

AKME STAR HOUSING FINANCE LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Pursuant to Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016

Approved by Board of Directors: February 13, 2019

CORPORATE GOVERNANCE PHILOSOPHY

At AKME STAR HOUSING FINANCE LIMITED (“the Company”), we believe that sound governance practices are the bedrock for the functioning of the Company and practices a trustworthy, transparent, moral and ethical conduct, both internally and externally, and is committed towards maintaining the highest standards of Corporate governance practices in the best interest of all its stakeholders

The Company has an active, experienced and a well-informed Board. The Board along with its Committees undertakes its fiduciary duties towards all its stakeholders with the Corporate Governance mechanism in place.

NATIONAL HOUSING BANK GUIDELINES ON CORPORATE GOVERNANCE

National Housing Bank (“NHB”) vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017, has notified Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 (“NHB Directions”). NHB, vide this Directions, directed HFCs inter alia to frame internal guidelines on corporate governance with the approval of the Board of Directors.

These Guidelines on Corporate Governance are applicable to the Company and are formulated to comply with the NHB Directions.

Pursuant to the same, the Board of Directors of the Company at their meeting held on 13th February, 2019, have approved and adopted the Internal Guidelines on Corporate Governance.

The Internal Guidelines on Corporate Governance will be reviewed, as and when necessary, by the Board in the context of changing regulations and emerging best practices with a view to improving the Company’s governance standards on an ongoing basis

A. BOARD OF DIRECTORS

The Board of Directors play a pivotal role in ensuring that the good corporate governance practices are followed within the Company. The Board of Directors along with its Committees oversees the functioning of the Company and that of its management; and ensures that every decision taken is in the best interest of the stakeholders of the Company.

The Directors shall possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields which enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines/ Regulations applicable to the Company. All the Directors shall meet the 'fit and proper' criteria as prescribed by the NHB. None of the Directors of the Company are related to each other.

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.

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10.

A Director shall not be a Member in more than 10 Committees or shall not act as Chairman of more than 5 Committees across all Companies in which he is a Director.

All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

The Board of Directors shall lay down a Code of Conduct for Senior Management of the Company. Senior Management Personnel shall affirm compliance with the code on an annual basis.

The Directors shall not disclose any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

Meetings of the Board

At least four Board Meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire meeting.

The Independent Directors of the Company shall meet at least once in a year without the presence of Non-Executive Directors and the Management in terms of Schedule IV of the Companies Act, 2013.

B. COMMITTEES OF THE BOARD

For operational convenience and to focus effectively on the issues and ensure expedient resolution of diverse matters, 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 Corporate Social Responsibility 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, the Securities and Exchange Board of India ('SEBI') and for internal requirements and operational convenience.

These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters.

All decisions pertaining to the constitution/re-constitution/dissolution of Committees, appointment of members and fixing/modification of terms of reference of the various Committees shall be made by the Board of Directors.

Details of the Various Committees are as Under:

1. AUDIT COMMITTEE

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013 and in terms of applicable NHB guidelines in this regard.

The Audit Committee shall consist of a minimum of three directors with Independent Directors forming a majority.

The Audit Committee shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013, applicable SEBI Regulations, NHB guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

All the Members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

The Chairman of the Audit Committee shall be an Independent Director.

The Committee shall meet at least four times in a year with a maximum interval of not more than one hundred and twenty days in between two days.

The quorum shall be either two Members or one third of the Members whichever is greater, with at least two Independent Directors.

Role and Responsibilities (Terms of Reference):

- To make the recommendation for appointment, remuneration and terms of appointment of auditors of the company.
- To Review and monitor the auditor's independence and performance, and effectiveness of audit process.
- To Examine of the financial statement and the auditors' report thereon.
- To Approve or any subsequent modification of transactions of the company with related Parties.

- To Scrutiny of inter-corporate loans and investments.
- To make the Valuation of undertakings or assets of the company, wherever it is necessary.
- To Evaluate internal financial controls and risk management systems.
- To Monitor the end use of funds raised through public offers and related matters.

2. NOMINATION AND REMUNERATION COMMITTEE:

The Company has in place a nomination and remuneration committee constituted under the provisions of Section 178 of the Companies Act, 2013 and in terms of applicable NHB directions, guidelines in this regard.

The Nomination and Remuneration Committee shall meet as and when required to discuss matters. It is however, recommended that the Committee meet at least twice during the year.

The Nomination and Remuneration Committee shall comprise of at least three directors and all Directors of the Committee shall be Non- Executive Directors. At least fifty percent of the Members shall be Independent Directors.

The quorum shall comprise of any two Directors.

