

Srei Equipment Finance Limited

Policy on Fit & Proper Criteria for Directors

Version	Owner	Approved by	Approval Date
1.0	Secretarial	Board of Directors	09.01.2025

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1. Introduction

The Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October, 2023 issued by the Reserve Bank of India (RBI) and updated from time to time (**‘Master Directions’**) requires that the NBFCs shall ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the ‘fit and proper’ criteria of the directors at the time of appointment, and on a continuing basis.

Srei Equipment Finance Limited (**‘SEFL’** or the **‘Company’**) being a NBFC - Middle Layer (**‘NBFC-ML’**) is accordingly covered by the Master Directions.

This policy Fit and proper criteria for Directors’ has been framed in accordance with the Master Directions.

2. Objectives

The purpose of this Policy is to set a framework for ascertaining the ‘fit and proper’ criteria of Directors at the time of appointment and on an on-going basis.

3. Definition

In this Policy, unless the context otherwise requires:

‘Board of directors or **‘Board’**

Shall mean the collective body of the Directors of the Company;

‘Company’ or **‘SEFL’**

Means Srei Equipment Finance Limited;

‘Director’

Shall mean a Director appointed to the Board of a company;

‘Independent Director’

Shall mean an Independent Director of the Company within the meaning of the Companies Act, 2013;

‘Managing Director’

Shall mean the Managing Director as defined in Section 2(54) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;

‘Master Directions’

Shall mean the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October, 2023 issued by the Reserve Bank of India (RBI) and updated from time to time;

‘Nomination and Remuneration Committee’ or ‘NRC’

Shall mean the Nomination and Remuneration Committee constituted in accordance with the Section 178 of the Companies Act, 2013 and the Master Directions;

‘Policy’

Shall mean this “Policy on ‘fit & proper’ criteria of Directors” of the Company;

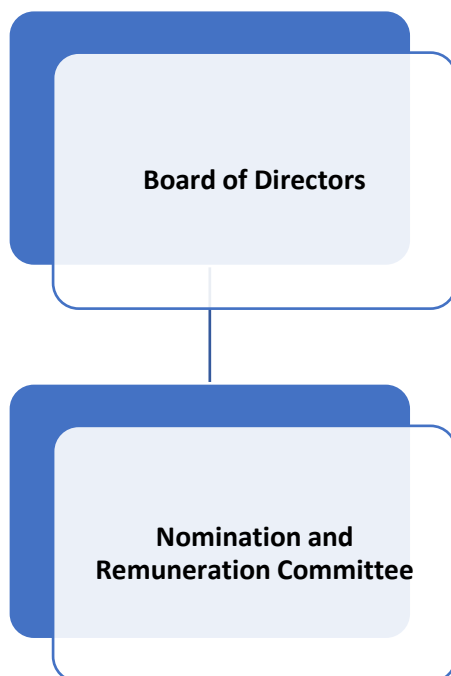
‘Senior Management’

Senior Management shall mean officers/personnel of the Company who are Members of its core management team excluding the Board of Directors. This would include all members of management one level below the CEO and includes all functional heads as well as KMPs.

4. Scope of application

This Policy will apply at the time of appointment and on a continuing basis as a Director of the Company.

5. Governance Structure



5.1 Board of Directors

- i) The Board shall ensure that a policy is put in place for ascertaining the ‘fit and proper’ criteria of the directors at the time of appointment, and on a continuing basis in line with the Master Directions.

- ii) The Board of Directors has constituted the Nomination and Remuneration Committee (NRC) (Constitution is attached in Annexure 1).

5.2 Nomination and Remuneration Committee

The scope and Terms of Reference of the Nomination and Remuneration Committee as set by the Board of Directors of the Company inter alia include to:

Mandatory terms of reference as per Companies Act 2013

- a) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- b) Specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- c) Recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
- d) Ensure that while formulating the policy, the following points should atleast be incorporated:
 - level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Mandatory terms of reference as per RBI Circulars

- e) Committee shall review the following:
 - i. 'Fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management;
 - ii. Remuneration to Directors, Key Managerial Personnel (KMPs) and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
 - iii. Compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP);
 - iv. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

