



POLICY ON SUCCESSION PLANNING FOR THE BOARD AND SENIOR MANAGEMENT

Approver	Board of Directors
Approved on	27.03.2025
Policy Owner	Secretariat of the Company
Review frequency	Annual

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1. BACKGROUND AND SIGNIFICANCE

Succession planning is an essential component to the survival and growth of any business. Succession planning is a tool for an organization to ensure its continued effective performance through leadership continuity. A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with talents.

ESAF Financial Holdings Private Limited (“the Company”) recognizes the importance of the process to Succession Planning to provide for continuity in the smooth functioning of the organization. There are certain positions in the Company that are key to the company’s current and future growth. It is, therefore, important that these positions are assigned to duly skilled and best possible incumbents. It is critical to fill up such positions well in time to avoid any leadership gap.

2. OBJECTIVES

The objectives of the succession planning program shall inter-alia include the following:

- (i) To identify and nominate suitable candidates for the Board’s approval to fill the vacancies which arises in the Board of the Company from time to time.
- (ii) To identify the competency requirements of critical and key positions, assess potential candidates and develops required competency through planned development and learning initiatives.
- (iii) To identify the key job incumbents in Senior Managerial positions and recommend whether the concerned individual be (i) replaced with an identified internal or recruit other suitable candidate(s) externally or (ii) considered for an extension in term/service in exigencies.
- (iv) 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 any other unexpected occurrence.

3. APPLICABILITY

This policy shall be applicable for succession planning of the following personnel:

1. Directors & Managing Director,
2. Key Managerial Personnels (KMPs)
3. Head of Departments & Other Senior Officials in Critical functions
4. Any other positions within the Company at the discretion of the Managing Director.

4. SUCCESSION PLAN FOR THE BOARD AND SENIOR MANAGEMENT

The Nomination and Remuneration Committee of the Board (NRCB) of the Company shall review the leadership needs of the Company from time to time. The Board of Directors of the Company shall periodically review the Succession Plan, particularly in strategic leadership roles.

4.1 Succession Plan for the Board

List of directors in the Board including Managing Director, Independent Directors, Non-Executive Directors due for retirement/ re-appointment within next one year based on the terms of appointment shall be reported to Nomination and Remuneration Committee of Board on annual basis with an action plan for succession/ renewal, ensuring compliance with regulatory limits on tenure. The position of Managing Director/CEO shall be filled internally, as far as possible. The position of Independent Directors shall be filled through profiles from Independent Director's Databank or references or networks.

The Nomination & Remuneration Committee of the Board, shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or reappointed as a Director of the Company based on his/ her educational qualification, experience & track record, and every such person shall meet the "fit and proper" criteria, as Reserve Bank of India may stipulate from time to time and accordingly any appointment or re-appointment of a Director shall be subject to prior approval by Nomination & Remuneration Committee of the Company.

The Company has framed Director's Fit & Proper Policy and Nomination and Remuneration Policy to guide the Board in relation to appointment/ reappointment / removal of Directors, to devise a criteria for performance evaluation of Independent Directors and the Board and to ensure adequate diversity in the Board to make good use of the varied skills, regional and industry experience, background, gender and other qualities of the Directors.

4.2 Succession Plan for the Senior Managerial Personnel

List of Senior Managerial Personnel and KMPs due for retirement/attrition within next one year based on the organization structure shall be reported to Nomination and Remuneration Committee of Board on annual basis with an action plan for replacement.

The proposed vacancies shall be filled in such a way that business continuity is ensured. The position shall be filled internally as far as possible, preferably through internal promotion or reallocation, after finding their fit and proper competencies and requisite due diligence.

NRCB shall consider the list of eligible internal candidates to fill the above senior managerial positions after making the appropriate Competency match between the position and the individual. For this purpose, elements like, skills required for the specific position, experience, age, education, major career achievements, and contribution to the growth of the Company to be considered.

Considering the above, the Committee shall assess the availability of suitable candidates and in consultation with Managing Director may recommend:

- To promote/elevate the eligible internal candidates to Senior Managerial Position.
- To appoint other suitable external candidate(s) as Special recruitment, (in case no internal successor is identified) based on job roles and competency in order to provide a continuous flow of talented people to meet the organizational needs.
- To consider the extension in terms/service of existing senior managerial personnel, in exigencies.
- Where it is decided to appoint an external candidate, timely and planned steps shall be taken for selection of a suitable candidate so that the appointment is made well before the retirement/relieving of the concerned officer to ensure the smooth transition.
- Every member of the Senior Management team shall always endeavor to add capability in-house and mentor officials with potential working under them to handle their responsibility in their absence by exposing them to all aspects of work being handled by them.
- The Company shall implement a leadership development program, including cross-functional exposure, external training, knowledge and capacity building for Top Management Executives & their first line and second line officers.
- 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 (as far as practicable) shall take interim charge of the position, pending a regular appointment in terms of the succession plan.
- The Annual Performance appraisal of Senior Managerial Personnel shall be reported to Managing Director of the Company and reviewed by Nomination & Remuneration Committee of the Board.

In addition to the above, the appointment of Key Managerial Personnel such as Chief Financial Officer & Company Secretary and other Compliance Professionals like Chief Risk Officer, Chief Compliance Officer etc. to be made in compliance with all applicable provisions of the Companies Act, 2013 (including the rules made there under) and RBI Guidelines etc.

5. POLICY REVIEW

This policy shall be reviewed once in a year or at increased frequencies for incorporating changes, based on revised and modified instructions issued under the RBI Master Directions/ Circulars, Companies Act, 2013, or any relevant Act/ provisions as envisaged by the Government of India/other competent authorities from time to time. In any case, regulatory and statutory norms and directions as issued and modified from time to time will prevail over the provisions of this Policy and the Policy shall be treated as amended to such effect, pending formalisation through revision of this document.

Company's Secretariat shall be the custodian of the Policy responsible for periodic review and modification with the approval of Board of Directors.