

## RELIGARE HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED CORPORATE GOVERNANCE GUIDELINES

### CORPORATE GOVERNANCE MISSION

Religare Housing Development Finance Corporation Limited (the "**Company**") aspires to the highest standards of ethical conduct: doing what we say, reporting results with accuracy and transparency and maintaining full compliance with the laws, rules and regulations that govern the Company's businesses.

### BOARD OF DIRECTORS

The Board of Directors' ("**Board**") primary responsibility is to provide *effective governance over* the Company's affairs for the benefit of its stockholders, and to balance the interests of its diverse constituencies, including its customers, employees, suppliers and local communities. In all actions taken by the Board, the Directors are expected to exercise their business judgment in what they reasonably *believe* to be in the best interests of the Company while exercising their duties with care, skill and due diligence and shall endeavor to avoid any conflict of interest with the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

### QUALIFICATIONS FOR DIRECTOR CANDIDATURE

One of the Board's most important responsibilities is identifying, evaluating and selecting candidates for the Board of Directors. The factors considered by the Board in its review of potential candidates shall include, *inter alia*:

- Whether the candidate has exhibited behavior that indicates he or she is committed to the highest ethical standards.
- Whether the candidate has special skills, expertise and background that would complement the attributes of the existing Directors, taking into consideration the current activities and future plans of the Company.
- Whether the candidate has the financial expertise as evidenced by substantial prior experience in the sector required to provide *effective* oversight of a financial services business.
- Whether the candidate has *achieved* prominence in his or her business, governmental or professional *activities*, and has built a reputation that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make.
- Whether the candidate will *effectively*, consistently and appropriately take into account and balance the legitimate interests and concerns of all of the Company's stockholders and our other stakeholders in reaching decisions, rather than advancing the interests of a particular constituency.

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- Whether the candidate possesses a willingness to challenge management while working constructively as part of a team in an environment of collegiality and trust.
- Whether the candidate will be able to *devote* sufficient time and energy to the performance of his or her duties as a Director.

Application of these factors in specific instances will *involve* the exercise of judgment by the Board.

### **CHANGE IN STATUS OR RESPONSIBILITIES**

If a Director has any substantial change in professional responsibilities, occupation or business association, he or she should notify the Board and offer his or her resignation to the Board. The Board will evaluate the facts and circumstances and determine whether it should accept the resignation or request that the Director continue to serve on the Board.

### **BOARD MEETINGS**

The Board shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors.

### **COMMITTEES OF THE BOARD**

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Audit Committee, Loan/Investment & Borrowing Committee, Risk Management Committee, Asset Liability Committee, Nomination & Remuneration Committee, Grievance Redressal Committee, Identification Committee, Review Committee and Corporate Social Responsibility Committee have been constituted in accordance with the provisions of Companies Act, 2013 and the guidelines issued by the National Housing Bank.

### **TERMS OF REFERENCE OF COMMITTEES**

#### **A) Audit Committee:**

The terms of reference of the Audit Committee of the Company are as follows:

- Reviewing with management/statutory auditors the annual financial statements and the draft Auditor's report before submission to the Board, focusing primarily on:
  - Any changes in the accounting policies and practices;
  - Major accounting entries based on exercise of judgments by management, "Major" to mean 1% of Profits Before Tax
  - qualifications in the draft auditors report;
  - significant adjustments arising out of audit;
  - the going concern assumption;
  - compliance with accounting standards;

- Any related party transactions and approval/subsequent modification of the same, as the case may be
- > Reviewing with the management, external and internal auditors, the adequacy and compliance of internal control systems and evaluation of the internal financial controls and risk management systems;
- > Reviewing the adequacy of internal audit function and to formulate the scope, functioning and methodology for conducting the internal audit including structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- > Discussion with internal auditors on any significant findings and implementation of their recommendation 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
- > Discussion with Statutory Auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern
- > Recommend for appointment, remuneration and terms of appointment of auditors of the company
- > Review and monitoring of the auditor's independence and performance, and effectiveness of audit process
- > Approval or any subsequent modification of transactions of the Company with related parties
- > Scrutiny of inter-corporate loans and investments
- > Valuation of undertakings or assets of the company in accordance with the provisions of Companies Act, 2013 , wherever it is necessary,
- > Establish and review the functioning of the Whistle Blower Mechanism/ Vigil Mechanism
- > Monitor the end use of funds raised through public offers and related matters
- > Call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and discussion of related matters with the internal and statutory auditors and the management of the Company
- > Investigate into any matter in relation to the items specified above or referred to it by the Board of Directors
- > Any such other role/function as may be specifically referred to the Committee by the Board of Directors or as may be required under the Companies Act, 2013 or any other law for the time being in force."

## **B) Loan/Investment & Borrowing Committee:**

The terms of reference of the Loan/Investment & Borrowing Committee of the Company are as follows:

- > To provide operational guidelines to all concerned in order to enable the Company to gainfully deploy the surplus funds from time to time and to avail financial facilities from

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financial institution(s)/ bank(s) or other entities in form of term loan(s), guarantee(s), line of credit, Commercial Papers or in any other forms ("Facilities") or by way of issuance of debentures to meet its business requirements.

