

SUNDARAM HOME FINANCE LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

INTRODUCTION:

Internal Guidelines on Corporate Governance hereunder have been formulated in terms of the Directions issued by the National Housing Bank *vide* Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February 2017 known as the “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016.”

The Internal Guidelines set the framework to achieve the corporate objectives with utmost transparency and sound disclosure practices.

BOARD OF DIRECTORS:

The composition of the Board of Directors of the Company shall be governed by the relevant provisions of the Companies Act, 2013 and the Rules made there under. The Company’s Board shall have an optimum combination of Executive and Non-Executive Directors with expertise and experience in the field of banking, finance, operations management, auditing and/or accounting or in other areas of value to the Company.

No Director shall be a Member of more than ten Committees, or chair more than five Committees, within the meaning of the Securities and Exchange Board of India (SEBI) Regulations, across all public limited companies of which he/she is a Director.

The Board shall play a key role in ensuring that the Company adopts good corporate governance practices. The Board shall have a formal schedule of matters reserved for its consideration and decision.

Amongst other things, the Board shall consider and approve:

- operational and financial policies;
- annual business strategy, plans and budgets;
- loan proposals exceeding the delegated authority of the Committees of the Board/Managing Director/ Key Managerial Personnel/other Principal Officers;
- strategy and plans for mobilization of resources and larger borrowing arrangements and
- quarterly/half-yearly/annual results

The Board shall take decisions after careful consideration of the issues involved and ensure that appropriate action is taken by the Company to implement Board decisions and directions. The Board shall review periodically the Company’s compliance with various statutory and regulatory requirements.

The day-to-day operations of the Company shall be looked after by the Managing Director under the overall superintendence, guidance, and control of the Board. He will be assisted by senior officers with well-defined responsibilities.

COMMITTEES OF THE BOARD:

1. Executive Committee

The Committee shall approve loans, borrowings, and investments within limits specified by the Board. Besides, the Committee shall review the conduct of business and operations, consider new products and parameters and suggest business re-orientation as and when necessary.

2. Audit Committee

The Audit Committee shall act in accordance with the Terms of Reference specified in writing by the Board. The functions of the Committee shall include:

- a. examination of the Financial Statements and the Auditors' Report thereon;
- b. review and evaluation of the effectiveness and adequacy of the internal financial control and risk management systems of the Company and its statutory and regulatory compliance;
- c. the recommendation for appointment, remuneration and terms of appointment of the Auditors of the Company;
- d. review and monitor the Auditor's independence and performance as well as effectiveness of audit process;
- e. reviewing the scope and plans of statutory, internal, and systems audits, and discussing the main audit findings and comments with the Management and Auditors to focus on any significant area of concern and to ensure expeditious rectification of shortcomings, if any, noticed;
- f. reviewing the non-performing and delinquent loans;
- g. approval or any subsequent modification of transactions of the Company with related parties;
- h. scrutiny of inter-corporate loans and investments;
- i. valuation of undertakings or assets of the Company, wherever it is necessary and
- j. monitoring the end use of funds raised through public offers and related matters.

3. Asset Liability Management Committee (formerly the Asset Liability and Risk Management Committee)

The Asset Liability Management Committee (ALCO) shall function under the supervision of the Board of Directors. ALCO shall lay down policies and quantitative limits relating to assets and liabilities and periodically monitor Asset-Liability management.

4. Corporate Social Responsibility Committee (CSR)

The functions of the Committee shall include:

- a. formulation and recommendation of Corporate Social Responsibility Policy to the Board; such policy to indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013;

- b. recommendation of the amount of expenditure to be incurred on the activities referred to in clause (a) and specifically, the quantum of contributions which may be approved to entities undertaking such activities ; and
- c. monitoring the Corporate Social Responsibility Policy and Performance of the Company from time to time.

5. Nomination and Remuneration Committee (NRC)

The functions of the Committee include:

- i. identifying persons who are qualified to become Directors and those who may be appointed in senior management;
- ii. formulation of the criteria for determining qualifications, positive attributes and independence of Directors and recommend to the Board, a policy relating to the remuneration of Directors, key managerial personnel and other employees;
- iii. formulation of criteria for evaluation of Independent Directors and the Board;
- iv. devising a policy on Board diversity;
- v. undertaking the process of due diligence to determine the suitability of Directors, based upon qualification, track record, integrity and other fit and proper criteria;
- vi. recommending the Director's appointment and continuation as Director;
- vii. ensuring that persons proposed to be appointed as Directors meet the relevant criteria prescribed under applicable laws;
- viii. reviewing the said criteria from time to time;
- ix. fixing/re-fixing the remuneration of the Executive Directors (Whole-time Directors) of the Company and
- x. approving the remuneration/any change therein of the managerial personnel of the Company when there are no profits/inadequate profits/negative effective capital as per Schedule V to the Companies Act, 2013.

6. Stakeholders Relationship Committee (SRC)

The functions of the Committee shall include:

- a. approval and monitoring of transfers, transmission, split and consolidation of shares of the Company;
- b. monitoring compliances with various statutory and regulatory requirements and
- c. redressal of grievances of the security holders of the Company.

7. Risk Management Committee

The Risk Management Committee is required to manage the integrated risk and inform the Board, from time to time, of the progress made in putting in place, a progressive risk management system, risk management policy and strategy followed by the Company.

POLICIES FORMULATED BY THE COMPANY:

Various Policies have been formulated by the Company in compliance with the provisions of the Companies Act, 2013 and other applicable laws and/ or as a matter of Good Corporate Governance Practices.

Some of the important Policies are as under:

- a. Policy on Related Party Transactions;
- b. Whistle Blower Policy;
- c. Policy on Prevention of Sexual Harassment at Work Places;
- d. Remuneration Policy;
- e. Policy for Preservation of Documents;
- f. Code of Conduct for Independent Directors;
- g. Fit and Proper Criteria for Directors;
- h. Grievance Redressal Policy;
- i. Risk Management Policy;
- j. Policy on Corporate Social Responsibility and
- k. Know Your Customer & Anti-Money Laundering Policy.

The Policies adopted shall be reviewed by the Board from time to time.

The Company has formulated 'Fit and Proper' Policy in accordance with the Directions issued by the National Housing Bank (NHB). The Nomination and Remuneration Committee (NRC) shall ensure Fit and Proper status of proposed/existing Directors. The Committee shall obtain a declaration and undertaking from the Directors, giving certain information relating to them. The declaration and undertaking shall be on the lines of the format prescribed by NHB from time to time.

FAIR PRACTICES CODE:

Pursuant to the Guidelines on Fair Practices Code issued by the National Housing Bank, the Company has adopted a Policy on Fair Practices Code, which shall be reviewed and implemented on a regular basis.

REVIEW OF FRAMEWORK:

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