Terms of Reference in pursuance of Good Governance

- f) Evaluate the current composition and organization of the Board and its committees in light of requirements established by any Regulatory Body or any other applicable statute, rule or regulation which the Committee deems relevant and to make recommendations to the Board in respect to the appointment, re-appointment and resignation of Independent, Executive and Non – Executive Directors of the Company;
- g) Review and recommend to the Board an appropriate course of action upon the resignation of current Board members, or any planned expansion of the Board, and review the qualifications, experience and fitness for service on the Board of any potential new members of the Board;
- h) Review/recommendation/approval of Succession Plan for the Key Managerial Personnel (KMPs) and Senior Management of the Company;
- i) Formulate, administer and supervise the Company's Stock Option schemes, if any, in accordance with relevant laws;
- j) Formulate the criteria for evaluation of Independent Directors and the Board;
- k) Devise a policy on Board diversity and review the same in timely manner.
- l) To work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks;
- m) Undertake any other responsibility as laid down by RBI from time to time;
- n) Performing such other activities as may be delegated / referred to by the Board of Directors and/or are statutorily prescribed under any law is to be attended to by the Nomination and Remuneration Committee; and
- o) To delegate any of the above matters to any executive of the Company / sub-committee except those not allowed to be delegated under law.

6. 'Fit & Proper' Criteria of Directors

- 6.1 The Nomination and Remuneration Committee shall ensure fit and proper status of proposed/ existing directors. The NRC shall obtain a declaration and undertaking from the directors on the lines of the format as prescribed by the RBI as and when required under law for obtaining certain information on the directors.
- 6.2 Based on the declaration and undertaking, the methodology to be adopted by the NRC is as follows:
 - In case of a new appointment/re-appointment:
 - The NRC will, after considering the Fit and Proper Criteria listed below make its recommendations to the Board for taking forward the appointment of the Director.

- In case of an existing Director:

If, in case of an existing Director, based on review of Declaration given by the Director or otherwise, the NRC is of the view that there is a substantial change in the Fit and Proper situation of a Director, the NRC may carry out appropriate discussions with the Director, and thereafter, the NRC may make such further recommendations to the Board as it may deem appropriate in the circumstances.

- 6.3 The Company has put in place this “Fit & Proper Criteria” for ascertaining the eligibility for appointment/re-appointment of Director of the Company on a continuing basis. The NRC shall carry out adequate due diligence of a person at the time of appointment / reappointment as a Director and/or for continuation as a Director (annually), on the basis of qualifications, expertise, track record, integrity and other ‘fit & proper’ criteria prescribed under regulatory norms.
- 6.4 The various ‘Fit and Proper’ criteria which need to be reviewed by the Nomination and Remuneration Committee before an appointment of a person as Director or after a person is appointed as Director on continuing basis shall include but not limited to the following:
- i) The Person qualified to be appointed as Director, not attracting any disqualifications as prescribed under various provisions of Companies Act, 2013 and other applicable law as amended from time to time;
 - ii) No 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 or under any other applicable law which ‘disqualifies the person for being appointed as a Director at the time of appointment;
 - iii) The person or the entities in which he is interested must not have been subjected to any investigation at the instance of any Government Department or Agency;
 - iv) The person or the entities in which the person is interested must not have been prosecuted / convicted for the violation of any economic laws and regulations;
 - v) The person shall have high standards of integrity, ethics and values;
 - vi) The person shall have sufficient knowledge and understanding to discharge the duties of a Director with due care and diligence;
 - vii) The person shall not be involved in any situation of conflict of interest with the Company and shall promptly make necessary disclosures in this regard, wherever required;
 - viii) The person shall be willing to devote sufficient time and energy towards the business affairs of the Company;
 - ix) Where considered necessary by the Committee, personal Interaction;
 - x) Information available in the public domain.
- 6.5 The NRC while ascertaining the ‘fit and proper criteria’ for appointment may also consider the following:
- i) Competence - Competence of the person as assessed in terms of formal qualifications, previous experience and track record; specifically, the NRC may consider the relevance of the qualifications, experience and track record of the person to the business of the Company;



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- ii) Integrity - to be assessed based on factors such as civil actions undertaken to pursue personal debts, refusal of admission to, or expulsion from professional bodies, sanctions applied by regulators or similar bodies, and previous questionable business practices etc.;
- iii) Association of the person with any other business / NBFC or entity as a promoter/Director or has substantial interest, and whether in any manner, such association conflicts with the interest of the Company; and
- iv) Such other factors as the NRC may consider relevant to the appointment as a Director.
- v) An Independent Director shall not be on the Board of more than three NBFCs at a same time.
- vi) At least one of the Directors should have relevant experience of having worked in a Bank/NBFC.
- vii) There should not be any conflict between the Independent Directors being on the Board of another NBFC at the same time.

