



APAC FINANCIAL SERVICES PRIVATE LIMITED

("APAC" or the "Company")

POLICY ON SELECTION AND 'FIT AND PROPER' CRITERIA OF DIRECTORS

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Sr No.	Checklist	Frequency	Responsibility
1	Need to obtain declaration & undertaking from new & existing Directors as per format given by RBI	Periodically	Compliance Dept
2	APAC to obtain annually a simple declaration from Directors that the information provided has not undergone any change	Annually	Compliance Dept
3	Need to obtain Deed of covenants signed by all Directors as per format by RBI	Periodically	Compliance Dept
4	To submit quarterly returns with RBI on change of Directors & certificate from MD stating that fit & proper criteria has been followed, March quarter return needs to be certified by Statutory Auditor.	Quarterly	Compliance Dept

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.

APAC shall diligently follow the guidelines and criteria given below:

- a. APAC 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. APAC 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 APAC at the time of appointment / renewal of appointment.
- c. The Board of APAC 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. APAC would annually on 31st 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 APAC 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 APAC would be between 35 to 70 years of age.

APAC shall furnish to the RBI a quarterly statement on change of Directors, and a certificate from the Managing Director of APAC 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 APAC 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.

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.

Annex A**Format for Declaration**

Name of NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on)

I. Personal details of director

- a. Full name
- b. Date of Birth
- c. Educational Qualifications
- d. Relevant Background and Experience
- e. Permanent Address
- f. Present Address
- g. E-mail Address / Telephone Number
- h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
- i. Relevant knowledge and experience
- j. Any other information relevant to Directorship of the NBFC

II Relevant Relationships of director

- a. List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)
- c. List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms as prescribed in these Directions
- d. 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)
- e. 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 the NBFC
- f. Cases, if any, where the director 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 the NBFC or any other 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 274 of the Companies Act 1956 and corresponding provisions of New 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 toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on 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 the NBFC 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 the NBFC.

Place :

Signature

Date :

VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC

Place :

Signature

Date:

Annex-B**Form of Deed of Covenants with a Director**

THIS DEED OF COVENANTS is made this ____ day of ____ Two thousand ____ **BETWEEN** _____, having its registered office at _____ (hereinafter called the 'NBFC') 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 the NBFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.

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 the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.

2. The director covenants with the NBFC that:

(i) 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 the NBFC 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.

(ii) 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.

(iii) The director shall provide to the NBFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the NBFC:

- a. use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience.
- b. 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 the NBFC.

- c. shall keep himself / herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him / her.
- d. 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 the NBFC.
- e. shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC.
- f. shall bring independent judgment to bear on all matters affecting the NBFC 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.
- g. 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
- h. 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.

(v) The director shall have:

- a. fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose.
- b. duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- c. duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall:

- a. not evade responsibility in regard to matters entrusted to him / her by the Board.
- b. not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- c. 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 the NBFC in his / her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC 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.
- 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 the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- (ii) the NBFC 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 the NBFC 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 the NBFC 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. NBFC's strategic and business plans and forecasts.
 - c. organisational structure of the NBFC 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 NBFC's products.
 - g. information and updates on major expenditure.
 - h. periodic reviews of performance of the NBFC, and
 - i. report periodically about implementation of strategic initiatives and plans.
- (iv) the NBFC 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. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The NBFC 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 the NBFC 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 the NBFC.
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 the NBFC.
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 the NBFC	Director	
By		
Name:	Name:	
Title:		
In the presence of:		
1.		2.