

Cent Bank Home Finance Limited
[Corporate Identity Number (CIN) - U65922MP1991PLC006427]

INTERNAL GUIDELINES ON
CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company 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 believes that it not only has legal, contractual and social responsibilities, but also has obligations towards its non-shareholder stakeholders such as bankers, regulators, government agencies, employees, investors, creditors and customers, among others. The Company strives to ensure that all its stakeholders have an access to clear, adequate and factual information relating to the Company. The Company continues to promote accountability of the management. The Board of Directors acknowledge its responsibilities towards all the stakeholders of the Company for creation and safeguarding their wealth.

II. DEFINITIONS

In this CG Guidelines, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this CG Guidelines, shall have the meaning as defined below:

1. **"Act"** shall mean the provisions of the Companies Act, 2013 and rules made thereunder and shall include the statutory amendment(s), modification(s) or re-enactment(s) thereof.
2. **"Board"** shall mean the Board of Directors of the Company, as constituted from time to time.
3. **"Company"** means Cent Bank Home Finance Limited.
4. **"Committee"** shall mean committee of the Board of Directors or such other Committee constituted from time to time.
5. **"Independent Director"** shall mean a Director who satisfies the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Regulation 16(1) (b) of the SEBI Listing Regulations.
6. **"KMP"** shall mean Key Managerial Personnel as defined in sub section (51) of Section 2 of the Companies Act, 2013.
7. **"NHB CG Directions"** refers to the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by NHB vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 on 9th February, 2017.
8. **"Senior Management"** or **"SM"** shall mean officers / personnel of the company who are members of its core management team excluding Board of Directors. Normally, this shall

comprise of all members of management one level below the Chief Executive Officer (CEO) and the Executive Directors (including Managing Director/ Whole-time Director), specifically including Company Secretary, Chief Financial Officer; and all functional heads.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI Listing Regulations, or any other applicable law/regulation/rules prescribed by National Housing Bank or such other authority.

III. GOVERNANCE OF THE BOARD

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 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.

1. Role and Responsibilities

- The Board shall be required to uphold ethical standards of integrity and probity, act objectively & constructively and exercise responsibilities in a bona fide manner in the interest of the Company and its stakeholders.
- Every Director holds a fiduciary position and shall be required to attend and actively participate in the Board and its Committee Meetings in which they are a Member and conscientiously fulfil his/her obligations as Director of the Company.
- The Board shall be responsible for overall compliance and monitoring the effectiveness of the Corporate Governance practices and suggest changes, if required. The Board shall also periodically review compliance under various laws applicable to the Company.
- The Board shall scrutinize and monitor the performance of management to ascertain the achievement of agreed goals and objectives.
- The Board of directors shall provide strategic guidance to the Company.
- The Board shall ensure that the integrity of the financial information and that financial controls and the systems of risk management are robust and defensible;
- The Board of Directors shall exercise objective independent judgment on corporate affairs, board deliberations on issues relating to strategy, performance, risk management, resources, key appointments and standards of conduct. However, Independent Directors shall moderate and arbitrate in the interest of the company as a whole, in situations of conflict between the management and shareholder's interest.
- The Board shall bring an objective view in the evaluation of the performance of board and management.

In addition to the above, the Company and the Directors shall at all times abide by the applicable provisions of the Act.

2. Composition and Size

- The Board shall have minimum three directors and a maximum of fifteen directors or such other limit as may be prescribed under the applicable provisions of Companies Act, 2013, and Articles of Association of the Company.
- Subject to the provisions of the Act, so long as Central Bank of India (CBI) holds 51% or more of the paid up share capital for the time being of the Company, CBI shall be entitled to have its nominees on the board of the Company to the extent of atleast fifty percent of the total strength of the Board of Directors for the time being of the Company.
- The Board of the Company shall have an optimum combination of Executive, Non-Executive and Independent Directors. However, it shall at all times ensure that strength of Independent Directors on the Board shall be in compliance with section 149 (4) and the applicable rules of the Act.

3. Appointment and Compensation of Directors

- Director(s) shall be appointed as per the applicable provisions of the Act and rules made there under.
- A person proposed to be appointed as a Director shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets. etc. The person considered to be appointed as a Director should also possess relevant expertise which will help the person to act objectively and constructively.
- All the Directors on the Board shall fulfil the fit and proper criteria as laid down under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions.
- Upon appointment, the Director shall execute a Deed of covenant with the Company as per the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions.
- The Company shall upon appointment of an Independent Director, issue a formal letter of appointment outlining his/her terms of appointment, role, responsibilities, duties etc.
- The appointment/re-appointment and the remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board for approval in accordance with the Company's "Nomination (including Boards' Diversity), Remuneration and Evaluation Policy".
- The Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/Committee Meetings eg. Travelling /lodging.
- Non -Executive Directors shall be entitled to expenses incurred for attending Board & Committee meetings.
- Independent Directors of the Company shall not be entitled to stock options.
- No person shall be appointed or continue as an alternate director for an independent director of the Company

4. Disclosures

- An annual declaration on confirmation in respect of fit and proper criteria in the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated in terms of NHB Directions shall be furnished by the Directors.
- A declaration of independence in terms of Section 149(7) of the Companies Act, 2013 shall be furnished by the independent Directors at the first meeting of the board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year and whenever there is any change in the circumstances that affect their status as an Independent Director.