- > To revise signatories and/or re-approve existing signatories for operating various bank accounts of the company.
- > To grant approval to make an application for opening escrow accounts with any bank, as and when required, for lending operations.
- > To grant approval to make an application for availing cash management services with various banks.
- > To approve/ authorize Assignment / Securitization / sale / transfer of receivables transactions.
- > To consider and approve availing of bank guarantees from various banks.
- > To approve change in the borrowing or investment limits of the company under various segments as per instructions of the Board of Directors.
- > To approve/ authorize buying/ selling/ redemption/ making of investments in mutual funds, fixed deposits, government securities, securities of any Company/Body Corporate as per instructions of the Board of Directors.
- > To approve/ authorize pledging / hypothecation of FDRs as security towards Letter of credit in favor of third party(s).
- > To revise the list of signatories for Commercial Papers (CP) and increase the limit of CP issuance.
- > To consider opening of bank accounts with various banks, apply and avail corporate internet banking, fax indemnity facility, email indemnity, online account statement viewing facility and consider any other facility offered by banks with respect to accounts maintained with various banks.
- > To avail revolving loan facilities and overdraft facility from various banks
- > To grant approval for entering into master rental & financial agreements
- > To review and consider the list of signatories for purpose of making investment , if any, on behalf of the Company
- > To consider and approve the list of authorized signatories to execute the documents required by various banks for Cheque printing facilities.
- > To consider availing of corporate credit cards including credit card facility in the name of employees / officials of the company and the terms of such facilities.
- > To approve closure of various bank accounts.
- > To approve buy back or early redemption of Commercial Papers /Debentures
- > Finalization of the allotment of the Non- Convertible Debentures ("NCDs") on the basis of the applications received.
- > Finalization of the Prospectus / Memorandum / Offer Document to be submitted to the Stock Exchange(s) and any corrigendum, amendments supplements thereto for w.r.t. any public issue or private placement basis
- > To approve the draft and final prospectus (including amending, varying or modifying the same, as may be considered desirable or expedient) with respect to any public or private issue, as finalized in consultation with the lead managers, in accordance with all applicable laws, rules, regulations and guidelines.
- > To finalize the basis of allotment in the event of over-subscription.
- > To accept and to decide appropriation of the proceeds of an issue.
- > To authorize any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable

in connection with the issue and allotment of the NCDs, including finalization and execution of necessary documentation.

- > To authorize seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India, and any other consents that may be required in connection with the issue, offer and allotment of the NCDs.
- > To authorize seeking the listing of the NCDs on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing.
- > To authorize the concerned persons for issuing such declarations, affidavits, certificates, consents and authorities and/or the authority to enter into such agreements or documents as may be required from time to time.
- > To decide, approve, modify or alter the pricing and terms of the NCDs, and all other related matters including the determination of the size of the public issue up to the maximum limit prescribed by the Board and the minimum subscription for the Public Issue.
- > To appoint the debenture trustee and execution of the trust deed (and related documentation) in connection with the public issue, in accordance with the provisions of the applicable regulations and to delegate authority for derivative transactions.
- > To appoint the registrar to the issue of NCDs, and other intermediaries, in accordance with the provisions of applicable regulations.
- > To sign and execute listing application(s), various agreements including but not limited to Deed of Hypothecation, Debenture Trust Deed, Debenture Trustee Agreement, Listing Agreement, undertakings, deeds, declarations, affidavits, certificates, documents, etc. and all other documents and to do all such acts, deeds and things, and to comply with all formalities as may be required in connection with and incidental to the aforesaid offering of NCDs, including the post issue formalities and with power to settle any question, difficulties or doubts that may arise in regard to the issue or allotment of such NCDs as may be deemed fit and delegate any of these functions to the Director(s) of the Company and/or officers.
- > To appoint the Lead Managers, Brokers, Debenture Trustee, Legal Advisors, Depositories, Custodians, Registrar and Bankers to the issuance of particular NCDs, Printers, Credit Rating Agency(s), Advertising Agency(s) and such other persons/agencies as may be involved or concerned in such offerings of NCDs and to remunerate all such persons/agencies, including by the payment of commission, brokerage, fees, etc. as may be deemed fit.
- > To generally do any other act and/or deed, to negotiate and execute any document/s, application/s, agreement/s, undertaking/s, deed/s affidavits, declarations and certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the issuance of NCDs.
- > To consider and approve and sign any financial statement and any other documents in connection with the issue of NCDs."

### **C) Asset Liability Committee (ALCO):**

The terms of reference of the Asset Liability Committee are as follows:

- > To manage liquidity and interest rate risk in a dynamic situation by measuring, monitoring and taking appropriate steps.

