

Policy on Fit & Proper Criteria of Directors

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**SATIN HOUSING FINANCE LIMITED (SHFL)
{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}**

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Version History

Version	Date	Description of Changes
1.0	02 May, 2019	First Release



Policy on Fit & Proper Criteria of Directors

A. SCOPE AND APPLICABILITY:

The National Housing Bank has vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017 issued Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which mandates all non-public deposit accepting housing finance companies with assets size of Rs. 50 Crores to formulate a policy for the purpose of ascertaining the fit and proper criteria for directors at the time of appointment and on a continuing basis.

The Company being a non-deposit accepting housing finance company with assets size of more than Rs. 50 Crores is required to formulate and adopt a “Policy for Fit and Proper criteria for Directors” on the lines of the guidelines Contained in Annex – 1 of the said Directions.

The Board of Directors of the SHFL at its meeting held on May 2, 2019 approved this Policy, which shall be applicable and binding on all the existing / proposed directors of the SHFL with effect from May 2, 2019.

This Policy is inter-linked to the Policy on Appointment of Directors and Members of Senior Management, which provides a framework and sets standard for the appointment of talented and self-motivated directors and members of senior management who should have the capacity and ability to lead the SHFL towards achieving its stated goals and strategic objectives taking into account the interest of all stakeholders.

This policy solely comprises the mandatory requirements as mentioned in the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.

B. OBJECTIVE:

The objective of this Policy is to set out the ‘fit and proper’ criteria based on which existing directors whose appointment is intended to be continued and new directors proposed to be appointed can be evaluated.

C. ROLE OF NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee of the SHFL will play the following role for the proper implementation of this Policy:

- Periodic review of this Policy;
- Carry out the due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as a director of the SHFL;
- Scrutinize the Declaration and Undertaking and Deed of Covenant received from the directors of the SHFL; and
- Recommend the appointment/ re-appointment of the persons proposed to be appointed/ re-appointed after applying the fit and proper criteria as stipulated in this Policy.

D. CRITERIA FOR FIT AND PROPER EVALUATION:

1. Prior to appointment of any person as a director on the Board or continuing the appointment of any such director, the Nomination and Remuneration Committee shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the qualification, expertise, track record, integrity of such individual and also such other factors in respect of which information is obtained by the SHFL in the Declaration and Undertaking from such person.
2. The SHFL shall prior to the appointment of any person as a director on the Board obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 2 to the said direction or such other format (where applicable) which may be prescribed for the purpose by the National Housing Bank from time to time.
3. The SHFL shall also obtain Deed of Covenant signed by its directors, which shall be in the format specified in Annex 3 to the said directions or such other format (where applicable) which may be prescribed for the purpose by



the National Housing Bank from time to time. All directors appointed after the effective date of this Policy shall also execute the said Deed of Covenant, on or before the date on which such appointment becomes effective.

4. The Nomination and Remuneration Committee shall scrutinize each Declaration and Undertaking received. The Committee after reviewing such Declaration and Undertaking and evaluating the potential new director / existing directors as per the criteria mentioned in the Policy on Appointment of Directors and Members of Senior Management, recommend to the Board the acceptance or otherwise of the potential new directors or existing directors whose appointment is to be continued or renewed, as the case may be.

5. 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 and Remuneration Committee, that the potential new director/ existing director:

- a) has not been disqualified to act as a director under applicable laws;
- b) meets the fit and proper criteria;
- c) possesses the qualifications, competence, expertise, track record, integrity and judgment to perform properly the duties of a director on the Board as specifically contained in the Policy on Appointment of Directors and Members of Senior Management; and
- d) either:
 - has no conflict of interest in performing duties as a director on the Board; or
 - in case of conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform the duties properly and adequate disclosures are made by the person in this regard.

6. The SHFL shall require every director on its Board to annually provide not later than April 15 a simple declaration (reflecting the position as on March 31) which either confirms that the information already provided in the Declaration and Undertaking has not undergone any change or where there is any change, specifies the requisite details of such change.

7. Any declarations which indicate a change in the information provided in the original Declaration and Undertaking shall be scrutinized by the Nomination and Remuneration Committee.

E. QUARTERLY REPORTING:

The SHFL shall furnish to the National Housing Bank a quarterly statement on change of directors within a period of 15 days of the close of the respective quarter. The statement for the quarter ending March 31, shall be certified by the statutory auditors of the SHFL.

The SHFL shall also furnish a quarterly certificate from the Chief Executive Officer or the Whole Time Director of the SHFL confirming that the fit and proper criteria has been followed in selection of the directors of the SHFL.

F. POLICY REVIEW:

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to any notifications and directions issued by National Housing Bank or under any other law applicable to the SHFL, from time to time.

The Nomination and Remuneration Committee may issue /implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

