

# POLICY ON SELECTION AND “FIT AND PROPER” CRITERIA

## 1. Introduction

In terms of Section 178 of the Companies Act, 2013 read with rules framed thereunder (“the Act”) the Nomination and Remuneration Committee which is inter-alia responsible to identify persons who are qualified to become directors and who may be appointed in senior management and recommend to the Board their appointment and/or removal. Accordingly, the Nomination and Remuneration Committee is required to adopt a policy for laying down the criteria for identifying persons eligible to hold such respective positions.

Further, in terms of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions 2023 (“RBI Directions”) issued by Reserve Bank of India (“RBI”), the Company is required to adopt a policy for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis.

In compliance with the provision of the Act and RBI Directions, the Board on recommendation of the Nomination and Remuneration Committee of the Company have adopted this Policy on Selection Criteria/ “Fit & Proper” Person Criteria (“Policy”) for Director(s) and Senior Management Personnel of the Company, as applicable.

## 2. Definition

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” (KMP) refers to key managerial personnel as defined under the Companies Act, 2013

“**Nomination and Remuneration Committee**” (NRC) means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” shall mean officers/personnel of the Company who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director including chief executive officer, in case they are not part of the board and shall specifically include company secretary and chief financial officer.

## 3. Purpose/ Objectives

- To lay down a framework in relation to appointment and removal of Director(s) and Senior Management Personnel.
- To lay down the criteria for determining the qualifications, positive attributes for appointment and

removal of Director(s) and Senior Management Personnel and criteria for determining independence for Independent Director(s);

- To lay down fit & proper person criteria and process of due diligence to determine the suitability / eligibility of a person for appointment / holding the position as a Director on the Board of the Company.

#### **4. Process/Manner of Selection for Appointment Selection of Director(s):**

The selection of directors may, inter alia be done from the following sources:

- Within the Company hierarchy
- Selection from outside
- For independent directors, from the databank of independent directors maintained in accordance with the provisions of the Act
- Nomination from any shareholder in compliance with applicable acts, rules, laws and regulations.

#### **Selection of Senior Management:**

- Within the Company hierarchy
- Selection from outside

#### **5. Criteria for Selecting a Person for Position of a Director**

The Nomination and Remuneration Committee of the Board of the Company may consider the following criteria, while assessing the suitability of an individual as a director on the Board of the Company: -

- Eligibility in accordance with the applicable provisions of the Act, rules made thereunder and provisions of the RBI including compliance with age limit criteria; and other applicable law(s) for the time being in force.
- Adequate qualifications, financial or business literacy/skills, in context with the business of the Company, inter-alia including Leadership, Experience in the Financial Services Industry, Strategic Planning, Knowledge of Regulatory Environment, Financial and Accounting Expertise, Board Service, Corporate Governance and Risk Management and knowledge in the field of Information Technology.
- Demonstration of independence, integrity, high personal and professional ethics; -
- Ability and willingness to commit sufficient time to the responsibilities as a Board member.
- Understanding of the Company's business and related industry.
- Skills/expertise/competence required in relation to the business of the Company and the sectors in which it operates for effective functioning.
- Educational and professional background – professional qualification and/or experience of - having run a business at senior management level and the decision-making process.
- Sufficient experience as well as length of service available.
- Ability to assess the conflict of interest, if any.
- Expertise and track record in their respective fields with significant achievements.

- Morality, Integrity, credibility, ability to handle conflicts constructively.
- Knowledge and skills updating routine in the field of Finance.
- Ability to bring in independent judgment to bear on the Board's deliberations.
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.

Additional criteria for appointing Independent Directors:

- Meeting the criteria of Independence, at the time of appointment and on an ongoing basis, as prescribed under Section 149 of the Act and other applicable laws, if any.
- Commitment to abide by the Code for Independent Director(s) prescribed in Schedule IV to the Act.

## 6. **Criteria for Selecting a Person for Position Senior Management**

The person(s) proposed to be appointed as Senior Management Personnel shall possess the required qualifications, experience, skills and expertise which in the view of the Managing Director, Chief Peoples Officer and Nomination and Remuneration Committee are adequate to effectively discharge their duties and responsibilities in context with the role assigned.

## 7. **"FIT & PROPER" Criteria and due diligence mechanism**

As highlighted in RBI Master Direction, NBFC shall have in place policy for 'fit and proper' criteria of the directors at the time of appointment, and on a continuing basis. The specific 'fit and proper' criteria to be fulfilled by the Directors were also advised.

The importance of due diligence of Directors is to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. Further, in order to streamline and bring in uniformity to the process of due diligence while appointing Directors, NBFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on their Boards.

Savani shall diligently follow the guidelines and criteria given below:

- a. SAVANI 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 qualifications, expertise, track record, integrity and other 'fit and proper' criteria. SAVANI would obtain necessary information and declaration from the proposed / existing Directors for this purpose in the format prescribed by RBI as given in **Annexure A**
- b. The process of due diligence shall be undertaken by SAVANI at the time of appointment / renewal of appointment.
- c. The Board of SAVANI shall constitute Nomination Committee to scrutinize the declarations.

- d. Based on the information provided in the signed declaration, the Board would decide on the acceptance or otherwise of the Directors, where considered necessary.
- e. SAVANI would annually on 31<sup>st</sup> March, obtain a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- f. The Board of SAVANI would ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format given in **Annexure B**.
- g. Independent /non-executive Directors nominated to the board of SAVANI would be between 35 to 70 years of age.

SAVANI shall furnish to the RBI a quarterly statement on change of Directors, and a certificate from the Managing Director of SAVANI that fit and proper criteria in selection of the Directors has been followed. The statement has to reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted by SAVANI for the quarter ending March 31, would be certified by the statutory auditors.

## 8. **Removal of Director(s)/Senior Management**

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, rules and regulations there under and / or for any disciplinary reasons and subject to such applicable laws, rules and regulations, the NRC may recommend, to the Board, with reasons recorded in writing, removal of any Director or Senior Management.

## 9. **Review**

The policy comes into force from the date it is approved by the Board. The Board shall, as and when required, assess the adequacy of this Policy and make any necessary amendments to ensure it remains consistent with the Board's objectives, current law and best practices. The Chief People Officer and Company Secretary and Compliance Officer shall be responsible for review and implementation of this policy, maintaining minutes of NRC and the Board in connection with this Policy.

The Nomination and Remuneration Committee shall, as and when required, assess the adequacy of this Policy and make any requisite modifications / amendments to ensure it remains consistent with the Board's objectives, current Regulatory provisions and good governance practices