



## INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

(Approved by Board of Directors at the meeting held on October 28, 2017 and further amended on 7<sup>th</sup> September 2018)

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**CAPRI GLOBAL HOUSING FINANCE LIMITED**

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## **1. OBJECTIVE**

These Internal Guidelines on Corporate Governance (“Guidelines”) draws reference to the Housing Finance Companies- Corporate Governance (National Housing Bank) Directions, 2016 (“Directions”) issued by the National Housing Bank (“NHB”) vide its Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017.

As per the Directions, inter alia all non-public deposit accepting Housing Finance Company (HFC) with assets size of Rs. 50 crores and above should frame internal guidelines on Corporate Governance with the approval of the Board of Directors and it shall be published on the company's website for the information of various stakeholders.

These guidelines are to be read in conjugation with Companies Act, 2013, rules made there under, and other statute, laws, standards or other governmental instructions relating to Corporate Governance.

## **2. COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE**

Company’s Philosophy on Corporate Governance is a combination of voluntary practices and compliance with laws and regulations leading to delegation of operational powers to experienced staff members, effective control oversight mechanism, strategies and policies which are constantly reviewed and strengthened to be in alignment with market realities and overall management of the organisation. In ensuring that the desired levels of corporate governance practices are imbibed in the organisation and with a focus on its own fiduciary & trusteeship role, the Board of Directors of the Company seeks to evolve, strengthen and adopt structures and policies which would align and direct the actions of the organisation towards creating wealth and shareholder value. The Board has adopted various code and policies to carry out duties and functions in most ethical and compliant manner and some of them are:

- i. Nomination & Remuneration Policy;
- ii. Fair Practice Code;
- iii. KYC and Anti Money Laundering (AML) Policy ;
- iv. Master Policy for Business;
- v. Whistle Blower Policy; and
- vi. Corporate Social Responsibility (CSR) Policy

## **3. GUIDELINES ON CORPORATE GOVERNANCE**

In pursuance of the Directions issued by the National Housing Bank, the Company has framed the following internal guidelines on Corporate Governance.

### **BOARD OF DIRECTORS**

The Company shall maintain an optimum combination of Executive and Non-executive Directors, pursuant to the extent statutory provisions/ regulatory guidelines. Eminent persons, having an independent standing in their respective field/profession, who can effectively contribute to the Company’s business and policy decisions, should be considered by the Nomination & Remuneration Committee for appointment as Director on the Board. The Board should consider the recommendations of the Nomination & Remuneration Committee and take appropriate decisions with

regard to continuance of and induction of new members on the Board of the Company, after ascertaining the 'fit and proper' status.

The Board shall review and approve business strategy and oversees the actions and results of the management to ensure that the long-term objectives of enhancing stakeholder value are achieved.

### **Composition**

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed thereunder.

### **Meetings of the Board**

At least four meetings shall be held during a year and the time interval between the two meetings shall not be more than 120 days. The facility to participate in the meeting through video conferencing shall be made available to the Directors travelling abroad or present at other locations.

## **4. BOARD COMMITTEES**

Board shall constitute a set of committees with specific terms of reference/ mandate, as to effectively focus on the issues falling under their jurisdiction. Minutes of proceedings of Committee meetings shall be circulated to the Directors and placed before the Board at their meetings for noting on quarterly basis.

The facility to participate in the meeting through video conferencing shall be made available to the Directors travelling abroad or present at other locations.

Pursuant to the extent statutory provisions/ regulatory guidelines and business requirements the Board shall mandatorily constitute the following Committees:

### **I. Audit Committee**

The Board shall constitute a qualified Audit Committee. The Audit Committee shall comprise of minimum three directors and two third of the members should be Independent Directors possessing considerable experience and expertise in accounting and financial management.

The representatives of the Statutory Auditors shall be permanent invitees to the Audit Committee meetings. The Internal Auditor should report directly to the Audit Committee.

