



ABANS FINANCE PRIVATE LIMITED

POLICY FOR ASCERTAINING THE FIT AND PROPER CRITERIA FOR DIRECTOR

Version II

Version	Adoption / Amended	Authority	Date
I	Adoption	Board of Directors	April 24th, 2019
II	Amended	Board of Directors	August 5th, 2025

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I. POLICY STATEMENT AND PURPOSE

Abans Finance Private Limited ('AFPL' or 'the Company') is a Material subsidiary of Abans Financial Services Limited. From March 31, 2024, it has been categorized as a Middle-Layer NBFC (NBFC-ML). The purpose of this Policy is to comply with all applicable regulatory requirements and maintains the highest standards of corporate governance, risk management, and ethical conduct.

The Company, under the RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 and as amended from time to time ("**Scale Based Directions**"), is required to frame a fit and proper policy ("**Fit and Proper Policy**") to determine the fit and proper criteria of appointment/re-appointment of directors in the Company.

II. OBJECTIVES

The Fit and Proper Policy intends to place an internal supervisory process, to streamline and bring uniformity in the process of due diligence while appointing/re-appointing persons as directors on the board of directors of the Company ("**Board**") and assessing their performance for their continuance as directors. The Fit and Proper Policy lays down the norms to be followed for deciding the fit and proper criteria for the directors/ persons proposed to be appointed as directors and assessing based on their qualification, technical expertise, track record, integrity etc. (*more particularly explained in Fit and Proper Criteria hereunder*) on a continuous basis.

III. FIT AND PROPER CRITERIA

The Board shall determine the 'fit and proper' status of the persons proposed to be appointed as directors as well as already appointed directors for reappointment on the Board based on the following broad criteria as mentioned hereunder:

- a. Educational qualifications;
- b. Experience and field of expertise;
- c. Track record and integrity;
- d. Regulatory compliances;
- e. Contribution to the growth of business;
- f. Enhancement in the relationship with the stakeholders – existing as well as prospective investors, bankers, financial institutions, customers, etc; and
- g. Other requirements as may be determined by the Board.

The already appointed director for his reappointment/person proposed to be appointed as a director shall: -

- a. not be of unsound mind and stands so declared by a competent court, discharged insolvent, and has applied to be adjudicated as an insolvent and the application is pending;
- b. not be convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than 6 (six) months and a period of 5 (five) years has not lapsed from the date of expiry of the sentence,

provided that if already appointed director for his reappointment/person proposed to be appointed as a director has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of 7 (seven) years, he shall not be eligible to be appointed as a director in the Company;

- c. not have any order passed by any court or tribunal to disqualify him from being appointed as a director;
- d. possess a valid director identification number (“**DIN**”) or any other identification number prescribed by the government agency, which shall be treated as a DIN for the Companies Act, 2013 (“**Act**”);
- e. not have failed to comply with the provision under section 165(1) of the Act;
- f. not have failed to pay any calls in respect of any shares of the company held by him, whether alone or jointly with others, and 6 (six) months have elapsed from the last day fixed for the payment of the call;
- g. have not been during the last preceding 5 (five) years, convicted of the offence dealing with the related party transactions under section 188 of the Act;
- h. have completed the age criteria as may be stipulated under the Act, SEBI regulations and by the RBI;
- i. not as a director, have failed to file financial statements or annual returns for any continuous period of 3 (three) financial years, or have been part of the company which failed repay deposits accepted by it, pay interest thereon, redeem any debentures on the due date, pay interest due thereon, or pay any declared dividend, and such failure continued for 1 (one) year or more;

- j. fulfil the criteria of independence stipulated under the Act, SEBI regulations, or any other applicable laws, if identified to be appointed as an independent director;
- k. register for inclusion in the databank maintained by the Indian Institute of Corporate Affairs (“IICA”) and have passed or been exempted from the online self-assessment test as prescribed under the Act, in case of appointment as an independent director;
- l. not hold position in any other NBFC- Middle Layer or NBFC Upper Layer, except for directorship in a subsidiary of the Company, if appointed as a Key Managerial Personnel (*as defined under the Act*) of the Company, or proposed to be appointed as a Key Managerial Personnel of the Company;
- m. not be on the board of more than 3 (three) NBFCs (NBFC-Middle Layer and NBFC-Upper Layer) if appointed as an independent director of the Company, or proposed to be appointed as an independent director of the Company;
- n. not have a conflict of interest in performing duties as director on the Board, or in case of conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform the duties properly and independently, and adequate disclosures are made by the person in this regard; and
- o. not have been disqualified under the Act or pursuant to any order of the Securities and Exchange Board of India (“SEBI”) or any other such authority;

