

CORPORATE GOVERNANCE POLICY

1. Introduction

Corporate Governance is about an organization's commitment to values and ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders.

Corporate governance is primarily the responsibility of the Board as a group. The Board performs its duties with the support of managerial staff. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organization. Consequently, the organization is able to enhance the trust and confidence of the stakeholders.

2. Corporate Governance Philosophy and Practice

Good corporate governance practices stem from the culture and mindset of the organization. While practicing good corporate governance, a company strives to communicate, all its material developments and its financial performance in a timely, meaningful and truthful manner. A Company has to infuse philosophy of corporate governance into all its activities.

3. Corporate Culture and values

In order to promote sound corporate culture and values, the Board should ensure the following

1. Setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
2. Promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;

3. Ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
4. Employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the existing Whistle Blower Policy including any modification(s) or revision(s) thereto.

4. Oversight of senior management

The Board should delegate proper authority to the Managing Director who is responsible for the day to day affairs of the Company. He should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations.

This includes adhering to the Company's values, risk appetite and risk culture, regardless of financial gain or loss to the Company. In doing so, the Board should through the Managing Director should:

1. Monitor that Senior Management's actions are consistent with the strategies and policies approved by the Board;
2. Meet regularly with Senior Management;
3. Interrogate and critically review reply and information provided by Senior Management;
4. Ensure that Senior Management's knowledge and expertise remain appropriate given the nature of the business and the Company's risk profile;
5. Ensure that appropriate succession plans are in place for Senior Management positions

5. Board of Directors

Further, the Company believes that an active, well-informed and Independent Board is necessary to ensure the highest standards of Corporate Governance. The Board shall oversee the performance of the company and should ensure shareholders' protection and maximization of their long term values. There should be an active participation of Independent Directors in the Company.

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.

6. Fit and Proper criteria for Directors

The Company shall have a policy put in place for ascertaining the fit and proper criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

7. Size of the Board

The Board's strength shall be minimum 3 and the maximum number of directors shall be 7 as per Articles of Association of Company.

8. Board Composition

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013, the Articles of Association of the Company and the Share Subscription and Shareholders Agreement (SSSHA).

9. Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013 and the relevant NHB regulations. They shall be eligible for sitting fees for attending the meetings of the Board, Committees', etc. The sitting fees and commissions payable, if any, shall be within the prescribed limits of the Companies Act, 2013 and as approved by the Board and Shareholders. Apart from sitting fees and commission, the Independent Directors shall also be eligible for reimbursement of expenses incurred for attending the Board and other meetings.

Other Non-Executive Directors of the Company shall be eligible for compensation as may be approved by the Board.

10. Board Meetings and Quorum

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013 and as decided by the Board of Directors. The meetings of the Board shall generally be held at the Company's corporate office unless otherwise decided by the Board of India Shelter. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013.

11. Information to be placed before Board and its Committees

All the matters which are of strategic importance, statutorily mandatory and of material significance shall be placed before the Board. To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings.

All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. Each Board member is free to suggest inclusion of items in the agenda and raise any matters that are not on the agenda of the Board Meeting with the permission of the Chair. If the subject matter of agenda is sensitive, relevant information can be made available only at the time of the Board Meeting. The Board members shall have complete access to any information, within the Company and to any employee of the Company.

12. Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

13. Minutes

The minutes of all meetings of the Board shall be circulated to the Board and shall be approved in the consequent Board Meeting.

14. Duties & Responsibilities of Board of Directors

In accordance with the provisions of Section 166 of the Companies Act, 2013, NHB Notification on Corporate Governance and as a matter of corporate governance, the directors of the Company have the following duties:-

1. The director shall disclose to the Board the nature of his/her interest, director in direct, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered in to or to be entered into between the HFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
2. The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
3. The director shall provide to the HFC a list of his / her relatives as defined in the Companies Act, 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies' corporate, firms

and other entities.

4. The director shall in carrying on his / her duties as director of the HFC:
 - a. Use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;
 - b. in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the HFC;
 - c. shall keep himself / herself informed about the business, activities and financial status of the HFC to the extent disclosed to him / her;
 - d. attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the HFC;
 - e. shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;
 - f. shall bring independent judgment to bear on all matters affecting the HFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - g. shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
 - h. shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;

5. The director shall have:
 - a. fiduciary duty to act in good faith and in the interests of the HFC and not for any collateral purpose;
 - b. duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and

- c. duty to acquire proper understanding of the business of the HFC.
6. The director shall:
- a. not evade responsibility in regard to matters entrusted to him / her by the Board;
 - b. not interfere in the performance of their duties by the whole-time Directors and other officers of the HFC and wherever the director
 - c. has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
 - d. not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the HFC in his / her capacity as director of the HFC only for the purposes of performance of his / her duties as a director and not for any other purpose.
 - e. make declaration to the effect that:
 - i. he/she has not been associated with any unincorporated body that is accepting deposits;
 - ii. he/she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank;

there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

15. Board Committees

In order to focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. The Board shall have the following sub committees:

1. Audit Committee
2. Nomination & Remuneration Committee and
3. Corporate Social Responsibility Committee

The terms of reference of the above mentioned Committees shall be determined by the Board from time to time.

