

INDIA HOME LOAN LIMITED



FIT AND PROPER CRITERIA POLICY

Preamble

Pursuant to the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016, as amended from time to time ("Master Directions") vide notification no. NHB(ND)/DRS/REG/MC-07/2019 dated July 1, 2019. every non-public deposit accepting Housing Finance Company ("HFC") with assets size of Rs. 50 Crore and above, as per the last audited balance sheet, and all public deposit accepting / holding HFCs, are required to formulate and adopt a policy for ascertaining the fit and proper criteria be adopted at the time of appointment of any director, and on a continuing basis.

In compliance with the provisions of the Master Directions, the board of directors of the Company ("Board"), have adopted this fit and proper criteria policy ("Policy") for the directors of the Company.

1. Objective

- a) To lay down a framework in relation to appointment and removal of the director(s) of the Company;
- b) To lay down the criteria for determining the qualifications, technical expertise, positive attributes, integrity and independence of the director(s); and
- c) To lay down fit & proper person criteria and process of due diligence to determine the suitability / eligibility of a person for appointment / to continue to hold the position as a director of the Company.

2. Definitions

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Master Directions, as amended from time to time.

3. Process / Manner of Selection for Appointment

- A. Selection of the director(s) of the Company, other than the nominee directors to be appointed by the financial institutions, banks, HFCs in accordance with the terms and conditions of the financing facilities availed by the Company, can inter-alia be made in any of the following ways:
 - a) from within the Company hierarchy;
 - b) recruitment from outside;
 - c) selection from data bank of independent directors maintained in accordance with the provisions of the Companies Act, 2013 (for appointment of a person as an independent director of the Company);
 - d) nomination from any shareholder in compliance with the applicable laws; and
 - e) in any other manner as governed / directed by any other relevant existing policy(ies) of the Company or by the Nomination & Remuneration Committee or the Board.

4. Fit and Proper Criteria and its Due Diligence Mechanism for Directors

- A. The following broad parameters / aspects / criteria shall be considered while assessing the suitability of a person for appointment / to continue to hold the position as a director of the Company:
 - a) Skills and Experience: The person should have appropriate skills and experience in one or more fields of finance, law, management, accounting, taxation, sales, marketing, human resource management, administration, corporate governance, operations or

any other discipline related to the business of the Company, and ability to handle any conflict constructively, bring independent judgement and possess the willingness to address critical issues proactively, which can help to effectively contribute towards the goals of the Company.

- b) **Understanding of Business:** The person should have an understanding of the business of the Company, its group companies and/or related industry.
- c) **Age Limit:** The person should have completed the age of at least 21 (Twenty One) years and should not have attained the age of 70 (Seventy) years.
- d) **Conflict of Interest:** The person should not hold any conflicts of interest with the Company in any manner whatsoever.
- e) **Regulatory Requirements:** The number of companies in which such person holds directorship should not exceed the number prescribed under the Act. No person will be considered for appointment as a director if such person is disqualified to act as a Director under Act or any other applicable law.
- f) **Independence:** The person proposed to be appointed as an independent director of the Company should not have any direct or indirect pecuniary relationship with the Company and must satisfy the requirements or criteria of independence, integrity, relevant expertise or experience, etc., as required under the Companies Act, 2013.
- g) **Educational and Professional Background:** The person should have appropriate and adequate professional qualification and/or experience of having run a business at senior management and decision-making level.
- h) **Interpersonal Skills:** The person should have the ability to work collaboratively, communicate effectively and display the commitment and work ethic and contribute to the Board's working relationship with the senior management of the Company.
- i) **Track Record and Integrity:** The person should have good track record and possess the highest personal and professional ethics, integrity and values.

The Nomination & Remuneration Committee may, at its discretion, apply additional or different criteria as it may deem fit while considering or assessing the suitability of a person for appointment / to continue to hold the position as a director of the Company.

- B. Before appointing any person as a director on the Board or continuing the appointment of any such director, the Nomination & Remuneration Committee shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the above criteria and also such other factors in respect of which information is obtained by the Company in the declaration and undertaking (as defined below).
- C. The Company shall, prior to the appointment of any person as a director on the Board, obtain necessary information and declaration from the proposed directors, in the format as prescribed under the Annexure-1 to this Policy. The declaration and undertaking in respect of the existing directors on the Board as on the effective date of this Policy shall also be obtained from the directors.
- D. The process of due diligence shall be undertaken by the Company at the time of appointment and on the renewal of every appointment as the case may be.
- E. The Nomination & Remuneration Committee shall scrutinize each declaration and undertaking received. The Nomination & Remuneration Committee shall after considering the result of its due diligence and the information provided in the signed declaration and undertaking, decide on and recommend to the Board the acceptance or rejection of

appointment of new directors or renewal of appointment of existing directors whose appointment is to be continued or renewed, as the case may be.

