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1. Introduction

1.1 Preamble The Reserve Bank of India (RBI), through its various Master Directions and circulars, particularly the Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016 (as amended from time to time), mandates that every Core Investment Company (CIC) shall put in place a robust policy, duly approved by its Board of Directors, for ascertaining the 'Fit and Proper' criteria of its Directors. This assessment is required both at the time of their appointment and on a continuing basis.

This 'Policy on Fit and Proper Criteria for Directors' (hereinafter referred to as "the Policy") has been adopted by Reliance Capital Limited (RCL) (the "Company"), being an unlisted NBFC-CIC, to ensure that all individuals who are entrusted with the responsibility of steering the affairs of the Company possess the requisite integrity, financial soundness, and competence. This Policy is fundamental to upholding sound corporate governance standards, protecting stakeholder interests, and maintaining the stability of the Company.

1.2 Applicability This Policy shall be applicable to all Directors of the Company, including Whole-time Directors, Independent Directors, Nominee Directors, and Additional Directors, as defined under Section 2(34) of the Companies Act, 2013, and any other relevant provisions or RBI Directions.

2. Definition of 'Fit and Proper'

A Director is considered 'Fit and Proper' if they demonstrate:

- **Integrity and Honesty:** A track record of ethical conduct, fairness, and freedom from any criminal records, convictions, or adverse findings by regulatory authorities or professional bodies.
- **Financial Soundness:** A sound financial position, free from insolvency, bankruptcy, or significant financial irregularities.

- **Competence and Capability:** Possess the necessary skills, knowledge, experience, and professional qualifications relevant to their role and the business of an NBFC-CIC, enabling them to effectively contribute to the oversight and strategic direction of the Company.

This definition aligns with the spirit of Annex VI of the RBI Master Direction DoR(NBFC). . PD.003/03.10.119/2016-17, or equivalent updated guidelines for NBFCs.

3. Regulatory Framework and Compliance

This Policy is formulated and implemented in strict compliance with, but not limited to, the following regulatory provisions:

- **Reserve Bank of India (RBI) Guidelines:**
  - **Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016 (as amended from time to time):** Specifically the provisions related to corporate governance and 'fit and proper' criteria for Directors.
  - **Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended):** While this may primarily apply to ND-SIs, the principles of 'fit and proper' criteria are broadly consistent across NBFC categories and serve as a guiding reference.
  - Any other circulars, notifications, or guidelines issued by the RBI concerning corporate governance, appointment of directors, or 'fit and proper' criteria for NBFCs.
- **Companies Act, 2013:**
  - **Section 149 (Appointment of Directors and Independent Directors):** Requirements for Board composition.

- **Section 164 (Disqualifications for appointment of Director):** Specifies conditions under which a person cannot be appointed as a director. Adherence to these disqualifications is a fundamental component of being 'fit and proper'.
- **Section 165 (Number of directorships):** Limits on the number of directorships.
- **Section 166 (Duties of Directors):** Outlines the statutory duties of directors, which are inherent to their 'fit and proper' conduct.
- **Schedule IV (Code for Independent Directors):** While specifically for listed entities, the principles outlined for independent directors' conduct and responsibilities provide valuable guidance for unlisted companies seeking to enhance governance.

- **Other Applicable Laws and Regulations:** Compliance with all other relevant laws of India and regulations applicable to the Company.

- **4. Criteria for Assessment of Directors**

The assessment of a Director's 'Fit and Proper' status shall be based on a rigorous and comprehensive evaluation of the following criteria, ensuring compliance with RBI Master Directions, specifically those applicable to Core Investment Companies (CICs), and the Companies Act, 2013:

4.1 Integrity and Honesty:

- Track Record: The individual must consistently demonstrate an impeccable track record of integrity, fairness, and honesty in all professional and personal dealings. This includes a history free from instances of deceit, fraud, or unethical conduct.
- Criminal/Adverse Records: Absence of any criminal record, conviction for any offense involving moral turpitude, or any adverse findings, strictures, or civil liability judgments by a court of law, tribunal, or any regulatory/quasi-judicial/professional body (e.g.,

Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Insolvency and Bankruptcy Board of India (IBBI), Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), Institute of Cost Accountants of India (ICMAI), etc.).

- Regulatory Actions: No history of significant adverse regulatory actions, financial penalties, or specific strictures imposed by any financial or regulatory authority against the individual or against any entity with which they have been associated in a directorial or senior management capacity, especially those related to financial misconduct, non-compliance, or governance failures.
- Reputation: The individual must possess a consistently good reputation and character within the financial industry, business community, and the broader public. This assessment will include, where appropriate, due diligence through market intelligence, verifiable professional references, and public domain searches to identify any material reputational risks.

