



GUIDELINES ON CORPORATE GOVERNANCE

1.0 POLICY

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company recognises its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. As a part of Hinduja Group and being a subsidiary of Hinduja Leyland Finance Limited, the Company's philosophy on Corporate Governance, the Company's corporate governance standards demonstrate strong commitment to values, ethics and business conduct.

2. RESERVE BANK OF INDIA (RBI) DIRECTIONS ON CORPORATE GOVERNANCE

In view of public interest and for the purpose of enabling better regulation over the housing finance Companies, the RBI has issued Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 on 17th February, 2021. In pursuance to the aforesaid directions, the Company has framed the following internal Guidelines on Corporate Governance. The policy is also in line with the RBI - Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time.

3. BOARD OF DIRECTORS

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The Board of Directors along with its constituted Committees provide direction and guidance to the Company's Leadership Team and further direct, supervise as well as review the performance of the Company. Further, the Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long-term development of the Company.

The Board's strength is required to be a minimum of three to a maximum of fifteen directors.

- Director Disclosure:

All the Directors shall make the necessary annual disclosure regarding their directorships and Committee positions and shall intimate changes as and when they take place.

Further all the Directors including Independent Director shall also give disclosures and declaration as required to be given under Companies Act, SEBI LODR Regulations and RBI Master Directions.

4. BOARD MEETINGS

Meetings of the Board of Directors shall be held at least four times a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days between any two consecutive meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors.

5. CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company shall adopt Code of Conduct for its Directors and Senior Management Personnel. The same shall be posted on the Company's website.



6. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting. The Board of Directors have set up the following committees with specific terms of reference as approved by the Board:

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Asset Liability Management Committee
- Corporate Social Responsibility Committee (CSR)
- Wilful defaulter review Committee
- IT Strategy Committee
- Credit Committee

6 (a). Audit Committee

The Audit Committee shall consist of a minimum of three directors with independent directors forming majority. The chairperson of the audit committee shall be an independent director.

The Audit Committee shall meet at least 4 times in a year and not more than one hundred and twenty days shall elapse between two meetings. The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with majority of independent directors. The Committee shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The audit committee shall have powers to:

- o To investigate any activity within its terms of reference;
- o To seek information from any employee of our Company;
- o To obtain outside legal or other professional advice;
- o To secure attendance of outsiders with relevant expertise, if it considers necessary; and
- o To ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

The Company Secretary shall act as the secretary to the audit committee.

Role of Audit Committee:

The role of the Audit Committee includes:

- a) Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;



- b) Recommendation for appointment, remuneration and terms of appointment of auditors of our Company;
- c) Approval of payment to Auditors for any other services rendered by the Auditors of our Company;
- d) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons thereto;
 - Major accounting entries involving estimates based on the exercise of judgment by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with other legal requirements relating to financial statements;
 - Disclosure of any related party transactions and
 - Qualifications in the draft audit report.
- e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- f) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- g) Reviewing and monitoring the auditor's independence and performance and effectiveness of audit process;
- h) Formulating a policy on related party transactions, which shall include materiality of related party transactions;
- i) Approval or any subsequent modification of transactions of our Company with related parties;
- j) Scrutiny of inter-corporate loans and investments;
- k) Valuation of undertakings or assets of our Company, wherever it is necessary;
- l) Evaluation of internal financial controls and risk management systems;
- l) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- n) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- o) Discussion with internal auditors of any significant findings and follow up thereon;



- p) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- q) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- s) To review the functioning of the whistle blower mechanism;
- t) To ensure that an Information System Audit of the critical and significant internal systems and processes is conducted as per the periodicity defined by Regulators.
- u) Approval of the appointment of the CFO of our Company (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate; and
- v) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

6 (b). Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one half shall be independent directors; Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. They shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

The Committee shall meet at least twice in a year. The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

The Company Secretary shall act as the secretary to the Nomination and Remuneration Committee.

Role of Nomination and Remuneration Committee:

- a) Formulation of the criteria for ensuring the 'fit and proper' status of proposed/ existing directors.
- b) Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees.
- c) Formulation of criteria for evaluation of independent directors and the Board.
- d) Devising a policy on Board diversity.
- e) Perform such functions as are required to be performed by the Nomination and Remuneration Committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.



