

Internal Guidelines on Corporate Governance

PREAMBLE

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, the Company has framed this set of Internal Guidelines on Corporate Governance.

BOARD OF DIRECTORS

The Company's Board has a primary role to protect and enhance stakeholders' value through supervision and strategic inputs. The Board along with its Committees not only provides supervision and exercises appropriate controls, but also ensures a strong emphasis on transparency, accountability and integrity.

The Board, in compliance with extant regulatory prescriptions, shall comprise of both Executive and Non-Executive Directors, one of whom must be a woman and at least a third of the total number of Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and by the National Housing Bank.

At present the Board comprises of 2 (Two) Independent Directors, 3 (three) Non-Executive Directors and 1 (one) Executive Director being the Managing Director & CEO. The Directors bring to the Board a wide range of experience and skills, which includes banking, finance, loan, accounting and economics. None of the Directors of the Company are related to each other.

All the Directors on the Board (except Independent Directors and the Managing Director) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

A Director shall not hold the office of director in more than 20 (twenty) companies including 10 (ten) public companies. The Directors shall submit disclosures as required under the provisions of applicable laws and the codes and policies adopted by the Company.

Meetings of the Board

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings. The meeting of the Board of Directors shall be called by giving not less than seven days' notice in writing to every Director by hand delivery or by post or by electronic means. The agenda for the meeting should be made available to the Board shall be furnished to the Directors well in advance.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote. The Chairman of the Board shall not be entitled to a second or casting vote at any meeting of the Board.

Board Independence

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

Fit and Proper Criteria

The Company has in place a policy on the fit and proper criteria for the Directors, as per the Guidelines laid down by the Companies Act, 2013; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and by the National Housing Bank. These would be applicable to ascertain the fit and proper criteria of the directors at the time of appointment and on a continuing basis.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

Presently, the Independent Directors of the Company are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees, in compliance with the applicable laws in this regard.

COMMITTEES

The Board has constituted committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Audit & Risk Management Committee, the Asset-Liability Management Committee, the Nomination and Remuneration Committee and the Corporate Social Responsibility Committee have been constituted in accordance with the provisions of the Companies Act, 2013 as applicable to the Company. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Committees of the Board and other Committee(s) as specified by the Board shall be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise

one vote. Chairman of the Committee(s) shall not be entitled to a second or casting vote at any meetings of the Committee(s).

Details of various Committee(s) are as under:

1. Audit & Risk Management Committee

The Audit & Risk Management Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and its financial controls and systems or any other function as may be determined by the Board.

At least 4 meetings of the Committee shall be held in every calendar year and the Committee shall meet once every calendar quarter.

3. Asset-Liability Management Committee (ALCO)

The ALCO shall monitor the asset liability composition of the Company's business and determine actions to mitigate risks associated with the asset liability mismatches.

At least one meeting of the Committee shall be held in every quarter.

5. Nomination & Remuneration Committee

The Nomination and Remuneration Committee shall

- (i) nominate, appoint and decide upon the remuneration of Directors on the Board;
- (ii) decide on remuneration packages (including pension rights, employee's stock options and compensation payments, etc.) of the Executive Directors, Non-Executive Directors including Independent Directors and Senior-level employees;
- (iii) implement and monitor employee stock options scheme(s) and related matters;
- (iv) handle related matters in accordance with the applicable laws.

The meeting of the Committee shall be held at such regular intervals as may be required.

6. Corporate Social Responsibility (CSR) Committee

The CSR Committee shall decide upon the corporate social responsibility activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board for its consideration and approval. The Committee shall be responsible for monitoring the CSR Policy of the Company.

At least one meeting of the Committee shall be held every year.

In addition to above, the Board has constituted a Banking & Finance Committee, an Internal Complaints Committee, a Whistle Blower & Vigil Mechanism Committee, a Credit Committee consisting of Director(s) or Senior Management Personnel of the Company and may constitute such other Committees, as may be required for effective functioning of the Company.

All terms and reference of the Committee shall be reviewed by the Board of Directors of the Company from time to time.

PERFORMANCE EVALUATION

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the individual Directors, the Board, as a whole and its Committees. The NRC shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policies and codes adopted by the Company.

The Directors, senior management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever and is restricted from casting his vote for the particular agenda. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Managing Director and CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances.

RELATED PARTY TRANSACTIONS

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All transactions with related parties are on an arm's length basis and that such credits are clearly identifiable, effectively monitored and appropriate steps are taken to control the quantitative limits or mitigate risks.

All transactions with related parties shall be subject to the approval of the Board of Directors on the recommendation of the Audit & Risk Management Committee including the limits, terms and conditions, if any, imposed thereon.

AUDITORS

Statutory Auditors

The Board and the Audit & Risk Management Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. A declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Further, the Company shall rotate the partner/s of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, so that same partner does not conduct audit of the company continuously for more than a period of

three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years.

Internal Auditors

The Board and the Audit & Risk Management Committee of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

Secretarial Auditors

The Board shall appoint a Company Secretary in practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct a secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the members of the Company in accordance with the applicable laws / regulations.

CODES AND POLICIES OF THE COMPANY

Code of Conduct for Directors and Employees

The Code of Conduct for Directors and Employees provides for employees to conduct their business and affairs in compliance with applicable laws, rules and regulations of India. The Code is applicable to all employees of the Company, including Executive Director(s) and to the Non-Executive Director(s) to the extent of their role and responsibilities in the Company.

Whistle Blower Policy / Vigil Mechanism

The Whistle Blower Policy/Vigil Mechanism has been framed to provide a mechanism under which an employee/ director of the Company may report violation of personnel policies of the Company, unethical behaviour, suspected or actual fraud, violation of code of conduct and such similar incidences. The Vigil Mechanism ensures standards of professionalism, honesty, integrity and ethical behavior. The Mechanism adopted by the Company encourages the whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of whistle blower who avails of such mechanism and also provides for direct access to the Chairman of the Audit and Risk Management Committee.

Other Codes and Policies

In accordance with the applicable provisions of the Companies Act, 2013, the directions/ guidelines issued by the National Housing Bank, the Securities Exchange Board of India, for internal requirements and operational convenience, the Company has framed and adopted the following policies and codes which shall be updated / revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company.

The codes and policies approved by the Company *inter-alia* includes the following:

- Fair Practice Code
- Most Important Terms and Conditions
- Investment Policy
- Guidelines on Know Your Customer and Anti Money Laundering Policy
- ALCO Policy
- Whistle Blower & Vigil Mechanism Policy
- Resource Mobilisation Policy
- Policy on Selection Criteria/ “Fit & Proper” Person Criteria for Directors
- Nomination & Remuneration Policy
- Corporate Social Responsibility (CSR) Policy
- Code for Independent Directors
- Business Continuity Plan & Disaster Recovery Policy
- Policy on Prevention of Sexual harassment

DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors or other stakeholders as may be required by the applicable laws and the codes & policies of the Company.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations.

ANNUAL REPORT

The Annual Report of the Company shall contain a separate section on Corporate Governance detailing the measures / activities undertaken by the Company as a part of its efforts towards good corporate governance.

WEBSITE

This internal guidelines on corporate governance shall be published on the Company’s website, if any, for the information of various stakeholders, as required by NHB, from time to time.

NODAL OFFICER

The Internal guidelines on Corporate Governance shall be implemented and monitored by the Company Secretary of the Company, being the Nodal Officer for this and the periodical review and update shall be reported by the aforementioned Nodal Officer.