



AHAM HOUSING FINANCE PRIVATE LIMITED

**INTERNAL GUIDELINES ON CORPORATE
GOVERNANCE**

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The Reserve Bank of India (“RBI”) dated February 17, 2021, had notified Master Direction – Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021. Accordingly, the directions on Corporate Governance as prescribed under Chapter IX of the said Master Directions of the RBI shall now apply to every non-public deposit accepting HFC with assets size of Rupees Fifty crore and above. Hence, the Company needs to adopt the “Internal Guidelines on Corporate Governance”.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a mechanism based on certain systems and principles by which a company is governed. This is done in such a way as to achieve the goals and objectives which include providing benefits to the stakeholders like shareholders, employees, suppliers, customers, and society in the long term and adding value to the company. Corporate Governance is all about balancing individual and societal goals as well as economic and social goals.

The corporate governance philosophy of the Company is driven by the following fundamental principles:

- ❖ Adhere to corporate governance standards beyond the letter of law;
- ❖ Maintain transparency and a high degree of disclosure levels;
- ❖ Maintain a clear distinction between personal and corporate interest;
- ❖ Have a transparent corporate structure driven by business;
- ❖ Ensure compliance with applicable laws.

BOARD OF DIRECTORS

The corporate governance principles of the Company ensure that the Board remains informed, independent, and involved in the Company’s affairs and that there are ongoing efforts to enhance the standards of corporate governance to mitigate non-business risks.

The Board provides strategic guidance on the affairs of the Company. The basic responsibility of the Board is to provide effective governance over the Company’s affairs and exercise its reasonable business judgment on the affairs of the Company. The Company’s Day to day affairs is managed by the Managing Director, assisted by a competent management team under the overall supervision of the Board.

BOARD COMPOSITION

The Board has been constituted in an appropriate manner comprising Executive, Non-Executive, and Independent Directors to ensure proper governance and management. The Board members have collective experience in diverse fields like finance, investments, compliance, and general management. The Directors are elected based on their qualification and experience in varied fields as well as the Company's business needs.

The Board's strength is required to be a minimum of two to a maximum of fifteen directors. The composition of the Board shall be in accordance with the provisions of the Companies Act, 2013, and the Articles of Association of the Company. All the Directors shall make the necessary annual disclosure regarding their directorships positions and shall intimate the changes as and when they take place. The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire meeting.

BOARD MEETINGS

Meetings of the Board of Directors shall be held at least four times a year, with a maximum time gap of four months between any two consecutive meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The decisions of the Board shall be taken by a simple majority of the Directors and each Director shall exercise one vote.

CONFIDENTIALITY

The Directors shall not disclose any confidential information, including commercial secrets, sales promotion plans, or unpublished price-sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

COMMITTEES OF THE BOARD

In order to ensure quick resolution of various matters and in line with the RBI Master Circular, the Board shall constitute a set of Committees with specific terms of reference which shall govern their functioning. The Minutes of the Meetings of all Committees of the Board shall be placed before the Board for its noting.

The Board of Directors has constituted the following Committees and will constitute other Committees as may be required from time to time, with specific terms of reference as approved by the Board:

- ❖ Audit Committee

- ❖ Nomination and Remuneration Committee
- ❖ Risk Management Committee
- ❖ Asset Liability Management Committee

DETAILS OF BOARD COMMITTEES:

AUDIT COMMITTEE:

The Audit Committee's constitution and functioning shall follow the provisions of the Companies Act, 2013, and other applicable laws. The powers, functions, duties, and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013. The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

The Audit Committee has been constituted on June 30, 2023, by the Board of Directors. It is constituted of 3 (three) Directors with Independent Directors in the majority. The Audit Committee shall undertake such duties as per the Terms of reference approved by the Board and any such duties as may be delegated to it from time to time.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ('NRC') constitution and functioning shall follow the provisions of the Companies Act, 2013. The powers, functions, duties, and terms of reference of the Nomination and Remuneration Committee shall be comprehensive and include the requirements as set out by Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

The Nomination and Remuneration Committee has been constituted on June 30, 2023, by the Board of Directors. It is constituted with 3 (three) Directors out of which not less than one-half comprises Independent Directors.

The NRC shall undertake the duties as per the Terms of Reference approved by the Board and any other duties as may be delegated to it from time to time. The NRC shall also ensure that fit and proper criteria as required by the RBI Directions are fulfilled and that there is no conflict of interest in the appointment of directors and their independence is not subject to potential threats.

RISK MANAGEMENT COMMITTEE

The purpose of the Committee is to manage the integrated risks to which the Company is exposed. Risk Management Committee was constituted on June 30, 2023, by the Board of

Directors and consists of Board members in the majority and other senior executives of the Company as members.

The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The Risk Management Committee shall review and monitor the credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risk, and other risks affecting the organization. The Risk Management Committee shall be vested with necessary powers, as defined in its charter/Terms of Reference to achieve its objectives.

The Risk Management Committee shall undertake such duties as per the Terms of reference approved by the Board and delegated to it by the Board of Directors from time to time.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines on Asset–Liability management system. The Committee inter alia, shall monitor the asset-liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

The Asset Liability and Management Committee (ALCO) consists of a minimum of three members and was constituted by the Board in June 30, 2023, to carry out the initial review of sanction letters from various lenders and recommend the same to MD for approval.

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time.

POLICY ON ‘FIT AND PROPER CRITERIA FOR DIRECTORS

As per the RBI Master Circular for HFCs, every non-deposit accepting HFC with an Asset Size of Rs. 50 Crore and above shall have in place a policy ascertaining the Fit and Proper Criteria of the directors at the time of appointment and on a continuing basis.