The above list of fit and proper criteria is an indicative list and not an exhaustive list and shall be subject to amendments from time to time. The nomination and remuneration committee of the Company (“NRC”) shall be qualified and authorised to suggest changes to the Board in the list of fit and proper criteria for appointment/reappointment of the director on the Board.

IV. PROCEDURE

The Company, for appointment/reappointment as director on the Board, 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 proposed to be appointed as director /

reappointment of existing directors, based upon qualification, expertise, track record, integrity and as per the criteria stated under paragraph 3 above;

- b. To comply with the above, the necessary information and declaration from the person proposed to be appointed as director/reappointment of existing directors shall be obtained in the given format of '*Declaration and Undertaking by the Director of the Company*' ("**Annexure – I**");
- c. The process of due diligence, along with scrutiny of the declarations, shall be undertaken by the NRC at the time of appointment/reappointment of directors on the Board. Accordingly, the NRC shall decide on the acceptance or otherwise of the directors;
- d. The Company shall furnish to the RBI, no later than 15 (fifteen) days from the end of every financial quarter, a quarterly statement on change of directorships, and a certificate from the Managing Director (*as defined under the Act*) that the fit and proper criteria in the selection of the directors has been followed. The quarterly statement must reach the regional office of the Department of Supervision of the RBI where the Company is registered, within 15 (fifteen) days of the close of the respective quarter;
- e. By March 31st of every year, a declaration from the directors of the Company shall be obtained that the information already provided has not changed, and wherever there is any change, requisite details are furnished by them forthwith; and
- f. It shall be ensured that a 'Deed of Covenant' is executed by the directors of the Company, as per the format given in '*Deed of Covenants with a Director of NBFC*' ("**Annexure-2**").

The NRC shall be authorised to undertake any action/step required to be taken to comply with the requirements prescribed under the Act, SEBI regulations, Scale Based Directions, and/or any circular, notification, directions issued by the RBI.

In evaluating the suitability of a person for the appointment/reappointment of the director on the Board, the NRC will take into account, apart from others, the eligibility, expertise, track record, integrity and criteria stated under paragraph 3 above.

V. PERFORMANCE EVALUATION OF DIRECTORS

In respect of an existing director, the Company shall undertake a formal annual evaluation of such director's performance. This evaluation shall be conducted in accordance with a structured framework approved by the Board and shall include a Peer Review Process,

whereby the performance of the director shall be assessed by fellow members of the Board in a manner and form deemed appropriate by the Nomination and Remuneration Committee.

- Attendance and active participation in Board and Committee meetings
- Contribution to strategic decision-making and governance
- Compliance with fiduciary duties and ethical standards
- Engagement in continuous professional development
- Feedback from peer directors and relevant stakeholders

VI. ADOPTION

The Fit and Proper Policy and any changes made during the annual reviews shall be adopted by the resolution passed by the Board.

VII. AMENDMENT

The Board of Directors of the Company reserves the power to review and amend this Policy from time to time, subject to revision / amendment in accordance with applicable laws as may be issued by relevant statutory, governmental and regulatory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant statutory, governmental and regulatory authorities are not consistent with the provisions laid down under this Code, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder.

Annexure-1
Declaration and Undertaking by Director of the Company

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, 1961 and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to the 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 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 Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest within the meaning of paragraph 5.1.33 of RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.	
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 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 to, 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 the directors of the NBFC.	
Place:	Signature:
Date:	
VI. Remarks of Chairman of Nomination and Remuneration Committee/ Board of Directors of NBFC	
Place:	Signature:
Date:	

ANNEXURE 2**Form of Deed of Covenants with a Director of an NBFC**

THIS DEED OF COVENANTS is made on this day of..... Two Thousand.....**BETWEEN** have. 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 the Reserve Bank 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.