



Policy on Selection Criteria / “Fit and Proper” Person Criteria

POLICY ON SELECTION CRITERIA/ “FIT AND PROPER” PERSON CRITERIA (Version: V4)



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<i>Policy Name</i>	
Policy Approval authority	Risk Management Committee Board of Directors
Policy Owner	Chief Compliance Officer
Policy Implementation Authority	Company Secretary and Compliance Officer
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<i>Relevant Act/Rules/Regulations</i>
<ol style="list-style-type: none">1. Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India2. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 20153. Companies Act, 2013



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1. INTRODUCTION

Section 178 of the Act and Regulation 19 of the Listing Regulations, requires the board of directors of every listed company to constitute a Nomination and Remuneration Committee (*as defined below*) which is *inter-alia* responsible to: (i) identify persons who are qualified to become directors and who may be appointed in the senior management of the Company; (ii) recommend to the Board of Directors, their appointment and/or removal; and (iii) carry out the evaluation of performance of the directors of the company. Accordingly, the Nomination and Remuneration Committee is required to adopt a policy for laying down the criteria for identifying persons eligible to hold such positions of senior management, and as directors of the company.

In terms of the Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, (“**SBR Master Direction**”), the Company is required to adopt a policy to ascertain the fit and proper criteria of the Directors to ensure that the Directors, are fit and proper, besides having the necessary qualifications and experience to be appointed as such and to perform their obligations.

In compliance with Section 178 of the Act, Regulation 19 of the Listing Regulations and the SBR Master Direction, the Board, on the basis of recommendation of the Nomination and Remuneration Committee has approved and adopted this Policy on Selection Criteria/ “Fit and Proper” Person Criteria (“**Policy**”), for Director(s) and Senior Management Personnel of the Company, as applicable.

2. 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, technical expertise, track record, integrity, positive attributes for the appointment and removal of Director(s) and Senior Management Personnel and criteria for determining independence for Independent Director(s); and



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- To lay down the fit and proper person criteria including process of due diligence to determine the suitability/ eligibility of a person for appointment/ continuing to hold their position as a Director on the Board and/ or Senior Management Personnel.

3. DEFINITIONS

- (a) **“Act”** means the Companies Act, 2013, and the rules framed thereunder, as amended or modified or supplemented from time to time;
- (b) **“Board”** means board of directors of the Company for the time being in force;
- (c) **“Company”** or **“ICF”** means IndoStar Capital Finance Limited;
- (d) **“Director(s)”** means and includes a person appointed/ to be appointed as a director on the Board pursuant to the applicable provision of the Act and includes Executive Director, Non-Executive Director(s) and Independent Directors;
- (e) **“Executive Director(s)”** means a person appointed as Whole-Time Director, Managing Director or Executive Director and holding office in the Company, 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 and Regulation 16(1)(b) of the Listing Regulations;
- (g) **“Key Managerial Personnel”** or **“KMP”** means persons as defined in the Act and the Listing Regulations;
- (h) **“Nomination and Remuneration Committee”** or **“Committee”** means the Nomination and Remuneration Committee of the Board as re-constituted from time to time.
- (i) **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or modified or supplemented from time to time.



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- (j) “**Senior Management Personnel**” means personnel of the Company who is a member of the core management team, excluding the Board, 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 of the Company.

4. ROLE OF NOMINATION AND REMUNERATION COMMITTEE

Amongst other roles, responsibilities and duties of the Committee, as prescribed by the Board and as prescribed under the applicable law, the Committee shall

- guide 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 and positive attributes for appointment of Director(s) and Senior Management Personnel and independence of Independent Director(s);
- ensure “fit and proper” status of proposed / existing Director(s) and there is no conflict of interest in the appointment of Directors, KMPs and Senior Management Personnel;
- obtain and scrutinize the declaration received from the proposed/existing Directors to determine the suitability of the proposed/existing Directors for the appointment/continuing to hold appointment as a Director, and decide on the acceptance of such person as a Director; and
- ensure that the composition of the Board of Director(s) is in compliance with the Act, the Listing Regulations and the SBR Master Direction including the requirement of having at least one of the directors on the Board of the Company with the relevant experience of working in a bank/ NBFC.

5. PROCESS/ MANNER OF SELECTION FOR APPOINTMENT

a. Selection of Director(s) can, *inter-alia*, be made in any of the following ways:

- from within the Company hierarchy;
- recruitment from outside the Company;
- for appointment as Independent Director(s) - selection of Independent Directors from the data bank maintained in accordance with Section 150 of the Act;
- nomination of a person by (i) any shareholder of the Company; or (ii) any institution in pursuance of the provisions of any law for the time being in force or of any agreement, in



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compliance with applicable laws; and

- Any other manner as governed / directed by the prevailing relevant policy(ies) of the Company, or by the Board.

b. Selection of Senior Management Personnel can *inter-alia* be made in any of the following ways:

- from within the Company hierarchy;
- recruitment from outside the Company; and
- Any other manner as governed / directed by the prevailing relevant policy(ies) of the Company, or by the Board.

