



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Version	1.0
Owned By	Company Secretary
Approved By	Board of Directors
Effective date	August 14, 2019

Preamble

Pursuant to the Housing Finance Companies-Corporate Governance (National Housing Bank) Directions, 2016, as amended from time to time ("**Master Directions**") vide notification no. NHB(ND)/DRS/REG/MC-07/2019 dated July 1, 2019. every non-public deposit accepting Housing Finance Company ("**HFC**") with assets size of Rs. 50 Crore and above, as per the last audited balance sheet, and all public deposit accepting / holding HFCs, are required to *inter alia* frame internal guidelines on corporate governance. Accordingly, Capital India Home Loans Limited ("**Company**") has framed these internal guidelines on corporate governance ("**Guidelines**").

1. Definitions

"**Audit Committee**" shall mean the audit committee of the Board.

"**Board of Directors**" or "**Board**" shall mean the board of directors of the Company.

"**NHB Directions**" shall mean collectively the Master Direction and the Master Circular, each as amended or modified from time to time.

"**Companies Act**" shall mean: (i) the Companies Act, 2013 and the rules made (to the extent in force on the relevant date); and (ii) the Companies Act, 1956 and the rules made (to the extent in force on the relevant date), there under, each, as amended from time to time.

"**Corporate Governance Regulations**" shall mean the Companies Act, the NHB Directions, and such other applicable laws relating to corporate governance requirements, as may be applicable to the Company, from time to time.

"**NRC**" shall mean the nomination & remuneration committee of the Board.

"**NHB**" shall mean the National Housing Bank.

2. Interpretation

Words and expressions used but not defined in these Guidelines shall have the same meaning assigned to them in the NHB Regulations, or the Companies Act and the rules and regulations made thereunder, as the case may be or in any amendment thereto.

3. Company Philosophy on Corporate Governance

The Company has framed these Guidelines with the objective to put in place a system of rules, practices and processes relating to corporate governance requirements within which the Company shall be administered and controlled, so as to balance the interests of the various stakeholders of the Company and also the community within which it operates. The Guidelines shall ensure that the Company acts in accordance with the highest standards of corporate governance in all its activities and that the affairs of the Company are conducted with integrity, fairness, accountability and transparency.

4. The Board

The Board of Directors of the Company shall function as a full Board and through various Committees

constituted to oversee specific areas of operational issues assigned to them by the Board.

5. Disclosure and transparency

- a) The Risk Management Committee shall place before the Board, on annual basis or such other frequency as may be prescribed by the Board, the progress made in putting in place a risk management system and risk management policy and strategy followed by the Company.
- b) The Chief Executive Officer and / or the Chief Financial Officer, shall place before the Board, on annual basis or such other frequency as may be prescribed by the Board, the conformity with corporate governance standards, namely in relation to, in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- c) The Company shall also disclose the following in its Annual Financial Statements (as may be relevant / applicable):
 - i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
 - ii. ratings assigned by credit rating agencies and migration of ratings during the year;
 - iii. penalties, if any, levied by any regulator;
 - iv. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
 - v. asset-liability profile, non-performing assets and movement of non-performing assets, details of all off-balance sheet exposures, exposure to real estate, exposure to capital market, disclosure of complaints as also securitization/assignment transactions and other disclosures, as stipulated in the NHB Directions.

6. Constitution of Audit Committee

- a) The Company shall constitute an Audit Committee, which shall consist of a minimum of 3 (Three) directors of the Board with independent directors forming a majority.
- b) The Audit Committee shall have such powers, functions and duties as may be delegated to it by the Board, from time to time, as well as powers, functions and duties as provided in Section 177 of the Companies Act, 2013 and other the Corporate Governance Regulations.
- c) The Audit Committee shall ensure that an information system audit of the internal systems and processes is conducted at least once in 2 (two) years to assess operational risks faced by the Company.

7. Constitution of the Nomination & Remuneration Committee

- a) The Company shall constitute the NRC, which shall consist of 3 (three) or more non-executive directors out of which not less than one-half shall be independent directors, provided that the Chairman of the Board of the Company may be appointed as a member of the NRC but shall not chair the NRC.
- b) The NRC shall have such powers, functions and duties as may be delegated to it by the Board, from time to time, as well as powers, functions and duties as provided in Section 178 of the Companies Act, 2013 and other Corporate Governance Regulations.

- c) The Company shall ensure (through the NRC), at the time of appointment of any director on the Board (and thereafter on a continuous basis), that such person satisfies the 'fit and proper' criteria, as specified under the Fit and Proper Criteria Policy of the Company.
- d) The NRC shall *inter alia* formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees of the Company ("**Remuneration Policy**").
- e) While formulating the Remuneration Policy, the NRC shall ensure that: (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully; (b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and (c) remuneration to directors, key managerial personnel and the senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

8. Constitution of the Risk Management Committee

- a) The Company shall form a risk management committee ("**Risk Management Committee**") which shall be responsible for reviewing the risk management process of the Company in the areas of portfolio, credit, off balance sheet and operational risk. The Risk Management Committee shall *inter alia* required to manage the integrated risk and inform the Board from time to time the progress made in putting in place a progressive risk management system, risk management policy and strategy followed by the Company.
- b) The Risk Management Committee shall have such powers, functions and duties as may be delegated to it by the Board from time to time as well as such powers, functions and duties as prescribed in the relevant Corporate Governance Regulations.

9. Fit and Proper Criteria

In terms of NHB Directions, the Company shall put in place a Board approved policy on 'Fit and Proper Criteria for Directors' ("**Fit and Proper Criteria**"). The Company shall obtain necessary disclosures from Directors, from time to time, and the Company shall ensure compliance with the provisions laid down in the Fit and Proper Criteria. As required under the NHB Directions, the Company shall ensure to furnish to the NHB on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed.

10. Rotation of partners of statutory auditors / audit firm

The Company shall ensure that it rotates the partner(s) of the Chartered Accountant firm conducting the audit in relation to the Company, every 3 (three) year so that same partner does not conduct audit of the Company continuously for more than a period of 3 (three) years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of 3 (three) years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors to ensure compliance of the above.

11. Conflict

The Guidelines shall stand amended in the event of any conflict / repugnancy between the provisions of the Guidelines and the directions/rules/regulations/circulars framed by the NHB and

directions/rules/regulations/circulars framed by the NHB shall prevail over the Guidelines, to the extent of conflict / repugnancy. The part(s) so conflicting / repugnant shall be deemed to be severed from the Guidelines and the rest of the Guidelines shall remain in force.

12. Disclosure of the Guidelines

The Guidelines shall be posted on the Company's website.