensure a diversity of skills, experience, age, and gender to enhance its effectiveness. The Nominations and Governance Committee shall periodically review the Board's composition to ensure it aligns with the bank's strategic needs and best practices.

4. Director Responsibilities and Evaluation

4.1 Terms of Reference for the Nominations and Governance Committee

The Nominations and Governance Committee shall have clear and written Terms of Reference that define its responsibilities, including recommending new directors, overseeing re-elections, and evaluating the performance of both directors and the GM/CEO. The committee shall also be responsible for assessing Board effectiveness and ensuring continuous development of Board members.

4.2 Director Performance Evaluation

The Nominations and Governance Committee shall conduct regular performance evaluations for directors and the GM/CEO. These evaluations shall consider attendance at meetings, contributions to the bank's strategic goals, and adherence to governance standards.

4.3 Criteria for Director Selection

A formal set of criteria shall be established for selecting and re-electing directors. This includes qualifications, skills, experience, and other attributes that align with the bank's business strategy. These criteria shall ensure that directors possess the capabilities required to contribute meaningfully to the Board's activities.

5. Transparency and Disclosure

5.1 Corporate Governance Disclosures

The Board shall provide a Corporate Governance Report in the Annual Report, detailing compliance with CBSL and CSE regulations. Any deviations shall be disclosed along with explanations and remedial actions. The report shall also outline the activities of the Nominations and Governance Committee.

5.2 Director Information Disclosures

The Annual Report shall disclose key information about each director, including their qualifications, committee memberships, other directorships, and any potential conflicts of interest. For directors being re-elected, additional information regarding their performance, attendance, and contributions shall be provided.

5.3 Conflict of Interest Policy

The Board shall maintain and enforce a robust Conflict of Interest Policy. Directors shall declare any conflicts of interest promptly and abstain from discussions or votes on related matters. The policy shall ensure that the interests of depositors, shareholders, and other stakeholders are protected at all times.

6. Board Committees

6.1 Board Committees

HDFC Bank shall maintain at least five mandatory Board committees: the Audit Committee, Nominations and Governance Committee, Risk Management Committee, Remuneration Committee, and Related Party Transactions Review Committee. Each committee shall have formal Terms of Reference approved by the Board and report directly to it.

6.2 Audit Committee Composition and Functions

The Audit Committee shall be chaired by an independent non-executive director who shall not be the Chairperson of the Board. The majority of committee members shall also be independent. The committee oversees financial reporting, risk management, and the internal control environment. It also reviews the independence and performance of external auditors.

6.3 Committee Performance Reporting

Each Board committee shall provide a report on its activities, including key decisions and outcomes, in the Annual Report. The Board shall ensure that the performance of these committees shall regularly reviewed and that their contributions align with the bank's governance objectives.

7. Policy Review and Updates

This policy shall be reviewed once in two years or when required by regulatory changes. Each committee is responsible for providing input on the effectiveness of this policy, and any recommended changes shall be approved by the Board and communicated to all relevant stakeholders.