



**POLICY ON SUCCESSION PLANNING FOR THE
BOARD AND SENIOR MANAGEMENT**

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Preamble

The Securities and Exchange Board of India (SEBI) revised the Code of Corporate Governance for listed companies significantly to bring it in line with the Companies Act 2013. SEBI has mandated succession planning for appointment to the Board of Directors and Senior Management as one of the key functions of the Board of Directors.

Perpetual succession is one of the facets of a corporate entity wherein the resources may come and go but the company will survive forever. This envisages that staff will not be with an organization indefinitely and this necessitates the formation and existence of orderly succession planning in an organization. Devising and strategizing Proactive Succession Planning methodologies are one of the important functions of the Human Resource department for smooth transitions with little disruption to the organization. Succession planning is a tool for an organization to ensure its continued effective performance through leadership continuity.

The Bank in order to avoid any leadership gap in the Board and Senior Management has therefore devised a Policy on Succession Planning for the Board and Senior Management (hereinafter called the "Policy").

1. Definitions

"Bank" shall mean CITY UNION BANK LTD.

"Board of Directors" or **"Board"** means the Board of Directors of the Bank in terms of Regulation 2(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the LODR regulations) as constituted from time to time.

"Key Managerial Personnel" shall mean key managerial personnel (kmps) as defined in sub-section (51) of Section 2 of the Companies Act, 2013.

"Listed Entity" means any entity which has listed its securities on recognized stock exchange(s), in accordance with the listing agreement entered into with the stock exchange(s).

"Listing Regulations" shall mean an agreement entered into between the Bank and the recognized stock exchange(s) wherein the securities of the Bank are listed pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 "LODR".

“Policy” means this Policy on Succession Planning for the Board and Senior Management including any amendments, if any made from time to time.

“Senior Management Personnel” shall mean executives in the cadre from General Manager and above and the persons occupying the position as Key Managerial Personnel in the Bank.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the LODR regulations or any other applicable law or regulation to the extent applicable to the Bank.

2. Applicability

The Policy shall be applicable for succession planning of the following personnel:

1. Managing Director & CEO
2. Independent and other Non-Executive Directors on the Board of the Bank;
3. Senior Managerial Personals
4. Any other positions within the Bank at the discretion of the Managing Director & CEO in consultation with the Board.

3. Succession Plan for the Board and Senior Management

The Nomination Committee of the Bank shall oversee and review succession plans from time to time and recommend the same to the Board.

4. Succession Plan for the Board

The Nomination Committee shall proactively review the succession requirements for the Board and carryout the due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director of the Bank based on his educational qualification, experience & track record etc.

The proposed candidate shall be evaluated by the Nomination Committee to determine the eligibility and fit and proper criteria as per the Companies Act 2013, the Banking Regulation Act 1949 and the guidelines issued by the Reserve Bank of India and thereafter such candidature shall be recommended to the Board for its consideration and approval. However, the terms of remuneration, if any, shall be considered separately by the Compensation and Remuneration Committee in its meeting and suitably recommend the same to the Board.

5. Succession Plan For The Senior Managerial Personnel

Based on the inputs received from the Human Resource department, the Nomination Committee shall periodically review any vacancy / probable vacancy in the position of Senior Managerial Personnel which may arise on account of retirement, resignation, death, removal,

Incapability whether temporary or permanent or otherwise. The Bank shall strive to fill such vacancy from within internal modes through elevation or otherwise subject to availability and in case no suitable candidate is available to fill the position, external candidates shall be considered. The committee shall in consultation with the MD & CEO and the Chairman of the Bank evaluate the suitability of any such person based on factors viz., experience, age, health, leadership quality etc., and recommend his/ her candidature to the Board well before such vacancy arises to facilitate smooth transition. The committee may also resolve to engage the services of such retired executive on a contractual / consultant basis or otherwise subject to his/ her proven track record and his willingness to serve the Bank in such capacity.

The prevailing HR standards for promotions / transfers shall be designed in such a way that the existing / proposed senior managerial personnel shall get all-round exposure in various domains to facilitate career progression, prepare them for administrative responsibilities for discharging their functions effectively.

Every member of the senior management team shall always endeavor to add capability in-house and mentor officials with potential working under him to handle his responsibility in his absence by exposing him to all aspects of work being handled by him.

In the event of any unexpected occurrence in respect of any member in the core management team, the next person as per the organization chart shall take interim charge of the position, pending a regular appointment in terms of the succession plan.

In addition to the above, the appointment of Key Managerial Personnel shall be made in compliance with all applicable provisions of the Banking Regulation Act, 1949, Companies Act, 2013 (including the rules made there under), Listing Regulations and RBI Guidelines etc.

6. Compensation

A. Executive And Non-Executive Directors

On the recommendation of the Compensation and Remuneration Committee, the Board will fix the remuneration of non-executive directors (including independent directors) subject to the ceilings provided under the Companies Act 2013 and the guidelines of RBI.

The non- executive Directors other than nominee Directors shall be entitled for sitting fees and reimbursement of other incidental expenses which may be incurred by a Director for attending Board/ Committee meetings at such rate as may be approved by the Board from time to time.

Subject to the compliance with the provisions of Companies Act, 2013 and RBI guidelines, the Board may on the recommendation of the Compensation and Remuneration Committee, after taking into account the profitability of the Bank for

each financial year, approve the payment of an annual commission payable to each non-executive (other than nominee Directors) / independent Directors of the Bank for each financial year or part thereof. Where a Director has left the Bank before the completion of a financial year or before approving the payment of commission by the Board, the Board may in its absolute discretion sanction such amount as commission to such Director for his services during the period for which the commission was fixed.

Remuneration of Executive Director(s) and Chairman (Part-time/ whole time) will be subject to the approval by RBI and shall be fixed by the Board on the basis of recommendation made by the Compensation and Remuneration Committee. However, the compensation for MD & CEO shall be in line with the Compensation Policy of the Bank as approved by RBI.

B. Key Management Personnel and Other senior management team members

The compensation structure of KMPs and senior management team members shall consist of fixed salary components (including variable dearness allowances), according to the policy approved by the Bank and at par with the industrial standards, to be approved by the Compensation and Remuneration Committee.

The compensation structure may also include stock options targeting employee participation in ownership of the Bank and to ensure the retention of potential talents for the future growth and diversity of the Bank.

7. Review Of 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 amend / replace this Policy on recommendation by the Nomination Committee.

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