

MUTHOOT HOMEFIN (INDIA) LIMITED (MHIL)

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

PHILOSOPHY, PURPOSE AND SCOPE

At Muthoot Homefin (India) Limited ('MHIL' / 'the Company'), we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

In order to continue to have best practices and greater transparency in the operations of the Company and in compliance with the "Housing Finance Companies -Corporate Governance (National Housing Bank) Directions, 2016" issued by the National Housing Bank (NHB) vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 09th February 2017, the Company has framed these Internal Guidelines on Corporate Governance.

BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors, with at two Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the NHB.

At present the Board comprises of total 8 (eight) directors out of which 3 (three) are Independent, 4 (four) Non-Executive Directors and 1 (One) Executive Director. The Directors bring to the Board a wide range of experience and skills, which includes banking, global finance, loan, accounting and economics.

All the Directors on the Board (except Independent Directors and Executive Director) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

Meetings of the Board

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting. The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

Board Independence

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The

Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re- appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

Presently, the Non-Executive Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, and by way of commission, in compliance with the applicable laws in this regard.

COMMITTEES

The Board has constituted several committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Audit Committee, the Nomination and Remuneration Committee, the Finance Committee and other Committee(s) have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the NHB as applicable to the Company, for internal requirements and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Board Committees and other Committee(s) as specified by the Board would 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.

Details of various Committee(s) are as under:

AUDIT COMMITTEE (AC)

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and its subsidiary (ies) and their financial controls and systems or any other function as may be determined by the Board.

Terms of reference of Audit Committee

- i. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statement and the auditors' report thereon;
- iv. Approval or any subsequent modification of transactions of the company with related parties;
- v. Scrutiny of inter-corporate loans and investments;
- vi. Valuation of undertakings or assets of the company, wherever it is necessary;
- vii. Evaluation of internal financial controls and risk management systems;
- viii. Monitoring the end use of funds raised through public offers and related matters.

NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee shall be responsible to (i) deal with nomination, appointment and remuneration of Directors on the Board; (ii) decide on remuneration packages (including pension rights, employee's stock options and compensation payments, etc.) of the Executive Directors, Non- Executive Directors including Independent Directors and Senior-level employees; (iii) implement and monitor employee stock options scheme(s) and related matters; (iv) decide on appraisal, performance bonus and variable pay of all employees including Non- Executive Independent Directors in compliance with applicable laws and (v) the related matters in accordance with the applicable laws.

Terms of reference of Nomination and Remuneration Committee:

- i. Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- ii. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- iii. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- iv. To look into the entire gamut of remuneration packages for the Executive Director(s) and senior personnel's of the Company and revise their remuneration suitably within the limits prescribed under any statutory acts, amendments, modifications or enactments thereof
- v. To formulate and implement one or more Employees' Stock Option Scheme(s) for the benefit of the employees including Directors of the Company.
- vi. To determine the commissions payable to the Directors within the prescribed limits and as approved by the shareholders of the Company
- vii. To undertake such other acts or activities as may be determined by the Board of the Company.

FINANCE COMMITTEE

Finance Committee shall deliberate and approve all matters relating to Finance, and all other matters, acts and deeds that may be necessary in this regard.

Terms of reference of Finance Committee as under:

- i. Review of Company's financial policies, working capital and cash flow management and make reports and recommendations to the Board with respect thereto as it may deem advisable;

- ii. Review of banking arrangements and cash management;
- iii. Exercise all powers to borrow moneys (otherwise than by issue of debentures) whether secure or unsecure and taking necessary actions connected therewith including borrowing monies by way of short term / long term loans, cash credit arrangement and / or by way other instruments and Commercial Papers in any form on such terms as Committee may deem fit;
- iv. Review, approve and accept Renewal / enhancement / disbursement of credit facilities including Cash credit / short term loan / term loans from Banks / financial institutions;
- v. Giving guarantees / issuing letters of comfort / providing security / corporate guarantee / performance guarantee / letter of credit on such terms as Committee may deem fit;
- vi. Opening / closing of Bank Accounts and availing various facilities for operating the said Bank Accounts including internet banking and authorise / change / removal of signatories for said Bank Accounts;
- vii. Carry out any other functions as mandated by the Board from time to time and / or enforced by any statutory notifications, amendment or modification as may be applicable;
- viii. To invest the funds of the Company on such terms as Committee may deem fit;
- ix. Other transactions or financial issues that the Board may desire to have them reviewed by the Finance Committee

PERFORMANCE EVALUATION

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the individual Directors, the Board, as a whole and its Committees. The Nomination Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policy (ies) 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 with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a 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. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Whole time Director / CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company 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 demonstrate professional ability and independence. 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 decided by the Board, 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.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations 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.

Secretarial Auditors

The Board shall appoint an independent company secretary in practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder 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 applicable laws / regulations. 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 applicable laws / regulations.

POLICIES ADOPTED BY THE COMPANY

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the NHB Guidelines / Directions applicable to the company, and such other laws and regulations as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of 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.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to make on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations.

COMPLIANCE OFFICER

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