

## **CORPORATE GOVERNANCE FRAMEWORK**

### **Objective**

National Housing Bank (NHB) through its notification National Housing Bank (NHB) through its notification No. NHB. HFC. CG. DIR.1MD&CEO/2016 dated February 9, 2017 and subsequent amendments thereof directed that all HFCs, shall frame their internal guidelines on corporate governance with the approval of the Board of Directors. Accordingly, following Framework capturing the guidelines are being laid down for the Company.

### **Scope**

The Framework includes Company's corporate structure, culture, policies and the manner in which it deals with various stakeholders. The Framework also covers the responsibilities, authority and administration of the Board of Directors.

Corporate Governance is a Framework through which an organisation directs and controls itself and the people associated with it. The timely and accurate disclosure of information regarding the financial situation, performance, board constitution, ownership of the Company is an important part of Corporate Governance.

### **Review frequency**

The Framework is normally reviewed once in a year and modified, when deemed necessary, to ensure proper alignment with best practices in Corporate Governance.

### **Guidelines**

This document enunciates the Corporate Governance Framework of the Company and codifies its values, ethos and culture.

### **Board and Board Level Committees**

#### **I. Board of Directors**

- (a) Composition of the Board:

- i) The Company shall have at least one third of the total number of Directors as Independent Directors. Independent Director shall mean as defined under Section 149 of the Companies Act, 2013.
  - ii) The Company shall have at least one-woman Director.
- (b) The Board shall meet at least four times in a year and the gap between the two meetings shall not be more than one hundred and twenty days. The Company shall follow the secretarial standard for convening of Board and Committee meetings.
- (c) The Company shall provide the periodical information and reports to Board and Committees as per various reporting requirements (internal as well as statutory). The Board shall periodically review the compliance reports pertaining to all laws applicable to the Company and steps taken by the Company to rectify the instances of non-compliance if any.
- (d) Appointment of Director:  
The appointment of Director shall be as per the Framework for appointment of Directors and official who may be appointed as senior management personnel including Key Managerial Personnel, adopted by the Company. The Directors to provide Annual disclosures as required under the Companies Act, 2013, SEBI (LODR) Regulation, 2015 and Fit & Proper declarations, Deed of covenants and declarations as per NHB direction.
- (e) Non-executive Director's compensation and disclosures.  
All fees/compensation paid to Non-Executive Directors, including independent directors shall be as per the compensation policy adopted by the Company.
- (f) Code of Conduct:  
The Board has adopted Group code of conduct and ethics of the Company. All the Board members shall affirm compliance with the code on an annual basis. Additionally, Schedule IV of the Companies Act, 2013 specifies the professional conduct, role, functions and duties of the Independent Directors. The Independent Directors shall affirm compliance with the code.
- (g) The performance evaluation of the Directors shall be conducted as per framework adopted by the Company for the Directors and the Board.
- (h) Minutes of the Board and Board Level Committees:

The minutes of the Board and Board Level Committees shall be prepared, circulated and maintained as per Companies Act, 2013 and the Secretarial Standard issued by the Institute of Company Secretaries of India.

- (i) Reporting Requirements:  
Board to issue report annually in compliance with the requirements of Companies Act, 2013, SEBI (LODR) Regulations, 2015 and NHB Regulations.

