

CORPORATE GOVERNANCE POLICY

1. PREAMBLE

The Board of Directors of the Company adopts comprehensive internal guidelines on Corporate Governance in compliance with:

- RBI Master Direction – Directions on Housing Finance Companies (Reserve Bank) Directions, 2021
- Companies Act, 2013
- NHB guidelines for HFCs

This policy establishes the Board's approval framework and governance structure for all corporate governance matters.

2. OBJECTIVE

The objective of this Policy is to:

- a. Establish clear governance structure with defined roles and responsibilities;
- b. Ensure Board's effective oversight of the Company's business, risk management, and compliance;
- c. Promote transparency, accountability, and ethical conduct;
- d. Define decision-making authority and delegation framework;
- e. Establish processes for Board committees and their functioning;
- f. Ensure regulatory compliance and stakeholder accountability;
- g. Align Company operations with governance best practices.

3. BOARD COMPOSITION AND STRUCTURE

3.1 Size and Composition

The Board shall comprise:

- **Minimum Directors:** 3 and **Maximum:** 15 (or as prescribed by regulations);

- **Majority Independent:** Minimum 2 independent director and at least 1/3 of Board strength shall be Independent Directors.
- **Board Categories:**
 - Chairman (Promoter/Non-Executive Director)
 - Independent Directors (50% minimum)
 - Executive Director(s) (Managing Director/CEO)
 - Non-Executive Directors (if any)

3.2 Board Committees

The Board shall constitute:

- a. **Audit Committee** – with 3-5 members, majority independent, headed by independent director;
- b. **Nomination and Remuneration Committee (NRC)** – with 3-5 members, majority independent;
- c. **Risk Management Committee** – with 3-5 members;
- d. **Stakeholder Grievance Committee** – with 3-5 members;
- e. **Corporate Social Responsibility Committee** – if applicable per statutory thresholds;
- f. **Special committees** – as constituted by Board for specific purposes.

3.3 Board Meetings

- **Frequency:** Minimum 4 meetings per quarter (one per quarter), or 12+ per year as required;
- **Notice:** Minimum 7 days' notice to directors;
- **Quorum:** Majority of directors shall constitute quorum;
- **Conduct:** In-person or through video conferencing;
- **Minutes:** Detailed minutes shall be recorded and circulated;
- **Agenda:** Prepared in advance with supporting documentation.

4. BOARD DUTIES AND RESPONSIBILITIES

4.1 Strategic Direction

The Board shall:

- Approve the Company's strategic plan, budget, and business objectives;
- Review and approve annual financial targets and performance metrics;
- Assess market opportunities and competitive positioning;
- Evaluate acquisition, merger, and divestment proposals;
- Ensure alignment with regulatory and stakeholder expectations.

4.2 Risk Management Oversight

The Board shall:

- Oversee Enterprise Risk Management (ERM) framework;
- Ensure risk identification, assessment, and mitigation;
- Review risk appetite and risk tolerance thresholds;
- Assess impact of regulatory changes and market dynamics;
- Monitor operational, credit, market, and liquidity risks;
- Ensure business continuity and crisis management preparedness.

4.3 Financial and Audit Oversight

The Board shall:

- Approve annual financial statements and quarterly results;
- Review audit findings and management's responses;
- Ensure adequacy of internal controls and audit procedures;
- Monitor compliance with accounting standards and regulations;
- Review related party transactions for approval;
- Oversee internal and external audit functions.

4.4 Compliance and Regulatory Matters

The Board shall:

- Ensure compliance with Companies Act 2013, RBI regulations, guidelines, and other applicable laws;
- Review regulatory inspection findings and remedial actions;
- Approve policy framework for regulatory compliance;
- Monitor statutory reporting and disclosures;
- Ensure timely submission of regulatory returns and filings.

4.5 Appointment and Compensation

The Board shall:

- Approve Key Managerial Personnel (KMP) and Senior Management (SM) appointments;
- Review and approve remuneration policies;
- Ensure Board succession planning and talent development;
- Assess director performance and reappointment;
- Review and approve employee stock options if applicable.

4.6 Corporate Governance

The Board shall:

- Approve and review corporate governance policies;
- Ensure transparency and ethical conduct;
- Establish and enforce Code of Conduct;
- Oversee whistleblower mechanism and grievance redressal;
- Monitor conflicts of interest and related party transactions.

4.7 Stakeholder Management

The Board shall:

- Ensure fair treatment and protection of stakeholder interests;
- Approve dividend policy and capital allocation framework;

- Review investor relations and shareholder communications;
- Monitor customer protection and grievance redressal;
- Ensure environmental, social, and governance (ESG) compliance.

5. BOARD DECISIONS REQUIRING APPROVAL

The following matters require explicit Board approval:

5.1 Financial Matters

- Annual budget and financial forecasts
- Quarterly financial results and annual financial statements
- Capital expenditure exceeding ₹X crores (as per defined authority)
- Acquisition or disposal of assets exceeding ₹X crores
- Related party transactions exceeding threshold
- Dividend/profit distribution
- Issuance of securities or debt instruments
- Material contracts and agreements

5.2 Strategic Matters

- Business plan and strategic objectives
- Entry into new business segments
- Geographic expansion or branch opening
- Partnership or joint venture agreements
- Mergers, acquisitions, or sale of business
- Significant change in business model

5.3 Personnel Matters

- Appointment and removal of CEO/MD, CFO, Company Secretary
- Appointment of Board members and committee composition
- Approval of remuneration policy
- Approval of individual remuneration of KMPs

