



**UNITY SMALL FINANCE BANK LIMITED
POLICY ON SUCCESSION PLANNING FOR THE BOARD
SENIOR MANAGEMENT AND OTHERS**

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1. INTRODUCTION

The Securities and Exchange Board of India (SEBI) has mandated the need for a succession policy pursuant to Regulation 17(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”). By way of this Policy, it is envisaged that the Board routinely evaluates its capabilities with strategic goals in mind, maintain robust networks and relationships with executives, and establish a diverse pipeline of potential talent that will be best positioned to help the Bank reset for resilience and thrive in the long term.

Therefore, the Bank has put in place a Policy on Succession Planning for the Board, Senior Management and others (hereinafter called the “Policy”).

2. APPLICABILITY:

The Policy focuses mainly on the Succession Planning at the Board and Senior Management level.

• ‘Senior Management’ shall mean and include the following:

- Members of Executive Committee (i.e., employees one level below the Board);
- KMPs (other than whole-time director);
- Any other person at the discretion of the Nomination and Remuneration Committee (‘NRC’) of the Bank.

3. OBJECTIVE

Succession planning is an effective tool for any organization to ensure smooth succession generally across employees of all levels and specifically with members of the Board and senior management personnel without affecting the current roles and responsibilities and facilitating leadership and management continuity.

Succession planning involves identification and assessment of potential and developing the next generation of leaders to assume higher responsibilities and key leadership roles in the Bank.

The objectives of this Policy, inter-alia, include the following:

- To ensure that the Bank has appointed/re-appointed Directors on the Board with relevant skills, expertise, experience, educational qualification and track record as the per requirement of Banking Regulation Act 1949, RBI guidelines, Listing Regulation, Companies Act 2013 and any other law applicable to the Bank.
- To ensure that the Bank is prepared with a plan to support operations and service continuity when any Key Managerial Personnel or Senior Management Personnel vacate their positions;
- To prepare a talent pool and supply of suitably qualified and motivated employees for higher roles and responsibilities;
- To identify the key job incumbents in Senior Managerial positions and recommend whether the concerned individual (i) be granted an extension in term/service or (b) be replaced with

an identified internal or external candidate or recruit other suitable candidate(s) as per the service rules of the Company;

- To ensure the systematic and long-term development of individuals in the senior management level to replace when the need arises due to deaths, disabilities, retirements, and other unexpected occurrences.
- To ensure implementation of a non-disruptive and seamless succession plan as a part of business continuity within a period of three months for such occurrence.

4. IMPLEMENTATION PROCESS

a. **Board Level Appointment**

Positions at the Directors level:

- The responsibility of ensuring timely replacement for positions of any Director, lies with the NRC of Directors of the Bank .
- For vacancies at the Executive position in the Board, the NRC in consultation with the Chairman of the Board and President of the Bank, shall recommend the name(s) of the candidate(s) (whether internal or external) who have the requisite qualifications and attributes for being considered for such position(s).
- For other vacancies in the Board, the NRC shall identify and recommend name(s) of the candidate(s) who has the requisite qualifications and attributes for being considered for such position(s).
- The NRC shall undertake a process of due diligence to determine the suitability of the person for appointment / re-appointment / continuation as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- In the event of any unexpected vacancy in the Executive position in the Board, NRC shall meet and appoint from a select pool of persons to take charge of the said position either on an interim basis or on permanent basis.

Managing Director and CEO and Part Time Chairman.

In case of appointment / re-appointment of Managing Director and CEO and Part Time Chairman, in addition to the process to be followed from appointment of Non-Executive/Independent Director, the Bank shall seek prior approval from Reserve Bank of India for their appointment.

b. ***Positions at the Senior Management and other critical positions:***

The Nomination & Remuneration Committee may designate the Managing Director and CEO / Whole-time Director / President along with the CHRO of the Bank to jointly:

- Periodically review and consider the list of KMP / SMP due for retirement /vacancies arising out of attrition during the year;
- Consider the new vacancies that may arise due to the business needs/restructuring of functions / departments;
- In case if an KMP / SMP is due for retirement, to review the possibility of proposing extension to such personnel on the basis of his/her health, age, compensation and person's

willingness to continue for the extended term and in case such position is to be filled by way of replacement, internally or externally on the basis of the criteria such as job role, experience, leadership qualities, competencies, track record, etc;

- Identify from time to time high potential employees who merit faster career progression to position of higher responsibility and give them adequate skill development and training requirements for their successful career progression.

The recommendation of the Managing Director and CEO / Whole-time Director/ President along with the CHRO shall be placed to the Nomination & Remuneration Committee for its approval. While making its recommendation, the Nomination & Remuneration Committee may consult with the Managing Director & CEO, and other officials, as may be relevant and all factors including the available talent within the organization and the need to ensure continuous working and growth of the Bank shall be carefully considered.

In addition to the above, the appointment of KMP / SMP such as Chief Financial Officer, Company Secretary and other compliance professionals like Chief Compliance Officer, Chief Risk Officer, Head Internal Audit, etc. shall be made in compliance with all applicable provisions of the RBI Circular/ Guidelines, Companies Act, 2013, Securities and Exchange Board of India Act, 1992 and other laws / regulations, as may be applicable.

Every member of the senior management team shall also endeavor to add capability in-house and mentor officials with potential working under him/her to handle their responsibilities in their absence by exposing such officials to all aspects of work being handled by them.

It is also extremely important to have a contingent plan in place to deal with sudden exits at the said Senior Management level. The Human Resource Department of the Bank on an ongoing basis identifies a select pool of employees who can be groomed to occupy senior level positions in case of any such eventuality and train them adequately

C. Positions at other levels:

- Apart from the key positions mentioned above, it is equally important to have succession plans, in place, at the functional, branch and regional level, such as Regional Business Heads, Business Heads at the branches, Functional Heads-National and other key Functional Heads in the branches which have large business volume, loan book outstanding and depositor base.

- The President/ Business Heads along with CHRO shall during regional meets shall meet the concerned members of Management, Functional Heads and Regional Business Heads to *inter alia* review the following.

- Identify key positions and incumbents targeted for succession planning. This will include an analysis of planned retirements and predictable turnover in their branch/ department.

- Identify individuals who possess the potential needed for progression into the targeted positions of leadership within their branch/ department.

- Outline the actions taken /to be taken in the next six months to groom identified individuals to assume a role of elevated responsibility in the future.

- Based on such review, the Managing Director & CEO shall give its consent to implement the succession plan for the concerned Region/Branch/Function, within a definite time frame.

6. DISCLOSURE

The Bank shall make relevant disclosure as required under Companies Act 2013, Listing Regulations and RBI Circular/guidelines and any other law as may be applicable.

7. CONFIDENTIALITY

- All persons responsible for execution of the Succession Planning Policy shall ensure confidentiality of the discussions and decisions with regard to the prospective candidate, except that the information may be shared, if required, with the concerned candidate in order to prepare him for such elevation.

8. POLICY REVIEW

In case of any amendment (s), clarification (s), circular (s) etc. issued by the regulatory authorities, not being consistent with the clauses laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the clauses in this Policy and this Policy shall stand amended accordingly, subject to the approval of the Nomination & Remuneration Committee and the Board.

The Nomination & Remuneration Committee may issue/implement such guidelines, procedures, formats and/or reporting mechanism to enforce this Policy as it may deem fit.

VERSION CONTROL

Version	Approval Date	Approving Authority	Owner
1.0	01-09-2022	Board of Director	Secretarial Department & Human Resource Department