## **II. Audit Committee**

- (a) The Audit Committee shall have minimum three directors as members with independent directors forming majority.
- (b) All members of the Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- (c) The Chairman of the Committee shall be an Independent director.
- (d) The Audit Committee shall meet at least four times a year and not more than one hundred and twenty days shall elapse between two meetings.
- (e) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
  - A) The role and terms of reference of the Audit Committee shall include the following:
    - The recommendation for appointment, remuneration and terms of appointment of auditors of the Company
    - Review and monitor the auditor's independence and performance, and effectiveness of audit process
    - Examination of the financial statement and the auditors' report thereon
    - Approval of payment to statutory auditors for any other services rendered by the statutory auditors
    - Review with the management, the annual financial statements and the auditors' 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 for the same
- 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 listing and other legal requirements relating to financial statements
- disclosure of any related party transactions
- modified opinion(s) in the draft audit report
- Review with the management, the quarterly financial statements before submission to the Board for approval
- 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
- Oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible and inter-alia focusing primarily on:
  - Key changes in accounting policies and practices, if any.
  - Compliance with prevailing accounting standards
- Approval or any subsequent modification of transactions of the company with related parties
- Discuss with statutory auditors, before the audit commences, the nature and scope of audit as well as have post-audit discussion to ascertain any area of concern
- Evaluation of internal financial controls and risk management systems
- Review with the management, performance of statutory auditors and internal auditors, the adequacy of internal control systems
- 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
  - Discuss with internal auditors, any significant findings and follow up there on
- 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
- Scrutiny of inter-corporate loans and investments.

- Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate
- Valuation of undertakings or assets of the company, wherever it is necessary
- Review and oversee the functioning of Company's Vigil Mechanism as defined under the Whistle Blower Policy of the Company
- 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
- Reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding Rupees One hundred crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision
- Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders
- To have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary
- Monitoring the end use of funds raised through public offers and related matters
- To investigate any activity within its terms of reference, seek information from any employee, obtain legal or other professional advice and secure attendance of outsiders with relevant expertise.
- To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations.

B) The Audit Committee shall mandatorily review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- Statement of deviations:
  - Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1), as and when applicable

- Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7), as and when applicable

### **III. Risk Management Committee**

- (a) The Risk Management Committee shall have minimum three directors as members with at least one independent director..
- (b) The Chairman of the Committee shall be an Independent director.
- (c) The Risk Management Committee shall meet at least twice in a year and not more than two hundred and ten days shall elapse between two consecutive meetings.
- (d) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
  - To delegate monitoring and reviewing of the risk management plan and functions such as cyber security and various other functions as it may deem fit.
  - To formulate a detailed risk management policy which shall include:
    - A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, Environmental, Social and Governance (ESG) related risks), information, cyber security risks or any other risk as may be determined by the Committee
    - Measures for risk mitigation including systems and processes for internal control of identified risks
    - Business continuity plan
  - To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company
  - Review and monitor, the implementation of the risk management policies and oversee its compliance including evaluating the adequacy of risk management systems.
  - To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity
  - To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken

- Review the appointment, removal and terms of remuneration of the Chief Risk Officer
- To have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary
- Review key risk indicators covering areas such as credit risk, interest rate risk, liquidity risk, foreign exchange risk, operational and outsourcing risks and the limits framework, including stress test limits for various risks
- Monitoring of regulatory and reputation risk
- Review the Internal Capital Adequacy Assessment Process (ICAAP)
- Review of risks associated with Information Technology (IT)
- Review of the Enterprise Risk Management (ERM) framework and Risk Appetite Framework (RAF)
- Review the Materiality and Risk assessment of outsourced activities
- Review the Annual Compliance Certificate for outsourcing activities
- To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations.

#### **IV. Board Governance, Nomination and Remuneration Committee**

- (a) The Board Governance, Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than two third shall be independent directors.
- (b) The Chairman of the Committee shall be an Independent director.
- (c) The Board Governance, Nomination and Remuneration Committee shall meet at least once in a year.
- (d) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
  - To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal
  - To 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
  - Evaluate the balance of skills, knowledge and experience of independent director for their appointment and based on such evaluation, to prepare a description of role and capabilities required for their appointment as an independent direc-

tor. To ensure existence of such capabilities in the person before their recommendation to the Board for appointment, to also avail the services of an external agency(s) to consider candidates from a wide range of backgrounds, having due regard to diversity and to also consider the time commitments of the candidates for identification of suitable candidates for appointment as an independent director. Decide 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.

- Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors.
- Decide whether to extend or continue the term of appointment of an Independent Director based on the report of his/her performance evaluation
- Devise a policy on diversity of Board of Directors
- Recommend to the Board, all remuneration and performance evaluation, in whatever form, payable to senior management (SM)
- Review the Fit & Proper status of the proposed/existing directors and to ensure no conflict of interest in appointment of Directors, KMPs and SMPs.
- To oversee the framing, review and implementation of compensation policy
- To work in close coordination with Risk Management Committee (RMC) for effective alignment between compensation and risks
- To ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP)
- To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations

## **V. Corporate Social Responsibility Committee**

- (a) Corporate Social Responsibility Committee shall consist of three or more Directors out of which at least one director shall be Independent Director.
- (b) The Non-executive director shall be Chairperson of the Committee.
- (c) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
  - 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 Act.
  - Recommend the amount of expenditure to be incurred on the activities undertaken by the Company as specified in Schedule VII of the Act.
  - Monitor the Corporate Social Responsibility Policy of the Company from time to time.



- To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations

## **VI. Stakeholders Relationship Committee**

- (a) The Stakeholders Relationship committee shall consist of three members of the Board with at least one independent director.
- (b) The Non-executive director shall be Chairperson of the Committee.
- (c) The Stakeholder Relationship Committee shall meet at least once in a year.
- (d) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
  - To consider and resolve the grievances of 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.
  - Review of measures taken for effective exercise of voting rights by shareholders
  - Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent
  - 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
  - To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations.

## **VII. Information Technology (IT) Strategy Committee**

- (a) The IT Strategy Committee shall consist of at least three members of the Board who are technically competent.
- (b) The Chairman of the Committee shall be an Independent Director having substantial IT expertise in managing/ guiding information technology initiatives.
- (c) The Chief Operations & Technology Officer and Head – Information Technology shall be permanent invitee and Chief Financial officer shall be invitee.
- (d) The IT Strategy Committee shall meet at least once on a quarterly basis.

- (e) The Committee shall function as per the terms of reference, roles and responsibilities approved by the Board as given below:
- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place
  - Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Company towards accomplishment of its business objectives
  - Ensure that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation
  - Ensure that management has implemented processes for assessing and managing IT and cybersecurity risks
  - Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
  - Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
  - Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives
  - Review, on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company
  - 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
  - Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls
  - To recommend to the Board various policies pertaining to IT framework which include Information Security(IS) Policy, cyber security policy, Information Technology (IT) policy, Cyber Crisis Management Plan (CCMP), Change Management Policy for implementation of IT projects, Business Continuity Planning (BCP) detailing various aspects related to each such policy as well as risk management policy considering the risk associated with existing and planned IT operations and the risk tolerance
  - To ensure that the Company has put an effective IT strategic planning process in place
  - To satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organization

- To ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks
- To oversee progress on Key Projects and critical IT Systems
- To review of Technology resilience initiatives, Enterprise Architecture update, unsupported software version, application downtime incidents and action plans, and key migrations at its quarterly meetings.
- Review of Cloud framework and IT Infrastructure
- To recommend the Board IT services outsourcing policy and to do the following in respect of outsourced operations:
  - 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
  - Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing
  - Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope and complexity of outsourcing arrangements
  - Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangement
  - Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board
  - Periodically reviewing the effectiveness of policies and procedures;
  - Communicating significant risks in outsourcing to the Board on a periodic basis
  - Ensuring an independent review and audit in accordance with approved policies and procedures
  - Ensuring that contingent plans have been developed and tested adequately
  - Ensure that Company's business continuity preparedness is not adversely compromised on account of outsourcing, adopt sound business continuity management practices as issued by NHB and seek proactive assurance that that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis
- To monitor/ review comprehensive risk assessment of IT systems
- To discuss the reports of the information system audit and to propose appropriate action to be taken for compliance of the same
- To undertake all such other matters and to do all such acts, deeds and things as may be required under the applicable laws, rules and regulations

### **Vigil Mechanism**

The Company has adopted whistle blower policy for directors and employees to report

genuine concerns. The Policy adequately safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism also provide for direct access to the chairperson of the audit committee in appropriate or exceptional cases.

### **Related Party transaction**

The Company has adopted Related Party Transaction Policy to determine materiality of related party transactions and to deal with related party transactions. The reporting of related party transactions shall be as per the said policy approved by the Board.