



IIFL Home Finance Limited

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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IIFL Home Finance Limited

Internal Guidelines on Corporate Governance

Preamble

The National Housing Bank vide its Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 09, 2017 issued “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016” (“NHB Corporate Governance Directions”) which requires all the Housing Finance Companies to put in place Internal Guidelines on Corporate Governance and a Policy on “Fit and Proper” criteria for Director/s at the time of appointment, and on a continuing basis, with the approval of the Board of Directors of the Company.

Chapter IX of Master Direction on Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, dated 17th February 2021 (“RBI Master Directions”) prescribes Housing Finance Companies (HFCs) to frame Corporate Governance guidelines. With this, the NHB Corporate Governance Directions have been repealed. Further, the Company is additionally required to adhere with Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 (“RBI Scale Based Regulations”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) and the Companies Act, 2013 (“the Act”).

Philosophy

IIFL Home Finance Limited (the Company) believes in maintaining high standards of corporate governance which is key to ensure its long-term success and is committed to protecting and maximizing interest of its stakeholders. The Company aims at achieving not only the highest possible standards of legal and regulatory compliances, but also of effective management through effective policies/guidelines and procedures conforming to the applicable laws. The Company strives to ensure that all its stakeholders have access to clear, adequate and factual information relating to the Company. The Company believes that strong and effective corporate governance helps to cultivate the culture of integrity, leading to positive performance and a sustainable business.

1. Board of Directors

The Board is responsible for exercising their business judgment to act in what they reasonably believe to be in the best interest of the Company and its shareholders. The Board of Directors along with its constituted Committees provide direction and guidance to the Company’s leadership team and further direct, supervise as well as review the Corporate Strategy, various policies and the performance of the Company.

Board Composition and responsibilities

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 RBI Master Directions, RBI Scale Based Regulations, SEBI LODR the Act and Articles of Association of the Company, as amended from time to time. The Board shall periodically review the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any. The Board shall meet at least once a quarter and the time gap between two consecutive meetings of Board shall not be more than the time as prescribed under the Companies Act, 2013. The directors of the company shall exercise their duties with due and reasonable care, skill and diligence and shall exercise independent judgment. The Board shall scrutinize and monitor the performance of management to ascertain the achievement of planned objectives.

2. Audit Committee

In compliance with the provision of section 177 of the Act and SEBI LODR, the Board of Directors of the Company has constituted the Audit Committee comprising of requisite numbers of Independent and Non-Executive Directors as required under the Act.

Further, the Audit Committee ensures that an Information System Audit of the critical and significant internal systems and processes is conducted through a Certified Information System Auditor (CISA) to assess operational risks.

Terms of Reference

The scope of the Audit Committee includes the references made under Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, Reserve Bank of India (Non-Banking Financial Company – Housing Finance Company) Directions, 2021, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as and applicable provisions of Companies Act, 2013.

3. Nomination and Remuneration Committee

In compliance with the provision of section 178 of the Companies Act, 2013 and SEBI LODR, the Board of Directors of the Company has constituted the Nomination and Remuneration Committee comprising of requisite numbers of Independent and Non-Executive Directors as required under the Act.

The Policy has also provided to ensure 'fit and proper' status of proposed/ existing directors and framework in relation to remuneration of Directors, Key Managerial

Personnel and Senior Management Personnel forming part of Nomination and Remuneration Policy of the Company.

In compliance with RBI Master Directions, the Nomination and Remuneration Committee also ensures 'fit and proper' status of proposed/ existing directors and proper framework in relation to remuneration of directors, Key Managerial Personnel and senior management personnel and that there is no conflict of interest in appointment of directors and their independence is not subject to potential threats.

Terms of Reference

The scope of the Nomination and Remuneration Committee includes the references made under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as and applicable provisions of Companies Act, 2013.

4. Risk Management Committee

The Company is in the lending business and as such exposed to various risk viz. credit risk, market risk, operational risk and other risks associated with a lending business. To manage the overall integrated risks and risks associated with the business, the Board of Directors constituted a committee viz. Risk Management Committee (the Committee/RMC) in line with RBI Master Directions and SEBI LODR.

Terms of Reference

RMC shall be responsible for implementing the Risk Management Policy and managing the risk at every level within the Company. The RMC also shall be responsible for evaluating the overall risks faced by the Company including liquidity risk and shall report to the Board. The scope of the Risk Management Committee includes the references made under RBI Master Directions and SEBI LODR.

5. Stakeholders Relationship Committee

In compliance with the provision of section 178 of the Act and SEBI LODR, the Board of Directors of the Company has constituted the Stakeholders Relationship Committee comprising of the requisite number of Independent and Non-Executive Directors.

