



NOMINATION POLICY

Approver	Board of Directors
Policy Owner	Secretarial Department
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(1) PREAMBLE

ESAF Small Finance Bank Limited (hereinafter referred to as the “**Bank**” or “**ESFB**”) endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business practices, accountability to its customers, government and other stakeholders. The Bank’s activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Bank for appointment of directors.

In compliance with the Reserve Bank of India (Small Finance Banks – Governance) Directions, 2025 dated November 28, 2025, Banking Regulation Act 1949, Section 178 and all other applicable provisions of the Companies Act, 2013 read along with the applicable rules thereto, every Company is required to constitute a Nomination Committee and formulate a Nomination Policy.

The Bank has accordingly constituted the Nomination Remuneration and Compensation Committee of the Board (hereinafter referred to as the “**Committee**” or “**NRCCB**”) in compliance with the applicable provisions of Banking Regulation Act, 1949, the Companies Act, 2013, Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI Directives.

(2) DEFINITIONS

A. “the Act”

The Act shall mean the Companies Act, 2013.

B. “the Bank”

The Bank shall mean M/s. ESAF Small Finance Bank Limited.

C. “the Director” or “the Board”

The Director or the Board, in relation to the Bank, shall mean and deemed to include the collective body of the Board of Directors of the Bank including the Chairman of the Bank.

D. “the Independent Director”

The Independent Director shall mean an Independent Director as defined under Section 2 (47) to be read with Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.

E. “the Policy” or “this Policy”

The Policy or this Policy shall mean the Nomination Policy of the Bank.

F. “the Committee” or “this Committee” or NRCCB

The Committee or this Committee or NRCCB shall mean the Nomination Remuneration and Compensation Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

G. Substantial Interest

Substantial Interest means holding beneficial interest by an individual or his spouse or minor child, whether singly or taken together in shares of a company / firm, the paid - up amount of which exceeds ₹2 Crore or 10% of the paid-up capital of the company / firm, whichever is less.

(3) OBJECTIVES OF THE NOMINATION POLICY

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

- a) To guide the Board in relation to appointment/ reappointment/ removal of directors and lay down a selection criterion for appointment of directors.
- b) To ensure compliance with applicable laws, rules and regulations including compliance to the 'Fit and Proper criteria' of Directors at the time of their appointment and on a continuous basis.
- c) 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.
- d) Develop and regularly review succession plan for the Board.
- e) Formulate criteria for determining qualifications, positive attributes and independence of directors.

(4) COMPOSITION OF THE BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank is governed by the provisions of the Companies Act, 2013, the Banking Regulation Act, 1949, and norms of Securities and Exchange Board of India, to the extent applicable. The Board of Directors shall be comprised of;

- a) Minimum six directors and not more than fifteen directors.
- b) Majority as Independent Directors.
- c) The Chair of the Board shall be an Independent Director. In the absence of the Chair of the Board, the meetings of the Board shall be chaired by an Independent Director. The quorum for the Board meetings shall be one-third of the total strength of the Board or three directors, whichever is higher. At least half of the directors attending the meetings of the Board shall be Independent Directors.
- d) Two Whole Time Directors (WTDs), including the Managing Director and CEO.
- e) Persons, not less than fifty-one per cent of the total number of members of the Board of Directors shall have special knowledge or practical experience in respect of one or more of the areas as specified in Section 10A(2)(a) of the Banking Regulation Act, 1949 read with Reserve Bank of India (Small Finance Banks – Governance) Directions, 2025 dated November 28, 2025. Out of the total 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.
- f) Persons, not less than 51 per cent of the total number of members of the Board of Directors shall consist of persons, who shall not have substantial interest in, or be connected with, whether as employee manager or managing agent in any company, not being a company registered under Section 25 of the Companies Act 1956 or the

corresponding provision under the Companies Act, 2013, or any firm which carries on trade, commerce or industry and which in either case is not a small-scale industrial concern, and be proprietors of any trading, commercial or industrial concern, not being a small-scale industrial concern.

- g) There shall be at least one-woman director on the Board.
- h) The Bank shall have at least one director who has stayed in India for a total period of not less than 182 days during the financial year.

