

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

At Ummeed Housing Finance Private Limited ('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 adopt best practices and greater transparency in the operations of the Company and in compliance with the directions on Corporate Governance issued by the Reserve Bank vide its notification no. RBI/2020-21/73, DOR.FIN.HFC.CC.No.120 /03.10.136 /2020-21 dated February 17, 2021 (RBI Directions), the Company has framed these Internal Guidelines on Corporate Governance. The Company is committed to practice good Corporate Governance standards in adherence to the RBI guideline/directions, SEBI regulations, MCA guidelines and Companies Act.

THE BOARD

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.

Policy on 'Fit and Proper' criteria for Directors

The Company has formulated a policy on 'fit and proper' criteria for directors on the lines of the guidelines prescribed under RBI Directions. This policy prescribes to Nomination and Remuneration Committee ("NRC") to ascertain the fit and proper criteria at the time of appointment of Directors, and on a continuing basis. The NRC reviews the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

As per this policy, all the Directors are required to meet the 'fit and proper' criteria as prescribed by the Reserve Bank, and to provide a 'declaration and undertaking' giving additional information on the lines of the format prescribed under RBI Directions. Directors are also required to sign a deed of covenant with the Company, in line with the format prescribed under RBI Directions.

Further as per this policy, the Company will submit to the NHB, a quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The Company to submit such statement to the NHB within 15 days of the close of the respective quarter. Further, the statement being submitted for the quarter ending March 31, should be certified by the auditors. In the event, there is no change in the directors during a quarter, a 'Nil' statement should be submitted.

Board's Composition

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, the Articles of Association of the Company and the Shareholder's Agreement.

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.

Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013, rules made thereunder, SEBI Regulations and the relevant RBI Directions.

REMUNERATION

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.

COMMITTEES OF THE BOARD

The Board shall constitute Committees with specific terms of reference to focus on specific issues and ensure expedient resolution of diverse matters. The Minutes of the Meetings of all Committees of the Board shall be circulated to the Board of Directors, for their noting.

Details of various committees of the Board are mentioned below:

Audit Committee

An Audit Committee, consisting of not less than three members of its Board of Directors is constituted as required under Section 177 of the Companies Act, 2013. The Audit Committee is having such powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Audit Committee of the Board shall deal in accordance with the terms of reference specified by the Board including recommendation for appointment, remuneration and terms of appointment of auditors, review and monitor the auditor's independence and performance, and effectiveness of audit process, examination of the financial statement and the auditors' report thereon, approval or any subsequent modification of transactions of the company with related parties, accounting policies, compliance report, financial reporting and internal control systems.

The Audit Committee must ensure that an Information System Audit carried out separately through a Certified Information System Auditor (*CISA*) of the critical and significant internal systems and processes is conducted at least once in two years (*one year once asset size crosses Rs 500 Crores as per audited financial statements*) to assess operational risks faced by the Company. **Nomination and Remuneration Committee:**

Nomination and Remuneration Committee ("NRC") is constituted as required under Section 178 of the Companies Act, 2013. NRC is having such powers, functions and duties as laid down in relevant provisions of Section 178 of the Companies Act, 2013.

Terms of references of NRC includes formulating criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel, and other employees. NRC is ensuring 'fit and proper' status of proposed/ existing directors and that there is no conflict of interest in appointment of directors and their independence is not subject to potential threats.

Other Committees

The Company shall constitute various Committees as per the requirement under Housing Finance Companies (NHB) Circulars/Directions issued from time to time. These Committees shall meet time to time as per requirement, minimum number of meeting or prescribed frequency as per applicable laws or NHB Directions / Guidelines.

A list of such committees as follows:

Corporate Social Responsibility (CSR) Committee

Corporate Social Responsibility (CSR) Committee is constituted under provisions of Section 135 of the Companies Act, 2013. CSR Committee indulges itself into formulation of CSR policy, recommend the CSR budget, formulate annual action plan and monitoring CSR activities. Committee monitors activities undertaken by the company under its CSR. Progress is being reported to committee at periodical intervals.

Risk Management Committee

The Risk Management Committee shall be responsible for managing integrated risk, setting up and reviewing risk management policies of the Company from time to time. The Risk Management Committee shall primarily be responsible for identifying, monitoring, managing and mitigating the credit risk, market risk, operational risk and other risks of the Company that can be applicable to the Company considering the business operations of the Company through integrated risk management systems, strategies and mechanisms. Risk Management Committee discusses and recommends various ways to manage all integrated risk on monthly basis and review action plans submitted by management.

Asset Liability Management Committee (ALCO)

The liquidity risk management of the Company has been delegated to Asset & Liability Management Committee (ALCO). The ALCO monitors the asset liability composition of the Company's balance sheet and determine actions to mitigate risks associated with the asset liability mismatches. The ALCO is responsible for ensuring adherence to the risk tolerance/ limits set by the Board as well as implementing the liquidity risk management strategy. ALCO with respect to liquidity risk should include, inter alia, decide on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions. Members of ALCO meet monthly to review debt position, strategy, liquidity risk management, ALM positioning.

IT Strategy Committee

The IT Strategy Committee has been formed to carry out review and amend the IT strategies in line with the overall strategies of the Company, and to review cyber security arrangements and any other matter related to IT Governance. The IT Strategy Committee shall be responsible for recommending IT related policies and other security policies, evaluating new threats and reducing the risk of intrusion, loss of data integrity, compliance violations, and the committee is also responsible for role-based access controls, resource allocation, documentation, and reporting. The committee meets at least twice a year with a gap less than six months to approve and recommend to the board all IT related policies, and oversee the IT investments, and implementation of IT infrastructural and application projects and strategy.

