

# MIDLAND MICROFIN LIMITED

*(Formerly, Sajan Hire Purchase Limited)*

## Policy on Fit and Proper Criteria for Directors

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<b>Governing Regulation</b>	Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 (RBI/DOR/2025-26/344 dated November 28, 2025)
<b>Applicable To</b>	All Directors of Midland Microfin Limited (NBFC-MFI)
<b>Owner</b>	Nomination and Remuneration Committee (NRC)
<b>Supersedes</b>	All prior policies/ guidelines on Fit and Proper Criteria for Directors in the Company

*This document is confidential and should be read in conjunction with the RBI (NBFC – Governance) Directions, 2025 and all other applicable laws and internal policies.*

## 1. Purpose

Midland Microfin Limited (formerly Sajan Hire Purchase Limited) (hereinafter referred to as 'the Company' or 'Midland') has grown substantially in terms of size, operations, and the range of financial services and products it offers.

This Policy on Fit and Proper Criteria for Directors ('Policy') provides a framework to determine whether a Director is fit and proper to hold a key position on the Board of the Company. The Policy gives effect to Paragraph 12 and 13 of the Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 ('RBI Governance Directions, 2025'), issued vide circular RBI/DOR/2025-26/344 dated November 28, 2025.

Midland expects all its Directors to be competent, honest, to have integrity and relevant expertise, and to act in the best interests of the Company efficiently and fairly.

This Policy is not intended to be exhaustive and does not replace or override applicable law. It must be read alongside the RBI Governance Directions, 2025, the Companies Act, 2013, and any other directions, notices, or guidelines issued from time to time.

## 2. Applicability

This Policy shall apply to all Directors of the Company. The term 'Director' shall have the same meaning as defined under Section 2(34) of the Companies Act, 2013, i.e., a director appointed to the Board of Directors ('Board') of a company.

The Company shall evaluate the 'fit and proper' criteria:

- at the time of appointment or re-appointment of a Director; and
- on a continuing basis throughout the Director's tenure.

In addition, RBI reserves the right to examine the 'fit and proper' status of Directors of the Company irrespective of its asset size, if it deems fit in public interest, in accordance with the proviso to Paragraph 12 of the RBI Governance Directions, 2025.

## 3. Definition of 'Fit and Proper'

A Director is considered to be 'fit and proper' if the person is:

- qualified and technically competent with relevant expertise;
- honest, reputable, and reliable with a demonstrated track record of integrity;
- free from any disqualification listed under this Policy or applicable law; and
- willing and able to discharge responsibilities diligently and in the best interests of the Company.

## 4. Responsibility for Execution

The Nomination and Remuneration Committee ('NRC'), constituted as per Section 178 of the Companies Act, 2013 and Paragraph 18 of the RBI Governance Directions, 2025, shall be responsible for execution of this Policy. The NRC shall:

1. Establish and maintain this Policy, taking into account the fit and proper criteria set out in applicable law;
2. Document the process used to assess whether a person is fit and proper and record reasons for all decisions;
3. Identify candidates for appointment to the Board;
4. Ensure candidates meet the fit and proper test before appointment is made or renewed;
5. Undertake proper due diligence at the time of appointment and re-appointment, including review of declarations made by Directors with respect to qualifications, technical expertise, track record, and integrity;
6. Scrutinise the declarations submitted by proposed and existing Directors in the format prescribed at Annex II of the RBI Governance Directions, 2025;

7. Obtain annually, as on March 31, a simple declaration from each Director confirming that the information previously provided has not undergone any change, and ensuring that requisite details are furnished where any change has occurred;
8. Ensure that all Directors execute the Deed of Covenants in the format provided at Annex III of the RBI Governance Directions, 2025; and
9. Ensure no conflict of interest in the appointment of Directors, Key Managerial Personnel ('KMP'), and Senior Management.