Terms of Reference

The scope of the Stakeholders Relationship Committee includes the references made under SEBI LODR as well as and applicable provisions of Companies Act, 2013.

6. Corporate Social Responsibility Committee

In compliance with the provision of section 135 of the Companies Act, 2013, the Board of Directors of the Company has constituted the Corporate Social Responsibility Committee comprising of requisite number of Independent Director(s) as required under the Act.

Terms of Reference

The scope of the Corporate Social Responsibility Committee includes the references made under the applicable provisions of Companies Act, 2013 and the CSR Policy of the Company.

7. IT Strategy Committee

In compliance with the provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB, the company has constituted the IT Strategy Committee comprising of a number of Directors as prescribed therein.

Terms of Reference

The scope of the IT Strategy Committee includes the references made under the applicable provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB from time to time.

8. Asset Liability Management Committee

In compliance with the provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB, the company has constituted the Asset Liability Management Committee comprising of a number of Directors as prescribed therein.

Terms of Reference

The scope of the Asset Liability Management Committee includes the references made under the applicable provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB from time to time.

9. Wilful Defaulter – Review Committee

In compliance with the provisions of RBI Master Directions read with the Master Direction on Treatment of Wilful Defaulters and Large Defaulters, the Company has constituted the Wilful Defaulter - Review Committee

Terms of Reference

The scope of the Wilful Defaulter- Review Committee includes the references made under the applicable provisions of RBI Master Directions, Master Direction on treatment of wilful defaulters and Large Defaulters, Notifications, Circulars & Guidelines issued by RBI/NHB from time to time.

10. Special Committee of the Board for Monitoring and Follow-up of cases of Frauds

In compliance with the provisions of RBI Master Directions read with Master Directions on Fraud Risk Management in Non-Banking Financial Company, the Company has constituted the Special Committee of the Board for Monitoring and Follow-up of cases of Frauds.

Terms of Reference

The scope of the Special Committee of the Board for Monitoring and Follow-up of cases of Frauds includes the references made under the applicable provisions of Master Directions on Fraud Risk Management, Notifications, Circulars & Guidelines issued by RBI/NHB from time to time.

Auditors

❖ Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible for appointing Statutory Auditors who demonstrate professional ability and independence in accordance with the RBI Guidelines, SEBI LODR and the Act. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. A declaration shall be obtained from the Auditors affirming their eligibility to be appointed as the Statutory Auditors of the Company.

Also, the company shall rotate the partner/s 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, if the company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

❖ Secretarial Auditors

The Company, as far as it is applicable, shall appoint a Company Secretary in practice in terms of Section 204 of the Act and SEBI LODR, who shall be responsible for conducting the audit of the secretarial and related records of the Company.

❖ 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.

Codes and Policies

In compliance with the applicable provisions of the Act, SEBI LODR, RBI Master Directions, any other applicable notifications and guidelines issued by RBI/NHB, the company has in place various Codes and Policies to ensure the ethical standards and to strengthen the functioning of the Company.

Disclosures

The Company believes that by streamlining reporting and applicable disclosures processes, improving data accuracy, and fostering stakeholder trust, as per the applicable laws/codes of the company, the company can strengthen its corporate governance standards.

Compliance Officer

The Compliance Officer shall, inter-alia, be responsible for setting forth policies / procedures for conformity with the applicable laws/ regulations/ guidelines including the Act, SEBI LODR and RBI/NHB Directions/guidelines, issued from time to time.

Review

The Board of Directors of the Company reserves the right to add, amend, modify or review these Corporate Governance Guidelines, as and when it is deemed appropriate according to the applicable laws of the company.

Policy on Determining “Fit and Proper” for Directors

In line with the aforesaid Notification issued by Reserve Bank of India on Corporate Governance, the Company is also required to prescribe “fit and proper” criteria for appointment of new Director and continuation of the existing Directors.

Framework:

- (a) The Company shall establish due diligence process to determine the suitability of a person for appointment / continuation of his/her appointment as a Director on the Board of the Company, based upon qualification, expertise, track record, integrity and such other criteria as may be deemed relevant. In addition to the above, the Company shall obtain necessary information and a declaration from the proposed / existing directors for the purpose in the format given at **Annexure 1** hereto.
- (b) The process of due diligence will be undertaken by the Company at the time of appointment / renewal of appointment.
- (c) Based on the information provided in the signed declaration, the Nomination and Remuneration Committee will decide on the acceptance or otherwise of the Directors, where considered necessary.
- (d) An annual declaration shall be obtained from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them.
- (e) Keeping in view of the public interest the nominated/ elected directors shall execute a Deed of Covenants in the format given in **Annexure 2**.