6. CRITERIA FOR APPOINTMENT AS DIRECTOR

a. Qualifications / Eligibility:

The Company shall ensure that the candidate for the position of a Director shall possess the following qualifications and eligibility criteria:

- The person shall be eligible in accordance with the applicable provisions of the Act, rules made thereunder, the Listing Regulations and provisions of the RBI, including compliance with age limit criteria, and other applicable law(s) for the time being in force;
- The person shall have adequate qualifications (depending upon the nature of role and duties for such position e.g. finance, law, management, accounting, taxation, corporate governance, etc.), financial and/ or business literacy/skills in the context of the business of the Company, leadership skills, prior experience in the financial services industry, experience in strategic planning, knowledge of the regulatory environment, and financial and accounting expertise, corporate governance and risk management and knowledge in the field of information technology; and
- The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms, as it deems fit on the basis of requirements of the Company, for selection of the most suitable candidate/s to be appointed as the Director(s).



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b. Positive Attributes:

The Company shall ensure that the candidate for the position of a Director shall possess the following positive attributes:

- Prior 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 the candidate to effectively contribute towards the goals of the Company;
- Expertise and a good track record in their respective fields with significant achievements;
- Morality, integrity, credibility, and the ability to handle conflicts constructively;
- Knowledge and skills for operating and keeping updated 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 Personnel; and
- Ability to devote sufficient time and attention to the Company’s business to discharge not only the business and commercial goals, but also the ethical and social goals of the Company.

c. Independence (for Independent Director(s)):

With respect to consideration for appointment of a person as Independent Director, the Company shall ensure:

- compliance with the criteria of independence as prescribed under Section 149 read with Schedule IV of the Act, Regulation 16(1)(b) of the Listing Regulations and other applicable laws, if any;
- commitment to abide by the code for Independent Director(s), as adopted by the Company and as prescribed under the Act;
- that the person(s) appointed/ proposed to be appointed as Independent Director(s) shall provide a declaration affirming compliance with the criteria of independence as set forth under the Act, the Listing Regulations and other application laws, if any, within the timelines as prescribed therein; and
- that the Committee scrutinizes the declarations affirming compliance with the criteria of independence, as received from the proposed / existing Independent Director(s).



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7. “Fit and Proper” Person Criteria

- The “fit and proper” person status of a Director or a person proposed to be a Director shall be assessed in light of the criteria mentioned under paragraphs 6(a), 6(b), and 6(c) of this Policy.
- Additionally, as a part of due diligence for determining the suitability of a person for appointment / to continue to hold office of Director, the Nomination and Remuneration Committee shall:
 - (i) obtain declaration and undertaking providing additional information on the Directors from a person proposed to be appointed as Director and/ or from the existing Directors, as the case may be, in terms of paragraph 96(ii) of the SBR Master Direction.
 - (ii) obtain in the public interest, a deed of covenant from a person proposed to be appointed as a Director, in terms of paragraph 96(iii) of the SBR Master Direction.
 - (iii) after scrutinizing the signed declarations and undertakings received from the Directors, as mentioned in paragraph 7(i) of this Policy, the Committee shall decide on the acceptance or otherwise of the candidature of such person(s) for the post of Director.
 - (iv) obtain on an annual basis as on March 31 from the existing Director(s), a simple declaration declaring or confirming that the information already provided by such Director has not undergone any change, and in the event of there being any change in the information provided earlier, the details of the same must be furnished by the Director forthwith.
 - (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 sub-paragraphs (i) or (iv) above and at the time of re-appointment.



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8. 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 Nomination and Remuneration Committee are adequate to effectively discharge their duties and responsibilities in context with the role assigned.

9. [REMOVAL OF DIRECTOR(S) / SENIOR MANAGEMENT PERSONNEL

- The Nomination and Remuneration Committee may, (i) with the reasons recorded in writing, (ii) after providing the Director with reasonable opportunity of being heard, and (iii) in compliance with the provisions of the Act, Listing Regulations 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.
- The removal of Directors shall be done on the following grounds:
 - a. disqualified from being appointed as a director in terms of section 164 of the Act; or
 - b. misconduct/ fraud on the part of the Director as may be warranted by the Act, the Listing Regulations or any other law(s) for the time being in force or in accordance with the prevailing relevant policy(ies) of the Company in this regard or as may be governed/ directed by the Board.

10. The Company shall furnish to the RBI, a quarterly statement on change of Directors, and a certificate from the managing director of the Company that the ‘fit and proper criteria’ has been followed in selection of the Directors, in accordance with the manner and timelines prescribed under the SBR Master Direction. However, the statement submitted by the Company for the quarter ending March 31, shall be certified by its auditors.

11. REVIEW OF POLICY

This Policy shall be reviewed as and when considered necessary by the Board.