

Fullerton India Home Finance Company Ltd

CORPORATE GOVERNANCE POLICY

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CORPORATE GOVERNANCE POLICY

1. Introduction

Corporate Governance is about 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 organisation. Consequently, the organisation is able to enhance the trust and confidence of the stakeholders.

Corporate Governance Philosophy and Practice

The Company believes in adopting, adhering and benchmarking itself against the best recognized corporate governance practices. Good corporate governance practices stem from the culture and mindset of the organisation. While practicing good corporate governance, Company strives to communicate, all the material developments and its financial performance in a timely, meaningful and truthful manner. The Company has infused the philosophy of corporate governance into all its activities.

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.

2. Guidelines on Corporate Governance

In order to adopt best practice and greater transparency in the operations of the Company and in compliance with the Corporate Governance Guidelines as required under the Housing Finance Companies- Corporate Governance (National Housing Bank) Direction, 2016 issued by National Housing Bank (NHB) vide Notification No. NHB (ND)/ DRS/REG/MC-07/2018 dated 2nd July, 2018; the Company has framed this set of Internal Guidelines on Corporate Governance. The policy will be in force till it is revised by the Board or till any amendments in the guidelines make review necessary.

3. A. Board of Directors

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance to the Company's Leadership Team and shall further supervise and review the performance of the Company.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly discharge their responsibilities.

The Board shall be responsible for overall compliance with the corporate governance of the Company and oversee the business affairs, in doing so the Board must act honestly, in good faith and in the best interests of the Company. Further the Board will have 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.

Size of the Board

The Board's strength shall be minimum 3 and the maximum number of directors be as per the limit specified in the Companies Act, 2013.

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, SEBI Regulations, NHB Regulations, other applicable acts if any and the Articles of Association of the Company.

Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013 and other applicable acts. They shall be eligible for sitting fees for attending the meetings of the Board, Committees', etc. They shall also be eligible for commission on profits if approved by the Board. 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.

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 Directors. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013.

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.

Minutes

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

B. 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:

- Audit Committee;
- Risk Oversight Committee ;
- Nomination & Remuneration Committee;
- Wilful Defaulter Review Committee;
- IT Strategy Committee and
- Other such committees as may be required from operational or regulatory perspective

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

Details of the Board committees are as under:

i) Audit Committee

The constitution of the Audit Committee shall be in compliance with the provisions of Section 177 of the Companies Act, 2013, NHB Directions and other applicable acts if any. The Committee will be vested with necessary powers and function as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time. The Terms of Reference will include amongst other things, examination of financial statements, appointment of internal/statutory auditors, review of their audit reports, review of accounting policies, etc.

Composition:

The Audit Committee of the Company shall consist of minimum of three Members 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. The Company Secretary of the Company shall act as the secretary to the committee

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.

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.

Minutes:

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

ii) Risk Oversight Committee

The constitution of the Risk Oversight Committee (ROC) shall be in line with the requirements of the NHB Directions and other applicable acts if any. The Committee will be vested with necessary powers and function as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time. The Terms of Reference will include amongst other things, review and control key risk areas, across the entire organization. The Committee shall review and monitor mainly; credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risks, etc.

Composition:

The ROC shall consist of minimum three Members. The members of the Committee will be appointed by the Board of Directors. The Company Secretary of the Company shall act as the secretary to the committee.

Quorum and Meetings:

Quorum shall comprise of any two members. The Committee may meet as frequently as may be required.

Minutes:

The Company Secretary will maintain minutes of the meetings of the ROC.

iii) Nomination & Remuneration Committee

The constitution of the Nomination & Remuneration Committee to meet the requirements of Section 178 of the Companies Act, 2013 NHB Directions, and other applicable acts if any. The Committee will be vested with necessary powers and function as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time. The Terms of Reference will include amongst other things reviewing appointments/removals of directors and senior management, their compensation related matters of the directors and senior management, evaluation of Directors performance, strategic matters of human resources at the organizational level, etc.

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 chairman of the Company may be appointed as member of Nomination & Remuneration Committee but shall not act as the Chairman of the committee.

The Head of Human Resources of the Company shall act as the Secretary of the NRC.

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. The Committee shall meet frequently as required subject to a minimum of two meetings each financial year.

Minutes:

The Head of Human Resources will maintain the minutes of the meeting of the Nomination & Remuneration Committee.

iv) Wilful Defaulter Review Committee

The Wilful Defaulter Review Committee constituted and functioned shall be in line with the requirements of the NHB Directions. The Committee shall expect to Classify/de-classify borrower as willful or otherwise. The Committee shall be vested with necessary powers, as defined in its Terms and Reference to achieve its objectives.

Composition:

The Wilful Defaulter Identification Committee of the Board shall consist of minimum three Members.

Quorum and Meetings:

Quorum shall comprise of any three members of the Committee. The Committee will meet on need basis whenever a reference is made to it.

Minutes:

The Company Secretary shall maintain the minutes of the meetings of the Wilful Defaulter Review Committee.

V. IT Strategy committee

The constitution of the IT Strategy committee ("ITSC") shall be in line with the requirements of the NHB Directions and other applicable acts if any. The Committee will be vested with necessary powers and function as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time. The Terms of Reference will include amongst other things include Information Technology related matters, IT Security, IT Services Outsourcing, IT Governance, etc.

Composition:

The ITSC will consist of at least three members of the Board with at least one independent director being a member of the Committee and an independent director acting as Chairman of the committee.

Quorum and Meetings:

The Quorum shall comprise of at least two members. The Committee shall meet at least once in six months or as and when required.

Minutes:

The Company Secretary shall maintain the minutes of the meetings of the ITSC.

4. Asset Liability Management Committee

The Board shall also constitute an Asset Liability Management Committee (ALCO) as required by the guidelines issued by the National Housing Finance Companies (NHB) Directions. 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. The Committee should have such members as approved by the Board in Terms of Reference.

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.

5. 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.

6. Whistle Blower Policy

The Company shall establish a mechanism for the employees and its directors for reporting to the management, concerns about unethical behaviour, 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 shall provide for adequate safeguards against victimization of persons who use this mechanism. An update on whistle blower cases and investigation conducted thereon shall be presented before the Audit Committee every quarter.

7. Appointment of Chief Risk Officer

The Company shall have a Chief Risk Officer and a policy in place on the appointment of Chief Risk Officer which shall include amongst others, his role and responsibilities.

8. 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 policy on the Fit and proper criteria shall be on the lines of the NHB Guidelines.

The Company shall obtain a declaration and undertaking from the directors giving additional information on the directors, obtain a Deed of Covenant signed by the directors, furnish to the Bank a quarterly statement on change of directors, and a certificate from the Managing Director that fit and proper criteria in selection of the directors has been followed.

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.

9. Disclosure 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:

- progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
- conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

10. Rotation of Firms of Statutory Auditors Audit Partner(s)

The Company shall rotate the firms of Statutory Auditors and the Audit Partner(s) as per the provisions of the NHB guidelines and the Companies Act, 2013.