16. Details of the various Board committees are as under:

1. Audit Committee

The Audit Committee constitution and functioning shall be in compliance with the provisions of the Companies Act, 2013. The powers 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 Charter to achieve its objectives.

Composition:

The Audit Committee of the Company shall have minimum of three Directors with Independent Directors forming majority as prescribed by the Companies Act, 2013. They shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. The members of the Audit Committee shall be appointed by the Board of Directors.

In line with Notification on Corporate Governance issued by NHB on 09th Feb, 2017 the Audit Committee will ensure that an Information Security Audit of the internal system and processes is conducted at least once in two years to assess operational risks faced by the HFCs.

The Chairman of the Committee shall be a Non-Executive director who might attend the Annual General Meeting if deemed fit to answer shareholder queries.

The Audit Committee Meeting shall be attended by;

- a) Members of the Audit Committee viz. (1) Mr. Sanjaya Gupta, Independent Director, (2) Mr. Anup Gupta, Investor Director, (3) Ms. Anisha Motwani, Independent Director and (4) Mr. C P Sandhya, Head - Internal Audit
- b) Chief Financial Officer
- c) Head - Internal Audit
- d) Head - Compliance
- e) Internal Auditors
- f) Statutory Auditors as and when invited
- g) Such other invitees at the discretion of the Chairman of the Committee

h) Company Secretary, who shall act as the secretary to the Committee

Quorum and Meetings:

Quorum shall comprise of two members or one third of the Members of the Audit Committee whichever is higher. At least one meeting of the Committee shall be held per quarter including one prior to the finalization of the Annual Accounts.

Role of the Committee:

The Audit Committee shall undertake such duties as per the charter approved by the Board and any such duties as may be delegated to it from time to time.

Minutes:

The Company Secretary will maintain minutes of the meetings of the Audit Committee.

2. Nomination & Remuneration Committee

The Board shall constitute a Nomination & Remuneration Committee to meet the requirements of Section 178 of the Companies Act, 2013. The Committee shall apart from other things review the appointments and removals of directors and senior management, the compensation related matters of the directors, ensuring that fit and proper criteria for directors is met, evaluation of Directors performance, etc. The Committee will be vested with necessary powers, as per its Charter approved by the Board.

The Company Secretary shall act as the Secretary to the committee.

Composition:

The Nomination & Remuneration Committee of the Board shall have minimum three Non-Executive Directors out of which not less than one half shall be independent directors.

The Committee comprises of (1) Mr. Sanjaya Gupta, Independent Director, (2) Mr. Anil Mehta, Managing Director, and (3) Ms. Anisha Motwani, Independent Director.

The chairman of the committee or any other member of the committee authorized by him, if required shall attend the general meetings of the company.

Quorum and Meetings:

Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Committee shall meet on need basis.

Role of Committee:

The Nomination & Remuneration Committee shall undertake the duties as per the charter approved by the Board and any other duties as may be delegated to it from time to time.

Minutes:

The Company Secretary will maintain the minutes of the meeting of the Nomination & Remuneration Committee.

3. Corporate Social Responsibility Committee

The Board shall constitute a Corporate Social Responsibility (CSR) Committee to meet the requirements of Section 135 of the Companies Act, 2013. The Committee will be vested with necessary powers, as laid down in its charter to achieve its objectives.

Composition:

The CSR Committee shall have minimum three directors, out of which at least one director shall be an independent director. The members of the CSR Committee shall be appointed by the Board of Directors. The Committee comprises of (1) Mr. Sanjaya Gupta, Independent Director, (2) Mr. Anil Mehta, Managing Director, and (3) Ms. Anisha Motwani, Independent Director. The Company Secretary shall act as the secretary to the Committee.

Quorum and Meetings:

Quorum shall comprise of two or 1/3rd of the members of the Committee, whichever is higher. The committee shall meet at least four times a year.

Role of the Committee:

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

Minutes:

The Company Secretary shall maintain the minutes of the meetings of the CSR Committee.

Apart from the above committees, the Board shall constitute such other committees as may be deemed fit by it, if required.

Other Committees

The Board shall also constitute other committees to oversee and manage the affairs of the Company. Some of the Committees constituted by the Board are:

1. Asset Liability Committee
2. Borrowing & Investment Committee
3. Risk Management Committee

1. Asset & Liability Committee

The Board shall also constitute an Asset Liability Management Committee (ALCO) as required by the guidelines issued by the National Housing Bank (NHB). The constitution and functioning of the ALCO shall be in line with the requirements of the NHB guidelines. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated.

