



BOARD DIVERSITY POLICY 2024-25

**Secretarial Section
Head Office
Thoothukudi**

Document History:-

1	Document Name	Board Diversity Policy
2	Version	4.0
3	Prepared by	Secretarial Section
4	Review by	Board of Directors

Version No	Date of effect	Brief Description
1.0	03.08.2021	Policy for Board Diversity
2.0	01.04.2022	Annual review of Policy
3.0	09.05.2023	Annual review of Policy
4.0	Proposed	

Period of the policy	Next review due date
Till next review	01.04.2025

TAMILNAD MERCANTILE BANK LIMITED

BOARD DIVERSITY POLICY

I. Background

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) mandates listed entities to devise a policy on diversity of Board of Directors. This Policy on Board Diversity (“**Policy**”) sets out the approach to ensure adequate diversity in its Board of Directors (“**Board**”).

II. Purpose

Tamilnad Mercantile Bank Limited (“**the Bank**”) acknowledges the significance and benefits of having a diverse Board. Diversity is attained by having optimum combination of executive, non-executive, independent, resident/non- resident director(s), woman director(s) in terms of law and corporate governance and by qualitative factors such as background, education, experience, knowledge, thoughts, perspective, functional expertise, independence, skills, age and gender.

III. Applicability

The policy shall be applicable for members of the Board of Directors of Tamilnad Mercantile Bank Ltd. It does not apply to diversity in relation to employee of the Bank.

IV. Principles relating to diversity:

In order to ensure that the Board is endowed with appropriate balance of skills, experience and diversity of perspectives, the Bank shall confirm to the following principles relating to Board Diversity:

1. The Board shall collectively possess the necessary qualifications commensurate with size, complexity and risk profile of the Bank.
2. Decisions pertaining to appointment/ re-appointment, elevation and remuneration of Directors shall be based on their skills, experience, expertise, contributions during deliberations at meetings of the Board and adherence to corporate governance norms as reflected in the outcomes of their performance evaluation;
3. The Board shall be represented by members from diverse educational background including but not limited to accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry,

information technology, core industries, infrastructure sector, payment and settlement systems, human resources, risk management & business management and such other matters the special knowledge or and practical which in the opinion of the Board would be in the business interest

4. Adoption of best practices to ensure fairness and equality and transparency whilst appointing Directors and ensuring zero tolerance for discrimination based on caste, creed, gender, ethnicity, religion, disability, colour or otherwise.

The NRC shall take into consideration the following criteria for the purpose of Board Composition:-

a) Age

The minimum age criteria in terms of RBI guidelines for appointment of Directors on the Board shall be 35 years.

In case of Non-Executive Directors (NEDs), The Upper age limit, including the Chair of the board, shall be 75 years and after the age of 75 years no person can continue in these positions.

The upper age limit for MD & CEO and WTDs shall be 70 years or such other lower age as prescribed by the Board of the Bank.

b) Gender

Bank believes in gender diversity and shall not discriminate on the basis of gender in the matter of appointment of directors on the Board. As per the provisions of the Companies Act, 2013 & SEBI LODR, the Company shall at all times have at least one woman director on the Board. Any vacancy of the woman director shall be filled at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

c) Educational qualification

The minimum education qualification in terms of RBI guidelines for appointment of director shall be graduation.

d) Skill Set

With a need to make Boards of Banks more contemporarily professional by inducting technical and specially qualified personnel, Banking Regulation Act, 1949 prescribed the requirement of special knowledge composition in the Board of the banks.

Section 10A (2) states that, Not less than fifty-one per cent, of the total number of members of the Board of Directors shall consist of persons, who:

1. 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) Information Technology (x) Payment & Settlement Systems (xi) Human Resources (xii) Risk Management and (xiii) Business Management (xiv) 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.

2. Shall not – (1) have substantial interest in, or be connected with, whether as employee, manager or Managing agent, - (i) any company, not being a company registered under section 8 of the Companies Act, 2013, 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.

While electing / co-opting directors to the board considering the context of banking becoming more complex and competitive, efforts shall be aimed at bringing about a blend of 'historical skills' set, i.e. regulation based representation of sectors like agriculture, SSI, cooperation etc. and the 'new skills' set, i.e. need based representation of skills such as, marketing, technology and systems, risk management, strategic planning, treasury operations, credit recovery, etc. Further in the backdrop of innovations in banking and technology the fields of specialization i.e., Information Technology, Payment & Settlement Systems, Human Resources, Risk Management and Business Management, would also be considered for Board appointments.

3. The Articles of Association (AoA) also create scope for diversity in the Board by prescribing maximum strength of **twelve** members.

e) Executive & Non- Executive

In terms of SEBI LODR, Board of directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty per cent of the board of directors shall comprise of non-executive directors.

f) Independence

Appointment of Independent Directors shall be in term of the requirements of Companies Act, 2013 & SEBI LODR.

In terms of SEBI LODR, 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.

Further where the regular non-executive chairperson is a promoter of the listed entity 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.

In terms of RBI circular dated April 26, 2021, the chair of the board shall be an independent director and the quorum for the board meetings shall be one-third of the total strength of the board of directors or three directors, whichever is higher. In the absence of the Chair of the board, the meetings of the board shall be chaired by an independent director. At least half of the directors attending the meetings of the board shall be independent directors.

NRC shall take into consideration any other aspect that may be necessary to consider.

V. Role of Nomination & Remuneration Committee:-

The NRC shall also take into consideration the following matters whilst dealing with matters relating to Board Diversity:

1. Enforce the said principles so as to bring in diversity of perspectives and encourage creativity and innovation at the Board level.
2. Whilst evaluating candidates for appointment as a Director of the Bank, the NRC shall consider them on merits in the context of their age, skill sets, experience, level of independence, specific expertise and specialized knowledge, as mandated under Section 10-A of the Banking Regulation Act, 1949, so as to provide the Board/ Committees with diversified set of skills, knowledge, practical experience and representation and recommend such appointment/ nomination, for the approval of the Board.

3. Review the effectiveness of the induction programs conducted for new directors and the training programs conducted for the Board, to ensure that Bank's diversity goals are met.
4. Whilst reviewing the annual performance evaluation of the Board, the Chairperson, the Committees and the Independent Directors and the overall effectiveness of the Board, the NRC shall assess the impact of the Board's diversity to the overall functioning of the Board.
5. Explore measurable objectives for achieving Board diversity and recommend the same to the Board for its adoption of the Bank.

VI. Monitoring And Reporting

The Bank will report on the process employed in relation to Board appointments, in the Corporate Governance section of the Bank's Annual Report.

VII. Amendments To The Policy

In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly. The Board has the power to replace this Policy entirely with a new policy.
