



**Policy on Selection Criteria/ "Fit & Proper" Person Criteria**

## **INTRODUCTION**

In terms of Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 issued by the National Housing Bank all non-public deposit accepting Housing Finance Companies (HFC) with assets size of INR 50 crore and above, as per the last audited balance sheet are required to put in place a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis.

Further in terms of the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 the above mentioned HFCs are required to constitute a Nomination & Remuneration Committee and in accordance with the terms of reference of Nomination & Remuneration Committee, it 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 and ensure 'fit and proper' status of proposed/ existing directors of the Company.

In compliance with the provisions of the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 issued by the National Housing Bank and the terms of reference of the Nomination & Remuneration Committee, the Board, on recommendation of the Nomination & Remuneration Committee of the Company, has adopted this Policy on Selection Criteria/ "Fit & Proper" Person Criteria ('Policy') for Director(s) and Senior Management Personnel of the Company.

## **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;
- 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.

## **DEFINITIONS**

(a) "Act" means the Companies Act, 2013 and the rules framed thereunder;

- (b) **"Board"** means Board of Directors of the Company for the time in force;
- (c) **"Company"** or **"IHFPL"** means "IndoStar Home Finance Private Limited";
- (d) **"Director(s)"** means and includes Executive Director(s) and Non-Executive Director(s);
- (e) **"Executive Director(s)"** means person appointed as Whole-Time Director, Managing Director or Executive Director and holding office as such pursuant to the applicable provision of the Act;
- (f) **"Key Managerial Personnel"** or **"KMP"** means persons as defined in the Act;
- (g) **"Nomination & Remuneration Committee"** or **"Committee"** means the Nomination & Remuneration Committee of the Board of Directors of the Company as maybe re-constituted from time to time.
- (h) **"NHB CG Directions"** means the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016 issued by the National Housing Bank
- (i) **"Senior Management Personnel"** means personnel of the Company who is a member of the core management team excluding the Board of Directors and comprises of all members of management one level below the Executive Directors, including the functional heads.

#### **ROLE OF NOMINATION & REMUNERATION COMMITTEE**

- Guiding the Board in relation to appointment and removal of Director(s) and Senior Management Personnel of the Company;
- Obtain and analyze information / documents for determining the qualifications, positive attributes for appointment of Director(s) and Senior Management Personnel;
- Ensuring "Fit and Proper" Person status of proposed / existing Director(s);
- Recommending to the Board, the appointment and removal of Director(s) and Senior Management Personnel.

#### **PROCESS / MANNER OF SELECTION FOR APPOINTMENT**

##### **Selection of Director(s) can inter-alia be made in any of the following ways:**

- From within the Company hierarchy;
- Recruitment from outside;

- Nomination from any shareholder in compliance with applicable laws;
- Any other manner as governed / directed by the prevailing relevant Policy(ies) of the Company in this regard or by the Board of Directors of the Company.

**Selection of Senior Management Personnel can inter-alia be made in any of the following ways:**

- From within the Company hierarchy;
- Recruitment from outside;
- Any other manner as governed/directed by the prevailing relevant Policy(ies) of the Company in this regard or by the Board of Directors of the Company.

**CRITERIA FOR APPOINTMENT AS DIRECTOR**

**a. Qualifications / Eligibility:**

- Eligibility in accordance with the applicable provisions of the Act, rules made thereunder, NHB CG Directions 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;
- The Nomination & Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.

**b. Positive Attributes:**

- Experience in fields relevant to the business of the Company and / or other fields including but not limited to finance, law, management, accounting, taxation, corporate governance etc. which can help to effectively contribute towards the goals of the Company;
- 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;

- Ability to devote sufficient time and attention to the Company's business to discharge not only business / commercial goals but also ethical / social goals of the Company.

**c. "Fit and Proper" person criteria**

- "Fit and Proper" person status shall be accessed in light of the criteria mentioned in point a and b above, for appointment / continuing as Director.
- As a part of due diligence for determining the suitability of a person for appointment / to continue to hold office of Director, the Nomination & Remuneration Committee shall:
  - (i) Obtain declaration and undertaking in the format given at Annex – 2 of the NHB CG Directions, from a person proposed to be appointed as Director.
  - (ii) Obtain a Deed of Covenant in the format given at Annex-3 of the NHB CG Directions, from a person proposed to be appointed as Director.
  - (iii) After scrutinizing the signed declarations received, as mentioned in point (i) above, the Committee shall decide on the acceptance or otherwise of the candidature of such person(s) for the post of Director.
  - (iv) Obtain from the existing Director(s), declaration and undertaking in the format given at Annex – 2 of the NHB CG Directions, 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.
  - (v) Ensure 'fit and proper' status on a continuous basis, in case there is any change in the declaration and undertaking submitted by the Director(s), as mentioned in point (i) or point (iv) above.
  - (vi) Scrutinize the quarterly statement filed with the National Housing Bank on the change of Directors and compliance with 'fit and proper' person criteria in selection of Directors.

**CRITERIA FOR APPOINTMENT AS SENIOR MANAGEMENT PERSONNEL**

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 & Remuneration Committee are adequate to effectively discharge their duties and responsibilities in context with the role assigned.

### **REMOVAL OF DIRECTOR(S) / SENIOR MANAGEMENT PERSONNEL**

The Nomination & Remuneration Committee of the Board may, with the reasons recorded in writing and in compliance with the provisions of the Act and applicable law(s) for the time being in force, recommend to the Board the removal of Director(s) / Senior Management Personnel of the Company on the following grounds:

- (i) Disqualification / misconduct / fraud as may be warranted by the Act, or any other law(s) for the time being in force;
- (ii) In accordance with the prevailing relevant Policy(ies) of the Company in this regard or as may be governed / directed by the Board of Directors of the Company.

### **REVIEW OF POLICY**

This Policy shall be reviewed as and when considered necessary by the Board.