



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

IHFPL Internal Guidelines on Corporate Governance

VERSION CONTROL

Version Control Number	Author	Date Created / updated	Date Effective	Version Description
V1	Priyal Shah – Company Secretary	06 April 2018	06 April 2018	--

PHILOSOPHY, PURPOSE AND SCOPE

At IndoStar Group, we believe that sound governance practices are the bedrock for the functioning and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in defining and 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 terms of the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016, as amended from time to time (“NHB CG Directions”), the Companies Act, 2013 (“Act”) and other applicable laws, acts, rules, regulations, guidelines, circulars, directions and notifications (collectively referred to as the “Applicable Laws”), the Board of Directors have adopted these Internal Guidelines on Corporate Governance (“Guidelines”). The Guidelines prescribe various corporate governance norms which shall be followed by the Company, in addition to and not in derogation of any provisions of the Applicable Laws including the NHB CG Directions. The Guidelines shall stand auto-corrected with any changes / modifications which may be advised from time to time by the National Housing Bank and/or other regulators or with any laws which may become applicable to the Company.

BOARD OF DIRECTORS

The Company’s Board has a fiduciary role to protect and enhance stakeholders’ value through strategic supervision. The Board along with its Committees provides direction and exercises appropriate controls. In addition to basic governance practices, the Board lays strong emphasis on transparency, accountability and integrity. The corporate governance principles of the Company ensure that the Board remains informed, independent and participates actively in the affairs of the Company.

The Board shall have a suitable combination of Executive and Non-Executive Directors, and its composition shall be in compliance with the requirements of the Applicable Laws. At present the Board comprises 3 (three) Non-Executive Directors and 2 (two) Executive Director. The Directors bring to the Board an optimal mix of professionalism, knowledge, expertise and a wide range of experience and skills, which includes banking, global finance, loan, accounting, legal and economics. None of the Directors of the Company are related to each other.

All the Directors shall meet eligibility criteria including the ‘fit and proper’ person criteria, for appointment on the Board of the Company, as prescribed under Applicable Laws. The Directors shall submit adequate disclosures / declarations as required under the provisions of Applicable Laws and the codes and policies adopted by the Company from time to time.

Meetings of the Board

At least 4 meetings of the Board shall be held in each calendar year in such a manner that not more than 120 (one hundred and twenty) days shall intervene between two Board meetings. While adequate overall disclosure shall be made to the Board / Committees, it shall be ensured that minimum disclosures / updates to be circulated / placed before the Board / Committees in terms of the requirements of the Applicable Laws, are circulated to / placed before the Board / Committee Members in a timely manner.

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The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote. The Chairperson of respective meetings shall not be entitled to a second or casting vote at any meeting of the Board.

Board Compensation Review

Remuneration payable to the Director(s) shall be determined by the Nomination & Remuneration Committee in compliance with the Applicable Laws and approved by the Board and Shareholders, as the case may be.

Presently, Non-Executive Directors are not paid any remuneration. Remuneration to Executive Director(s) is paid in accordance with employment contract and Applicable Laws. The Chairperson of respective meetings shall not be paid any remuneration to act in the capacity of Chairperson.

COMMITTEES

The Board has constituted several committees to deal with specific matters in compliance with the requirements of Applicable Laws and for operational convenience. The Board has delegated powers for different functional areas to different Committees in accordance with the Applicable Laws and internal policies / processes of the Company. Presently, the Board has, amongst others, constituted Audit Committee, Asset-Liability Management Committee, Risk Management Committee, Nomination & Remuneration Committee, Internal Complaints Committee(s) and Grievances Redressal Committee, in accordance with the provisions of the circulars / directions / notifications issued by NHB as applicable to the Company as a non-deposit accepting housing finance company (“NHB Directions”) including the NHB CG Directions, the Applicable Laws and for internal requirements & operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board in accordance with various Applicable Laws and policies / processes of the Company.

Minutes 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. Chairperson of the Committee(s) shall not be entitled to a second or casting vote at any meetings of the Committee(s).

Details of various Committee(s) are as under:

1. Audit Committee

The Audit Committee is *inter-alia* responsible to review and ensure correctness, sufficiency and credibility of annual financial statements of the Company, review with the management financial condition and results of operation, review quarterly and annual financial statements, scrutiny of inter-corporate loans and investments, recommend appointment / re-appointment / removal of Statutory and Internal Auditors, review, approve and monitor transactions with related parties, review and monitor any frauds perpetrated against the Company, review and monitor, with the management, the functioning and compliance of relevant policies adopted by the Company.

At least four meetings of the Committee shall be held every year and not more than 120 (one hundred and Twenty) days shall elapse between two meetings of the Committee.

2. Asset-Liability Management Committee (“ALCO”)

The ALCO shall *inter-alia* be responsible to monitor the asset liability composition of the Company’s business, determine actions to mitigate risks associated with the asset liability mismatches, determine and review the current interest rate model of the Company, approve proposals and detailed terms and conditions of borrowings from banks and review the borrowing programme of the Company.

At least one meeting of the Committee shall be held every half-year.

3. Risk Management Committee

The Risk Management Committee is *inter-alia* responsible for identifying, monitoring and managing risks that affect / may affect the Company, deciding on the appropriateness of the size and nature of transactions undertaken by the Company, setting up and reviewing risk management policies of the Company, from time to time, overseeing execution / implementation of risk management practices, reviewing the minutes or document referred to it by ALCO for opinion/directions for risk management on an integrated basis.

At least one meeting of the Committee shall be held every half-year.

4. Nomination & Remuneration Committee

The Nomination and Remuneration Committee is *inter-alia* responsible for identifying personnel qualified to be appointed as Directors or in the senior management of the Company, formulating criteria for determining qualification, positive attributes, ‘fit and proper’ person status of Directors, deciding on specific remuneration packages and formulate criteria for evaluation of Directors, the Board and its Committee(s).

At least one meeting of the Committee shall be held every year.

In addition to above, the Board has constituted Management Committee, Internal Complaints Committee(s) and Grievances Redressal Committee consisting of Director(s) and / or Senior Management Personnel of the Company and may constitute such other Committees, as may be required for effective functioning of the Company.

CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to affirm compliance with the policy(ies), process(es) 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 in their dealing with / on behalf of the Company. Conflict of interest exists when benefits or interests of one person or entity conflict with the benefit or interests of the Company. If a

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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 as may be required in terms of the Act. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. All employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Management Committee, for determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Management Committee 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 have professional ability and are independent. 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 deemed fit, 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 from his last term. Appropriate terms in this regard shall be indicated in the letter of appointment to the Auditors.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors 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. Internal Auditors shall report directly to the Audit Committee.

Secretarial Auditors

The Board shall appoint an independent company secretary in practice, in accordance with the provisions of the Act 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 Act. 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 Act.

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

In terms of the NHB Directions, provisions of the Act, various other Applicable Laws and as a part of good corporate governance practices and also to ensure strong internal controls, the Board of Directors has adopted several codes / policies / guidelines which amongst others includes the following:

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- Code of Conduct for Directors and Employees
- Related Party Transaction Policy
- Fair Practice Code
- Policy on Know Your Customer Norms and Anti Money Laundering Measures
- Interest Rate Policy
- Model Code of Conduct for Direct Selling Agent
- Policies of Valuation of Property and Collateral
- Collection Policy
- Record Retention Policy
- Credit Policies

DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity, including making minimum disclosures as required under the Applicable Laws. The 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.

COMPLIANCE OFFICER

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