



# **POLICY FOR 'FIT AND PROPER' CRITERIA FOR DIRECTORS**

Version 1.2

## **A. PREFACE**

Pursuant to the Housing Finance Companies-Corporate Governance (NHB) Directions, 2016 as amended from time to time (“**Master Directions**”) vide notification no. NHB(ND)DRS/REG/MC-07-2019 dated July 1, 2019, the Board of Directors (“Board”) of Vastu Housing Finance Corporation Limited (“Company”), has framed and adopted the Policy on Fit & Proper Criteria for Directors (“Policy” or “this Policy”).

## **B. OBJECTIVES**

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

The Company believes that this policy will aid the Company’s constant endeavour to ensure that only individuals of high caliber and who possess the right blend of qualifications, expertise, track record and integrity are appointed on the Board.

## **C. SCOPE AND APPLICATION**

The Policy shall apply in respect of appointment of directors as the Board of Directors of the Company as well as continuation of the appointment of the directors on the Board.

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

## **D. DEFINITIONS**

“**Company**” or “**HFC**” means Vastu Housing Finance Corporation Limited

“**Board**” means the Board of Directors of the Company

“**Nomination and Remuneration Committee or NRC**” means the Nomination and Remuneration Committee of the Board of Directors of the Company constituted under provisions of the Companies Act, 2013.

“**Director**” mean an individual appointed as a Director on the Board of the Company

“**Policy**” means this Policy on Fit and Proper Criteria for Directors

## **E. ROLE OF NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee of the Company shall:

- a. Obtain and analyze information / documents for determining the qualifications, positive attributes for appointment of Director(s) and independence of Independent Director(s);
- b. Carry out the due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as a director of the Company;

- c. Scrutinize the Declaration and Undertaking and Deed of Covenant received from the directors of the Company; and
- d. Recommend to the Board, the appointment/ re-appointment of the persons proposed to be appointed/ re-appointed as Directors after applying the fit and proper criteria as stipulated in this Policy.

**F. PROCESS / MANNER OF SELECTION FOR APPOINTMENT**

Selection of the director(s) of the Company, other than the nominee directors to be appointed by the financial institutions, banks 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 Act for appointment as Independent Director(s);
- d. Nomination from any shareholder in compliance with the applicable laws; and
- e. 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.

**G. EVALUATION OF FIT AND PROPER CRITERIA**

1. Before appointing any person as a director on the Board or continuing the appointment of any such director, the NRC 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 Company in the Declaration and Undertaking.
2. The Company shall prior to the appointment of any person as a director on the Board obtain necessary information and declaration from the proposed / existing directors in the format given at Annex- 2 of the NHB Circular or such other format (where applicable) which may be prescribed by the NHB from time to time. Refer Annexure – 1 to this Policy for the format of such Declaration and Undertaking.
3. The Company shall also obtain Deed of Covenant signed by its directors, which shall be in the format specified in Annex 3 of the NHB Circular or such other format (where applicable) which may be prescribed by the NHB 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 NRC shall scrutinize each Declaration and Undertaking received. The NRC 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, 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. Without limiting the generality of the foregoing paragraphs no person shall be considered for

appointment/re-appointment as a director if such person is disqualified to act as a director under applicable law.

6. In order to conclude that a person's '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 NRC, that:
  - a) the person meets the fit and proper criteria expressly set out by NHB or such other or additional criteria (where applicable) as may be prescribed by NHB from time.
  - b) the person possesses the qualifications, competence, technical expertise, track record, integrity and judgement to perform properly the duties of a director on the Board;
  - c) the person possesses the educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities as a director on the Board;
  - d) 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 a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.
7. The Company shall require every director on the Board to annually provide at first meeting of the Board in every financial year a simple declaration (reflecting the position as on 31<sup>st</sup> March) 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 NRC and the NRC shall keep the Board apprised of any such changes.

## **H. QUARTERLY REPORTING**

The Company shall provide a statement to the NHB on a quarterly basis (no later than 15 days from the end of every financial quarter) setting out the change of directors of the Company accompanying a certificate from the Managing Director of the Company confirming that the fit and proper criteria in selection of such new directors has been followed.

The statement for the quarter ending March 31, shall be certified by the auditors of the Company.

## **I. AMENDMENTS**

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 NHB or under any other law applicable to the Company, 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.

**Annexure 1**

**NAME OF HFC: Vastu Housing Finance Corporation Limited**

**DECLARATION AND UNDERTAKING BY DIRECTOR** (with enclosures as appropriate as on \_\_\_\_\_)

<b>I. PERSONAL DETAILS OF DIRECTOR</b>	
<p>Full Name</p> <p>Date of Birth</p> <p>Education Qualifications</p> <p>Relevant Background and Experience</p> <p>Permanent Address</p> <p>Present Address</p> <p>E-mail Address / Telephone Number</p> <p>Director Identification Number</p> <p>Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle</p> <p>Relevant knowledge and experience</p> <p>Any other information relevant to Directorship of the</p>	
<b>II. RELEVANT RELATIONSHIP OF DIRECTOR</b>	
<p>a. List of Relatives if any who are connected with the HFC (Refer Section 2(77) of the Companies Act, 2013)</p> <p>b. List of entities if any in which he/she is considered as being interested (Refer Section 184(1) of the Companies Act, 2013 and rule 9(1) of Companies (Meetings of Board and its Powers) Rules, 2014</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)</p> <p>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 HFC</p> <p>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 past in respect of credit facilities obtained from the HFC or any other HFC / bank</p>	
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**III. RECORDS OF PROFESSIONAL ACHIEVEMENTS**

a. Relevant professional achievements

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**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 164(2) of the Companies Act, 2013 and rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014
- 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

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<p>tax/foreign exchange /other revenue authorities? If so, give particulars</p> <p><b>g.</b> Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.?</p>	
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**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 : Mumbai**  
**SIGNATURE**

**DATE :**

**VI. REMARKS OF CHAIRMAN OF NOMINATION COMMITTEE/BOARD OF DIRECTORS OF HFC**

**PLACE : Mumbai**

**SIGNATURE**

**DATE :**

## DEED OF COVENANT

**THIS DEED OF COVENANTS** is made this ..... day of ..... Two Thousand.....  
**BETWEEN** Vastu Housing Finance Corporation Limited; incorporated under Companies Act, 1956 and having its registered office at Unit Nos. 203 & 204, 2<sup>nd</sup> Floor, A Wing, Navbharat Estate, Zakaria Bunder Road, Sewri (West), Mumbai - 400 015 (hereinafter called the "Company") of the one part and Mr/Ms\_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the "Director") of the other part (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 Company (hereinafter called "the Board") and is required as a term of her appointment to enter into a Deed of Covenants with the Company.
- 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 her appointment as director on the Board of the Company 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:
  - i. The director shall disclose to the Board the nature of her interest, direct or indirect, if 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 Company 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 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 Company a list of his/her relatives as defined in the Companies Act, 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 Company:



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

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

Director

Name:

Name:

Designation:

In the presence of:

1.....

2. ....