



# CAPITALINDIA

Rediscover Business

## FIT AND PROPER CRITERIA POLICY

Version  
Approved By  
Effective date

1.0  
Board of Directors  
December 01, 2023

## 1. Introduction

The Board of Directors of the Company shall *inter-alia* be responsible to identify persons who are qualified to become directors and who may be appointed in senior management of the Company and for the appointment and/or removal. Accordingly, the Board shall be required to adopt a policy for laying down the criteria for identifying persons eligible to hold such respective positions.

The Reserve Bank of India (“RBI”) vide its Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 (“**Master Directions**”) requires the non-banking financial companies (“**NBFCs**”) to adopt a policy for ascertaining the fit and proper criteria to be adopted at the time of appointment of any director, and on a continuing basis.

In compliance with the provision of the Act and the Master Directions, the board of directors of the Company (“**Board**”), have adopted this fit and proper criteria policy (“**Policy**”) for the directors and senior management of the Company, as applicable.

## 2. Objective

- a) To lay down a framework in relation to appointment and removal of the director(s) and senior management of the Company;
- b) To lay down the criteria for determining the qualifications, technical expertise, positive attributes, integrity and independence of the director(s); and
- c) To lay down fit & proper person criteria and process of due diligence to determine the suitability / eligibility of a person for appointment / to continue to hold the position as a director of the Company.

## 3. Definitions

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Master Directions or the Act, and the rules and regulations made thereunder, as the case may be or in any amendment thereto.

## 4. Process / Manner of Selection for Appointment

- A. Selection of the director(s) of the Company, other than the nominee directors to be appointed by the financial institutions, banks or NBFCs in accordance with the term and conditions of the financing facilities availed by the Company, can *inter-alia* be made in any of the following ways:
  - a) from within the Company hierarchy;
  - b) recruitment from outside;
  - c) selection from data bank of independent directors maintained in accordance with the provisions

of the Act (for appointment of a person as an independent director of the Company);

- d) nomination from any shareholder in compliance with the applicable laws;
  - e) in any other manner as governed / directed by any other relevant existing policy(ies) or as per the discretion of the Board.
- B. Selection of members in senior management of the Company can inter-alia be made in any of the following ways:
- a) from within the Company hierarchy;
  - b) recruitment from outside;
  - c) nomination from any shareholder or any third party in compliance with the applicable laws and their respective contractual rights;
  - d) in any other manner as governed / directed by any other relevant existing policy(ies) or as per the discretion of the Board.

## 5. Fit and Proper Criteria and its Due Diligence Mechanism for Directors

- A. The following broad parameters / aspects / criteria shall be considered while assessing the suitability of a person for appointment / to continue to hold the position as a director of the Company:
- a) **Skills and Experience:** The person should have appropriate skills and experience in one or more fields of finance, law, management, accounting, taxation, sales, marketing, human resource management, administration, corporate governance, operations or any other discipline related to the business of the Company, and ability to handle any conflict constructively, bring independent judgement and possess the willingness to address critical issues proactively, which can help to effectively contribute towards the goals of the Company.
  - b) **Understanding of Business:** The person should have an understanding of the business of the Company, its group companies and/or related industry.
  - c) **Conflict of Interest:** The person should not hold any conflicts of interest with the Company in any manner whatsoever.
  - d) **Regulatory Requirements:** The number of companies in which such person holds directorship should not exceed the number prescribed under the Act. No person will be considered for appointment as a director if such person is disqualified to act as director under Act or any other applicable law.
  - e) **Independence:** The person proposed to be appointed as an independent director of the Company

should not have any direct or indirect pecuniary relationship with the Company and must satisfy the requirements or criteria of independence, integrity, relevant expertise or experience, etc., as required under the Act.

- f) **Educational and Professional Background:** The person should have appropriate and adequate professional qualification and/or experience of having run a business at senior management and decision-making level.
- g) **Interpersonal Skills:** The person should have the ability to work collaboratively, communicate effectively and display the commitment and work ethic and contribute to the Board's working relationship with the senior management of the Company.
- h) **Track Record and Integrity:** The person should have good track record and possess the highest personal and professional ethics, integrity and values.

The Board may, at its discretion, apply additional or different criteria as it may deem fit while considering or assessing the suitability of a person for appointment / to continue to hold the position as a director of the Company.

- B. Before appointing any person as a director on the Board or continuing the appointment of any such director, the Board shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the above criteria and also such other factors in respect of which information is obtained by the Company in the Declaration and Undertaking (as defined below).
- C. The Company shall, prior to the appointment of any person as a director on the Board, obtain necessary information and declaration from the proposed directors, in the format as prescribed under the Master Directions or such other format which may be prescribed by the RBI from time to time ("**Declaration and Undertaking**"). The Declaration and Undertaking in respect of the existing directors on the Board as on the effective date of this Policy shall be obtained from the directors.
- D. The Board shall scrutinize each Declaration and Undertaking received and accept or reject the appointment of new directors or renewal of appointment of existing directors whose appointment is to be continued or renewed, as the case may be.
- E. In order to conclude that a person is 'fit and proper' to be appointed as a director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, that:
  - a) the person meets the fit and proper criteria expressly set out by the RBI in the Master Directions or such other conditions as may be prescribed by the RBI from time to time or as may be prescribed under any other law;
  - b) the person possesses the requisite skills, experience, qualifications, technical expertise, competence, track record, integrity, judgement, etc. to perform properly the duties of a director on

the Board;

- c) 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 any risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.
- F. The Company shall require every director on the Board to annually, provide a simple declaration (reflecting the position as on March 31 of the previous financial year) which either confirms that the information already provided to the Board in the Declaration and Undertaking has not undergone any change, or where there is any change, specifies the requisite details of such change. Any declarations which indicate a change in the information provided in the original Declaration and Undertaking shall be presented to the Board.
- G. The Board shall ensure that any person who is appointed as director on the Board shall, on or before the date on which such person's appointment becomes effective, execute a deed of covenant in the format as prescribed under the Master Directions or such other format as may be prescribed by the RBI from time to time ("**Director Covenant**"). The Director Covenant in respect of the existing directors on the Board as on the effective date of this Policy shall be executed between the Company and such directors.
- H. The Company shall provide a statement to the RBI on a quarterly basis (no later than 15 (Fifteen) days from the end of every financial quarter) setting out the change of directors of the Company, along with a certificate of the Managing Director of the Company, confirming that the fit and proper criteria in selection of such new directors has been followed. The statement submitted by the Company for the quarter ending March 31, shall be certified by the statutory auditors of the Company.

## **6. Selection Criteria for Members of Senior Management**

The person(s) proposed to be appointed in the senior management of the Company shall possess the required qualifications, experience, skills and expertise which in the view of the Board are adequate to effectively discharge their duties and responsibilities in context of the role assigned.

## **7. General Provisions**

- a) This Policy is subject to the applicable laws including but not limited to the Act and the Master Directions.
- b) This Policy is subject to review by the Board as and when deemed necessary and amend the Policy from time to time depending upon the requirements of the provisions of the Act, the Master Directions and other applicable laws.
- c) Notwithstanding anything contained in this Policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws / regulations either existing or arising out of any amendment to such laws / regulations or otherwise and applicable to the Company from time to

time. Any change/amendment in applicable laws with regard to selection criteria / fit and proper criteria for the directors and senior management shall be deemed to be incorporated in this Policy by reference and this Policy shall be deemed to have been amended and revised accordingly.