- Senior management succession planning

5.4 Governance and Compliance Matters

- Policy approvals and amendments
- Code of Conduct and ethics framework
- Related party transaction policy and approvals
- Investment policy and treasury operations
- Risk management policy and risk appetite
- Internal audit plan and external audit appointment
- Regulatory compliance framework

5.5 Disclosure Matters

- Stock exchange announcements
- Investor presentations and disclosures
- Related party transaction disclosures
- Director and KMP interest declarations
- Risk management disclosures

6. DELEGATION OF AUTHORITY

6.1 Delegated Powers

The Board may delegate authority to:

- **Managing Director/CEO** – for day-to-day operational decisions within approved framework;
- **Audit Committee** – for internal audit oversight and audit committee-specific matters;
- **NRC** – for HR and remuneration matters within policy framework;
- **Risk Committee** – for risk management framework and monitoring;
- **Other committees** – for committee-specific matters.

6.2 Authorities Reserved with Board

The following matters are reserved and cannot be delegated:

- Approval of financial statements and dividend
- Appointment/removal of Board members and CEO
- Approval of corporate strategy and business plan
- Related party transaction approvals above threshold
- Major acquisitions/disposals/investments
- Capital expenditure above threshold
- Audit committee recommendations and audit engagement
- Policy approvals affecting stakeholder interests
- Appointment of statutory auditors and audit fees

6.3 Limits of Authority

A detailed Limits of Authority document shall be:

- Approved by Board annually
- Communicated to all managers and staff
- Reviewed for adequacy and updated as needed
- Monitored for compliance
- Disclosed as per regulatory requirements

7. COMMITTEE STRUCTURE AND FUNCTIONING

7.1 Audit Committee

Composition: 3-5 members, majority independent, Chairman independent director

Responsibilities:

- Oversight of internal audit and auditor independence
- Review of financial statements and audit findings
- Monitoring of internal controls and risk management
- Review of related party transactions

- Oversight of regulatory compliance

Meeting Frequency: Minimum 4 times per annum

7.2 Nomination and Remuneration Committee

Composition: 3-5 members, majority independent

Responsibilities:

- Director appointment and fit and proper assessment
- Board composition and succession planning
- Remuneration policy approval and review
- KMP appointment and compensation review
- Director performance evaluation

Meeting Frequency: Minimum 2 times per annum

7.3 Risk Management Committee

Composition: 3-5 members including CEO and CFO

Responsibilities:

- Risk identification, assessment, and mitigation
- Enterprise risk management framework
- Risk appetite and monitoring
- Business continuity and crisis management
- Regulatory risk and compliance

Meeting Frequency: Minimum 4 times per annum

7.4 Stakeholder Grievance Committee

Composition: 3-5 members, headed by independent director

Responsibilities:

- Review and resolution of stakeholder grievances
- Customer complaint oversight

- Investor relation matters
- Whistleblower mechanism and protected disclosures
- Policy implementation and transparency

Meeting Frequency: Minimum 2 times per annum

8. BOARD PERFORMANCE EVALUATION

8.1 Board Evaluation

- Conducted annually by independent external evaluator;
- Assesses Board's effectiveness, composition, and processes;
- Reviews committee functioning and performance;
- Provides feedback for Board improvement;
- Addresses governance gaps and enhancement areas.

8.2 Individual Director Evaluation

- Conducted annually for each director;
- Assesses competence, participation, and contribution;
- Reviews compliance with Code of Conduct;
- Evaluates independence and conflicts;
- Identifies training and development needs.

8.3 Committee Evaluation

- Each committee evaluated annually;
- Assesses charter compliance and effectiveness;
- Reviews meeting frequency and attendance;
- Evaluates decision quality and timeliness;
- Identifies process improvements.

9. CODE OF CONDUCT

9.1 For Board and Senior Management

The Code shall encompass:

- Ethical conduct and integrity standards
- Confidentiality and information protection
- Conflict of interest management
- Fair dealing and anti-corruption
- Compliance with laws and regulations
- Whistleblower protection
- Sanctions for violations

9.2 For Employees

A separate Code of Conduct for employees shall:

- Establish behavioral expectations
- Define disciplinary procedures
- Address anti-harassment policies
- Ensure fair and respectful workplace
- Promote compliance culture

10. RELATED PARTY TRANSACTION MANAGEMENT

The Board shall:

- Approve RPT policy for identification and review;
- Review and approve specific related party transactions;
- Ensure fair pricing and arm's length nature;
- Monitor aggregate RPT exposure;
- Ensure adequate disclosures in financial statements;
- Maintain detailed records and documentation.

11. DISCLOSURE AND TRANSPARENCY

11.1 Public Disclosures

- Corporate governance framework and policies
- Board composition and director details
- Committee composition and functioning
- Related party transactions
- Related party policy and approval process
- Risk management framework
- Performance evaluation results (aggregate)
- Whistleblower policy and outcome
- Major policy changes and amendments

11.2 Regulatory Submissions

- Timely submission of regulatory returns and filings
- Stock exchange announcements and disclosures
- RBI inspection report follow-ups
- Compliance reports and certifications
- Audit committee recommendations
- Director and KMP disclosures

12. REVIEW AND AMENDMENT

- This Policy shall be reviewed annually by the Board;
- Amendments required by regulatory changes shall be implemented promptly;
- Material amendments require Board approval and shareholder notification;
- Annual confirmation of policy compliance shall be provided to Board;
- Policy shall be published on Company website.

For Navarathna Housing Finance Ltd.,



(Managing Director)