

**NOMINATION POLICY OF THE BOARD
OF
THE SOUTH INDIAN BANK LIMITED**

Confidential
Version 6.0

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1. PREAMBLE:

In compliance with the Reserve Bank of India directives dated May 23, 2011 on Fit & Proper Criteria of the Banks, Banking Regulation Act 1949, Section 178 and all other applicable provisions of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure) Regulations, 2015, every listed Company have to constitute a Nomination Committee and formulate a Nomination Policy. The Bank has already re-constituted the Nomination Committee of the Board in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto and SEBI (Listing Obligations and Disclosure) Regulations, 2015.

This Policy is formulated in compliance with the applicable provisions of Banking Regulation Act, 1949, The Companies Act, 2013, SEBI (Listing Obligations and Disclosure) Regulations, 2015 and RBI Directives.

2. OBJECTIVES OF THE NOMINATION POLICY:

The key objectives of the Nomination Policy shall inter alia include the following:

- To guide the Board in relation to appointment/reappointment/removal of Directors.
- To devise criteria for performance evaluation of the Independent Directors and the Board as a whole.
- To devise a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

3. APPOINTMENT/RE-APPOINTMENT/REMOVAL/ RESIGNATION OF DIRECTOR

3.1.1 Criteria for appointment as Director of the Bank

Nomination Committee of the Board shall identify and ascertain the integrity, qualification, expertise and experience of the person who is considered for being appointed/reappointed as Director of the Bank and apply due diligence in compliance with The Banking Regulation Act, 1949, Reserve Bank of India directives on Fit & Proper Criteria, all other applicable provision of the Companies Act, 2013 and Listing Regulations including any amendments from time to time.

The nomination Committee shall obtain all applicable declarations & undertaking as provided under Banking Regulation Act, 1949, RBI Guidelines, The Companies Act, 2013, Companies (Appointment and Qualification of Director) Rule, 2014, SEBI Guidelines, Listing Regulation and ensure that the proposed person is not ineligible to be appointed/re-appointed as a Director of the Bank.

In case of Independent Directors, the Nomination Committee shall ensure that the Independent Directors meet the criteria of Independence as laid down in the Companies Act, 2013.

While recommending any potential new Board member(s)/re-appointment of existing member(s) to the Board, the Committee shall consider the following:

- a) The professional and personal ethics, integrity and track record;
- b) Special knowledge or practical experience in Banking, accountancy, agriculture and rural economy, co-operation, economics, finance, law, small-scale industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management or any other matter useful to the Banking Company in the opinion of Reserve Bank of India.
- c) Ability to provide insights and practical wisdom based on their experience and expertise relevant to the Bank's line of business;
- d) Details of his/her association with other Companies/LLPs/Firms(including NBFC)
- e) Details of substantial interest in other Companies/LLPs/Firms (including NBFC)
- f) Details of financial facilities, if any, availed from the Bank.
- g) Details of default in the re-payment of loans, availed from the Bank or any other bank, if any.
- h) Commitment to enhancing stockholder value;
- i) Ability to develop a good working relationship with members of the Board and

contribute to the working relationship with senior management of the Bank.

- j) Whether he/she suffers from any of the disqualifications envisaged under the provision of Banking Regulation Act, 1949, Companies Act, 2013 and Listing Regulations.
 - k) Any other factors as the Committee may deem fit and in the best interests of the Bank and its stockholders.
- Pursuant to section 10-A of the Banking Regulation Act, 1949, the Nomination Committee shall ensure that *not less than 51% of the total numbers of members of the Board of Directors shall consist of person who*
 - Shall have special knowledge or practical experience in Banking, accountancy, agriculture and rural economy, co-operation, economics, finance, law, small-scale industry, Information Technology, Payment & Settlement Systems, Human Resources, Risk Management, Business Management or any other matter useful to the Banking Company in the opinion of Reserve Bank of India.*
 - of which, at least one director shall represent agriculture and/or rural economy, and another shall represent cooperation and/or small-scale industry, and*
 - *Shall not have substantial interest in, or be connected with, whether as employee, manager or managing agent of any Company (not being a Company registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013) or any firm which carries on any trade, commerce or industry (excluding Small Scale Industrial Concern) and not be proprietor of any trading, commercial or industrial concern not being a small scale industrial concern.*
 - Pursuant to the provision of the Companies Act, 2013 and the Listing Regulations, the Nomination Committee shall ensure that:
 - i) No person hold office as a Director including any alternate directorship, in more than 20 Companies at the same time, provided that the maximum number of public companies in which a person can be appointed as a Director shall not exceed 10 (For

reckoning the limit of Public Company, in which a person can be appointed as Director, directorship in private companies that are either holding or subsidiary Company of a Public Company shall be included).

