

POLICY ON SELECTION /FIT AND PROPER PERSON CRITERIA

FIT AND PROPER POLICY FOR DIRECTORS OF THE COMPANY

Action	Entity	Signature
Created by	Secretarial Team	
Reviewed by	Risk Management Committee	
Approved by	Board of Directors	
Release Date		
Version	2	

Sr No	Particulars
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II	Purpose/Objective
III	Definitions
IV	Process/manner of selection for appointment
V	Criteria for selecting a person for position of a director
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I. BACKGROUND:

In terms of Section 178 of the Companies Act, 2013 read with rules framed thereunder (“the Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), the Company is required to constitute a 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 - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“RBI Directions”) issued by Reserve Bank of India (“RBI”), the Company being a Systemically Important Non-Deposit taking Non-Banking Financial 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, SEBI LODR 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.

II. PURPOSE/ OBJECTIVE:

The objectives of this Policy are:

- 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.

III. DEFINITIONS

“**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/manager including chief executive officer/manager, in case

they are not part of the board and shall specifically include company secretary and chief financial officer.

IV. 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

V. 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, SEBI LODR 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:**
 - o Meeting the criteria of Independence, at the time of appointment and on an ongoing basis, as prescribed under Section 149 of the Act, Regulation 16(1)(b) of the SEBI LODR and other applicable laws, if any;

- Commitment to abide by the Code for Independent Director(s) prescribed in Schedule IV to the Act;
- **Fit & Proper Person criteria** - Additional criteria to be met along with the other criteria as mentioned above:

For ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis, the Company shall:

- obtain a declaration and undertaking from the proposed director giving additional information on the said director in the format appended as **Annex I**;
- obtain a Deed of Covenant signed by the proposed director, which shall be in the format as appended in **Annex II**
- After scrutinizing the signed declarations received, as mentioned above, the Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the candidature of such person(s) for the post of Director.
- Obtain from the existing Director(s), declaration and undertaking in the format given at Annex – 1, in case of any change in the information provided earlier and in case of no change obtain a declaration from the existing Director(s) on annual basis in that regard.

VI. CRITERIA FOR SELECTING A PERSON FOR POSITION OF 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 Nomination and Remuneration Committee are adequate to effectively discharge their duties and responsibilities in context with the role assigned.

VII. REMOVAL OF DIRECTOR(S)/SENIOR MANAGEMENT

Due to reasons for any disqualification mentioned in the Act, SEBI LODR 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.

VIII. REVIEW:

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.

Declaration and undertaking by Director

Date:

To

Arka Fincap Limited
One World Centre,
1202B, Tower 2B, Floor 12B,
Jupiter Mills Compound,
Senapati Bapat Marg,
Mumbai - 400 013

I	PERSONAL DETAILS OF DIRECTORS	
#	Details required	Remark
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 Arka Fincap Limited ("Arka")	
II	RELATIONSHIPS OF DIRECTORS	
#	Details required	Remark
a	List of Relatives	
b	List of Relatives, if any, who are connected with Arka	
c	List of entities if any in which he/she is considered as being interested	
d	List of entities in which he/she is considered as holding substantial interest <i>Substantial interest" means holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together in the shares of a company, the amount paid up on which exceeds ten per cent of the paid-up capital of the</i>	

	<i>company; or the capital subscribed by all the partners of a partnership firm.</i>	
e	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)	
f	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 Arka	
g	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 Arka or any other NBFC / bank	
III	PROFESSIONAL ACHIEVEMENTS	
#	Details required	Remark
a	Professional achievements	
IV	PROCEEDINGS, IF ANY	
#	Details required	Remark
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 erstwhile Companies Act 1956 and Section 164 of Companies Act, 2013?	
e	Has the Director or any of the entities listed in 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	<p>Whether the Director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA</p> <p>Note: 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</p>	
V	<p>ANY OTHER EXPLANATION / INFORMATION IN REGARD TO ITEMS I TO III AND OTHER INFORMATION CONSIDERED RELEVANT FOR JUDGING FIT AND PROPER</p>	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep Arka Fincap Limited 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 Arka Fincap Limited.

Date: _____ **Signature** : _____
Place: _____ **Name** : _____
DIN : _____

VI. REMARKS OF CHAIRMAN OF NOMINATION COMMITTEE/BOARD OF DIRECTORS OF NBFC

Place : _____ Signature

Date :

List of Relatives:

Pursuant to section 2(77), Section 2(76) & Section 188 of the Companies Act 2013(the Act) and Rule 4 of the Companies (Specification of definitions details) Rules, 2014

Sr No.	Relationship	Full Name
1	HUF in which I am member/Karta	
2	Other members of HUF in which I am member/ Karta	
3	Husband/Wife	
4	Father (Including Stepfather)	
5	Mother (Including Stepmother)	
6	Son (Including Stepson)	
7	Son's Wife	
8	Daughter	
9	Daughter's husband	
10	Brother (Including Stepbrother)	
11	Sister (Including Stepsister)	

Annexure- 2 **Deed of Covenant**

THIS DEED OF COVENANTS is made this ___ day of _____ Two thousand _____ **BETWEEN** Arka Fincap Limited, having its registered office at One World Center, 1202B, Tower 2B, Floor 12B, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai – 400013 (hereinafter a non-deposit taking NBFC with asset size of ₹500 crore and above being called the "NBFC") of the one part and <name and designation> of Arka Fincap Limited (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 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 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 interest, direct or indirect, if he 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 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 other Directorships, his memberships of bodies corporate, his interest in other entities and his 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 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
 - (iv) The Director shall in carrying on his duties as Director of the NBFC:
 - (a) use such degree of skill as may be reasonable to expect from a person with his knowledge or experience;
 - (b) in the performance of his duties take such care as he might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interests of the NBFC;
 - (c) shall keep himself informed about the business, activities and financial status of the NBFC to the extent disclosed to him;
 - (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 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 judgment in matters brought before the Board or entrusted to him by the Board be free from any business or other relationship which could materially interfere with the exercise of his independent judgment; and
 - (h) shall express his views and opinions at Board meetings without any fear or favour and without any influence on exercise of his independent judgment;
 - (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 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 shall forthwith disclose his concerns to the Board; and
 - (c) not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the NBFC in his capacity as Director of the NBFC only for the purposes of performance of his 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 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 office and his 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 OF _____ ABOVE WRITTEN.

For Arka Fincap Limited

Director

Name
Designation
DIN: _____

Name _____
DIN: _____

Date:

In the presence of:

1. _____

2. _____