



**ELECTRONICA FINANCE LIMITED**  
**POLICY ON FIT AND PROPER CRITERIA FOR DIRECTORS**

## **1. PREAMBLE:**

The Board of Directors (the "Board") of Electronica Finance Limited (the "Company"), has adopted the following policy with regard to ascertaining the Fit and Proper criteria of Directors at the time of their appointment and on continuing basis as defined below. This Policy will be applicable to the Company. This Policy is to ensure that the Directors of the Company who are responsible for steering the affairs of the Company are fit and proper, besides having the necessary qualifications.

## **2. PURPOSE:**

This Policy has been framed as required under 'Revised Regulatory Framework for NBFC' issued by the Reserve Bank of India ("RBI") vide its circular no. RBI/2014- 15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 ("RBI Circular") and amendments thereunder. This Policy intends to establish a system/process in place for undertaking due diligence of persons before appointing them on the Board and on continuing basis by ascertaining their suitability for the post on basis their qualifications, technical expertise, track record, integrity etc.

The Policy on Fit and Proper Criteria for Directors ('Policy') provides general guidance and is not intended to be comprehensive nor replaces or overrides any guidelines on fit and proper. This should be read in conjunction with the provisions of the applicable law, as well as written directions, notices, codes, and other guidelines that EFL may issue from time to time pursuant to the applicable law.

In accordance with governing guideline a Director is considered to be 'fit and proper' if the person essentially is qualified, competent, has integrity, is honest, reputable, reliable and discharges and/ or is likely to discharge his/ her responsibilities diligently and fulfils the criteria set under this Policy

## **3. APPLICABILITY**

This Policy shall be applicable to all the directors of the Company. The term 'Director' in this Policy shall have the same meaning as it has been defined in Section 2(34) of the Companies Act, 2013 which states that 'director' means a director appointed to the Board of Directors ('Board') of a company. The Company shall evaluate "fit and proper" criteria for the Directors of the Company at the time of appointment and on a continuing basis.

## **4. DEFINITIONS:**

**"Nomination and Remuneration Committee or NRC"** means the Nomination and Remuneration Committee of the Board of Directors of the Company constituted under provisions of Companies Act, 2013.

**"Board"** means Board of Directors of the Company.

**"Policy"** means Director's Fit and Proper Policy.

**"Company"** means the Electronica Finance Limited.

## 5. POLICY:

5.1 The Company, while appointing directors, shall ensure that the procedures 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) To comply with the above, the necessary information and declaration from the proposed/ existing Directors for ensuring shall be obtain in the format given at Annexure– A.
- c) 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.
- d) Every year as on 31st March, declaration from the directors shall be obtained that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.
- e) It shall be ensured that a 'Deed of Covenant' is executed with the nominated/ elected directors execute as per the format given in Annex-3.
- f) Independent /non-executive Directors nominated to the board of NBFC should be between 35 to 70 years of age.

5.2 The Nomination and Remuneration Committee shall be authorized to undertake any action/ step required to be taken to comply with the requirements prescribed under the RBI Circular or any amendments thereof.

5.3 The Nomination and Remuneration Committee shall determine the criteria of appointment to the Board and shall be vested with the authority to identify candidates for appointment to the Board of Directors. In evaluating the suitability of a person for appointment / continuing to hold appointment as a Director, the NRC will take into account apart from others his eligibility, qualification, expertise, track record, integrity and other 'fit and proper' criteria as may be determined from time to time.

5.4 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 the following:

- i. Whether the Person is qualified to be appointed as Director or not attracting any disqualifications as prescribed under various provisions of Companies Act, 2013, erstwhile Companies Act, 1956 and SEBI Regulations:
- ii. 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.;

- iii. 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;
- iv. Whether the person or the entities in which the person is interested have been prosecuted / convicted for the violation of any economic laws and regulations.

5.5 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 and subsequently the aforesaid criteria's will be reviewed /evaluated by the NRC on continuing basis.

## **6. FIT AND PROPER CRITERIA**

For the purposes of this Policy, a Director will be deemed to be a 'Fit & Proper' person if they satisfy the following criteria:

- Provide the necessary information and declaration as given in the RBI Directions.
- Sign and submit to the Company the 'Declaration and Undertaking' giving additional information set out in the RBI Directions ('Declaration') and there is no credible information which contradicts the facts asserted in the Declaration. The Director shall also provide annually as on 31st March a Declaration that the information already provided has not undergone any change and where there is any change, requisite details are furnished by them forthwith to the Company in accordance with the RBI Directions.
- Continue to satisfy the requirements, as well as the spirit and intent, of this Policy.
- Newly nominated/ elected Directors shall execute the deeds of covenants as per the format given in the RBI Directions.
- If a person who has been proposed to be appointed as Director of the Company cannot or does not sign the Declaration, then he shall not be deemed to be a 'Fit and Proper' person.