- ii) A person shall not serve as an Independent Director in more than 7 listed companies. Further, any person who is serving as a Whole-time Director in any listed Company shall not serve as an Independent Director in not more than 3 listed companies.
- The Company Secretary, who shall also act as the Secretary to the Committee, shall ensure that all the appointments or elections of Directors to the Board are properly made and shall obtain all necessary information from the Directors or candidates recommended by the Committee to ensure that they are not disqualified to act as Directors of the Bank under any statute or regulatory directives or guidelines and that by appointing or electing them as Directors, the Bank would meet its statutory and regulatory obligations and those arising from listing requirements of stock exchanges on which the Bank's shares are listed.

3.1.2 Term / Tenure

The period appointment/re-appointment including terms of appointment of Managing Director/Chairman/Whole-time Directors/Non-Executive/Independent Director shall be fixed in accordance with the provisions of Banking Regulation Act, 1949, RBI, Guidelines, The Companies Act, 2013, Listing Regulations, Articles of Association of the Bank and any other rules and regulations applicable to the Bank.

In terms of section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a company but shall be eligible for reappointment on passing of a special resolution by the company for a further period of upto five years.

Further, in terms of Section 10A(2A) of the Banking Regulation Act, 1949, no director of a banking company, other than its Chairman or whole-time director, by whatever name called, shall hold office continuously for a period exceeding eight years.

In compliance with the applicable provisions of Banking Regulation Act, 1949 and the Companies Act, 2013 the upper age limit shall be 70 years for Managing director, Whole Time Director and 75 years for Non- Executive Directors, including the Chair of the Board.

3.1.3 Re-appointment:

The re-appointment of the Managing Director/Chairman/Whole-time Directors/Non-Executive and Independent Director shall be based on the recommendation of the Nomination Committee, approval of Board, Shareholders and Reserve Bank of India (Wherever applicable) in compliance with provisions of Banking Regulation Act, 1949, RBI, Guidelines, The Companies Act, 2013, Listing Regulations, Articles of Association of the Bank and any other rules and regulations applicable to the Bank.

The re-appointment would be considered based on the outcome of the performance evaluation process and meeting the criteria of Independence in case of Independent Directors.

3.1.4 Removal:

Due to any disqualification(s) mentioned in the Banking Regulation Act/Companies Act/Listing Regulations/Articles of Association of the Bank or under any other applicable Act, Rules and regulations there under, the Committee may recommend, to the Board with reasons recorded in writing, to remove a Director subject to the provisions and compliance of the said Act, Rules and Regulations.

3.1.5 Retirement

The Director shall retire as per the applicable provisions of the Banking Regulation Act / Companies Act/Listing Regulations/Articles of Association of the Bank or under any other applicable Act, Rules and regulations there under and the prevailing policy of the Bank.

3.1.6 Resignation

The Director shall resign from the Directorship before the expiry of his/her tenure as per the applicable provisions of the Banking Regulation Act / Companies Act/Listing Regulations/Articles of Association of the Bank or under any other applicable Act, Rules and regulations there under and the prevailing policy of the Bank. A letter of resignation along with detailed reasons for the resignation shall be submitted.

3.2 Applicability of Banking Regulation Act, 1949/RBI Guidelines:

For appointment/re-appointment/removal of Directors of the Bank, the Provisions of Companies Act, 2013, Listing Regulations shall apply to the extent applicable unless provided in the Banking Regulation Act/RBI Guidelines.

Whenever any of the Provisions of Banking Regulation Act, 1949/RBI Guidelines (including the amendments) come into conflict with the provisions of the Companies Act, 2013, Listing Regulations or any subsequent modifications thereof, the provisions of Banking Regulation Act/RBI Guidelines shall prevail.

4. EVALUATION OF INDEPENDENT DIRECTORS, BOARD, MD & CEO, NON-INDEPENDENT DIRECTORS AND COMMITTEES OF BOARD:

4.1 Performance evaluation of Independent Directors:

The Companies Act, 2013 and revised Clause 49 of the Listing Regulations, mandates performance evaluation of the Independent Directors by the Board, inter-alia, to determine renewal/extension of tenure.

The performance evaluation of independent directors shall be done by the entire Board of Directors (excluding the Director being evaluated).

The criteria for evaluating the Independent Director(s) inter-alia include the following:

I) Whether the independent director(s):

- (a) act objectively and constructively while exercising their duties;
- (b) exercise their responsibilities in a bona fide manner in the interest of the company;
- (c) devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- (d) do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;

- (e) refrain from any action that would lead to loss of his independence
 - (f) Contribute to frame, implement and monitor the best corporate governance practices
from time to time.
 - (g) strive to attend all meetings of the Board of Directors and the Committees;
 - (h) participate constructively and actively in the committees of the Board in which they
are chairpersons or members;
 - (i) strive to attend the general meetings of the company;
 - (j) keep themselves well informed about the company and the external environment in
which it operates;
 - (k) abide by Company's Memorandum and Articles of Association, company's policies and
procedures including code of conduct, insider trading guidelines etc.
- II) On the basis of the report of performance evaluation, it shall be determined whether to extent or
continue the term of appointment of the independent director. However, subject to applicable laws,
the evaluation details shall be confidential.