4.2 Financial Soundness:

- Solvency: The individual must be financially sound and must not have been declared as an undischarged insolvent or bankrupt, nor should they have any pending insolvency proceedings against them.
- Financial Irregularities: There should be no history of willful default on financial obligations to any lender, including banks or other financial institutions. Furthermore, the individual should not have been associated with significant financial irregularities, fraud, misrepresentation, or default in any entity they have been associated with.
- Debt Servicing: The individual must demonstrate the ability to meet their personal financial commitments and obligations in a timely manner.

- Adherence to Financial Regulations: No history of non-compliance with tax laws, anti-money laundering (AML) regulations, or other financial statutes.

4.3 Competence and Capability:

- Educational Qualifications: Possess appropriate educational qualifications from recognized institutions, particularly in fields such as finance, economics, business administration, law, accounting, information technology, or other disciplines directly relevant to the roles and responsibilities on the Board of a financial institution.
- Experience: Have relevant experience in financial services, banking, risk management, corporate governance, auditing, accounting, technology, legal affairs, or other strategic areas beneficial to the Company's business model, strategic objectives, and regulatory compliance needs as an NBFC-CIC.
- Knowledge: Demonstrate a thorough understanding of the Company's business model, its specific risk profile (including credit risk, market risk, operational risk, compliance risk, and liquidity risk), and the complex regulatory environment in which it operates. This includes specific knowledge of RBI Master Directions applicable to NBFC-CICs and relevant provisions of the Companies Act, 2013.
- Time Commitment: Possess sufficient time and commitment to effectively fulfill their duties and responsibilities as a Director. This includes adequate availability for Board and committee meetings, strategic discussions, and engaging in robust oversight of the Company's operations and risks.
- Professional Standing: Maintain membership in good standing with relevant professional bodies, if applicable, and consistently adhere to their prescribed ethical codes and professional standards.

4.4 Absence of Disqualifications under Companies Act, 2013:

- The individual must not be disqualified from being appointed as a Director under Section 164 of the Companies Act, 2013, or any other applicable provision of the Act. This includes, but is not limited to, disqualifications related to:
    - Being of unsound mind and so declared by a competent court.
    - Being an undischarged insolvent.
    - Having applied to be adjudicated as an insolvent and the application is pending.
    - Having been convicted by a court of any offense, whether involving moral turpitude or otherwise, and sentenced to imprisonment for not less than six months.
    - Having an order disqualifying them for appointment as a director passed by a court or Tribunal.
    - Having failed to pay any calls on shares held by them or any other sums due in respect of shares, and six months have elapsed from the due date of payment.
    - Having failed to file financial statements or annual returns for any continuous period of three financial years.
    - Having failed to repay the deposits accepted or pay interest thereon, or redeem any debentures or pay interest due thereon, or pay any dividend declared, and such failure continues for one year or more.
- The individual must also strictly comply with the limits on the number of directorships as prescribed by Section 165 of the Companies Act, 2013, and any other limits specified by the RBI.

5. Process for Ascertaining 'Fit and Proper' Status

The Company will adopt a rigorous and systematic process for assessing the 'Fit and Proper' status of its Directors, both at the time of their initial appointment and on an ongoing basis.

5.1 At the Time of Appointment:

- Self-Declaration and Consent: Prospective Directors shall submit a duly signed and dated self-declaration form. This form will comprehensively capture details of their educational background, professional qualifications, work experience, financial position, current directorships, any past or pending legal or regulatory proceedings, and potential conflicts of interest. The form will also include explicit consent for the Company to conduct necessary background checks and verification.
- Background Checks and Due Diligence: The Company shall conduct thorough due diligence and independent background checks on prospective Directors. This process may include, but is not limited to:
    - Verification of all academic and professional qualifications from issuing authorities or authorized third-party agencies.
    - Detailed reference checks from reputable professional contacts.
    - Checks with relevant regulatory bodies in India (e.g., RBI's Central Information Management System (CIMS) for director details, SEBI for market-related prohibitions, Ministry of Corporate Affairs (MCA) for director disqualifications and company filings) for any adverse findings, penalties, or disqualifications.
    - Credit checks and financial due diligence through credit bureaus and public records to assess financial soundness.
    - Extensive public domain searches, including media reports, to identify any significant reputational issues or adverse publicity.
    - Verification of previous employment history and roles.
- Assessment by Board/Nomination and Remuneration Committee (NRC): The Board of Directors, or its duly constituted Nomination and Remuneration Committee (NRC) if applicable, shall meticulously review the submitted self-declaration, the findings from

the background check reports, and any other relevant information. This committee will then assess the candidate's adherence to all 'fit and proper' criteria outlined in this Policy before recommending their appointment to the full Board.