## 5. Who is a 'Fit and Proper' Person?

For the purposes of this Policy, a Director shall be deemed to be a 'Fit and Proper' person if they satisfy all of the following requirements:

- Provide the necessary information and declaration in the format prescribed at Annex II of the RBI Governance Directions, 2025.
- Sign and submit to the Company the 'Declaration and Undertaking' containing the information required under the RBI Governance Directions, 2025, and there is no credible information that contradicts the facts asserted in the Declaration.
- Provide annually, as on March 31, a simple declaration confirming that information already provided has not undergone any change, and where there is any change, furnish the requisite details forthwith.
- Execute the Deed of Covenants in the format prescribed at Annex III of the RBI Governance Directions, 2025.
- Continue to satisfy the requirements, as well as the spirit and intent, of this Policy on an ongoing basis.

A person who cannot or does not sign the Declaration shall not be deemed to be a 'Fit and Proper' person and shall not be eligible for appointment as Director.

## 6. Disqualifications

A person shall not be appointed as Director, or shall cease to hold the position of Director, if any of the following disqualifications apply:

### 6.1 Statutory Disqualifications (Companies Act, 2013)

1. The person is of unsound mind and has been so declared by a competent court.
2. The person is an undischarged insolvent.
3. The person has applied to be adjudicated as an insolvent and the application is pending.
4. The person has been convicted or found guilty by a court of any offence of a disciplinary or criminal nature (whether involving moral turpitude or otherwise) and sentenced to imprisonment for not less than six months, and a period of five years has not elapsed from the date of expiry of the sentence. Provided that a person convicted and sentenced to imprisonment for seven years or more shall not be eligible to be appointed as a director in any company.
5. An order disqualifying the person from appointment as a director has been passed by a court or Tribunal and such order is in force.
6. The person has not paid any calls in respect of shares of the Company held by them, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call.
7. The person has been convicted of an offence relating to related party transactions under Section 188 of the Companies Act, 2013 during the last preceding five years.
8. The person does not hold a Director Identification Number (DIN).
9. The person has not complied with the provisions of sub-section (1) of Section 165 of the Companies Act, 2013 relating to limits on directorships.
10. The person is in any manner associated with any unincorporated body that is accepting deposits.
11. No person shall be eligible to be re-appointed as a Director for a period of five years from the date on which the company in which he/she is or was a Director has: (a) failed to file financial

statements or annual returns for any continuous period of three financial years; or (b) failed to repay deposits accepted by it, or pay interest thereon, or redeem debentures on due date, or pay declared dividends, where such failure continues for one year or more.

## 6.2 Integrity and Conduct Disqualifications

1. The person has been subject to any adverse findings or any settlement in civil proceedings, particularly in connection with banking, financial business, misconduct, or fraud.
2. The person has controlling interest or exercises significant influence in an entity that has been investigated, disciplined, or suspended by a regulatory or professional body, court, or tribunal, whether publicly or privately.
3. The person has been a director, partner, or otherwise involved in the management of a business that went into receivership, insolvency, or compulsory liquidation while so connected, or within a reasonably short period (e.g., one year) after departure from such institution.
4. The person has been dismissed, asked to resign, or resigned from directorship or a similar position due to questions about their honesty or integrity.
5. The person has at any time been disqualified from acting as a director or serving in a managerial capacity due to wrongdoing.
6. The person has not been fair, truthful, and forthcoming in dealings with customers, superiors, auditors, and regulatory authorities within the past ten years and has been the subject of any justified complaint relating to regulated activities.

## 7. Due Diligence Process

To ensure uniformity and rigour in the appointment of Directors, the Company shall adopt the following due diligence process in accordance with Paragraph 13 of the RBI Governance Directions, 2025:

### 7.1 At the Time of Appointment / Re-appointment

- Obtain the completed information form and Declaration and Undertaking from the proposed Director in the format prescribed at Annex II of the RBI Governance Directions, 2025.
- The NRC shall scrutinise the Declaration. Based on the information provided therein, the NRC shall decide on the acceptance or otherwise of the Director.
- The Director shall execute the Deed of Covenants in the format at Annex III of the RBI Governance Directions, 2025 as a condition of appointment.
- No person who is unable or unwilling to sign and submit the Declaration shall be appointed as Director.