Annexure 1

Name of Company: IIFL Home Finance Limited

Declaration and Undertaking by Director (with enclosures as appropriate as on March 31, 20____)

I. Personal details of Director	
a. Full name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address / Telephone Number	
h. Director Identification Number	
i. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
j. Relevant knowledge and experience	
k. Any other information relevant to Directorship of the Company.	
II Relevant Relationships of director	
a. List of Relatives if any who are connected with the Company (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013)	
b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest as defined in Master Direction Non-Banking Financial Company – Housing Finance Company (Reserve Bank of India) Directions, 2021.	
d. Name of HFC in which he/she is or has been a member of the Board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the Company	

f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the Company or any other HFC / bank.	
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III Records of professional achievements	
a. Relevant professional achievements	
IV. Proceedings, if any, against the Director	
a. If the Director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director.	
d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the Director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g. Whether the Director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.	

<p>(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit. If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)</p>	
<p>V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper</p>	

UNDERTAKING:

I confirm that the above information is to the best of my knowledge and belief, true and complete. I undertake to keep the Company fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all Directors of the Company.

Place:

Date: _____

Signature

VI. Remarks of Chairman of the Nomination and Remuneration Committee of Board of Directors of the Company

Place:

Date:

Signature

Annexure 2

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand ____ **BETWEEN** IIFL Home Finance Limited, having its Registered Office at IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, MIDC, Thane Industrial Area, Wagle Estate, Thane, Thane, Maharashtra, India, 400604, (hereinafter called the 'Company') of the one part and Mr. / Ms. _____ R/o _____ (hereinafter called the "Director") of the other part.

WHEREAS

A. The Director has been appointed as a Director on the Board of Directors of the Company (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the Company.

B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The Director acknowledges that his / her appointment as a Director on the Board of the Company is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Company and the provisions of this Deed of Covenants.

2. The Director covenants with the Company that:

(i) The Director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Company 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.

(ii) 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.

(iii) The Director shall provide to the Company a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The Director shall in carrying on his / her duties as director of the Company:

(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 Company;

(c) shall keep himself / herself informed about the business, activities and financial status of the Company 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 Company;

(e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;

(f) shall bring independent judgment to bear on all matters affecting the Company 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 judgment 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 judgment; and

(h) shall express his / her views and opinions at Board meetings without any fear or favor and without any influence on exercise of his / her independent judgment;

(v) The Director shall have:

(a) fiduciary duty to act in good faith and in the interests of the Company and not for any collateral purpose;

(b) duty to act only within the powers as laid down by the Company's Memorandum and Articles of Association and by applicable laws and regulations; and

(c) duty to acquire proper understanding of the business of the Company.

(vi) 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 Director/s (WTD) and other Officers of the Company and wherever the Director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

(c) 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 Company in his / her capacity as Director of the Company only for the purposes of performance of his / her duties as a Director and not for any other purpose.

(d) 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/ Reserve Bank of India;
- iii. there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/her.

3. The Company covenants with the Director that:

(i) the Company 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 for adherence to statutory and legal compliance.
 - (l) the Company 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 Company 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;
- (ii) the disclosures to be made by the Company 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) Company's strategic and business plans and forecasts;
 - (c) organizational structure of the Company 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 Company's products;
 - (g) information and updates on major expenditure, if any;
 - (h) periodic reviews of performance of the Company; and
 - (i) report periodically about implementation of strategic initiatives and plans;
- (iii) the Company 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 to the extent possible within two business days of the date of conclusion of the Board meeting; and

Note: It is clarified that circulation of minutes within two business days is not mandatory and provisions in the Companies Act, 2013 in this regard shall apply.

(iv) advise the Director about the levels of authority delegated in matters placed before the Board.

4.The Company shall provide the Director periodic reports on the functioning of internal control system including effectiveness thereof.

5.The Company shall appoint a Compliance Officer who shall be a Senior executive reporting to the Board and shall set policies and procedures for adherence to the applicable laws and regulations including but not limited to directions of National Housing Bank and other concerned statutory and governmental authorities.

6.The Director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as Director of the Company to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any Committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Company.

7.The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8.Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorized representative of the Company.

9.This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

In Witness whereof the parties have duly executed this Agreement on the Day, Month and Year first above written.

For IIFL Home Finance Limited	Director
By _____	
Name:	Name:
Title:	

In the presence of:

1.

2.