- f) Identify persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carry out evaluation of every director's performance. The company shall disclose the remuneration policy and the evaluation criteria in its annual report.
- g) Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable law in India or overseas,
- h) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- i) Performing such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under the Companies Act, 2013 and any other statutory enactments as may be applicable from time to time.

6 (c). Risk Management Committee

The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and Managing Director. The Chairperson of the Risk management committee shall be a member of the board of directors.

The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance.

The Risk Management Committee shall meet on a quarterly basis.

The Company Secretary shall act as the secretary to the Risk Management Committee.

Role of Risk Management Committee:

- a) To review and assess the risk management system and policy of the Company from time to time and recommend for amendment or modification thereof;
- b) To frame and devise risk management plan and policy of the Company and review the progress made in putting in place a progressive risk management system;
- c) To review and recommend potential risk involved in any new business plans and processes;
- d) To ensure that the Company is in conformity with corporate governance standards pertaining to the composition, role and function of various committees formed by the Board; and
- e) Any other similar or other functions as may be laid down by Board from time to time.

6 (d). Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) shall consist of three or more members. The ALCO shall meet on a quarterly basis to review the areas falling within its terms of reference as given below. The quorum shall be at least two directors.

The Company Secretary shall act as the secretary to ALCO.



Role of ALCO:

The Asset Liability Management Committee shall inter alia be responsible for asset liability management of the Company (ALM), for complying with ALM requirements as may be stipulated by NHB from time to time and any other statutory authority and by recommending to the Board prudent asset / liability management policies and procedures and shall inter alia review the following:

- a) Interest rate forecasts and spreads for the Company;
- b) Internal cost of funds;
- c) Liquidity position and risk management;
- d) Management of risks;
- e) Funding strategies and capital planning;
- f) Profit planning and growth projection;
- g) Gap Reports (liquidity and interest rate sensitivity analysis);
- h) Interest Rate Risk measures;
- i) Forecasting and analysing 'what if scenario' and preparation of contingency plans

6 (e). Corporate Social Responsibility Committee (CSR)

Corporate Social Responsibility Committee constituted in accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed thereunder.

The Committee shall meet at least once during the year. The quorum for a meeting of Corporate Social Responsibility Committee shall be at least two Directors.

The Company Secretary shall act as the secretary to CSR.

Role of Corporate Social Responsibility (CSR):

The Corporate Social Responsibility Committee shall be responsible for, among other things, as may be required from time to time, the following:

- a) Formulate and Recommend to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by our Company as specified in Schedule VII of the Companies Act, 2013;
- b) To review and recommend the amount of expenditure to be undertaken by our Company
- c) To monitor the Corporate Social Responsibility Policy of our Company from time to time; and
- d) To monitor the utilization of funds approved for the purpose of undertaking CSR projects and monitor implementation of ongoing projects
- e) To formulate and recommend Annual Action plan in pursuance of its CSR policy
- f) Wherever applicable, to undertake impact assessment, through an independent agency, of their CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study.



- g) Any other matter as the CSR Committee may deem appropriate after approval of our Board or as may be directed by our Board from time to time pursuant to the provisions of Section 135 of the Companies Act and rules in relation thereto, as amended from time to time.

6 (f). Wilful Defaulter Review Committee

The Wilful Defaulters Review Committee is formed for reviewing the cases identified by the Identification Committee (committee formed at Senior management level) on wilful defaulters for further action.

The Company Secretary shall act as the secretary for the above Committee.

Role of Wilful Defaulter Review Committee:

- An opportunity shall be provided to borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity for making a written representation to Review Committee within 15 days of such a proposal from the Identification Committee.
- The proposal of the Identification Committee along with the written representation received shall be considered by the Review Committee.
- The Review Committee shall provide an opportunity for a personal hearing also to the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity. However, if the opportunity is not availed or if the personal hearing is not attended by the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, the Review Committee shall, after assessing the facts or material on record, including written representation, if any, consider the proposal of the Identification Committee and take a decision.
- As the above classification process is an in-house proceeding, the borrower/ guarantor/ promoter/ director/ persons in charge and responsible for the management of affairs shall not have the right to be represented by a lawyer.
- The Review Committee shall pass a reasoned order and the same shall be communicated to the wilful defaulter.
- If the Identification Committee concludes that the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, do not qualify for classification as a wilful defaulter, such cases need not be referred to the Review Committee.