5. Confidentiality

- 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.

6. Conflict of Interest

- All the Directors and key managerial personnel shall be required to disclose to the Board of directors whether they, directly or indirectly, or on behalf of third parties, have any material interest in any transaction or matter directly affecting the Company.
- No Independent Director shall have any pecuniary relationship other than remuneration as such director or having transaction not exceeding ten per cent of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors during the two immediately preceding financial year or during the current financial year.
- No relative of Independent Director:
 - (i) shall hold any security of or interest in the Company, its holding, subsidiary or associate company during the two immediately pre-ceeding financial year or during the current financial year.

Provided that relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two percent of the paid-up share capital of the company, it holding, subsidiary or associate company or such higher sum as may be prescribed.
 - (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year.
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoter, or directors of subsidiary or associate company or their promoters, or directors of such holding company, for such

amount as may be prescribed during two immediately preceding financial years or during the current financial year. Or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in above sub-clauses.

- Every Director if concerned or interested, whether directly or indirectly, in any contract or arrangement or proposed contract or arrangement entered into or to be entered with a body corporate in which either the Director individually or in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, the Director is a partner, owner or member, as the case may be, shall disclose the nature of concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

(v) Board Meetings

- The Company shall be required to hold atleast one Board meeting in a calendar quarter with a maximum interval of one hundred and twenty days between two consecutive meetings, such that atleast four meetings are held in a year.
- The Quorum of the meeting for a Board Meeting shall be as provided in the Act. Provided further that so long as Central Bank of India holds 51% or more of the Paid up share capital for the time being of the Company, no quorum shall be deemed to have been constituted unless atleast one Director representing Central Bank of India is present

(vi) Information to 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 as per the Act and other applicable laws.
- The draft Minutes of all Board Meetings and its Committee Meetings shall be circulated to the Board members as per the applicable provisions of the Act and SS-1. Minutes of the previous Board /Committee Meetings are placed in the subsequent Board/Committee Meeting for noting.

(vii) Separate Meeting of the Independent Directors

- The Independent Directors of the Company shall meet atleast once in a year without the presence of Non-executive Directors and the Management in terms of Schedule IV of the Act. The meeting shall be held to review the performance of Non-Independent Directors and the Board as a whole; to review the performance of the Chairman and to assess the

quality, quantity and timeliness of flow of information between the company management and the Board and its members that is necessary for the Board to effectively and reasonably perform their duties.

(viii) Board Committees

- The Board of Directors shall constitute various Committees which will enable the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of their duties and responsibilities. Presently, the Board has constituted eight committees namely – Audit Committee, Nomination and Remuneration Committee, Stakeholders’ Relationship Committee, Risk Management Committee, Corporate Social Responsibility Committee, Credit Committee, Review Committee (for declaration of Wilful Defaulter to Credit Information Company (CIC), HR , IT Strategy Committee, Operational Risk Management, ALCO, Staff Accountability Examination, Investment Committee.

IV. AUDITORS

1. Statutory Auditors

The Statutory Auditors of the Company shall be appointed in accordance with the provisions of the Act. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Audit Committee shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.

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 the 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. The Company shall incorporate appropriate terms to this effect in the letter of appointment of the firm of auditors and ensure its compliance.

VII. POLICIES

In accordance with the provisions of the Act, Directions/ Guidelines issued by National Housing Bank (NHB) and other applicable laws, the Company has formulated various Policies to ensure high ethical standards in the overall functioning of the Company.

Policies as approved by the Board of Directors inter-alia include the following:

1. Nomination & Remuneration Policy
2. Policy on Preservation of Documents and Records
3. Whistle Blower Policy
4. Fair Practice Code
5. Risk Management/Operational Risk Management Policy
6. Policy on Fit and Proper Criteria for the Directors
7. Policy on “Know Your Customer and Anti Money Laundering Measures”

8. Related Party Transaction Policy
9. Policy on Wilful Defaulters
10. Credit Policy
11. IT Policy
13. Outsourcing Policy
14. Record Management Policy
15. Procurement & Disposal Policy
16. Fault Tolerance & Staff Accountability Policy
17. HR Policy
18. IS Audit
19. Cyber Security Policy
20. Investment Policy

VII. 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, NHB Directions/guidelines, issued from time to time.

VIII. REVIEW

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