

AU SMALL FINANCE BANK LIMITED

Board Diversity Policy

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1. PREFACE

In accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), the Bank has framed a formal policy on Board diversity which sets out a framework to promote diversity on Bank’s Board of directors (**‘Board’**). This policy is made in compliance to Regulations 19(4) read with Sub-clause (3) Para A of Part D of Schedule II of the Listing Regulations.

2. POLICY OBJECTIVE

Pursuant to the Listing Regulations, Nomination and Remuneration Committee (“**Committee**”) is responsible for instituting transparent processes to identify and nominate suitable candidates with a wide range of backgrounds, having due regard to diversity to occupy Board positions.

This policy provides a framework for building and maintaining a diverse Board in terms of skills, thought, experience, knowledge, perspective, gender etc. with a wide range of attributes and blend of functional and industry expertise based on the Listing Regulations, the Banking Regulation Act, 1949, Companies Act, 2013 as well as other laws, rules and regulations as may be applicable to the Bank. The policy aims at preserving a Board that would encourage diversity of perspectives that are directly relevant to the business, promote better Corporate Governance and contribute to the achievement of the Bank’s vision and mission.

3. POLICY STATEMENT

The Bank recognizes and believes that a diverse Board will promote independence of judgment and enhance the quality of the decisions made by the Board & its Committees by utilizing different skills, qualifications, professional experiences, gender, knowledge etc. of the members of the Board & Committees, necessary for achieving sustainable growth.

In this process the Committee /Board will take into consideration qualification and wide experience of the directors in the fields of banking, finance, regulatory compliance, administration, legal, environment social & governance (“**ESG**”), risk and cyber security and other domains. The composition of the Board shall be in accordance with requirements of the Articles of Association of the Bank, the Companies Act, 2013, Listing Regulations, Banking Regulation Act 1949 as amended from time to time and applicable RBI guidelines and Circulars.

Further, the Committee will ensure that no person is discriminated against on the grounds of religion, race, gender, national origin or ancestry, marital status, age or any other personal or physical attributes which does not speak such person’s ability to perform as a director.

In the process of attaining a diverse Board based on the aforementioned criteria, the following should also be assessed:

➤ **OPTIMUM COMBINATION- Board Composition:**

- a) Board of directors shall have an optimum combination of executive and non-executive directors with at least one-woman independent director and not less than fifty per cent of the board of directors shall comprise of non-executive directors.

- b) Where the chairperson of the Board of directors is a non-executive director, at least one-third of the Board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors.
- c) Where the regular non-executive chairperson is a promoter of the Bank or is related to any promoter or person occupying management positions at the level of Board of director or at one level below the Board of directors, at least half of the Board of directors of the listed entity shall consist of independent directors.
- d) As per Section 10A(2)(a) of the Banking Regulation Act, 1949 read with Circular No. RBI/2016-17/152 DBR.Appt.BC. No.39/ 29.39.001/2016-17 dated November 24, 2016, not less than fifty-one per cent, of the total number of members of the Board of directors of a banking company shall consist of persons, who shall have special knowledge or practical experience in respect of one or more of the following matters, namely:-
1. Accountancy
 2. Agriculture and rural economy
 3. Banking
 4. Co-operation
 5. Economics
 6. Finance
 7. Law
 8. Small-scale industry
 9. Information Technology
 10. Payment and Settlement systems
 11. Human Resources
 12. Risk Management
 13. Business Management

Any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company.

Provided that out of the aforesaid number of directors, not less than two shall be persons having special knowledge or practical experience in respect of agriculture and rural economy, co-operation or small-scale industry.

➤ **DEMOGRAPHIC CHARACTERSTICS:**

The Committee shall support laying down a succession plan and drive the understanding of talent across the organization and support development programme for the Board. As part of the exercise, it will also review and suggest training for directors. Amongst the key requirements, it is also required to plan for the evolution of non-executive directors over the medium term to maintain appropriate mix of skills, age and gender diversity on the Board.

➤ **FUNCTIONAL DIVERSITY:**

- i) Reviewing and assessing the composition and performance of the Board in line with the Companies Act, 2013, Listing Regulations, Banking Regulation Act, 1949 and applicable RBI guidelines and Circulars issued from time to time.

- ii) Identify appropriate qualified personnel to occupy Board position.
- iii) Suggest appropriate expertise and diversity required based on future projected activities of the Bank.
- iv) Managing the process of recruiting new member to the Board and defining requisite skills and expertise and making recommendations to the Board.
- v) Ensuring that selection process is formal and thorough and non-discriminatory.
- vi) Knowledge and experience in domain areas as mentioned under Section 10A(2)(a) of the Banking Regulation Act, 1949 as amended from time to time and in accordance with other RBI Circulars/Guidelines and Notifications issued from time to time.
- vii) Appointment of Independent directors shall be in accordance with the Listing Regulations and provisions of the Companies Act, 2013.

4. REVIEW AND AMENDMENTS IN THE POLICY

The Committee is responsible for implementation of the policy and ensuring diversity in the Board on basis of parameters prescribed under the Listing Regulations, Companies Act 2013, Banking Regulation Act, 1949 and other applicable RBI Circulars/Guidelines and Notifications issued from time to time. The policy will be reviewed (including a review of the effectiveness of the Policy) annually and time to time if required and make recommendations on any required changes to Board for consideration and approval.

5. POLICY AUTHORIZATION

This Policy has been approved by the Board of Directors of AU Small Finance Bank Limited.

Proposed by:	
Name	Signature
Mr. Pankaj Kumar Deputy Vice President Secretarial	

Reviewed by:	
Name	Signature
Mr. Manmohan Parnami Company Secretary	

Approving Authority	Board of Directors
Date of Approval/ Review	
Acknowledgment of Receiving	