7. Due Diligence Process

Due diligence of Directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. is important for the Company. In order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, the Company shall ensure that the procedures mentioned herein below are followed and minimum criteria are fulfilled while appointing/re-appointing the Directors:

- 7.1 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;
- 7.2 To comply with the above, the necessary information and declaration from the proposed/ existing Directors shall be obtained;
- 7.3 The process of due diligence shall be undertaken by the Company at the time of appointment / renewal of appointment;
- 7.4 In case of appointment or reappointment of a Director, the Company shall obtain information / declaration from the proposed / existing Director, in the format given at Annexure-2.
- 7.5 The process of due diligence along with scrutiny of the declarations shall be undertaken by the Nomination and Remuneration Committee at the time of appointment / renewal of appointment. Accordingly, the Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the Directors, where considered necessary and recommend the same to the Board for approval;
- 7.6 The decision of NRC along with the declaration received from the Director shall be placed before the Board of Directors;
- 7.7 The NRC shall ensure that in public interest the nominated/elected Directors execute the 'Deeds of Covenants' with the Company (in duplicate), in the format given at Annexure-3;
- 7.8 Every year as on 31st March, a simple declaration from the Directors shall be obtained that the information / declaration already provided has not undergone any change, or wherever there is any change, the requisite details shall be furnished forthwith.
- 7.9 The NRC shall scrutinize the annual information / declaration to carry out adequate due diligence and review 'fit & proper' status of the Director. The NRC shall keep the Board apprised of changes, if any.
- 7.10 The NRC is authorized to undertake any other actions / steps required to carry out due diligence of a person at the time of appointment / reappointment as a Director and/or for



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continuation as a Director, in order to comply with the regulatory requirements applicable to the Company.

8. Reporting to RBI

The Company shall furnish a quarterly statement to the Department of Supervision, RBI (within 15 days from the end of the quarter) about change(s) in the Directors of the Company, certified by the CEO that 'fit & proper' criteria in selection of the Director(s) has been followed.

The statement for the quarter ending 31st March of the year shall be also certified by the auditors.

9. Review of Policy

This policy shall undergo annual review from the date of approval by the Board. However, reviews and modifications at shorter intervals may be carried out, if deemed necessary by the organization, based on changes in the regulatory guidelines. Such changes shall be carried out through an inter-office memo after obtaining views from relevant stakeholders and approval from NRC. A summary of all such changes shall be tabled to the Board of Directors on a quarterly basis.

Annexures -1

Composition of the Nomination and Remuneration Committees

Composition	Quorum	Meeting Frequency	Secretary	Chairperson
i) Ms. Neeta Mukerji Independent Director – Chairman ii) Mr. N Sivaraman, Independent Director – Member iii) Mr. SharadKumar Bhatia, Independent Director – Member	One Third of the total strength or two whichever is higher subject to a minimum of one Independent Director being present	As and when required by the NRC but it shall meet at least once in a year	Company Secretary	Ms. Neeta Mukerji Independent Director

Format for obtaining information / declaration from the proposed / existing Director

Srei Equipment Finance Limited

CIN: U70101WB2006PLC109898

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)		
I	Personal details of director	
a.	Full name	
b.	DIN	
c.	Nationality	
d.	Date of Birth and age	
e.	Educational /Professional Qualifications	
f.	Relevant Background and Experience	
g.	Permanent Address	
h.	Present Address	
i.	E-mail Address / Telephone Number	
j.	Permanent Account Number under the Income Tax Act, 1961 and name and address of Income Tax Circle	
k.	Relevant knowledge and experience	
l.	Experience in the business of NBFC (number of years)	
m.	Equity shareholding in SEFL – No, of shares held if any	
n.	Any other information relevant to Directorship of SEFL	
II	Relevant Relationships of director	
a.	List of Relatives if any who are connected with SEFL (Refer Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014), as amended)	
b.	List of entities if any in which he/she is considered as being interested (Refer Section 184 of the Companies Act, 2013)	
c.	List of entities (including companies, firms and proprietary concerns) in which he/she is considered as holding substantial interest within the meaning of para 5.1.33 of the Master Directions	
d.	Names of the principal bankers to the concerns named above.	
e.	Name/s of other companies in which the person has held the post of Chairman / Managing Director / Director / Chief Executive Officer	
f.	Name/s of regulators (RBI, SEBI, IRDA or any other regulator) of the entities mentioned in which the person	

