



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

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V1	Priyal Shah	2 February 2019	2 February 2019	Adoption of Policy
V2	Nidhi Sadani	10 February 2022	10 February 2022	Miscellaneous changes due to regulatory amendments
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INTRODUCTION

In terms of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by the Reserve Bank of India (RBI HFC Directions) all Housing Finance Companies (HFC) 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 RBI HFC Directions, 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 RBI HFC Directions 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) **"Independent Director(s)"** means the Director(s) appointed pursuant to the provisions of Section 149 of the Act;
- (g) **"Key Managerial Personnel" or "KMP"** means persons as defined in the Act;
- (h) **"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.
- (i) **"RBI HFC Directions"** means the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021
- (j) **"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 and independence for Independent Director(s);
- 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;
- Selection from data bank of Independent Directors maintained in accordance with the provisions of the Act [for appointment as Independent Director(s)];
- 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, RBI HFC Directions and any 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. Independence [for Independent Director(s)]:

- Compliance with the criteria of Independence as prescribed under Section 149 of the Act, and other applicable laws, if any;
- Commitment to abide by the Code for Independent Director(s) adopted by the Company;
- Person(s) proposed to be appointed as Independent Director(s) shall provide a declaration affirming compliance with the criteria of independence as set forth in the Act, Rules made thereunder, and other application laws, if any.
- Existing Independent Directors on the Board of the Company shall provide signed declaration with respect to compliance with the criteria of Independence as set forth in the Act, Rules made thereunder, and other applicable laws, if any, on annual basis, confirming no impairment to the status of independence;
- The Committee shall scrutinize the declarations affirming compliance with the criteria of independence, as mentioned herein above, received from proposed / existing Independent Director(s).

d. "Fit and Proper" person criteria

- "Fit and Proper" person status shall be accessed in light of the criteria mentioned in point a, b and c 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 RBI HFC Directions (as maybe amended from time to time), from a person proposed to be appointed as Director.
 - (ii) Obtain a Deed of Covenant in the format given at Annex-3 of the RBI HFC Directions (as maybe amended from time to time), 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 RBI HFC Directions (as maybe amended from time to time), 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.