## **7. PARAMETERS OF DISQUALIFICATIONS**

The proposed person for the position of a Director of the Company shall not suffer any of the following disqualifications: -

- Proposed director is of unsound mind and stands so declared by a competent court;
- Proposed director is an undischarged insolvent;
- Proposed director has applied to be adjudicated as an insolvent and his application is pending;
- Proposed director has been convicted or found guilty by a court of any offence of a disciplinary

or criminal nature, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

- An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- Proposed director has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;
- Proposed director has been convicted of the offence dealing with related party transactions under section 188 of the Companies Act, 2013 at any time during the last preceding five years;
- Proposed director has not been allotted a Director Identification Number (DIN);
- Proposed director has not complied with the provisions of sub-section (1) of Section 165 of the Companies Act, 2013;
- Proposed director is in any manner associated with any unincorporated body that is accepting deposits;
- Proposed director has been subject to any adverse findings or any settlement in civil proceedings, particularly in connection with banking or other financial business, misconduct, or fraud;
- Proposed director has controlling interest or exercises significant influence, has been investigated and disciplined or suspended by a regulatory or professional body, a court or tribunal, whether publicly or privately;
- Proposed director has been a director, partner, or otherwise involved in the management of a business that has gone into receivership, insolvency, or compulsory liquidation while the proposed director was connected with that organization or within a reasonably short period (e.g. one year) after the proposed director's departure from the institution;
- Proposed director has been dismissed, asked to resign or resigned from directorship or similar position because of questions about honesty and integrity;
- Proposed director has ever been disqualified from acting as a director or serving in a managerial capacity because of wrongdoing;
- Proposed director has not been fair, truthful and forthcoming in dealings with customers, superiors, auditors and regulatory authorities within the past ten years and has been the subject

of any justified complaint relating to regulated activities; or

- No person shall be eligible to be re-appointed as a Director of the company for a period of five years from the date on which the company in which he is/was a Director, has failed to file financial statements or annual returns for any continuous period of three financial years; or failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more.

## **8. RESPONSIBILITY OF DIRECTORS**

This section describes the allocation of responsibility for implementation of this Policy. Occupant of a position of responsibility as Director:

A person who occupies, or has proposed to occupy, a position of responsibility as a Director must:

- adhere to the principles and values contained in this Policy;
- discharge their responsibilities with competence and integrity. EFL has a Code of Conduct for the organization as a whole which outlines the minimum standard of behavior it expects;
- successfully undertake assessment as a 'Fit and Proper' person before appointment to the position of Director; and
- complete and execute a 'Fit and Proper' Person declaration in accordance with this Policy.

The NRC will ensure that the Company has Board approved Remuneration Policy and the person proposed to be appointed as Director shall be guided by the said Remuneration Policy. In addition to this NRC shall also ensure: -

- Fit and Proper Person' assessments and the process of due diligence along with scrutiny of the information, declarations and undertakings are conducted at the time of appointment of the Directors and on continuing basis;
- From time-to-time revise and recommend to the Board "Criteria for Director's Appointment", in line with applicable law;
- Annual reviews of declaration from each Directors;
- Undertake any action/ step required to be taken to comply with the requirements prescribed under the applicable RBI regulations or any amendments thereof in this regard

Further, the NRC shall, based on the information provided by the proposed director, in the signed Declaration, decide on the acceptance or otherwise of the Directors.

In addition, the Company shall furnish to the Reserve Bank of India (RBI) within 15 days of the close of the respective quarter, a quarterly statement on change of directors and a certificate from the Managing Director that fit and proper criteria in selection of the directors has been followed. The statement submitted by applicable NBFC for the quarter ending March 31, shall be certified by the auditors of the Company.

## **9. RESPONSIBILITY FOR EXECUTION OF THE POLICY**

The Nomination and Remuneration Committee (NRC) of the Company will be responsible for execution of this Policy as per its charter approved by the Board. The NRC should ensure:

- To establish a fit and proper criteria policy, taking into account the fit and proper criteria stated in governing law;
- To have documented the process used to assess whether a person is fit and proper and reasons for any decisions made;
- To identify candidates for appointment to the Board;
- That the candidates who are being considered for appointment/ continuing to hold the position of Director meets the fit and proper test before appointments are being made;
- To undertake proper due diligence at the time of appointment/ re-appointment of Directors including reviewing the declarations made by them. This will enable to ascertain suitability for the position of directorship by way of qualifications, technical expertise, track record, integrity, etc.

## **10. REVIEW OF THE POLICY**

The NRC and/or Board will oversee the implementation of this Policy and review its functioning periodically.