

GIC HOUSING FINANCE LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Approved by Board of Directors on	23 rd January, 2017
Last Reviewed on	28 th June, 2021
Last Amended on	28 th June, 2021

1. PURPOSE AND SCOPE:

GIC Housing Finance Limited (“the Company”) is a Listed Housing Finance Company where it is believed that good governance practices are the foundation for the functioning of the Company. Corporate Governance is about maximizing shareholders’ value on a sustainable basis and ensuring fairness to all other stakeholders of the Company.

In order to continue to have best practices and greater transparency in the operations of the Company and in compliance with the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued on 17th February 2021, the Company has framed these Internal Guidelines on Corporate Governance.

2. BOARD OF DIRECTORS AND ITS COMMITTEES:

The Company is professionally managed by the Members of the Board of Directors of the Company and its Committees. The Board shall have an optimum combination of Executive and Non-Executive Directors with at least one Woman Director and not less than fifty percent of the Board of Directors shall comprise of Non-Executive Directors; and where the listed entity does not have a regular Non-Executive Chairperson, at least half of the Board of Directors shall comprise of Independent Directors. All the Directors shall meet the ‘fit and proper’ criteria as prescribed by the RBI. The Directors bring to the Board a wide range of experience and skills, which includes finance, banking, insurance, loan, accounting and economics. None of the Directors of the Company are related to each other.

All the Directors on the Board (except as per the provision of Article of Association of the Company and Companies Act, 2013) 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.

Independent Directors of the Company shall hold at least one meeting in a year without the attendance of Non-Independent Director and Members of the Management. All the Independent Directors shall strive to be present at such meeting. The meeting shall review the performance of non - Independent Director and the Director as a whole, review the performance of the Chairperson and assess the quality, quantity and timeliness of flow of information between the Management and the Board.

The Board of Directors of the Company shall have the following responsibilities:

i. Disclosure of information:

- 1.** Members of Board of Directors and Key Managerial Personnel shall disclose to the Board of Directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company.
- 2.** The Board of Directors and Senior Management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

ii. Key functions of the Board of Directors-

- 1.** Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance and overseeing major capital expenditures, acquisitions and divestments.
- 2.** Monitoring the effectiveness of the Company's governance practices and making changes as needed.
- 3.** Selecting, compensating, monitoring and when necessary, replacing Key Managerial Personnel and overseeing succession planning.
- 4.** Aligning Key Managerial Personnel and remuneration of Board of Directors with the longer term interests of the Company and its shareholders.
- 5.** Ensuring a transparent nomination process to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the Board of Directors.
- 6.** Monitoring and managing potential conflicts of interest of Management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
- 7.** Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
- 8.** Overseeing the process of disclosure and communications.
- 9.** Monitoring and reviewing Board of Director's evaluation framework.

iii. Other responsibilities:

- 1.** The Board of Directors shall provide strategic guidance to the Company, ensure effective monitoring of the Management and shall be accountable to the Company and the shareholders.
- 2.** The Board of Directors shall set a corporate culture and the values by which executives throughout a group shall behave.
- 3.** Members of the Board of Directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and the shareholders.
- 4.** Where decisions of the Board of Directors may affect different shareholder groups differently, the Board of Directors shall treat all shareholders fairly.
- 5.** The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.
- 6.** The Board of Directors shall exercise objective independent judgement on corporate affairs.
- 7.** The Board of Directors shall consider assigning a sufficient number of non-executive members of the Board of Directors capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
- 8.** The Board of Directors shall ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the Company to excessive risk.
- 9.** The Board of Directors shall have ability to step back, to assist executive management by challenging the assumptions underlying: strategy, strategic initiatives (such as acquisitions), risk appetite, exposures and the key areas of the Company's focus.
- 10.** When Committees of the Board of Directors are established, their mandate, composition and working procedures shall be well defined and disclosed by the board of directors.
- 11.** Members of the Board of Directors shall be able to commit themselves effectively to their responsibilities.
- 12.** In order to fulfil their responsibilities, members of the board of directors shall have access to accurate, relevant and timely information.
- 13.** The Board of Directors and Senior Management shall facilitate the Independent Directors to perform their role effectively as a Member of the Board of Directors and also a Member of a Committee of Board of Directors.