Composition and Quorum:

The Committee should have such members as approved by the Board. Presently, the Committee comprises, (1) MD & CEO, (2) Mr. Anup Gupta, Investment Director, (3) CFO and (4) Head - Credit. The quorum shall comprise of at least three members.

Meetings and Minutes:

The Committee shall meet as and when required. The minutes of the meetings shall be maintained by the Company Secretary.

Role of the Committee:

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

2. Borrowing & Investment Committee

The Board shall also constitute a Borrowing & Investment Committee (BIC). The constitution and functioning of the BIC shall be in line with the requirements of the NHB and Companies Act, 2013 guidelines. The Committee inter alia, shall monitor the borrowing & investment by India Shelter and supervise them.

Composition and Quorum:

The Committee should have such members as approved by the Board. Presently, the Committee comprises, (1) MD & CEO, (2) Mr. Sanjaya Gupta, Independent Director, (3) Ms. Anisha Motwani, Independent Director and (4) CFO. The quorum shall comprise of at least three members.

Meetings and Minutes:

The Committee shall meet once in every quarter or as and when required. The minutes of the meetings shall be maintained by the Company Secretary.

Role of the Committee:

The Committee shall undertake such duties as per the Borrowing & Investment Policy approved by the Board and such other duties as may be delegated to it from time to time.

3. Risk Management Committee

The Board shall also constitute a Risk Management Committee (RMC). The constitution and functioning of the RMC shall be in line with the requirements of the NHB and Companies Act, 2013 guidelines. The Committee inter alia, shall monitor the risks faced by India Shelter and strategize action to mitigate the risk associated.

Composition and Quorum:

The Committee should have such members as approved by the Board. Presently, the Committee comprises, (1) MD & CEO, (2) CFO and (3) Head - Credit. The quorum shall comprise of at least three members.

Meetings and Minutes:

The Committee shall meet once in every quarter or as and when required. The minutes of the meetings shall be maintained by the Company Secretary.

Role of the Committee:

The Committee shall undertake such duties as per the Risk Management Policy approved by the Board and such other duties as may be delegated to it from time to time.

17. Code of Conduct

The Company shall adopt code of conduct approved by the Board of Directors which is binding on employees and directors of the Company and the same shall be complied with. Code of conduct shall be signed off on annual basis.

18. Whistle Blower Policy

The Company has established a mechanism for the employees and its directors for reporting to the management, concerns about unethical behavior, actual or suspected fraud or even to which is against the interest of the Company or society or as a violation of the Company's Code of Conduct or ethics policy.

The Whistle Blower Policy provides for adequate safeguards against victimization of persons who use this mechanism and shall also provide direct access to the Chairman of the Audit Committee in exceptional cases. An update

on whistle blower cases and investigation conducted thereon shall be presented before the Audit Committee every quarter.

19. Disclosures to the Board

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

1. India Shelter shall apprise the director about:
 - a. Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - b. control systems and procedures;
 - c. voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - d. qualification requirements and provide copies of Memorandum and Articles of Association;
 - e. corporate policies and procedures;
 - f. insider dealing restrictions;
 - g. constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - h. appointments of Senior Executives and their authority;
 - i. remuneration policy;
 - j. deliberations of committees of the Board, and
 - k. communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

2. India Shelter shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

3. the disclosures to be made by India Shelter to the Directors shall include but not be limited to the following:
 - a. all relevant information for taking informed decisions in respect of matters brought before the Board;
 - b. India Shelter's strategic and business plans and forecasts;
 - c. organisational structure of India Shelter and delegation of authority;
 - d. corporate and management controls and systems including procedures;
 - e. economic features and marketing environment;
 - f. information and updates as appropriate on India Shelter's products;
 - g. information and updates on major expenditure;
 - h. periodic reviews of performance of the India Shelter; and
 - i. report periodically about implementation of strategic initiatives and plans.
4. India Shelter shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner; and advise the director about the levels of authority delegated in matters placed before the Board.
5. India Shelter shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
6. India Shelter shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of National Housing Bank and other concerned statutory and governmental authorities.

20. Appointment & Rotation of Statutory Auditors

Subject to the provisions contained in the Companies Act, 2013, the Auditors of the Company shall be appointed with the approval of the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company. The Auditors can be appointed for a period of 5 years and such

appointment shall be ratified by the shareholders every year at the Annual General Meeting. Auditors can be appointed for a two consecutive term of 5years.

The Company shall also comply with the NHB guidelines and provisions of the Companies Act, 2013 regarding rotation of partners of the Firm conducting Statutory Audit from time to time. As contained in the Directions, presently the Company is required to rotate the partner 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 company after an interval of three years, subject to approval of the shareholders and recommendations of the Board and Audit Committee of the Company. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

21. Review of Policy

The Board or its Committee may review the policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.
