

*Adani Housing Finance Pvt. Limited (AHFPL)*

**INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

## **PHILOSOPHY, PURPOSE AND SCOPE**

At Adani Housing Finance Pvt Limited (AHFPL/ 'the Company'), we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

In order to continue to have 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 the National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 09<sup>th</sup> February 2017, the Company has framed these Internal Guidelines on Corporate Governance.

## **BOARD OF DIRECTORS**

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors, All the Directors shall meet the 'fit and proper' criteria as prescribed by the NHB.

The Directors bring to the Board a wide range of experience and skills, which includes banking, global finance, loan, accounting and economics. None of the Directors of the Company are related to each other.

### ***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 minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

***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 will be appointed on the Board of the Company and 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.

***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 Non-Executive Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, and by way of commission, in compliance with the applicable laws in this regard.

**COMMITTEES**

The Board will constitute several 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 Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, other Committee(s) will also be constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the NHB as applicable to the Company, the Securities and Exchange Board of India ('SEBI') and for internal requirements and operational convenience. 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 Board Committees and other Committee(s) as specified by the Board would 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.

**Details of various Committee(s) are as under:**

### **AUDIT COMMITTEE (AC)**

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

#### **Terms of reference of Audit Committee**

- i. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon;
- iv. Approval or any subsequent modification of transactions of the company with related parties;
- v. Scrutiny of inter-corporate loans and investments;
- vi. Valuation of undertakings or assets of the company, wherever it is necessary;
- vii. Evaluation of internal financial controls and risk management systems;
- viii. Monitoring the end use of funds raised through public offers and related matters.

#### **Additional terms of reference of the Audit Committee relating to Risk Management:**

- To assist the Board in its responsibility for disclosure in relation to risk management in the annual report.
- To carry out Periodic review, monitor, assess the quality and effectiveness of the Risk Management plan and ensure that the risk policies and strategies are effectively managed and the risk taken are within the agreed tolerance and appetite levels.
- To review AHFPLs interest rate and liquidity management framework market (including funding, liquidity & treasury), and policies, processes and systems used to manage exposures.
- To review and provide feedback to Management on the categories of risk AHFPL faces, particularly credit, and operational risk, the exposures in each category, significant concentrations within those risk categories, the metrics used to monitor the exposures and Management's views on the acceptable and appropriate levels of those risk exposures. The other risk management responsibility to include
- Analysis of the vendor payments amounting to Rs. 5 lakhs and above per quarter to single vendor (including but not limited to Brokerage & Commission, vendors for due diligence, sourcing vendors etc)
- To implement and set up the Risk / Fraud Containment unit to guard AHFPL against any deliberate attempt to commit any fraud resulting in financial and reputation loss.
- To analyse and implement controls to detect revenue leakage in any form or the other.
- To perform hind sighting audit to identify if the policies and procedures of AHFPL has been complied and implemented which includes underwriting policies and other SOPs.

**NOMINATION AND REMUNERATION COMMITTEE (NRC)**

The Nomination and Remuneration Committee shall be responsible to (i) deal with nomination, appointment and 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) decide on appraisal, performance bonus and variable pay of all employees including Non-Executive Independent Directors in compliance with applicable laws and (v) the related matters in accordance with the applicable laws.

**Terms of reference of Nomination and Remuneration Committee:**

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- ii. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- iii. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- iv. To look into the entire gamut of remuneration packages for the Executive Director(s) and senior personnel's of the Company and revise their remuneration suitably within the limits prescribed under any statutory acts, amendments, modifications or enactments thereof
- v. To formulate and implement one or more Employees' Stock Option Scheme(s) for the benefit of the employees including Directors of the Company.
- vi. To determine the commissions payable to the Directors within the prescribed limits and as approved by the shareholders of the Company
- vii. To undertake such other acts or activities as may be determined by the Board of the Company.

**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.

**Terms of reference of Corporate Social Responsibility Committee:**

- (i) 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
- (ii) Recommend the amount of expenditure to be incurred on the activities referred to in clause (i)
- (iii) Monitor the Corporate Social Responsibility Policy of the company from time to time.
- (iv) Update the Board on the implementation of various programmes and initiatives."

## **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 policy(ies) and code(s) 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. 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. Failure to disclose facts shall constitute grounds for disciplinary action.

## **AUDITORS**

### ***Statutory Auditors***

The Board and the Audit 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. 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 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 an independent company secretary in practice, if applicable, 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.

### **POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the NHB Guidelines / Directions applicable to the company, and such other laws and regulations as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

### **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, Members 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 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.

### **COMPLIANCE OFFICER**

Compliance Officer shall be appointed by the Board of Directors.