

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

POLICY FOR FIT AND PROPER CRITERIA FOR 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 public deposit accepting housing finance companies 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 Corporation being a deposit accepting housing finance company 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 Nomination and Remuneration Committee of Directors at its meeting held on March 3, 2017 reviewed this Policy and recommended the same for the approval of the Board of Directors of the Corporation. The Board of Directors of the Corporation at its meeting held on March 3, 2017 approved this Policy, which shall be applicable and binding on all the existing / proposed directors of the Corporation with effect from March 31, 2017.

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 Corporation 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 Corporation 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 Corporation;

- Scrutinize the Declaration and Undertaking and Deed of Covenant received from the directors of the Corporation; 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 Corporation in the Declaration and Undertaking from such person.
2. The Corporation 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. Refer Annexure – 1 to this Policy for the format of such Declaration and Undertaking.
3. The Corporation 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. Refer Annexure – 2 to this Policy for the format of such Deed of Covenant. 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 judgement 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 Corporation 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 Corporation 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 Corporation.

The Corporation shall also furnish a quarterly certificate from the Vice-Chairman & Chief Executive Officer or the Managing Director of the Corporation confirming that the fit and proper criteria has been followed in selection of the directors of the Corporation.

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 Corporation, 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.

Name of HFC: HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

DECLARATION AND UNDERTAKING BY DIRECTOR (WITH ENCLOSURES AS APPROPRIATE AS ON __)

I. PERSONAL DETAILS OF DIRECTOR	
<p>a. Full name</p> <p>b. Date of Birth</p> <p>c. Education Qualifications</p> <p>d. Relevant Background and Experience</p> <p>e. Permanent Address</p> <p>f. Present Address</p> <p>g. E-mail Address / Telephone Number</p> <p>h. Director Identification Number</p> <p>i. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle</p> <p>j. Relevant knowledge and experience</p> <p>k. Any other information relevant to Directorship of the Housing Development Finance Corporation Limited</p>	
II. RELEVANT RELATIONSHIP OF DIRECTOR	
<p>a. List of Relatives if any who are connected with the Housing Development Finance Corporation Limited (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013).</p> <p>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).</p>	

<p>c. List of entities in which he/she is considered as holding substantial interest within the meaning of HFC (NHB) Directions, 2010.</p> <p>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 Housing Development Finance Corporation Limited.</p> <p>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 Housing Development Finance Corporation Limited or any other HFC/ bank.</p>	
III. RECORDS OF PROFESSIONAL ACHIEVEMENTS	
<p>a. Relevant professional achievements</p>	
IV. PROCEEDINGS, IF ANY, AGAINST THE DIRECTOR	
<p>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.</p> <p>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.</p> <p>c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director.</p> <p>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?</p> <p>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?</p>	

<p>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.</p> <p>g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.</p> <p>(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.)</p>	
<p>V. ANY OTHER EXPLANATION / INFORMATION IN REGARD TO ITEMS I TO III AND OTHER INFORMATION CONSIDERED RELEVANT FOR JUDGING FIT AND PROPER</p>	

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep Housing Development Finance Corporation Limited 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 Housing Development Finance Corporation Limited.

Place:

Signature

Date:

VI. Remarks of Chairman of Nomination Committee/Board of Directors of Housing Development Finance Corporation Limited

Place:

Signature

Date:

FORM OF DEED OF COVENANTS WITH A DIRECTOR

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand ____
BETWEEN Housing Development Finance Corporation Limited, having its registered office at Ramon House, 169, Backbay Reclamation, H T Parekh Marg, Churchgate, Mumbai 400 020 (hereinafter called the 'Corporation') 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 Corporation (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the Corporation.
- 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 Corporation is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Corporation and the provisions of this Deed of Covenants.
- 2. The director covenants with the Corporation 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 Corporation 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 Corporation 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 Corporation:
 - 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 Corporation;
 - c. shall keep himself / herself informed about the business, activities and financial status of the Corporation 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 Corporation;
 - e. shall not seek to influence any decision of the Board for any consideration other than in the interests of the Corporation;
 - f. shall bring independent judgment to bear on all matters affecting the Corporation 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 Corporation and not for any collateral purpose;
 - b. duty to act only within the powers as laid down by the Corporation's Memorandum and Articles of Association and by applicable laws and regulations; and
 - c. duty to acquire proper understanding of the business of the Corporation.

- 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 Corporation 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 Corporation in his / her capacity as director of the Corporation only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The Corporation covenants with the director that:

- i. the Corporation 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 Corporation, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- ii. the Corporation 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 Corporation 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 Corporation 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. Corporation's strategic and business plans and forecasts;
 - c. organisational structure of the Corporation 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 Corporation's products;
 - g. information and updates on major expenditure;
 - h. periodic reviews of performance of the Corporation; and
 - i. report periodically about implementation of strategic initiatives and plans;
 - iv. the Corporation 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 Corporation shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The Corporation 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 Corporation 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 Corporation.

- 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 Corporation.
- 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 Housing Development Finance Corporation Limited	Director
Name	Name
Title	

In the presence of:

1.

2.