### 7.2 On a Continuing Basis

- The Company shall maintain an internal process to conduct due diligence of Directors on a continuing basis.
- Each Director shall provide, annually as on March 31, a declaration that information previously submitted has not undergone any change. Where any change has occurred, the Director shall furnish updated details forthwith.
- The NRC shall review these annual declarations and escalate any material changes to the Board for necessary action.

### 7.3 Reporting to RBI

In accordance with Paragraph 14 of the RBI Governance Directions, 2025, the Company shall furnish to the Reserve Bank of India (Regional Office, Department of Supervision) the following on a quarterly basis:

- A statement on change of Directors within 15 days of the close of the respective quarter.
- A certificate from the Managing Director / CEO confirming that the fit and proper criteria in selection of Directors has been followed.
- The statement for the quarter ending March 31 shall be certified by the statutory auditors of the Company.

## 8. Responsibilities

### 8.1 Responsibilities of the Director

A person who is appointed, or proposed to be appointed, as Director of the Company shall:

- Adhere to the principles and values contained in this Policy and the Code of Conduct of the Company;
- Discharge responsibilities with competence and integrity;
- Successfully undergo the 'Fit and Proper' assessment before appointment;
- Complete, sign, and submit the Declaration and Undertaking and execute the Deed of Covenants;
- Notify the Company forthwith of any change in the information provided in the Declaration;
- Attend Board and Committee meetings with fair regularity and conscientiously fulfil obligations as a Director;
- Bring independent judgment to bear on all matters, including statutory compliances, performance reviews, and standards of conduct;
- Not seek to influence any decision of the Board for any consideration other than in the best interests of the Company; and
- Not make improper use of information disclosed as a Director for personal or third-party advantage.

### 8.2 Responsibilities of the Nomination and Remuneration Committee

The NRC shall:

- Maintain a Board-approved Fit and Proper Criteria Policy and revise it periodically in line with applicable law;
- Undertake 'Fit and Proper' assessments and due diligence at the time of appointment and on a continuing basis;
- Conduct annual reviews of declarations from all Directors;
- Ensure that all Directors execute the required Deed of Covenants;
- Ensure the Company complies with quarterly RBI reporting obligations under Paragraph 14 of the RBI Governance Directions, 2025; and
- Undertake any action required to comply with applicable RBI regulations or any amendments.

## 9. Board Experience Requirement

In accordance with Paragraph 8 of the RBI Governance Directions, 2025 (applicable to all NBFCs), at least one Director on the Board of the Company shall have relevant experience of having worked in a bank or an NBFC. The NRC shall ensure compliance with this requirement at all times.

## 10. Restrictions on Independent Directors

In accordance with Paragraph 27 of the RBI Governance Directions, 2025:

- An Independent Director shall not be on the Board of more than three NBFCs (classified as Middle Layer or Upper Layer) at the same time.
- This restriction shall not apply in respect of directorships held in Base Layer NBFCs, subject to compliance with the Companies Act, 2013.

The Board shall ensure, as required by Paragraph 28, that no conflict arises from an Independent Director simultaneously serving on the Board of another NBFC.

## 11. Deed of Covenants

Every Director shall execute a Deed of Covenants with the Company in the format prescribed at Annex III of the RBI Governance Directions, 2025. The Deed of Covenants establishes mutual obligations between the Director and the Company, including the Director's fiduciary duties, obligations of disclosure, obligations of independence, and the Company's corresponding obligations of transparency and support to the Director.

## **12. Review of the Policy**

The NRC and/or Board will oversee the implementation of this Policy and review its functioning periodically, at least annually. The Policy shall be revised to reflect any changes in applicable laws, RBI Directions, or internal requirements, and the revised policy shall be placed before the Board for approval.

## **13. Conflict with Applicable Law**

In the event of any conflict between the provisions of this Policy and the applicable law (including the RBI Governance Directions, 2025, and the Companies Act, 2013), the applicable law shall prevail. The provisions of this Policy are in addition to and not in derogation of any other laws, rules, or regulations for the time being in force.