	holds directorships	
g.	Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held) or as a promoter/KMP	
h.	Whether number of directorships held by the person exceeds the limits prescribed under Section 165 of the Companies Act, 2013.	
i.	Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from SEFL	
j.	Cases, if any, where the director, his/her relatives or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from SEFL or any other entity/NBFC / bank.	
III	Records of professional achievements	
a.	Relevant professional achievements	
IV	Proceedings, if any, against the director	
a.	If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d.	Whether the director attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013?	
e.	Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g.	Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA (Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same, in case the reversal/setting aside is on	



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	technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
V	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	
Undertaking		
I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep SEFL fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above		
I also undertake to execute the deed of covenant required to be executed by all directors of SEFL		
Place :		Signature
Date :		
VI	Remarks of Chairman of Nomination and Remuneration Committee/Board of Directors of SEFL	
Place :		Signature
Date :		

Form of Deed of Covenants with a Director of the Company

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ BETWEEN Srei Equipment Finance Limited, having its registered office at 'Vishwakarma', 86C Topsia Road (S), Kolkata - 700046 (hereinafter referred to as 'SEFL') of the one part and Mr / Ms _____ of _____ (hereinafter called the "Director") of the other part.

WHEREAS

- A. The director has been appointed as a director on the Board of Directors of SEFL hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with SEFL.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

- 1. The director acknowledges that his / her appointment as director on the Board of SEFL is subject to applicable laws and regulations including the Memorandum and Articles of Association of SEFL and the provisions of this Deed of Covenants.
- 2. The director covenants with SEFL that:
 - a) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between SEFL and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
 - b) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
 - c) The director shall provide to SEFL a list of his / her relatives as defined in the Companies Act, 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.
 - d) The director shall in carrying on his / her duties as director of SEFL:



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- i. use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
 - ii. in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of SEFL;
 - iii. shall keep himself / herself informed about the business, activities and financial status of SEFL to the extent disclosed to him / her;
 - iv. attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of SEFL;
 - v. shall not seek to influence any decision of the Board for any consideration other than in the interests of SEFL;
 - vi. shall bring independent judgment to bear on all matters affecting SEFL brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - vii. shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
 - viii. shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;
- e) The director shall have:
- i. fiduciary duty to act in good faith and in the interests of SEFL and not for any collateral purpose;
 - ii. duty to act only within the powers as laid down by SEFL's Memorandum and Articles of Association and by applicable laws and regulations; and
 - iii. duty to acquire proper understanding of the business of SEFL.
- f) The director shall:
- i. not evade responsibility in regard to matters entrusted to him / her by the Board;
 - ii. not interfere in the performance of their duties by the whole-time directors and other officers of SEFL and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
 - iii. not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by SEFL in his / her capacity as director of SEFL only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. SEFL covenants with the director that:

- i. SEFL shall apprise the director about:
 - a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - b) control systems and procedures;
 - c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - e) corporate policies and procedures;
 - f) insider dealing restrictions;



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- g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - h) appointments of Senior Executives and their authority;
 - i) remuneration policy,
 - j) deliberations of committees of the Board, and
 - k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of SEFL, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
 - ii. SEFL shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of SEFL and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;
 - iii. the disclosures to be made by SEFL to the directors shall include but not be limited to the following :
 - a. all relevant information for taking informed decisions in respect of matters brought before the Board;
 - b. SEFL's strategic and business plans and forecasts;
 - c. organisational structure of SEFL and delegation of authority;
 - d. corporate and management controls and systems including procedures;
 - e. economic features and marketing environment;
 - f. information and updates as appropriate on SEFL's products;
 - g. information and updates on major expenditure;
 - h. periodic reviews of performance of SEFL; and
 - i. report periodically about implementation of strategic initiatives and plans;
 - iv. SEFL shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
 - v. advise the director about the levels of authority delegated in matters placed before the Board.
4. SEFL shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. SEFL shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of SEFL to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of SEFL.



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7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of SEFL..
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For Srei Equipment Finance Limited

Director

Name:

Name:

Title:

In the presence of:

1.

2.