



# **POLICY FOR INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

## **Version 1.1**

## **PHILOSOPHY, PURPOSE AND SCOPE**

At Vastu Housing Finance Corporation Limited ('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 adopt best practices and greater transparency in the operations of the Company and in compliance with the Guidelines on Corporate Governance issued by the National Housing Bank, and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India ("RBI") (as amended from time to time) 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, with at least one-woman Director and at least one – third of the total number of Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the National Housing Bank and RBI.

At present the Board comprises of 4 (four) Independent Directors, 3 (Three) Non-Executive Directors representing shareholders and 1 (One) Executive Director. 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.

All the Directors on the Board (except Independent Directors) 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.

A Director shall not hold the office of director in more than 20 (twenty) companies including 10 (ten) public companies. The Directors shall submit disclosures as required under the provisions of applicable laws and the codes and policies adopted by the Company.

## **Meetings of the Board**

At least 4 meetings of the Board of Directors shall be held every year, 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. The Chairperson of the Board shall not be entitled to a second or casting vote at any meeting of the Board.

## **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 appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard from time to time. 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 such term as may be appointed by the Board and shareholders of the Company such that the appointment shall be made subject to the applicable provision of the Companies Act, 2013 (Act) read with Schedule IV of the Act and the Independent such appointed 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. Additionally, subject to the Shareholders approval the Company may pay to the eligible Independent Directors pursuant to the provisions of Sections 149(9), 197 and 198 of the Companies Act, 2013 read with the Companies (Appointment and Qualification of Directors) Rules, 2014 and Schedule IV to the Companies Act, 2013 ("including any statutory modification(s) or re-enactment thereof, for the time being in force) for payment of remuneration by way of commission which shall not exceed 1% of the Net Profit of the Company in lieu of their valuable contribution and services to the Company.

Presently, 3 (Three) Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, in compliance with the applicable laws in this regard.

## **COMMITTEES**

The Board has constituted 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 Borrowing and Investment Committee, the Risk Management Committee, the Asset-Liability Management Committee, the Corporate Social Responsibility Committee, and other Committee(s) have been constituted in accordance with the applicable provisions of the Companies Act, 2013, guidelines / directions issued by the National Housing Bank and/or Reserve Bank of India as applicable to the Company as a Systemically Important Housing Finance (Non-Deposit Accepting) Company, Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021, applicable regulations of the Securities and Exchange Board of India ('SEBI'), such other applicable laws for the time being in force and for other internal requirements and operational convenience purposes. 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/Summary of meetings of Board Committees and other Committee(s) as specified by the Board shall 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:**

**1. Audit Committee**

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and systems or any other function as may be determined by the Board.

The members of the Audit Committee shall meet at such intervals as and when required, but shall meet atleast 4 (four) times in a financial year.

**2. Nomination & Remuneration Committee**

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 eligible Directors and Senior-level employees; (iii) decide on appraisal, performance bonus and variable pay of all employees including Non-Executive Independent Directors in compliance with applicable laws and (iv) the related matters in accordance with the applicable laws.

The members of the Nomination and Remuneration Committee shall meet at such intervals as and when required, but shall meet atleast once every financial year.

**3. Corporate Social Responsibility Committee (CSR)**

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.

The members of the CSR Committee shall meet at such intervals as and when required, but shall meet atleast 2 (two) times in a financial year.

**4. Borrowing & Investment Committee**

The Borrowing & Investment Committee is responsible to (i) borrow from bank/ financial institution / NBFC / National Housing Bank within the overall limit as specified by Board of Directors and shareholders of the Company; (ii) pass necessary resolutions for opening the bank accounts as may be necessary to avail the borrowing facilities and to avail net banking facility for said accounts; (iii) to pass necessary resolutions for opening the bank accounts as may be necessary for placing fix deposit with the banks, (iv) to pass necessary resolution for addition/deletion of signatories of the existing bank accounts and for change in instructions for placing fixed deposits with the banks; (v) to secure the borrowings of the Company by mortgage or charge on all or any of the movable or immovable properties of the Company in favour of banks / financial institutions / NBFC / National Housing Bank; (vi) to approve Direct Assignment transaction with such Identified Banks as it may deem fit.

The members of the Borrowing and Investment Committee shall meet at such intervals as and when required, but shall meet atleast 2 (two) times in a financial year.