4.2 Performance evaluation of the Board, MD & CEO, Non-Independent Directors and Chairman

The performance evaluation of the MD & CEO, Chairman, non-independent directors and the Board
as a whole shall be done by the independent directors at their separate meeting as mandated under
Clause 49 II B (6) of the Listing Regulations.

The terms of reference of the Committee of Independent Director inter-alia, includes:

- a) To review of the performance of non-independent directors and the Board as a whole;
- b) To review the performance of the Chairman of the Bank taking into account the views of
executive directors and non-executive directors;

- c) To assess the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform their duties;
- d) To perform such other roles as may be prescribed by the Companies Act, 2013, Listing Regulations, SEBI Regulations, Banking Regulation Act, 1949 and the Circulars/Regulations issued by the Regulatory Authorities from time to time.

A) Performance Evaluation of MD & CEO/Chairman and Non-Executive Directors

I. Performance Evaluation of MD & CEO

The broad parameters for reviewing the performance of Managing Director/Executive Director are:

Achievement of financial/business targets prescribed by the Board; Developing and managing / executing business plans, operational plans, risk management, and financial affairs of the organization; Leadership qualities; Development of policies and strategic plans aligned with the vision and mission of Company and which harmoniously balance the needs of shareholders, clients, employees, and other stakeholders; Establishment of an effective organization and remuneration structure; Compliance and Governance; Relationships and Communications; Recognition and awards to the Bank;

II. Performance of Non-Executive Director and Chairman

a) The broad parameters for reviewing the performance of Non-Executive Director(s) & are:

- Participation at the Board / Committee meetings; • Commitment • Effective deployment of knowledge and expertise; • Effective management of relationship with stakeholders; • Integrity and maintaining of confidentiality; • Independence of behaviour and judgment; and • Impact and influence

b) The broad parameters for reviewing the performance of the Chairman are:

Relationship and communication within the Board; Providing ease of raising of issues and concerns by the Board members; Promoting constructive debate and effective decision making at the board; Relationship and effectiveness of communication with the shareholders and other stakeholders; Promoting shareholder confidence in the Board and Personal attributes and skills.

III. Performance Evaluation of Board

The performance of the Board as a whole to be evaluated, inter-alia, considering the following:

- Composition and Diversity; Effectiveness of Committees of the Board; Board & Committee meetings; Understanding of the business of the Bank and Regulatory environment; Contribution to effective corporate governance and transparency in the Company's Operations; Contribution to the testing and development of Bank's strategies, policies, plans; guidance to the Executive Management; Monitoring the implementation of the strategies, Policies, Plans and the executive management's performance and Quality of Decision making and Board's Communication with all stakeholders.

4.3 Criteria for evaluation of the Board Committees:

The performance evaluation of the Board Committees shall be done by the entire Board of Directors (excluding the members of the Committee being evaluated).

The broad parameters of reviewing the performance of the Committees, inter alia, are

- Discharge of its functions and duties as per its terms of reference;
- Process and procedures followed for discharging its functions;
- Effectiveness of suggestions and recommendations received;
- Size, structure and expertise of the Committee; and
- Conduct of its meetings and procedures followed in this regard.
- Interaction with the board

The formats for Evaluation of Performance as per clause 4.1, 4.2 and 4.3 are enclosed as Annexure-1 to this Policy.

4.4 Frequency of evaluation:

The Committee shall carry out evaluation of performance of every Director and Board as a whole at regular interval (yearly)

5. BOARD DIVERSITY

Pursuant to clause 49 IV B (3) of the Listing Regulations to ensure compliance with the applicable provisions of the Listing Regulations, the Bank has devised a policy on Board diversity to ensure adequate diversity in its Board of Directors. The Bank believes that diversity underpins the successful operation on an effective Board and embraces diversity as a means of enhancing the business. With a view to achieve sustainable and balanced development, the Bank sees increasing diversity at the Board



level as an essential element in supporting the attainment of its strategic objectives. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors.

5. Monitoring and Reporting

As part of the Nomination Committee's annual review of the structure, size and composition of the Board, the Committee will expressly consider and include commentary to the Board on the subject of the diversity of the Board.

6. DISCLOSURE REQUIREMENT:

As mandated under Clause 49 of Listing Regulations for equity, the Company shall disclose the evaluation criteria and Policy on Board Diversity to be provided in the Corporate Governance Report which forms part of the Annual Report of the Bank.

7. REVIEW OF NOMINATION POLICY

The Nomination Committee and the Board shall review the Nomination Policy on an annual basis.

8. AMENDMENTS TO THIS POLICY:

Any amendments to this Policy must be approved by the Nomination Committee and ratified by the Board.

Any amendments/modifications in various Acts, Rules and Regulations shall automatically form part of the Nomination Policy to the extent applicable.