6 (g). IT Strategy Committee

The Chairman of the committee shall be an independent director and CIO & CTO should be a part of the committee. The Company may designate a senior executive as the Chief Information Officer (CIO) or in-Charge of IT operations whose responsibility is to ensure implementation of IT Policy to the operational level involving IT strategy, value delivery, risk management and IT resource management.

Head of Information Technology of the Company shall be invited to attend every meeting of the committee. Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The quorum shall be at least two Directors.



Role of IT Strategy Committee:

- a) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- b) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- c) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- d) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- e) Ensuring proper balance of IT investments for sustaining the growth of the Company and becoming aware about exposure towards IT risks and controls;
- f) Performing any other activity related to IT governance and cyber security arrangements;
- g) Instituting an effective governance mechanism and risk management process for all IT outsourced operations;
- h) Shall monitor compliance of RBI directions with respect to IT framework;

Role of IT Strategy Committee in respect of outsourced operations include:

- a) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk-based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end-to-end manner;
- b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- f) Periodically reviewing the effectiveness of policies and procedures;
- g) Communicating significant risks in outsourcing to the Board on a periodic basis;
- h) Ensuring an independent review and audit in accordance with approved policies and procedures;
- i) Ensuring that contingency plans have been developed and tested adequately;
- j) Ensuring that the business continuity preparedness is not adversely compromised on account of outsourcing. Ensuring to adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.



- k) Carrying out any other function as may be delegated by the Board of Directors from time to time and/or are statutorily prescribed under the NHB Direction, Companies Act and any other applicable statutes as amended from time to time

The Company Secretary shall act as the secretary for the above Committee.

6 (h). Credit Committee

The Chairman of the committee shall be an independent director. The quorum shall be 1/3rd of the members.

Role of Credit Committee

- a) To review credit policy and other policy related to lending and recommend for amendment or modification on thereof;
- b) To consider and approve all wholesale lending proposals including Direct assignment into the Company up to an amount of Rs. 25 Crores per borrower including existing exposure;
- c) To undertake a periodical review of the portfolio across multiple credit risk parameters.
- d) To review and advise on credit underwriting norms for various product portfolio.
- e) To take note of loan proposals approved by the committee through circulation.
- f) Any other similar or other functions as may be laid down by Board from time to time.

The Company Secretary shall act as the secretary for the above Committee.

7. FIT AND PROPER CRITERIA FOR DIRECTORS

The Company has in place a Policy for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The NRC shall review the appointment/reappointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Applicable Laws.

The Company shall ensure that a quarterly statement is submitted within 15 days from the end of the respective quarter to NHB on change of directors along with a certificate from the Managing Director certifying that the fit and proper criteria is adhered while selecting directors. The statement for the quarter ending March 31, shall be certified by the statutory auditors.

8. GUIDELINES ON COMPENSATION OF KEY MANAGEMENT PERSONNEL (KMP) AND SENIOR MANAGEMENT

The Company has in place a board approved policy on Remuneration policy for KMP and Senior Management.

9. DISCLOSURE TO THE BOARD

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

- Progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;



- Conformity with Corporate Governance standards viz. in composition of various Committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

The following disclosures shall be made in the annual financial statements:

- Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
- Ratings assigned by credit rating agencies and migration of ratings during the year;
- Penalties, if any, levied by any regulator;
- Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
- Asset-liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.
- Any other information which requires disclosure under the Applicable Laws.

10. MD/CFO CERTIFICATION

The Managing Director and the Chief Financial Officer of the Company shall make the necessary certifications regarding the Financial Statements, Internal Controls, etc. to the Board.

11. AUDITORS

11.1. STATUTORY AUDITORS

The Company shall adhere to the instructions contained in circular titled 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021, as amended from time to time.

11.2. SECRETARIAL AUDITOR

The Board shall appoint a Company Secretary in practice, in accordance with the provisions of the Companies Act, 2013, SEBI LODR Regulations 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.

12. CODES AND POLICES

In accordance with the provisions of the Companies Act, 2013, applicable SEBI Listing Regulations, Directions/ Guidelines issued by RBI and other applicable laws, the Company has formulated various Codes and Policies to ensure high ethical standards in the overall functioning of the Company.