



Policy on Fit & Proper Criteria for Directors

November, 2023

Policy on Fit and Proper Criteria for Directors

1. Background

The Reserve Bank of India (“RBI”) had, vide its notification nos RBI/DNBR/2016-17/42 Master Direction DNBR.PD.004/03.10.119/2016-17 dated August 23, 2016 on Standalone Primary Dealers and RBI/DoR/2023-24/105 Master Direction on Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Direction DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 and any amendments thereof, mandated every Standalone Primary Dealer(SAPD)/Non-Banking Financial Company-Middle Layer (NBFC-ML) to put in place a Policy, duly approved by the Board of Directors, for ascertaining the ‘fit and proper’ status of Directors at the time of their appointment and also on a continuous basis (hereinafter referred to as the “Policy on Fit and Proper Criteria for Directors” / “Policy”).

SBI DFHI Limited (the “Company”), being a Standalone Primary Dealer and Non-Banking Financial Company-Middle Layer (NBFC-ML), is accordingly required to put such a Policy in place.

2. Applicability

This Policy on Fit and Proper Criteria for Directors (the “Policy”) applies to the individuals to be considered for the position of director on the Board of SBI DFHI Limited (the “Company”) and the continuing directors of the Company.

3. Purpose/Objective

The Objective and purpose of this policy is:

- To lay down fit & proper criteria & process of due diligence for determining the suitability of the Directors on the Board of the Company based on their qualifications, technical expertise, track record, integrity, etc. at the time of their appointment and on continuing basis.
- To frame fit and proper standards and measures for Directors and lay down the internal procedures for its implementation in order to comply with aforesaid RBI Directions.
- To ensure that each director to be appointed or already appointed understands, the fit and proper criteria policy and their obligation to continue to meet the requirements of the policy.

4. Evaluation of 'Fit and Proper' Criteria

4.1 The Company, while appointing the directors and at the time of their reappointment, shall ensure that the guidelines mentioned below are followed:

- a. The Company shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- b. The Company shall obtain the necessary declaration and undertaking from the proposed/ existing directors in the format enclosed as Annexure- A.
- c. The process of due diligence along with the scrutiny of declarations shall be undertaken by the Nomination and Remuneration Committee at the time of appointment / renewal of appointment of Directors.
- d. Based on the information provided in the signed declarations, Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the directors, where considered necessary.
- e. The Company shall obtain annually as on 31st March, a simple declaration from the directors that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.
- f. The Board of the Company must ensure in public interest that the nominated/elected Directors execute the 'Deed of Covenant' in the format enclosed as Annexure-B.

4.2 The various 'Fit and Proper' criteria which needs to be reviewed by the Remuneration and Nomination Committee before an appointment of a person as Director or after a person is appointed as Director on continuing basis shall include the following:

- a. The minimum qualification should be graduate in any field for considering appointment of the Director.
- b. Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-Middle Layer or NBFC-Upper Layer) at the same time.
- c. Whether the Person is qualified to be appointed as Director or not attracting any disqualifications as prescribed under various provisions of Companies Act, 2013 and other applicable rules and regulations

d. Whether any Proceedings have been initiated against the person in the past and /or pending as on date involving any civil, criminal, economic offence, taxation authorities or relating to any other regulatory body such as SEBI, IRDA, MCA etc.;

e. Whether the person or the entities in which he is interested have been subject to any investigation at the instance of any Government Department or Agency;

f. Whether the person or the entities in which the person is interested have been prosecuted / convicted for the violation of any laws and regulations.

g. The person either:

➤ has no conflict of interest in performing such person's duties as a director on the Board; or

➤ if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.

h. The person shall not hold any Key Managerial Personnel (KMP) position in any other NBFC-Middle Layer or NBFC Upper Layer. It is clarified that the KMP of the Holding Co. (SBI) can assume directorship in the Company.

4.3 The Nomination and Remuneration Committee will assess and evaluate the eligibility of the person based on the above mentioned Fit and Proper criteria before the appointment or any renewal of appointment of director.

5. REPORTING

The Company shall provide a quarterly statement to RBI (within 15 days of the close of the respective quarter) on change of Directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement submitted by the Company for the quarter ending March 31, shall be certified by the auditors as well.

6. REVIEW/RENEWAL

The Policy on Corporate Governance shall be reviewed/renewed annually by the Board of Directors or as and when necessary.

XXXXXX