The composition and terms of reference of the Audit Committee should be in accordance with section 177 of the Companies Act, 2013 and requirements prescribed in NHB Guidelines.

### **Meetings of the Audit Committee**

The committee shall meet at least once every quarter.

## **II. Nomination & Remuneration Committee ('NR')**

The Board shall constitute a Nomination & Remuneration Committee led by an Independent Director. The NR Committee shall comprise of at least three non-executive directors and majority of them should be Independent Directors.

The Board of Directors of the company shall adopt Nomination and Remuneration Policy, inter alia to deal with the manner of selection of Board of Directors, KMP and Managing Director, their remuneration and shall lay down the 'fit and proper' criterion for selection & continuance on the Board of the Company. The NR Committee shall administer the Nomination & Remuneration Policy and the Employee's Stock Option Scheme.

The Composition and terms of reference of the NR Committee shall be in compliance with provisions of section 178 of the Companies Act, 2013.

### **Meetings of the NR Committee**

The committee shall meet at least once every year.

## **III. Risk Management Committee (RMC)**

The Board shall constitute a Risk Management Committee led by Executive Director/ Managing Director/Whole-time Director. The RMC shall primarily be responsible for review of operational risk, information technology risk and integrity risk, taking strategic actions to mitigate the risk associated with the nature of the business and appraise the Board of Directors at regular intervals regarding risk management policy and strategy.

### **Meetings of the RMC**

The committee shall meet at least once every half year.

## **IV. Corporate Social Responsibility (CSR) Committee**

The Board shall constitute a "Corporate Social Responsibility Committee". The Committee shall be lead by an Independent Director. The Committee shall primarily be responsible for assisting the Board in discharging its Corporate Social Responsibilities by formulating, monitoring and implementation of the framework of policy adopted by the Board.

The composition and terms of reference of the Committee shall be in accordance with section 135 of the Companies Act, 2013.

### **Meeting of the CSR**

The committee shall meet at least once every six months.

## **5. EXECUTIVE COMMITTEES OF THE BOARD**

Board shall constitute a set of committees, led by a Board member and senior executives of the Company contributing as members. Minutes of proceedings of these committees shall be placed before the Board at their meetings for noting on quarterly basis.

The facility to participate in the meeting through video conferencing shall be made available to the Directors/Members of the Committee travelling abroad or present at other locations.

Pursuant to the extent statutory provisions/ regulatory guidelines and business requirements the Board shall mandatorily constitute the following Committees:

### **I. Asset Liability Management Committee (ALCO)**

The Board shall constitute an Asset Liability Management Committee, which shall be led by Managing Director/Executive Director of the Company. Head of Finance, Risk, Information Technology & Treasury should be members of the committee.

The ALCO shall be primarily responsible for cash flow and balance sheet planning, managing interest rate risks and liquidity risks associated with the business of the Company. It shall monitor the asset liability gap and strategize to mitigate the risk.

The Composition of the ALCO and its terms of reference shall be in compliance with the requirements of NHB Directions.

#### **Meetings of the ALCO**

The committee shall meet at least once every quarter.

## **6. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

The appointment of the statutory auditor shall be made in compliance of the provisions of the Companies Act, 2013, rules made thereunder, and the NHB Directions. Partner of the statutory audit firm shall be subject to rotation every three years.

## **7. RELATED PARTY TRANSACTIONS**

The Board shall formulate a Policy on “Related Party Transactions” (RPT). All Related Party Transactions shall be reported to the Audit Committee for its approval or for referring the same for approval in accordance with the policy laid down in that regard.

#### **Identification of Potential Related Party Transactions and Materiality criteria:**

Each director and Key Managerial Personnel shall be responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information regarding the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee shall determine whether the transaction constitutes a Related Party

Transaction requiring compliance with the Policy. The RPT policy shall also define the “Material related Party Transaction”.

**Prohibitions related to Related Party Transactions:**

All Related Party Transactions shall require prior approval of the Audit Committee.

All Material Related Party Transactions shall require approval of the shareholders.