



**Policy on Selection Criteria/ “Fit & Proper” Person Criteria**

**VERSION CONTROL**

Version Control Number	Author	Date Created / updated	Date Published	Date Effective	Version Description
V.1.0	Jitendra Bhati AVP – Compliance & Secretarial	5 March 2015	--	5 March 2015	--

## **INTRODUCTION**

Section 178 of the Companies Act, 2013 read with rules framed thereunder requires every listed Company and such class of companies as may be prescribed, to constitute a Nomination and Remuneration Committee which 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. Accordingly, the Nomination and Remuneration Committee is required to adopt a policy for laying down the criteria for identifying persons eligible to hold such respective positions.

The Reserve Bank of India ('RBI') vide its Circular No. RBI/2014-15/299 DNBR (PD) CC.No. 002/03.10.001/2014-15 dated 10 November 2014 requires all Non-Deposit Accepting Non-Banking Financial Companies with asset size of INR 500 crore and above (NBFC-ND-SI) to adopt a Policy on Fit & Proper Criteria for Directors in view of having increasing integration of NBFCs in the financial sector and their growing systemic significance and to ensure that the Directors who are responsible for steering the affairs of companies are fit and proper, besides having the necessary qualifications.

In compliance with the provision of the Companies Act, 2013 and RBI Circular, the Board on recommendation of the Compensation & Nomination Committee of the Company have adopted this Policy on Selection Criteria/ "Fit & Proper" Person Criteria ('Policy') for Director(s) and Senior Management Personnel of the Company, as applicable.

## **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 and criteria for determining independence for Independent Director(s);
- 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 **"ICF"** means "IndoStar Capital Finance Limited";
- (d) **"Director(s)"** means and includes Managing Director, Whole-Time Director 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 and as appointed in employment of the Company;
- (h) **"Compensation and Nomination Committee"** or **"Committee"** means the Compensation and Nomination Committee of the Board of Directors of the Company as re-constituted from time to time.
- (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 functional heads of the Company and shall include the Key Managerial Personnel(s) of the Company.

#### **ROLE OF COMPENSATION AND NOMINATION 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 and provisions of the RBI including compliance with age limit criteria; 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;
- The Compensation and Nomination 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) as prescribed under the Act and 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 application 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 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 Compensation and Nomination Committee shall:
  - (i) Obtain declaration and undertaking in the format given at Annex – 1 of this code, from a person proposed to be appointed as Director as prescribed by RBI.
  - (ii) Obtain a Deed of Covenant in the format given at Annex-2 of this code, from a person proposed to be appointed as Director as prescribed by RBI.

- (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 – 1, 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 RBI 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 Compensation and Nomination Committee are adequate to effectively discharge their duties and responsibilities in context with the role assigned.

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

The Compensation and Nomination 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.

#### **EFFECTIVE DATE OF THE POLICY**

The Policy has been adopted by the Board of Directors on 5 March 2015, and shall come into force with immediate effect.

Annex – 1

Name of NBFC: \_\_\_\_\_

Details as on: \_\_\_\_\_

<b>I. Personal Details of Directors</b>	
a.	Full Name
b.	Date of Birth
c.	Educational Qualifications
d.	Relevant Background and Experience
e.	Permanent Address
f.	Present Address
g.	E-mail Address / Telephone Number
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle
i.	Relevant Knowledge and experience
j.	Any other information relevant to Directorship of NBFC
<b>II. Relevant Relationships of Director</b>	
a.	List of Relatives if any who are connected with the Company (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 NBFC Prudential Norms Directions, 2007  <i>("substantial interest" means holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together</i>



	<i>in the shares of a company, the amount paid up on which exceeds ten per cent of the paid up capital of the company; or the capital subscribed by all the partners of a partnership firm;)</i>	
d.	Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e.	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 NBFC	
f.	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 last five years in respect of credit facilities obtained from the NBFC or any other NBFC/ Bank.	
<b>III.</b>	<b>Record of Professional Achievement</b>	
a.	Relevant Professional Achievements	
<b>IV.</b>	<b>Proceedings, if any, against the Director</b>	
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 in to any profession/ occupation at any time.	Nil
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	Nil
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	Nil
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?	Nil
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?	Nil

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	Nil
g.	Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.	Nil
<b>V.</b>	<b>Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper</b>	Nil

#### Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC 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 NBFC.

Place:

Signature

Date:

#### VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC

Place:

Signature

Date:

**Annex-2**

**THIS DEED OF COVENANTS** is made on this \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand \_\_\_\_\_

**BETWEEN**

\_\_\_\_\_, having its registered office at \_\_\_\_\_  
(hereinafter called the 'NBFC') 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 NBFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.
- 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 NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
- 2. The director covenants with the NBFC that:
  - i. 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 NBFC 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.

- ii. 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.
- iii. The director shall provide to the NBFC 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 NBFC:
  - (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 NBFC;
  - (c) shall keep himself / herself informed about the business, activities and financial status of the NBFC 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 NBFC;
  - (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
  - (f) shall bring independent judgment to bear on all matters affecting the NBFC 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 NBFC and not for any collateral purpose;
  - (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
  - (c) duty to acquire proper understanding of the business of the NBFC.
- 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 NBFC 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 NBFC in his / her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
3. The NBFC covenants with the director that:
- i. the NBFC 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 NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii. the NBFC 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 NBFC 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;
- iii. the disclosures to be made by the NBFC 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) NBFC's strategic and business plans and forecasts;
  - c) organisational structure of the NBFC 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 NBFC's products;

- g) information and updates on major expenditure;
  - h) periodic reviews of performance of the NBFC; and
  - i) report periodically about implementation of strategic initiatives and plans;
- iv. the NBFC 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
- v. advise the director about the levels of authority delegated in matters placed before the Board.
4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The NBFC 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 Reserve Bank of India 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 NBFC 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 NBFC
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 times thereafter.

- 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 NBFC.
  
- 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 NBFC

Director

By .....

Name:

Name:

Title:

In the presence of:

1. ....

2. ....