- Board Approval: The final decision regarding the appointment of a Director shall rest with the Board of Directors, based on the comprehensive 'fit and proper' assessment and recommendation.

5.2 On a Continuing Basis:

- Annual Affirmation: All serving Directors shall be required to submit an annual self-affirmation, generally at the beginning of each financial year or as otherwise determined by the Board. This affirmation will confirm that they continue to meet all the 'fit and proper' criteria as specified in this Policy and that there have been no material changes in their circumstances that would impact their 'fit and proper' status. This affirmation will be reviewed by the Board (or NRC).
- Monitoring of Material Changes: Directors are under an explicit ongoing obligation to promptly inform the Company Secretary and the Board of any material changes in their personal or professional circumstances that could potentially affect their 'fit and proper' status. This includes, but is not limited to, new directorships, commencement of any legal or regulatory proceedings against them, significant financial difficulties, adverse regulatory actions, or any criminal charges.
- Periodic Review: The Board (or NRC) will conduct a systematic and periodic review of the 'fit and proper' status of all Directors. This review will typically occur at least annually, or more frequently if triggered by specific events. The review will consider any new information, changes in regulatory guidelines, or performance concerns related to individual directors.

- RBI Requirements: The Company shall strictly comply with any specific ongoing 'fit and proper' assessment and reporting requirements mandated by the RBI Master Directions, including periodic submission of declarations or information to the RBI as required by regulations for NBFC-CICs.

6. Role of the Board and Committees

The governance structure of the Company plays a pivotal role in ensuring adherence to the 'Fit and Proper' criteria.

6.1 Board of Directors:

- Policy Approval and Oversight: The Board of Directors holds the ultimate responsibility for approving this 'Fit and Proper' Policy, overseeing its effective implementation, and ensuring its continuous adherence across the organization.
- Appointment Approval: The Board reviews and grants final approval for the appointment of Directors, based on the thorough 'fit and proper' assessment conducted as per this Policy.
- Ongoing Review: The Board conducts periodic reviews of the continuing 'fit and proper' status of all its Directors, ensuring sustained compliance with regulatory and internal standards.
- Governance Framework: The Board ensures that the compliance function and internal audit function operate with the necessary independence and are adequately resourced to effectively support the Company's overall corporate governance framework, including the robust assessment of 'fit and proper' criteria. This also includes ensuring the segregation of duties between these vital oversight functions.

6.2 Nomination and Remuneration Committee (NRC) (or equivalent Board Committee):

- Corporate Governance Best Practice: While the constitution of an NRC may not be strictly mandated for all unlisted NBFC-CICs under every RBI guideline, establishing

such a committee as a Board-level committee is considered a fundamental best practice in corporate governance. It enhances the objectivity and rigor of the director appointment and review process.

- Responsibilities of the NRC: If constituted, the NRC shall be responsible for:
    - Identification of Candidates: Identifying and evaluating individuals who possess the requisite qualifications, skills, experience, and 'fit and proper' attributes to be considered for appointment as Directors, considering the diverse needs of the Board and the Company's strategic direction.
    - Recommendation to Board: Recommending to the Board of Directors suitable candidates for appointment as Directors, after conducting a thorough and documented 'fit and proper' assessment in strict alignment with this Policy and relevant regulatory guidelines.
    - Ongoing Assessment: Reviewing the continuing 'fit and proper' status of all serving Directors on an ongoing basis (e.g., through annual affirmations and monitoring of material changes) and making appropriate recommendations to the Board.
    - Policy Review: Periodically reviewing this 'Fit and Proper' Policy and proposing any necessary amendments or enhancements to the Board to ensure its ongoing effectiveness, relevance, and compliance with the latest regulations and best practices.

7. Deed of Covenants / Affirmation

Upon their initial appointment, and subsequently on an ongoing basis (e.g., annually), each Director shall execute or affirm a 'Deed of Covenants' or a similar formal declaration document. This legally binding instrument or formal affirmation serves to explicitly acknowledge and commit the Director to the following key principles and obligations:

- Regulatory and Legal Adherence: To strictly adhere to and comply with all applicable laws, rules, and regulations in India, including but not limited to those issued by the Reserve Bank of India (RBI) relevant to NBFC-CICs, the Companies Act, 2013, and all other pertinent statutory and governmental authorities.
- Company Policies and Codes: To fully comply with all internal policies and codes of conduct adopted by the Company, including the Code of Conduct for Employees and Directors, Fair Practices Code, and other operational guidelines.
- Fiduciary Duty: To act at all times in the utmost good faith, with due care, skill, and diligence, and in the best interests of the Company and its stakeholders, including shareholders, customers, employees, and the wider community.
- Confidentiality: To maintain strict confidentiality of all sensitive, proprietary, and unpublished price-sensitive information of the Company obtained during the course of their directorship, both during and after their tenure.
- Disclosure of Conflicts of Interest: To promptly disclose any actual, potential, or perceived conflicts of interest that may arise between their personal interests and the interests of the Company, and to recuse themselves from deliberations or decisions where such conflicts exist.
- Reporting Material Changes: To immediately inform the Company Secretary and the Board of Directors of any material changes in their personal or professional circumstances that could affect their 'fit and proper' status as per this Policy or relevant regulatory requirements.
- Non-Assignment of Office: Not to assign, transfer, sublet, or encumber their office and their rights and obligations as a Director of the Company to any third party. This provision is subject to the caveat that nothing herein shall be construed to prohibit valid delegation of any authority, power, or function by the Board or any committee thereof,

in accordance with applicable laws, regulations, and the Company's Memorandum and Articles of Association.

8. Consequences of Not Meeting 'Fit and Proper' Criteria

Maintaining the 'fit and proper' status is an ongoing and mandatory requirement for all Directors of the Company. If, at any time, a Director is found not to meet the 'fit and proper' criteria as meticulously laid out in this Policy, or if their circumstances change such that they no longer satisfy these criteria, the Board of Directors shall initiate prompt and decisive action:

- Immediate Review: The Board of Directors, or the NRC acting on its behalf, shall immediately review the matter upon becoming aware of any potential non-compliance with the 'fit and proper' criteria. This review will involve gathering all relevant facts and providing the concerned Director with an opportunity to present their explanation.
- Appropriate Action: Based on the outcome of the review, the Board shall take appropriate action, which may include:
    - Seeking Resignation: Requesting the immediate resignation of the concerned Director from the Board.
    - Initiating Removal Procedures: If resignation is not forthcoming, initiating formal procedures for the removal of the Director in accordance with the provisions of the Companies Act, 2013 (e.g., Section 169), the Company’s Articles of Association, and any other applicable laws or agreements.
    - Regulatory Reporting: Ensuring that any action taken, or the underlying reasons for the Director no longer being 'fit and proper', are reported to the Reserve Bank of India (RBI) without delay, if such reporting is mandated by the RBI Master Directions applicable to NBFC-CICs or other relevant regulations. This ensures transparency and compliance with supervisory expectations.

- Public Disclosure (If Applicable): In cases where such events have a material impact on the Company, appropriate disclosures will be made in accordance with applicable regulations and listing requirements (if the Company were to become listed in the future).

9. Documentation and Record Keeping

The Company shall maintain comprehensive, accurate, and up-to-date records pertaining to the 'fit and proper' assessment and ongoing status of all its Directors. This robust documentation system is crucial for demonstrating compliance with regulatory requirements and for good corporate governance. These records shall include, but not be limited to:

- Self-declaration Forms: All duly completed and signed self-declaration forms submitted by prospective and existing Directors.
- Supporting Documents: Copies of all supporting documents furnished by Directors (e.g., educational certificates, professional memberships, identity proofs, address proofs).
- Background Check Reports: Detailed reports of all due diligence and background checks conducted, including findings from regulatory databases (e.g., RBI's CIMS, MCA, SEBI), credit checks, and public domain searches.
- Meeting Minutes: Minutes of Board of Directors' meetings and Nomination and Remuneration Committee (NRC) meetings (if applicable) where 'fit and proper' assessments, appointments, or ongoing reviews were discussed and approved.
- Deeds of Covenants/Annual Affirmations: Executed Deeds of Covenants and all annual self-affirmations submitted by serving Directors.

- Correspondence: Any formal correspondence with Directors regarding their 'fit and proper' status, including requests for information, disclosures of material changes, or communications regarding non-compliance.
- RBI Reporting Records: Copies of all reports, declarations, or other information submitted to the Reserve Bank of India concerning the 'fit and proper' criteria of Directors.
- Policy Review Records: Records of all policy reviews, including dates of review, amendments made, and approval by the Board.

10. Policy Review and Amendment

This Policy shall be reviewed at least annually by the Compliance Department and/or the NRC, and approved by the Board of Directors, to ensure its continued relevance, effectiveness, and alignment with:

- Changes in RBI Master Directions and other regulatory requirements.
- Amendments to the Companies Act, 2013, or other applicable laws.
- Changes in the Company’s business activities or risk profile.
- Feedback received from internal and external audits or regulatory inspections.
- Evolving best practices in corporate governance.