Board shall constitute the following Committees:

a) AUDIT COMMITTEE:

The Audit Committee shall have minimum three Members, all being Non Executive Directors, of which the majority shall be Independent Directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The members of the Audit

Committee shall elect a Chairman from amongst themselves, who shall necessarily be an Independent Director. The Company Secretary shall act as Secretary to the Committee Meetings. The Audit Committee shall meet periodically, but at least 4 times a year and not more than 4 months shall elapse between two successive meetings. The quorum for Meetings of the Audit Committee shall be either two members or one-third of the members of the Audit Committee, whichever is higher.

The Audit Committee shall act and have powers in accordance with the terms of reference which shall include the following:

- 1) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- 2) To recommend the appointment, remuneration and terms of appointment of auditors of the Company;
- 3) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- 4) To approve the payments of statutory auditors for any other services rendered by the statutory auditors;
- 5) To review with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a) 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;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements;
 - f) disclosure of any related party transactions;
 - g) modified opinion(s) in the draft audit report;
- 6) To review with the Management, the quarterly financial statements before submission to the board for approval;

- 7) To review 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
- 8) To approve or any subsequent modification of transactions of the Company with related parties;
- 9) To scrutinize inter-corporate loans and investments;
- 10) To undertake the valuation of undertakings or assets of the Company, wherever it is necessary;
- 11) To evaluate the internal financial controls and risk management systems;
- 12) To review with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 13) To review 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;
- 14) To discuss with internal auditors of any significant findings and follow up there on;
- 15) To review 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;
- 16) To discuss 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;
- 17) to look 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;
- 18) to review the functioning of the whistle blower mechanism;
- 19) To approve the appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- 20) To carry out any other function as is mentioned in the terms of reference of the audit committee.
- 21) To do any other jobs as prescribed under the provisions of Companies Act, 2013 or any other Rules/Regulations.

b) NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee shall comprise of at least three Directors and all Directors of the Committee shall be Non-Executive Directors; and with at least fifty percent of the Directors shall be Independent Directors. The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director.

The Chairperson of the Nomination and Remuneration Committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the Chairperson to decide who shall answer the queries.

The role of the Nomination and Remuneration Committee shall be as follows:

- (1) formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board Of Directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel and
- (2) formulation of criteria for evaluation of performance of Independent Directors and the Board Of Directors;
- (3) devising a policy on diversity of Board of Directors;
- (4) Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal.
- (5) 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.

c) STAKEHOLDERS RELATIONSHIP COMMITTEE:

Board shall constitute a Stakeholders Relationship Committee to specifically look into the mechanism of redressal of grievances of shareholders, debenture holders and other security holders. The Chairperson of this Committee shall be a Non-Executive Director. The Board of Directors shall decide other Members of this Committee. The Committee shall consider and resolve the grievances of the security holders of the Company including complaints related to transfer of shares, non-receipt of annual report and non-receipt of declared dividends.

The role of the committee shall inter-alia include the following:

- (1) Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.

- (2) Review of measures taken for effective exercise of voting rights by shareholders.
- (3) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- (4) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.]

d) CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE :

Every Company having a net worth of Rs. 500 crores or more, or turnover of Rs. 1000 crores or more or net profit of Rs. 5 crores or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more Directors out of which one shall be an Independent Director.