Wilful Defaulter Identification Committee

The Company shall constitute Wilful Defaulter Identification Committee headed by an Executive Director or equivalent and consisting of two other senior officers of the Company. Identification

committee examines and concludes the event of wilful default has occurred, issue a Show Cause Notice to the concerned borrower. Committee meets periodically but at least in a quarter to review cases which may qualify to be concluded as wilful default.

Wilful Defaulter Review Committee

This committee shall be headed by Managing Director/ Chairman and consist of two Non-executive/ Independent Director to review the order passed by Identification Committee or wilful defaulters. Review Committee, will be headed by the MD and consisting, to one ID and one Non-ex Director of Ummeed, shall finally review and confirm the order of Identification Committee.

Borrowing & Banking Committee

The Borrowing & Banking Committee is responsible to (i) To borrow monies from Banks, Financial Institutions, Firms, Bodies Corporate and Other Persons/Entities including securitization transactions up to a sum prescribed by the Board while delegating its Borrowing Powers; (ii) Opening / Closing of Bank/ Imprest Accounts of the Company; (iii) Addition/ Deletion/ Change in Authorised Signatories of the Bank Accounts of the Company; (iv) Revising the authorization limits of the Bank Accounts of the Company; and (v) Availing of payment gateway services, Internet Banking or Cash Management Services or entering any agreement for those services with Banks/ Financial Institutions.

In addition to above, the Board shall constitute other committees, such as Internal Complaints Committee, Customer Service and Grievance Redressal Committee, Whistle Blower Committee, Human Resource Matters Committee, Marketing Committee as may be required for effective functioning of the Company.

GUIDELINES FOR CONVENING BOARD AND AUDIT COMMITTEE MEETINGS:

- (1) Finalisation of next Board and Audit Committee day, dates, venue and time at the current meeting;
- (2) On finalisation of the date of the Meetings the notice to be sent to all the Directors/ Members of the Board and Audit on the same day;
- (3) Agenda of the said meetings shall be circulated to all the Directors/members not later than seven (7) days (or less, in case of shorter notice) before the date of the meetings. However, annexures having price sensitive information may be circulated three (3) days prior to the date of the meeting;
- (4) In case representatives Director of Shareholders/ Investors, express their inability to attend the meetings then a waiver to be obtained from attending the Meetings;
- (5) The quorum of meeting of any committee of the Board shall be one third of total strength of members of committee or two members, whichever is higher, (including one independent director wherever required under relevant provisions as applicable) and the participation of the members by video conferencing or by other audio-visual means shall also be counted for the purposes of quorum.
- (6) Finalisation of the Minutes of the meetings shall be done within fifteen (15) days from the date of such meetings;
- (7) The said Minutes to be circulated members of the Board or Audit Committee for their review and comments;

- (8) The members of the Board/ Audit shall be provided 7 days' time from the date of circulation to review and comment. The comments, if any, received on the Minutes then it shall be incorporated appropriately after obtaining approval of MD. In the event no comments received from any Directors/ Members within seven (7) days, then it will be deemed approved;
- (9) The approved Minutes shall be printed on the Minute sheet and will be filed in a Minute Book. The approval/ confirmation of the said Minutes shall be done at the next Meeting and it will be signed by the Chairman of that Meeting.

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 endeavour to avoid any conflict of interest with respect to their dealings with the Company. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Further, as regards to appointment of directors, NRC is ensuring that there is no conflict of interest and their independence is not subject to potential threats.

AUDITORS

The Board and the Audit Committee of the Company shall be responsible to appoint Auditors, statutory or otherwise, as required under Companies Act and NHB Directions. The Company shall review the independence and performance of Auditors and effectiveness of their audit process periodically.

The Company has formulated a Policy for appointment of Statutory Auditors (SAs) in line with norms applicable to the Company under the RBI' circular no. DoS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021, containing guidelines for appointment of SAs read with para 54 of RBI Directions. All other procedural and reporting requirements related to appointment of SAs are governed by the Policy for appointment of SAs. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliances listed in said policy.

CODE OF CONDUCT AND POLICIES

The Code of Conduct for Directors (including Independent Directors) and Employees provides guide to professional code of conduct to be applied in their businesses and affairs in compliance with applicable laws, rules and regulations of India. The Code is applicable to all employees of the Company, including Executive Director(s) and to the Non-Executive Director(s), whether Independent or Non-Independent to the extent of their role and responsibilities in the Company.

In accordance with the applicable provisions of the Companies Act, 2013, the directions / guidelines issued by the National Housing Bank, under other applicable laws and for internal requirements and operational convenience, the Company shall frame and adopt various policies and shall modify/ update / revise / review as and when required under the applicable laws or due to change in the functioning or the structure of the Company.

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 made on behalf of the Company are duly made to the Regulatory/ Statutory authorities or such other persons as maybe required under applicable laws / regulations.

Further, following disclosures are being made to the Board of Directors on half yearly basis:

- a) the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the HFC; and
- b) 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.

The Company will also disclose the following (wherever applicable) in its Annual Financial Statements:

- a) registration/ license/ authorisation, obtained from other financial sector regulators;
- b) ratings assigned by credit rating agencies and migration of ratings during the year;
- c) penalties, if any, levied by any RBI/ NHB or any enforcement authority;
- d) information namely, area, country of operation and information about JV and overseas subsidiaries, if any; and
- e) Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, exposure to real estate, exposure to capital market, structured products issued by them as also securitization/ assignment transactions and other disclosures, as prescribed under RBI Directions;

COMPLIANCE OFFICER

A qualified Company Secretary shall be the Compliance Officer of the Company.

REVIEW

The Board or its Committee may review the policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board itself or by COO / MD wherever authorised by the Board.