

Suryoday Small Finance Bank Limited

Policy to Promote Diversity of Board of Directors

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1. Title

This Policy shall be called the 'Policy to Promote Diversity on the Board of Directors' or 'Board Diversity Policy.'

2. Background

Pursuant to Regulation 19(4) read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**"), the Nomination and Remuneration Committee ("**NRC**") of the Board of Directors (the "**Board**") of a listed entity is required to devise a policy on diversity of Board of Directors. The Bank has formulated this Policy in compliance with the SEBI Listing Regulations.

3. Objective

- 3.1. The objective of this Policy is to provide a framework and set standards for having a diversified Board which would facilitate better decision making leveraging different qualifications, skills, knowledge and experience of the Board members and offering broader perspectives that are directly relevant to the business.
- 3.2. The Bank further believes that a diversified Board enhances Board effectiveness and contributes towards driving business results, making corporate governance more effective, enhancing the quality and decision-making capability, ensuring sustainable development and enhancing the reputation of the Bank.

4. Policy Implementation

- 4.1 The NRC shall ensure that the Board of the Bank has an optimum combination of executive, non-executive and independent directors (including one independent woman director) in accordance with requirements of the Companies Act, 2013 and rules made thereunder, Listing Regulations, the Banking Regulation Act, 1949 and other Guidelines/Circulars issued by the Reserve Bank of India ("**RBI**"), from time-to-time and other statutory, regulatory and contractual obligations of the Bank.
- 4.2 The NRC shall review the profile of the prospective candidates for appointment as Director on the Board taking into consideration of their knowledge, experience, skill sets, financial literacy / expertise, global market awareness and other relevant factors as may be considered appropriate and the Board shall be so formulated with mix of members to maintain high level of ethical standards.
- 4.3 The NRC shall follow the process laid out in the Board-approved Policy for appointment and remuneration of Directors and senior management personnel and accordingly:
 - 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) To ensure that the Board shall have a majority of Independent Directors at all times.
 - iii) The NRC shall carry out assessment with respect to "fit and proper" criteria based on declarations provided by the proposed appointee

- iv) To review and monitor that all Board level appointments shall be done on merit, in the context of skills as required for the areas of the Bank's business operations, management and also special knowledge and / or practical experience in the areas/fields specified under extant RBI regulations or applicable law and as required for achieving the objectives of the Bank.
- v) The NRC shall also assess appropriate mix of qualifications, skills, industry knowledge and experience amongst the existing Board members and the proposed appointees so as to ensure the right mix of diversity with the highest levels of personal and professional ethics and integrity in the Board as a whole, keeping in mind the current business operations, future growth, diversification plans and also the need to fill in the competency gaps, if any.

5. The Board's Composition (Optimum Combination)

5.1 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.

5.2 In accordance with the 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:-

(a) shall have special knowledge or practical experience in respect of one or more of the following matters, namely:-

- i. accountancy,
- ii. agriculture and rural economy,
- iii. banking,
- iv. co-operation,
- v. economics,
- vi. finance,
- vii. law,
- viii. small-scale industry,
- ix. 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; and

(b) shall not-

(1) have substantial interest in, or be connected with, whether as employee, manager or managing agent,-

(i) any company, not being accompany registered under section 25 of the Companies Act, 1956 (1 of 1956), or

(ii) any firm,

which carries on any trade, commerce or industry and which, in either case, is not a small-scale industrial concern, or

(2) be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

6. Policy Review

This Policy will be reviewed once in a year or earlier, if required, and will be amended based on any changes in the laws, rules and regulations applicable to the Bank from time to time or changes in internal processes. However, the amended regulatory provisions will be implemented in accordance with the timelines and shall supersede the Policy till the time Policy is suitably amended with the approval of the Board.

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.