- F. In order to conclude that a person is 'fit and proper' to be appointed as a director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, on the basis of recommendations of the Nomination & Remuneration Committee, that:
- a) the person meets the fit and proper criteria expressly set out by the NHB in the Master Directions or such other conditions as may prescribed by the NHB from time to time or as may be prescribed under any other law;
 - b) the person possesses the requisite skills, experience, qualifications, technical expertise, competence, track record, integrity, judgement, etc. to perform properly the duties of a director on the Board; and
 - c) the person either has no conflict of interest in performing such person's duties as a director on the Board, or if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create any risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.
- G. The Company shall require every director on the Board to annually, provide a simple declaration (reflecting the position as on March 31 of the previous financial year) which either confirms that the information already provided to the Board in the declaration and undertaking has not undergone any change, or where there is any change, specifies the requisite details of such change. Any declarations which indicate a change in the information provided in the original declaration and undertaking shall also be scrutinized by the Nomination & Remuneration Committee and the Committee shall keep the Board apprised of any such changes.
- H. The Board shall ensure that any person who is appointed as director on the Board shall, on or before the date on which such person's appointment becomes effective, execute a deed of covenant in the format as prescribed under the Master Directions or such other format as may be prescribed from time to time ("Director Covenant"). The Director Covenant in respect of the existing directors on the Board as on the effective date of this Policy shall be executed between the Company and such directors.
- I. The Company shall furnish a statement to the National Housing Bank, a quarterly statement on the change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement shall reach National Housing Bank, New Delhi within 15 days of the close of the respective quarter. Further, the statement submitted by the Company for the quarter ending March 31, should be certified by the statutory auditors of the Company. In case of no change, a NIL return shall be filed.

5. General Provisions

- a) This Policy is subject to the applicable laws including but not limited to the Master Directions.
- b) This Policy is subject to review by the Nomination & Remuneration Committee as and when deemed necessary. The Nomination & Remuneration Committee may amend the Policy from time to time depending upon the requirements of the provisions of the Master Directions and other applicable laws.
- c) Notwithstanding anything contained in this Policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws / regulations either existing or arising out of any amendment to such laws / regulations or otherwise and

applicable to the Company from time to time. Any change/amendment in applicable laws with regard to selection criteria / fit and proper criteria for the directors be deemed to be incorporated in this Policy by reference and this Policy shall be deemed to have been amended and revised accordingly.

Annexure-1

Name of the HFC : _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)

- I. Personal details of Director
 - a. Full Name
 - b. Date of Birth
 - c. Education Qualifications
 - d. Relevant Background and Experience
 - e. Permanent Address
 - f. Present Address
 - g. E-mail Address / Telephone Number
 - h. Director Identification Number
 - i. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
 - j. Relevant knowledge and experience
 - k. Any other information relevant to Directorship of the HFC
- II. Relevant Relationship of Director
 - a. List of Relatives if any who are connected with the HFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New 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 New Companies Act, 2013)
 - c. List of entities in which he/she is considered as holding substantial interest within the meaning of HFC (NHB) Directions, 2010
 - d. Name of HFC in which he/she is or has been a member of the board (giving details of period during which such office was held)
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 HFC
 - e. 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 HFC or any other HFC / 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 New 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

Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.

(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 toto, 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 HFC 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 Directors of the HFC.

Place :

Signature

Date :

VI. Remarks of Chairman of Nomination Committee / Board of Directors of HFC

Place :

Signature

Date :

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this day of Two Thousand BETWEEN Capital India Home Loans Limited having its registered office at 2nd Floor, DLF Centre, Sansad Marg, New Delhi – 110001 (hereinafter called the “**HFC**”) 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 HFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the HFC.
- 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 HFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the HFC and the provisions of this Deed of Covenants.
- 2. The Director covenants with the HFC that:
 - Ⓐ 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 HFC 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.
 - (i) 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.
 - (i) The Director shall provide to the HFC 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 HFC:
 - 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 HFC;

- c) shall keep himself / herself informed about the business, activities and financial status of the HFC 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 HFC;
- e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;
- f) shall bring independent judgment to bear on all matters affecting the HFC 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 HFC and not for any collateral purpose;
- b) duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- c) duty to acquire proper understanding of the business of the HFC.

(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 HFC 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 HFC in his / her capacity as director of the HFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
- d) make declaration to the effect that:
 - (i) he/she has not been associated with any unincorporated body that is accepting deposits;
 - (ii) he/she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank;
 - (iii) there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

3 The HFC covenants with the Director that:

(i) the HFC 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 HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(i) the HFC 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 HFC 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;

(ii) the disclosures to be made by the HFC 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) HFC's strategic and business plans and forecasts;
- c) organisational structure of the HFC 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 HFC's products;
- g) information and updates on major expenditure;
- h) periodic reviews of performance of the HFC; and
- i) report periodically about implementation of strategic initiatives and plans.

(iii) the HFC 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

Note: It is clarified that circulation of minutes within two business days is not mandatory and provisions in the Companies Act, 2013 in this regard shall apply.

(iv) advise the director about the levels of authority delegated in matters placed before the Board.

- 4 The HFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.
- 5 The HFC 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 National Housing 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 HFC 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 HFC.
- 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 timesthereafter.
- 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 HFC.
- 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 HFC

Director

.....

Name:

Name:

Title:

In the presence of:

1.....

2.....