

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Varashakti Housing Finance Private Limited (“VHFPL” or “the Company”)

The Reserve Bank of India (“RBI”) vide its notification no. RBI/2020-21/73, DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021, had notified Master Direction - Non - Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021. Accordingly, the directions on Corporate Governance as prescribed under Chapter IX of the said Master Directions of the RBI shall now apply to every non-public deposit accepting HFC with assets size of Rupees Fifty crore and above. Hence, the Company needs to adopt the “Internal Guidelines on Corporate Governance”.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is a mechanism based on certain systems and principles by which a company is governed. This is done in such a way so as to achieve the goals and objectives which include providing benefits to the stakeholders like shareholders, employees, suppliers, customers and society in the long term and adding value to the company. Corporate Governance is all about balancing individual and societal goals as well as economic and social goals.

The Company recognises the importance of Corporate Governance and strives to adopt the best practices and the highest standards of Corporate Governance through values such as transparency, client centric approach and efficiency.

BOARD OF DIRECTORS

The Board of Directors of VHFPL along with its Committees shall provide leadership and guidance to the Company's management and direct the performance of the Company. The Board's strength is required to be a minimum of two to a maximum of fifteen directors. The composition of the Board shall be in accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company. All the Directors shall make the necessary annual disclosure regarding their directorships and Committee positions and shall intimate changes as and when they take place. 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.

BOARD MEETINGS

Meetings of the Board of Directors shall be held at least four times a year, with a maximum time-gap of four months between any two consecutive meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

CONFIDENTIALITY

The Directors shall not disclose any confidential information, including commercial secrets, 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.

COMMITTEES OF THE BOARD

In order to ensure quick resolution of various matters and in line with the RBI Master Circular, the Board shall constitute a set of Committees with specific terms of reference which shall govern their functioning. The Minutes of the Meetings of all Committees of the Board shall be placed before the Board for noting.

The Board of Directors has constituted the following Committees and will constitute such other Committees as may be required from time to time, with specific terms of reference as approved by the Board:

- Audit Committee
- Nomination and Remuneration Committee
- Risk Management Committee
- Asset Liability Management Committee

DETAILS OF BOARD COMMITTEES:

AUDIT COMMITTEE:

The Audit Committee constitution and functioning shall follow the provisions of the Companies Act, 2013 and other Applicable laws. The powers, functions, duties and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013. The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

The Audit Committee has been constituted on 30th May 2022 by the Board of Directors. It is constituted with 3 Directors with Independent Directors in majority. The Audit Committee shall undertake such duties as per the Terms of reference approved by the Board and any such duties as may be delegated to it from time to time.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ('NRC') constitution and functioning shall follow the provisions of the Companies Act, 2013. The powers, functions, duties and terms of reference of the Nomination and Remuneration Committee shall be comprehensive and include the requirements as set out by Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

The Nomination and Remuneration Committee has been constituted on 30th May 2022 by the Board of Directors. It is constituted with 3 Non-Executive Directors out of which not less than one half comprises of Independent Directors.

The NRC shall undertake the duties as per the Terms of Reference approved by the Board and any other duties as may be delegated to it from time to time. The NRC shall also ensure that fit and proper criteria as required by the RBI Directions are fulfilled and that there is no conflict of interest in appointment of directors and their independence is not subject to potential threats.

RISK MANAGEMENT COMMITTEE

The purpose of the Committee is to manage the integrated risks which the Company is exposed to. Risk Management Committee was constituted on 30th May 2022 by the Board of Directors and consists of Board members in majority and other senior executives of the Company as members.

The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The Risk Management Committee shall review and monitor the credit risk, market risk, liquidity risk, operational risk, regulatory risk, reputational risks and other risks affecting the organisation. The Risk Management Committee shall be vested with necessary powers, as defined in its charter/Terms of Reference to achieve its objectives.

The Risk Management Committee shall undertake such duties as per the Terms of reference approved by the Board and delegated to it by the Board of Directors from time to time.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines on Asset - Liability management system. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

The Asset Liability and Management Committee (ALCO) consists of minimum three members and was constituted by the Board in August 2019 to carry out the initial review of sanction letters from various lenders and recommend the same to MD for approval.

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time.

POLICY ON 'FIT AND PROPER' CRITERIA FOR DIRECTORS

As per the RBI Master Circular for HFCs, every non-deposit accepting HFC with Asset Size of Rs. 50 Crore and above shall have in place a policy ascertaining the Fit and Proper Criteria of the directors at the time of appointment and on a continuing basis.

The Company, being a non-public deposit accepting HFC with above prescribed asset size, will formulate and adopt the Fit and Proper criteria for Directors based on which new directors proposed to be appointed and existing directors whose appointment is intended to be continued can be evaluated. The NRC shall review the appointment/reappointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy on Fit and Proper Criteria for Directors in line with the RBI Master Direction.

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. 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.

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 Disclosures terms of NHB Directions shall also 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 every financial year or whenever there is any change in the circumstances that affect their status as an Independent Director.

MD/CFO CERTIFICATION

The Managing Director and the Chief Financial Officer of the Company shall make the necessary certifications regarding the Financial Statements, Internal Controls, etc. to the Board.

COMPLIANCE OFFICER

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

ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM

The Company shall ensure rotation of the partner (s) of the Chartered Accountant firm conducting the Statutory audit, every three years 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 will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

POLICIES ADOPTED BY THE BOARD

The following policies have been framed and adopted by the Board, viz.

- Asset Liability Management Policy
- Operational Manual and Credit Policy
- Information Technology Policy
- KYC & AML Policy
- Risk Management Policy
- Investment Policy
- Fair Practices Code and MITC
- POSH Policy
- Related Party Transaction Policy
- Grievance Redressal Mechanism
- Internal Audit Policy

- Investment Policy
- Co-Lending Policy
- Policy for detection and prevention of Frauds
- Information Technology Policy
- Policy on Resource Planning
- Valuation Policy
- Recovery Policy
- Restructuring Policy
- Small Ticket Home loans for TNUHDB
- Credit Policy for Karnataka branches
- Policy on Small Ticket Business Loan etc

REVIEW OF POLICY

The Board may review the said Policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.