(5) APPOINTMENT/ RE-APPOINTMENT AND REMOVAL OF DIRECTORS

5.1 Eligibility of proposed candidates as Directors of the Bank

The proposed candidate shall satisfy the following eligibility criteria:

- a) The candidate shall not be a director of any other Banking Company or companies which among themselves are entitled to exercise voting rights in excess of 20% of total voting right of all the shareholders of another Banking Company.
- b) The candidate should normally be a graduate which can be relaxed while selecting directors for the categories of farmers, depositors, artisans, etc.
- c) He/she should be between 35 and 75 years of age. In the case of Managing Director and CEO, the maximum age shall be 70 years.
- d) He/she should have obtained Director Identification Number.
- e) He/she should not have disqualification in terms of Section 164 of the Companies Act, 2013, Banking Regulation Act, 1949 and Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- f) In case of appointment of an Independent Director:
 - i. he/she should satisfy the criteria for being appointed as an Independent Director prescribed by the Companies Act, 2013 and the directives and guidelines of Securities and Exchange Board of India (SEBI).
 - ii. he/she shall not serve as an Independent Director in more than 7 listed companies. Further, if the 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.
- g) He/she shall not 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.
- h) He/she should not be a Member of Parliament, Member of Legislative Assembly and Member of Legislative Council.
- i) In case, a director on the Board of an NBFC is to be considered for appointment as a Director on the Board on the Bank, the following conditions must be followed:
 - i. He/she is not the owner of the NBFC i.e. shareholdings (single or jointly with relatives, associates, etc.) shall not exceed 50 per cent.
 - ii. He/she is not related to the promoter of the NBFC.
 - iii. He/she is not a full time employee of the NBFC.

- iv. The concerned NBFC is not a borrower of the Bank.
- j) In case, a director associated with Non-Banking Financial Institutions dealing with hire purchase, financing, investment, leasing, money lending and other para banking activities, is to be considered for appointment as a Director on the Board on the Bank, the provisions of Sections 10A, 16 and 20 Banking Regulation Act, 1949 and the following conditions shall be complied:
 - i. the Non-Banking Financial Institutions with which the proposed Directors are associated, do not enjoy any financial accommodation from the Bank.
 - ii. The proposed Directors do not have “substantial interest” as defined in Section 5(ne) of the Banking Regulation Act, 1949, in these institutions.

5.2 Term/ Tenure

- a) The initial period of appointment of Independent Directors and Non-Executive Directors shall be for a term of three consecutive years. Upon evaluation of performance, the director can be re-appointed for such further term, as the Board may decide, which shall not result in eight years of service, continuously or otherwise, subject to such other approvals as may be required and in compliance with the provisions of Banking Regulation Act, 1949 and Companies Act, 2013. However, no Independent Director shall hold office for more than two consecutive terms.
- b) After completing eight years on the Board of a bank the person may be considered for re-appointment only after a minimum gap of three years. Additionally, in the case of re-appointment of independent directors after expiration of two consecutive term, the same shall be permitted only after the expiration of three years of ceasing to become an Independent Director, irrespective of whether the combined duration is less than 8 years.
- c) The upper age limit for Non-Executive Directors, including the Chair of the Board, shall be 75 years and after attaining the age of 75 years, no person can continue in that position.
- d) Further, in pursuance to Section 10A (2A) of the Banking Regulation Act, 1949, no Director of the Bank, other than its Chairman or Whole-Time Director, by whatever name called, shall hold office continuously for a period exceeding eight years and no Independent Director shall hold office for more than two consecutive terms.
- e) The appointment/re-appointment of the Managing Director/ Chairman/ Whole-time Directors/ Non-Executive and Independent Director shall be based on the recommendation of the NRCCB, approval of Board, Shareholders and Reserve Bank of India (wherever applicable) in compliance with provisions of Banking Regulation Act, 1949, guidelines of Reserve Bank of India, the Companies Act, 2013, Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, Articles of Association of the Bank and any other rules and regulations applicable to the Bank.

- f) The approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager shall be taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.
- g) The continuation of a director serving on the board of directors shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment, as the case may be.