The Company, being a non-public deposit accepting HFC with the above-prescribed asset size, will formulate and adopt the Fit and Proper criteria for Directors based on which new directors proposed to be appointed and existing directors whose appointment is intended to be continued can be evaluated. The NRC shall review the appointment/reappointment of Directors considering their qualifications, expertise, track record, integrity, and other ‘fit and proper’ criteria. The NRC should obtain such declarations/undertakings, and deeds of covenant from the Directors and ensure furnishing such statements and certificates as may be prescribed by the Policy on Fit and Proper Criteria for Directors in line with the RBI Master Direction.

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 the Companies Act, 2013 and other applicable laws in this regard. 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.

An annual declaration on confirmation in respect of fit and proper criteria in the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated in Disclosures terms of NHB Directions shall also be furnished by the Directors.

A declaration of independence in terms of Section 149(7) of the Companies Act, 2013 shall be furnished by the Independent Directors every financial year or whenever there is any change in the circumstances that affect their status as an Independent Director.

MD CERTIFICATION

The Managing Director of the Company shall make the necessary certifications regarding the Financial Statements, Internal Controls, etc. to the Board.

COMPLIANCE OFFICER

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

ROTATION OF PARTNERS OF THE STATUTORY AUDITOR'S AUDIT FIRM

The Company shall ensure rotation of the partner (s) of the Chartered Accountant firm conducting the Statutory audit, every three years so that the same partner does not conduct an audit of the Company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

REVIEW OF POLICY

The Board may review the said Policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.



AHAM HOUSING FINANCE PRIVATE LIMITED

**BOARD COMMITTEE'S TERMS OF
REFERENCE**

AUDIT COMMITTEE:

The Audit Committee's constitution and functioning shall follow the provisions of the Companies Act, 2013, Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by the Reserve Bank of India and other applicable laws. The powers, functions, duties, and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013. The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Terms of reference:

Audit Committee was constituted as per the requirements of the Companies Act and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by the Reserve Bank of India. The role of the Audit Committee inter alia includes the following:

Internal Audit

- review the scope of internal audit procedures;
- ensure the effectiveness of internal controls in critical areas of operations;
- review and approve the audit plan, audit charter, and resources budget;
- ensure that the Committee is adequately informed of the risks and implications of internal audit findings and recommendations;
- approval of appointment, remuneration, performance evaluation, and removal of the Internal Auditor;
- ensure that audit findings and recommendations are resolved effectively and in a timely manner.

External Audit

- review financial statements including the auditors' report before submission to the Board;
- review and monitor management's responsiveness to, and action taken on, external audit findings and recommendations;
- approval of non-audit services by the external auditor before the commencement of the service;
- recommending the appointment of the external auditor to the Board, having particular regard for the external auditor's objectivity, performance, and independence;

- review and determine fees payable to the external auditor.

Other functions

- review and approve related party transactions of the Company and any modifications thereof;
- act as a Compliance Committee to discuss the level of compliance in the Company and any associated risks;
- evaluation of internal financial controls and risk management of the Company;
- ensure that the Company's accounts are prepared in a timely and accurate manner for regulatory, management, and general reporting purposes.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ('NRC') constitution and functioning shall follow the provisions of the Companies Act, 2013, Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by the Reserve Bank of India. The powers, functions, duties, and terms of reference of the Nomination and Remuneration Committee shall be comprehensive and include the requirements as set out by Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Terms of reference:

The Nomination and Remuneration Committee was constituted as per the requirements of the Companies Act and Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by the Reserve Bank of India. The role of the NRC inter alia includes the following:

- identification of persons for appointment as Directors, Key Managerial Personnel (KMP), and senior management;
- recommendation to the Board the appointment including re-appointments or removal of Directors and senior management;
- formulate criteria for determining qualifications, positive attributes, and independence of Directors.

RISK MANAGEMENT COMMITTEE

The purpose of the Committee is to manage the integrated risks to which the Company is exposed. The Risk Management Committee consists of Board members in the majority and other senior executives of the Company as members.

The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The Risk Management Committee shall review and monitor the credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risk, and other risks affecting the organization. The Risk Management Committee shall be vested with necessary powers, as defined in its charter/Terms of Reference to achieve its objectives.

Terms of reference:

The Risk Management Committee was constituted as per the requirements of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by the Reserve Bank of India. The role of the Risk Management Committee inter alia includes the following:

- assist the Board in the effective operation of the risk management system by reviewing the risks to which the Company is exposed and the risk mitigation measures undertaken by the Company;
- review the framework for identification, measurement, monitoring, and controlling of risks and recommending risk management decisions to the Board;
- review risk exposures and actions taken to manage exposures;
- review and monitor business continuity and solvency position;
- review the progress in enterprise risk management, risk appetite, and tolerance limits, the status of implementation of the Information Security and Policy procedures and asset liability management.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines on Asset–Liability management system. The Committee inter alia, shall monitor the asset-liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

Terms of reference:

Asset Liability Management Committee was constituted as per the requirements of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank)

Directions, 2021, issued by the Reserve Bank of India. The role of the Asset Liability Management Committee inter alia includes the following:

- Be responsible for the balance sheet planning of the Company within the risk parameters set by the Board and the regulatory limits.
- Review changes in the profile of liquidity and compliance with all liquidity limits set out in the Risk Management Policy.
- To review the overall cash flow position and consider the impact of other inflows and outflows as they affect overall liquidity.