



APAC HOUSING FINANCE PRIVATE LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE **(“CG Guidelines”)**

- Annual review in June of each year, unless in the opinion of the Company Secretary a review of the policy is needed sooner.

Owner: Company Secretary

1. PREAMBLE

The Reserve Bank of India (“RBI”) vide their circular No. RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021 issued circular on Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 applicable to all housing finance companies (“**Master Direction**”).

As per the Master Direction, every non deposit accepting Housing Finance Company having asset size of Rs. 50 Crores or more has to frame “Internal guidelines on Corporate Governance”. Pursuant to the same, the Board of Directors of the Company at their meeting held on March 30, 2021, have approved and adopted the Internal Guidelines on Corporate Governance (“**CG Guidelines**”). Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled.

2. PHILOSOPHY

APAC Housing Finance Private Limited (“APAC HFC” or “Company”) believes in maintaining high standards of corporate governance which is key to ensure its long term success and is committed to protecting and maximizing interest of its stakeholders. The Company aims at achieving not only the highest possible standards of legal and regulatory compliances, but also of effective management through effective policies/guidelines and procedures conforming to the applicable laws.

3. BOARD OF DIRECTORS:

- 3.1. **Composition:** The Board shall have minimum three directors and a maximum of fifteen directors or such other limit as may be prescribed under the applicable provisions of Companies Act, 2013 (“**the Act**”) and Articles of Association of the Company. The Board of Directors shall have minimum of two Independent Directors as prescribed under the Master Direction.
- 3.2. **Meetings:** Meetings of the Board of Directors shall be held minimum of four times a year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board. The Company shall observe secretarial standards with respect to General/Board Meetings and Committee Meetings specified by the Companies Act and Institute of Company Secretaries of India.
- 3.3. **Appointment, Disclosures and Duties:**
 - (a) Director(s) shall be appointed as per the applicable provisions of the Act and rules made there under;
 - (b) A person proposed to be appointed as a Director shall be assessed on ‘Fit and Proper’ Criteria for Directors of HFCs formulated in compliance with the Master Direction. The person considered to be appointed as a Director should also possess relevant expertise which will help the person to act objectively and constructively;
 - (c) Upon appointment, the Director shall execute a Deed of Covenant with the Company as per the format prescribed under the ‘Fit and Proper’ Criteria for Directors of HFCs formulated in compliance with the Master Direction;
 - (d) The Company shall upon appointment of an Independent Director, issue a formal letter of appointment outlining his/her terms of appointment, role, responsibilities, duties. etc.;
 - (e) The appointment/re-appointment and the remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board for approval;

- (f) The Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/ Committee Meetings;
- (g) The day-to-day operations of the Company will be looked after by the CEO under the overall superintendence, guidance, and control of the Board. He will be assisted by senior officers with well-defined responsibilities.

4. COMMITTEES:

The Board has constituted various committees to deal with specific matters for different functional areas. The Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, Asset Liability Management Committee in accordance with the provision of Companies Act, 2013, Master Direction and directions issued by National Housing Bank (“NHB”) / RBI as applicable for the Company. 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. The Minutes of the Board level Committee(s) will be placed before Board time to time for its perusal, discussion and noting.

4.1. Risk Management Committee:

The Risk Management Committee is constituted as per the Master Direction. The Committee shall meet atleast once during the financial year.

The terms of reference of Risk Management Committee are as under:

- a. To identify, monitor and manage various risks facing the organization
- b. To devise strategies, frameworks, methodologies, systems and tools to contain and manage risks.
- c. To ensure preparation of contingency plans for various risks
- d. To develop risk management policies and procedures and verify models used for pricing products.
- e. To review reports on the overall risk for the organization including various exposures on a periodic basis and ensure exposure is well managed.
- f. To monitor compliance by all the functions of the organization.
- g. To build a robust risk culture at all levels of the organization

4.2. Audit Committee:

The Audit Committee is constituted as per the provisions of the Companies Act 2013 and as per the Master Direction. The Committee shall meet atleast once during the financial year.

The terms of reference of Audit Committee are as under:

- (a) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (b) review and monitor the auditor’s independence and performance, and effectiveness of audit process;
- (c) examination of the financial statement and the auditors’ report thereon;
- (d) approval or any subsequent modification of transactions of the company with related parties;
- (e) scrutiny of inter-corporate loans and investments;
- (f) valuation of undertakings or assets of the company, wherever it is necessary;
- (g) evaluation of internal financial controls and risk management systems;
- (h) monitoring the end use of funds raised through public offers and related matters.

4.3. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee is constituted as per the provisions of the Companies Act 2013 and as per the Master Direction. The Committee shall meet at such regular intervals as required.

The terms of reference of Nomination and Remuneration Committee are as under:

- (a) Formulate criteria for determining qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration of Directors, Key Managerial Personnel (KMP) and other employees;
- (b) Formulate criteria for evaluation of performance of Board, committees and Independent Directors;
- (c) Identify persons qualified to be appointed as Directors, KMP and Senior Management.
- (d) To ensure 'fit and proper' status of proposed/ existing directors.

4.4. Asset Liability Management Committee (ALCO):

The Asset Liability Management Committee is constituted as per the requirements of NHB. The Committee shall meet atleast once in every quarter. The committee shall lay down policies and quantitative limits relating to assets and liabilities and periodically monitor Asset-Liability management.

5. POLICIES FORMULATED BY THE COMPANY:

Various Policies have been formulated by the Company in compliance with the provisions of the Companies Act, 2013 and other applicable laws and/ or as a matter of Good Corporate Governance Practices.

Some of the important Policies are as under:

- (a) Related Party Transactions Policy;
- (b) Whistle Blower policy;
- (c) Policy on Prevention of Sexual Harassment;
- (d) Remuneration Policy;
- (e) Fit and Proper Criteria for Directors;
- (f) Grievance Redressal Policy;
- (g) Risk Management Policy;
- (h) Know Your Customer & Anti-Money Laundering Policy;
- (i) Fair Practice Code;
- (j) Interest Rate Policy;
- (k) Credit Risk Policy;
- (l) Collection Policy;
- (m) Vendor Empanelment Policy;
- (n) Managing Risks and Code of Conduct in Outsourcing
- (o) Policy for Monitoring of Frauds
- (p) Policy for preservation of documents
- (q) Information Security & IT Policy;
- (r) Policy on Valuation of Collateral Policy.

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

6. STATUTORY AUDITORS

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors. 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. 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.

7. INTERNAL AUDITORS

The Board and the Audit Committee of the Company shall appoint the 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. The Company may also take such services from the Holding Company.

8. SECRETARIAL AUDITORS

The Company shall appoint an Independent Company Secretary in Practice, in accordance with the provisions of the Companies Act, 2013 and rules made there under to conduct a Secretarial Audit of the Company for every Financial Year, if applicable. The Secretarial Auditor shall provide in the form and the 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 Shareholders of the Company in accordance with the applicable laws / regulations, once applicable.

9. 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, Debenture holders 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 may be required under applicable laws / regulations.

10. COMPLIANCE OFFICER

The Company Secretary shall be the Compliance Officer of the Company.

11. REVIEW

The Board of Directors of the Company reserves the right to add, amend, modify these guidelines, as and when it deems appropriate.