Provided that the requirement shall not be applicable to the Whole-Time Director, Managing Director, Manager, Independent Director or a Director retiring as per the sub-section (6) of section 152 of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid directors or Manager is otherwise provided for by the provisions of these regulations or the Companies Act, 2013 and has been complied with.

- h) The appointment or re-appointment of an independent director shall be subject to the approval of shareholders by way of a special resolution. Where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made.

5.3 Casual Vacancy

If the office of any Director appointed by the Bank is vacated before his term of office expires in the normal course, the resulting vacancy may, in default of and subject to any regulations in the Articles of Association of the Bank, the NRCCB may recommend suitable persons for the position based on detailed due diligence on the proposed director and the same may be filled by the Board of Directors within a period of three months or such other period as prescribed under any law/ regulation/ guideline and which shall be subsequently approved by members in the immediately next general meeting of the Bank or within a time period of three months from the date of appointment, whichever is earlier.

5.4 Nominee Directors

Nominating Directors on the Board of Directors by promoters, investors etc., if so authorized, shall be on the basis of the letter of nomination received by the Bank and the tenor of appointment of a person as Nominee Director shall not exceed eight continuous years, provided that one term of appointment shall not exceed three continuous years. Such appointment of Nominee Directors shall be approved by the Board of Directors of the Bank after detailed due diligence conducted by the NRCCB confirming that the proposed director complies with the fit and proper criteria as per the guidelines of Reserve Bank of India.

5.5 Appointment of Managing Director and CEO/ Part Time Chairman of the Bank / Whole Time Directors

- a) The Bank shall have a Part-time Chairman of the Board of Directors and a separate Managing Director & Chief Executive Officer (MD&CEO) who shall be responsible for day-to-day management of the bank. In the absence of the Chair of the Board, the meetings of the Board shall be chaired by an Independent Director.
- b) Any appointment/ re-appointment of Managing Director and CEO/ Part Time Chairman/ Whole Time Director of the Bank shall require prior approval of the Reserve Bank of India.
- c) The application for appointment of new Managing Director and CEO/ Part Time Chairman/ Whole Time Director shall be sent at least four months before expiry of the term of office of the present Managing Director and CEO or Chairman.
- d) In case of re-appointment of Managing Director and CEO/ Part Time Chairman/ Whole Time Director, application shall be submitted at least six months before expiry of the term of office of the incumbent. Proposals for appointment of a new MD & CEO/ CEO, shall contain a panel of at least two names in the order of preference.
- e) The period of appointment of Managing Director & CEO/ Part Time Chairman/ Whole Time Director of the Bank can be up to three consecutive years or such other period as may be decided by the Reserve Bank of India.
- f) Subject to the statutory approvals required from time to time, the post of the Managing Director and CEO/ Whole Time Director of the Bank cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as Managing Director and CEO/ Whole Time Director in the Bank, if considered necessary and desirable by the Board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities, if any, in any capacity, either directly or indirectly.
- g) Managing Director and CEO/ Whole Time Director of the Bank who is also a promoter/ major shareholder, cannot hold the posts of Managing Director/ Whole Time Director for more than 12 years. However, in extraordinary circumstances, with the prior approval of the Reserve Bank, such Managing Director and CEO/ Whole Time Director of the Bank may be allowed to continue up to 15 years. While examining the matter of re-appointment of such MD and CEOs or WTDs within the 12/15 years' period, the Bank shall also take into consideration the level of progress and adherence to the milestones for dilution of promoters' shareholding in the Bank.

5.6 Due Diligence for appointment/ re-appointment of Directors of the Bank

In relation to the appointment or reappointment of Directors, the NRCCB shall undertake a comprehensive due diligence exercise to ensure that the individuals proposed to be appointed/ reappointed satisfy the criteria of integrity, competence, expertise, and experience, and are not subject to any disqualifications, conflicts of interest, or other factors that may render them unsuitable for such appointment. The

due diligence process shall involve verification of personal, professional, financial, and regulatory background, as well as an assessment conformity to the fit and proper criteria in accordance with applicable statutory and regulatory requirements and evaluation of the outcome of the performance conducted by the Board/NRCCB in accordance with the Policy on Performance Evaluation of the Board, Sub-Committees of the Bank.