**5. Risk Management Committee**

The Risk Management Committee shall be responsible for setting up and reviewing risk management policies of the Company from time to time. The Risk Management Committee shall

primarily be responsible for identifying, monitoring, managing and mitigating the credit risk, market risk, operational risk and other risks of the Company that can be applicable to the Company considering the business operations of the Company through integrated risk management systems, strategies and mechanisms.

If the Members of the Risk Management Committee have a conflict of interest, matter will be referred to the Board of Directors for final resolution.

The members of the Risk Management Committee shall meet at such intervals as and when required, but shall meet at least 2 (two) times in a financial year.

## 6. Asset-Liability Management Committee (ALCO)

The ALCO shall monitor the asset liability composition of the Company's balance sheet and determine actions to mitigate risks associated with the asset liability mismatches.

The members of the ALCO Committee shall meet at such intervals as and when required, but shall meet at least 4 (four) times in a financial year.

**In addition to above, the Board has constituted several other Committees including but not limited to Allotment Committee, Internal Complaints Committee, Grievance Redressal Committee, Whistle Blower Committee and the Board may further constitute such other Committees, as may be required for effective functioning of the Company and as per applicable laws for the time being in force.**

### **PERFORMANCE EVALUATION**

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the individual Directors, the Board, as a whole and its Committees and subject to the applicable provisions of the Companies Act, 2013. The Nomination and Remuneration Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

### **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.

The Company shall also be in compliance with various circulars and notification issued by Reserve Bank of India from time to time, including the circular dated April 27, 2021, pertaining to "Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs)", as amended from time to time.

### Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the applicable provisions of the Companies Act, 2013 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, 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.

## **CODE(S) AND POLICY(IES) OF THE COMPANY**

### Code of Conduct for Directors and Employees

The Code of Conduct for Directors and Employees provides for employees to conduct their business and affairs in compliance with applicable laws, rules and regulations of India. The Code is applicable to all employees of the Company, including Executive Director(s) and to the Non-Executive Director(s) to the extent of their role and responsibilities in the Company.

### Whistle Blower Policy / Vigil Mechanism

The Whistle Blower Policy / Vigil Mechanism is formulated to provide a mechanism to anyone connected with the Company to approach and disclose unethical and improper practices or any other wrongful conduct in the Company and to prevent managerial personnel from taking any adverse action against person(s) reporting such matters.

### Related Party Transaction Policy

The Related Party Transactions Policy is adopted to ensure proper approval and reporting of transactions between the Company and its Related Parties. Any transaction with a Related Party shall be considered to be appropriate only if it is in the best interest of the Company and its Members. The Board or any of its Committees which are dealing with related party transaction(s), shall accord their approvals for such transactions in compliance with the applicable laws and the Related Party Transaction Policy of the Company.

## Other Code(s) and Policy(ies)

In accordance with the applicable provisions of the Companies Act, 2013, the directions / guidelines issued by the National Housing Bank / Reserve Bank of India and applicable to the Company as a Systemically Important Housing Finance (Non-Deposit Accepting) Company, Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, applicable SEBI regulations and such other applicable laws for the time being in force and for internal requirements and operational convenience, the Company has framed and adopted the following policy(ies) and code(s) which shall be updated / revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company. The codes and policies approved by the Company *inter-alia* includes the following:

- Lending and Risk Management Policy
- Credit Program
- Operations Manual
- HR Manual
- Builder Pre-Approval Process
- Legal Policy
- Property Valuation Norms
- IT and Information Security Policy
- Pricing Grid
- PLR Policy
- Accounting Policy
- DSA on boarding Kit
- Connector On-boarding Kit
- Fair Practice Code
- Provisioning Policy
- Risk Management Policy
- Investment Policy
- ALM Policy
- CSR Policy
- Demand Call Loans Policy
- Guidelines for DSAs
- Guidelines for Recovery Agents
- KYC & AML Policy
- Most Important Terms & Conditions (MITC)
- Outsourcing Policy
- RCU Policy
- Recovery Policy (Debt Management)
- Business Continuity Policy
- Terms and Conditions of appointment of Independent Directors
- Whistle Blower Policy
- Nomination and Remuneration Policy
- Related Party Transaction Policy

## **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**

A qualified Company Secretary shall be the Compliance Officer of the Company.

These guidelines are being adopted by the Board of Directors on 27<sup>th</sup> April 2018 and shall come into force with immediate effect.

### **REVIEW**

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