However, the Chairman of the Company (whether executive or nonexecutive) may be appointed as a Member of the Committee but shall not be allowed to chair the Committee.

The Committee shall meet at least once in every financial year.



Role and Responsibilities (Terms of Reference):

- To lay out and implement the policy on remuneration packages for Executive Directors and Senior Management, including pension rights and any compensation payment.
- To identify and recommend to the Board, in accordance with the criteria as laid down, appointment/reappointment/removal of the Executive /Non – Executive Directors and the senior management of the Company
- To formulate criteria for evaluation and evaluate the performance of every director including the Independent Directors.
- To formulate the criteria for determining qualifications, positive attributes and independence of the Directors.
- To recommend to the Board a remuneration policy for the Directors, Key Managerial Personnel and other employees of the Company.

3. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The constitution and the terms of reference of the Corporate Social Responsibility Committee shall be in compliance with the provisions of section 135(1) of the Companies Act, 2013 (“the Act”) and the Rules framed thereunder and Schedule VII of the Act.

The Corporate Social Responsibility Committee shall consist of three or more Directors, out of which at least one Director shall be an Independent Director.

The Committee shall meet at least twice in a year.

The quorum for the Meeting of Corporate Social Responsibility Committee shall be one third of its total strength or two Directors whichever is higher.

Role and Responsibilities (Terms of Reference):

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII.
 - To recommend the amount of expenditure to be incurred on the CSR activities to be undertaken.
 - To monitor the Corporate Social Responsibility Policy of the company from time to time.
 - To work with management to establish and develop the Company’s strategic framework and objectives with respect to corporate social responsibility matters;
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- To review the annual budgets/expenditure with respect to corporate social responsibility programs/projects/activities;
- To review the CSR initiatives and programs/projects/activities undertaken by the Company;
- To establish and review the implementation mechanism for the CSR programs/ projects/activities undertaken by the Company;

4. CREDIT & RISK MANAGEMENT COMMITTEE

The constitution and the terms of reference of the Credit & Risk Management Committee shall be in compliance with the provisions of Guidelines on Corporate Governance issued by National Housing Bank and such other applicable laws

The Credit & Risk Management Committee shall have the powers and duties conferred upon it in compliance with NHB guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

The quorum for the meetings of the Credit & Risk Management Committee shall be any two Directors personally present.

The Credit & Risk Management Committee shall meet quarterly.

The Credit & Risk Management Committee may invite such executives, as it considers appropriate to be present at its meetings.

Role and Responsibilities (Terms of Reference):

The committee formulated to supervise, guide, review and Identify current and emerging risks; developing risk assessment and measurement systems, establishing policies, practices and other control mechanisms to manage risks, developing risk tolerance limits for Senior Management and board approval, monitoring positions against approved risk tolerance limits, reporting results of risk monitoring to senior management and the board.

5. ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The constitution and the terms of reference of the Asset Liability Committee shall be in compliance with the Guidelines issued by National Housing Bank.

The quorum for the meetings of the ALCO shall be any two Directors personally present. The ALCO shall meet quarterly.

The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

6. Other Committees:

In addition to the aforesaid Committees, the Company has also constituted various other Committees to oversee specific areas and/ or for the smooth functioning of business/ functional operations.

- Executive Committee
- Customer Service & Grievance Redressal (CS&GR) Committee
- Strategic and Growth Committee

C. Fit & Proper Criteria

Pursuant to NHB's direction no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, a Board approved policy on 'Fit and Proper Criteria for Directors' ("the Policy") is being put in place. Pursuant to the Policy, the Company will obtain necessary disclosures from Directors at the time of appointment and on a continuing basis.

Further, the Company will ensure compliance with the provisions laid down in the said Policy.

Further, as required under the above NHB directions, the Company shall ensure to furnish to NHB on a quarterly basis within 15 days of the end of quarter, quarterly statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed.

Further, the Company will ensure that the statement for the quarter ending March 31, will be certified by the auditors.

D. 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 & Remuneration Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

E. 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.

F. 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.

G. DISCLOSURES AND TRANSPARENCY

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.

H. COMPLIANCE OFFICER

A qualified Company Secretary appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer of the Company. The Compliance Officer shall, inter-alia, be

responsible for setting forth policies / procedures and ensuring conformity with the applicable laws/ regulations/ guidelines including Companies Act, SEBI Listing Regulations and NHB Directions/guidelines, issued from time to time.

I. REVIEW

The Board of Directors of the Company reserves the right to add, amend, modify the Guidelines, as and when it deems appropriate.

For Akme Star housing Finance Limited

Ashish Jain
Managing Director

The policy approved by the Board vide Agenda Item No. in its meeting held on 13.02.2019

Ashish Jain
Managing Director