For the purpose of assisting the NRCCB in the discharge of its responsibilities in relation to conducting of due diligence an executive level committee, named as a Due Diligence Committee of Executives is constituted comprising of Executive Vice President – Overseeing Human Resources (Chairman), Executive Vice President – Overseeing Branch Banking, Chief Financial Officer, Company Secretary as members and Chief Compliance Officer as invitee to the meeting and three members present at the meeting shall constitute a valid quorum for the meeting. Further, the NRCCB can reconstitute the committee as and when required.

The Operating Guidelines under the Nomination Policy shall prescribe the detailed procedure to be followed for the evaluation, and due diligence of individuals proposed to be appointed as Directors.

5.6.1 Due Diligence of members of Nomination Remuneration and Compensation Committee of the Board (NRCCB).

- a) The due diligence in respect of the members of the NRCCB shall be carried out by the Board of Directors of the Bank.
- b) The members of the NRCCB being interested parties, shall not be involved in the due diligence process.
- c) The member of the NRCCB proposing or seconding a candidate shall not participate in due diligence. In such cases, Board shall nominate another director as a temporary member of NRCCB, to conduct the exercise of due diligence in respect of the person proposed to be appointed as a Director on the Bank's Board.

5.7 Removal

- a) Due to any disqualification(s) mentioned in the Banking Regulation Act/ Companies Act/ 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.
- b) The removal of an independent director shall be subject to the approval of shareholders by way of a special resolution. In addition, an independent director appointed shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution.

5.8 Retirement

- a) The Director shall retire as per the applicable provisions of the Banking Regulation Act/ Companies Act/ Articles of Association of the Bank or under any other applicable Act, Rules and regulations there under and the prevailing policy of the Bank and NRCCB may appoint suitable persons in place of the retiring directors based on detailed due diligence on the proposed director.

5.9 Applicability of Banking Regulation Act, 1949/ guidelines of Reserve Bank of India/ directives and guidelines of Securities and Exchange Board of India

- a) For appointment/ re-appointment/ removal of Directors of the Bank, the provisions of the Companies Act, 2013, shall apply to the extent applicable, unless provided in the Banking Regulation Act/ RBI Guidelines/ directives and guidelines of Securities and Exchange Board of India.
- b) Whenever any of the provisions of Banking Regulation Act, 1949/ guidelines of Reserve Bank of India (including the amendments) come into conflict with the provisions of the Companies Act, 2013, or any subsequent modifications thereof, the provisions of Banking Regulation Act/ guidelines of Reserve Bank of India shall prevail.

(6) EVALUATION OF INDEPENDENT DIRECTORS, BOARD, MANAGING DIRECTOR AND CEO, WHOLE-TIME DIRECTORS, CHAIRPERSON, NON-INDEPENDENT DIRECTORS AND COMMITTEES OF BOARD

The Performance Evaluation of Independent Directors, Board as a whole, Managing Director & CEO, Whole-Time Directors, Chairperson, Non-Independent Directors and the Committees of the Board shall be in accordance with the Policy on Performance Evaluation of the Board, Sub-Committees of the Bank.

(7) MONITORING AND REPORTING

As part of the 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.

(8) REVIEW OF NOMINATION POLICY

The Committee and the Board shall review the Nomination Policy on a triennial basis.

The policy will be valid up to May 15, 2028. The directives/guidelines issued by RBI in this regard shall automatically become part & parcel of this Policy. The policy will remain in force till the renewal of the new policy. The NRCCB may allow continuation of the policy for maximum period of six months from due date of review in case the policy cannot be reviewed on or before due date.

(9) AMENDMENTS TO THE POLICY

- a) Any amendments to this Policy must be recommended by the NRCCB and approved by the Board.
- b) Any amendments/ modifications in various Acts, Rules and Regulations shall have overriding effect on the Nomination Policy to the extent applicable.

Revision History and Approvals

Revision No.	Issue Date	Amendment Description
1	05.11.2018	Annual Review
2	29.05.2020	Annual Review
3	26.05.2021	Annual Review
4	10.08.2022	Annual Review
5	10.05.2023	Annual Review
6	26.12.2023	Amendment
7	08.05.2024	Annual Review
8	16.05.2025	Annual Review
9	27.02.2026	Amendment