The CSR Committee shall:

- 1) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in schedule VII of the Companies Act, 2013.
- 2) recommend the amount of expenditure to be incurred on the activities referred in Schedule VII and
- 3) implement and monitor the Corporate Social Responsibility Projects of the Company as per the instructions of the Board and CSR Policy of the Company and reporting the progress of the Project to Board on timely basis.
- 4) Any other activities as specified by Board.

e) ASSET LIABILITY MANAGEMENT COMMITTEE :

As per new RBI Master directions 2021 (earlier as per NHB Requirement), the guidelines for asset liability management system in housing finance companies are applicable to all HFCs irrespective of whether they are accepting / holding public deposits or not. Accordingly, all HFCs are required to put in place the ALM system. Successful implementation of the risk management process would require strong commitment on the part of the senior management in the HFC. The Board should have overall responsibility for management of risks and should decide the risk management policy of the HFC and set limits for liquidity, interest rate, exchange rate and equity price risks.

Our Board has constituted Asset Liability Management Committee which consist of 3 Board members including MD & CEO of the Company. The role of Committee is to monitor and control the risk exposures involved in the asset liability management system. In addition to monitoring the risk levels of the Company, the ALCO would review the results of and progress in implementation of the decisions

made in the previous meetings.

f) RISK MANAGEMENT COMMITTEE :

As a Housing Finance Company, our Company is exposed to various types of risks inter alia Credit, Market, Liquidity and Operational Risk. In order to mitigate/transfer the risks, the Company has adopted a Risk Management Policy which provides a framework for identification, assessment, mitigation and reporting of risks. As per RBI Master Directions, 2021 (earlier as per NHB Requirement), our Board has constituted Risk Management Committee which consist of 3 Members including MD & CEO of the Company.

The Risk Management Committee shall be responsible to:

- 1) review the risk management policies and system periodically and report to the Board.
- 2) ensure that the risk management system is established, implemented and maintained in accordance with this Policy.
- 3) assign the responsibilities to Chief Risk Officer of the Company in relation to risk identification and its management.
- 4) Other functions as given in PART D of schedule II of SEBI (LODR) Regulations 2015.

The Board shall be the ultimate Authority to approve the strategic plans and objectives for Risk Management and Risk Philosophy.

3. AUDITORS :

a) Statutory Auditor :

The Board and the Audit Committee shall be responsible for the appointment/reappointment of Statutory Auditors of the Company and to fix their remuneration pursuant to the provisions of Companies Act 2013, Listing Regulations, RBI Master Directions for HFCs 2021 and other rules and regulations specified by RBI from time to time.

b) Secretarial Auditor :

Every Listed Company shall annex with its Board's Report a Secretarial Audit Report, given by a Company Secretary in Practice. The Board of Directors in their report shall explain in full any qualification or observation or other remarks made by the Company Secretary in practice in his secretarial audit report under sub section. The Board shall consider and approve the appointment of Secretarial Auditor.

c) Internal Auditor :

The Board and the Audit 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.

4. COMPLIANCE OFFICER :

The Board of Directors shall appoint Compliance Officer to ensure the compliance with applicable laws.

5. ADOPTION OF POLICIES:

Company shall adopt such policies which are required to be adopted under Companies Act, 2013, Listing Regulations 2015, NHB Directions and any other applicable rules & regulations.

6. CODE OF CONDUCT :

Company shall frame the code of conduct for its Directors, Promoters and designated Employees of the Company to conduct their business and affairs in compliance with applicable laws, rules and regulations of India.

7. PERFORMANCE EVALUATION :

Nomination and Remuneration Committee and Independent Directors shall evaluate the performance of the Board of the Directors of the Company pursuant to the provisions of the Listing Regulations, 2015 and Companies Act, 2013.

8. VIGIL MECHANISM :

The Listed Entity shall formulate a vigil mechanism for Directors and Employees to report genuine concerns. The vigil mechanism shall provide for adequate safeguards against victimization of Director(s) or Employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

9. RELATED PARTY TRANSACTIONS:

The Listed Entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions pursuant to Listing Regulations, 2015.

All related party transactions shall require prior approval of the Audit Committee.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the certain conditions as given in Listing Regulations, 2015.

10. COMPLIANCE OF OTHER APPLICABLE LAWS AND REGULATIONS :

The Company shall comply with other applicable rules and regulations from time to time which are applicable to it in day to day operations.

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