

PIRAMAL CAPITAL & HOUSING FINANCE LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

As part of the Piramal Group, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business, accountability to its customers, government and others.

Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance. The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and periodically reviewed by the Board and the Committees of the Members of the Board.

The Board of Directors of Piramal Capital & Housing Finance Limited (hereinafter referred to as "Company" or "PCHFL") has adopted the Internal Guidelines on Corporate Governance as required by National Housing Bank ("NHB") under Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, as amended from time to time.

II. GOVERNANCE STRUCTURE AND CONSTITUTION OF VARIOUS COMMITTEES:

A. BOARD OF DIRECTORS

The Board of Directors ("the Board") along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company. The Board of the Company shall have an optimum combination of Executive and Non- Executive directors in compliance with the Companies Act, 2013 and other regulatory guidelines, if any.

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through supervision and strategic inputs. The Board of Directors along with the Committee of Directors shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

B) COMMITTEES OF THE BOARD

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the

Board. Accordingly, as per the requirement of NHB directions, the core committees constituted by the Board in this connection are as follows:

i. Audit & Risk Management Committee:

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013 and in terms of applicable NHB guidelines in this regard. The committee so constituted consists of not less than three members of the Board of Directors.

The Audit Committee shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013, applicable SEBI Regulations, NHB guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

An Information System Audit (“ISA”) of the internal systems and processes will be conducted at least once in two years to assess operational risks faced by the HFCs. Further, the Company will carry out the ISA separately through a Certified Information System Auditor (“CISA”), in compliance with the provisions of the Directions.

ii. Nomination and Remuneration Committee:

The Company has a well constituted Nomination and Remuneration Committee. The committee has been set up in compliance with the provisions of Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, applicable SEBI Regulations, NHB guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The Committee shall meet as and when required and prior to every appointment/ reappointment.

iii. Corporate Social Responsibility Committee:

The Committee is authorised and empowered to do the following acts and things:

- (a) formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company;
- (b) recommend the amount of expenditure to be incurred on the CSR activities;
- (c) monitor the CSR Policy of the Company from time to time;
- (d) implement and monitor approved CSR activities;
- (e) undertake such activities and carry out such functions as may be provided by section 135 of the Companies Act 2013 and the Rules prescribed thereunder, upon its notification and coming into force.

iv. Asset-Liability Management Committee:

The Company has in place the Asset-Liability Management Committee (“ALCO”) constituted in accordance with the NHB guidelines. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure and managing liquidity. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

v. Other Committees:

In addition to the aforesaid Committees, the Company has also constituted various other Committees to oversee specific areas and/ or for the smooth functioning of business/ functional operations:

1. IT Strategy Committee
2. Committee of Directors

III. FIT & PROPER CRITERIA:

Pursuant to NHB’s direction no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, a Board approved policy on ‘Fit and Proper Criteria for Directors’ (“the Policy”) is being put in place. Pursuant to the Policy, the Company will obtain necessary disclosures from Directors at the time of appointment and on a continuing basis. Further, the Company will ensure compliance with the provisions laid down in the said Policy. Further, as required under the above NHB directions, the Company shall ensure to furnish to NHB on a quarterly basis within 15 days of the end of quarter, quarterly statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. Further, the Company will ensure that the statement for the quarter ending March 31, is certified by the auditors. All other quarterly statements may be certified by the Managing Director. In case of no change in the directors during a quarter, a ‘Nil’ statement will be submitted.

As stipulated in the said Directions, the Company -

- a) has put in place a policy for ascertaining fit and proper criteria of the directors at the time of appointment and thereafter on a continuing basis.
- b) has a system for disclosure to the Board at regular intervals on the following: (i) risk management framework and risk management policy and strategy followed; and (ii) conformity with the prescribed corporate governance standards.
- c) will make the necessary disclosures in the Annual Report as required under the aforesaid Directions, and
- d) will rotate the partner/s of the statutory auditors’ firm every three years.

The above guidelines shall be periodically reviewed and brought in conformity with statutory and regulatory requirements.

IV. Statutory Auditors

The Board and the Audit & Risk Committee shall be responsible for the appointment of the Statutory Auditors who demonstrate professional ability and independence. Declaration to be obtained every year from the Statutory Auditors affirming their eligibility for being appointed as Statutory Auditors of the Company.

The Company shall rotate the partner(s) of the Chartered Accountant Firm conducting the statutory audit of the Company every three years so that the partner does not conduct audit of the Company continuously for more than a period of three years as per the requirements of NHB, Internal guidelines on Corporate Governance. However the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years.

V. Internal Auditors

The Board and the Audit & Risk Committee shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of internal controls, processes and procedures instituted by the Company.

VI. Secretarial Auditors

The Board shall appoint independent Company Secretary in Practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct the Secretarial Audit of the Company.

VII. DISCLOSURES AND TRANSPARENCY

The Company is committed to make adequate disclosures based on the principals of transparency, timeliness, fairness and continuity. The Board of Directors and employees shall ensure and make necessary disclosures to the Company, Regulators and Statutory Authorities, Shareholders or other stakeholders as may be required by the applicable laws/ Policies of the Company.

The following information shall be put to the Board of Directors at regular intervals:

- i. Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance.
- ii. Updates of the various committees meetings.