- > To put in place the Asset and Liability Management (“ALM”) system by making use of specialized software for managing assets and liabilities with respect to maturity mismatch. It shall put in place a comprehensive and dynamic frame work to measure, monitor and manage the liquidity and interest rate equity and commodity price risk taking into account the rates of major operators in the financial system by closely integrating it with the business strategy of the company. Such ALM system will be reviewed from time to time in accordance with appropriate guidelines/directions of the NHB in this respect.
- > To evolve suitable strategy through risk policies and tolerance levels to manage the risks.
- > To recommend to the Board regarding limits of liquidity, interest rate and equity price risk.
- > Ensuring adherence to the limits set by the Board and in the line with the budget and decide on the risk management objectives.
- > To decide the product pricing for the loans, maturity profile and mix of the incremental assets and liabilities.
- > To develop a view on future direction of interest rate movement and decide on rate of interest.
- > To review the ALM returns and take suitable remedial measures.
- > To review the progress and implementation of decisions made in the previous meetings of the committee and that of the Board.
- > To assess the funding and capital planning for the company.
- > To prepare plans by forecasting and analyzing “what if scenario”.
- > To make appropriate recommendations and findings to the Board, including by way of reports, making presentations etc. to the Board.
- > To further delegate any of the aforesaid functions and/or the mandate to carry out certain actions for the fulfilment of its functions to any Director(s) and/or officers of the Company.

#### **D) Risk Management Committee:**

The Risk Management Committee ensures that all perceived risks is periodically put up to the Risk Management Committee which critically evaluates the same and provides operational and policy guidance to the Company which paves the way for an effective risk management so as to safe guard the interest of the Company. The terms of reference of Risk Management Committee of the Company are as follows:

- > The Risk Management Committee has been assigned the task of guiding the progressive risk management system, policy and strategy of the Company. It will devise the policy and strategy for integrated risk management containing various risks exposures of the Company (credit risk, market risk and operational risk).

- > The Risk Management Committee shall oversee the functioning of the Asset Liability Management Committee, Loan and Investment Committee and other risks committees of the Company, if any.
- > The Risk Management Committee shall approve the Credit Risk Policy.
- > The Risk Management Committee shall, report to the Board, atleast once every quarter, the progress made in putting in place a progressive risk management system and risk management policy and strategy followed.
- > The Risk Management Committee shall, submit a report to the Board, atleast once every quarter, reporting on the conformity with the corporate governance standards outlined herein, including on the composition of various committees, their role and functions, periodicity of functions and compliance with coverage and review functions. The Committee, shall also in its report, recommend to the Board any suggested modifications or additions to this policy keeping in mind the changing needs of the Company and its stakeholders.

#### **E) Nomination & Remuneration Committee**

The terms of reference of the Nomination & Remuneration Committee are as follows:

- > To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully ;
- > To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks ; and
- > To ensure that remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
- > Formulation, Superintendence and administration of Director's appointment & remuneration policy, KMP's appointment and remuneration policy, Employees remuneration policy and Annual Performance Evaluation Policy of the Board;
- > Assisting the Board in determining the Company's policy on the remuneration packages for key managerial personnel, including the managing directors, whole time directors, and executive chairman.
- > Remuneration committee will also be assisting the Board in ensuring that affordable, fair and effective compensation policies are implemented.

#### **F) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The terms of reference of the Corporate Social Responsibility Committee are as follows:

- > Formulation of Corporate Social Responsibility Policy and recommendation of the same to the Board
- > Recommend the amount of expenditure to be incurred on the Corporate Social Responsibility activities to the Board



- > Monitoring and ensuring implementation of the projects/ programs/ activities proposed to be undertaken by the company
- > Discharge such other role/functions as may be specifically referred to the Committee by the Board of Directors in relation to Corporate Social Responsibility Policy of the Company from time to time

### **G) GRIEVANCE REDRESSAL COMMITTEE**

The terms of reference of the Grievance Redressal Committee are as follows:

- > To review customer queries and complaint with regard to loans (issue-wise, distribution channel-wise, region-wise etc.)
- > To review customer complaints basis nature of complaints, source, aging, resolution mechanism etc.;
- > To review red flag incidents (including repeated complaints and chronic issues) and suggest Corrective Action Plans (CAPs) and process improvements wherever required;
- > To review/examine the quality of customer service initiatives and functioning of the Customer Relationship Management (CRM) Team;
- > To approve various customer redressal policies, related processes and any amendments to the Grievance Redressal Mechanism
- > To approve appointment of a Grievance Redressal Officer

### **H) IDENTIFICATION COMMITTEE**

The terms of reference of the Identification Committee are as follows:

- > To examine the evidence of Wilful Default (WD) on the part of borrower the internal mechanism for identifying the
- > To decide whether any borrower should be classified as WD or not, basis this decision of the Committee, the Company will issue a Show Cause Notice to a WD (and the promoter/wholetime directors in case of companies) and call for his submission. The Committee, if it deems necessary, may provide an opportunity for a personal hearing to such borrower.
- > To decide and issue an order recording the borrower to be WD and the reasons for the same after considering the submission, if any, of such borrower



## **I) REVIEW COMMITTEE**

The terms of reference of the Review Committee are as follows:

Review Committee will be responsible for reviewing the order of the Identification Committee and the order shall become final only after it is confirmed by the Committee.

### **Rotation of partners of the Statutory Auditors Audit Firm**

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years 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 will be eligible for conducting the audit of the HFC after an interval of three years, if the HFC, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

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