

**AAVAS FINANCIERS LIMITED**

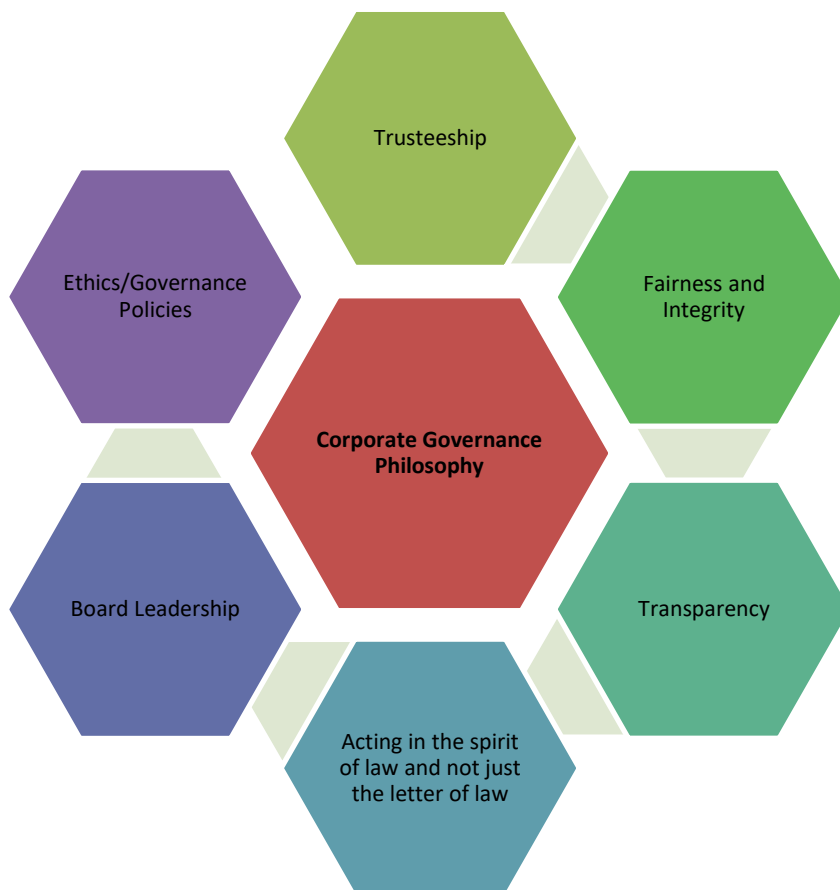


**INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

## CORPORATE GOVERNANCE PHILOSOPHY

Aavas Financiers Limited (referred as “Aavas” or “Company”) is committed towards achieving the highest standards of Corporate Governance right from its establishment by staying true to its core values of Customer first, transparency, fairness in action, accountability, integrity and equity in all its engagements. The Company continually work towards managing, monitoring and overseeing various corporate systems in such a manner that the Company’s reliability and reputation are not put at stake. The Company’s Corporate Governance framework ensures that it makes timely and appropriate disclosures and shares factual and accurate information to its stakeholders so as to make an informed decision.

The Company’s Board is constituted of highly experienced professionals from diverse backgrounds which consists of values of collaborative spirit, unrelenting dedication, expert thinking and a primary role of trusteeship to protect and enhance stakeholders’ value through strategic supervision. The Board provides direction and exercises appropriate controls.



## **RESERVE BANK OF INDIA GUIDELINES ON CORPORATE GOVERNANCE**

Reserve Bank of India ("RBI") vide Non-Banking Financial Company –Housing Finance Company (Reserve Bank) Directions, 2021 ("RBI Master Directions"), directed Housing Finance Companies (HFCs) inter alia to frame internal guidelines on corporate governance with the approval of the Board of Directors.

These Guidelines on Corporate Governance are applicable to the Company and are formulated to comply with the NHB Directions.

Pursuant to the same, the Board of Directors of the Company at their meeting held on 26<sup>th</sup> May, 2017, have approved and adopted the Internal Guidelines on Corporate Governance.

The Internal Guidelines on Corporate Governance has been framed in accordance with Companies Act, 2013, (**The Companies Act**), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR, Regulations**), **RBI Master Directions** and other applicable rules and regulations. The policy will be reviewed, as and when necessary, by the Board in the context of changing regulations and emerging best practices with a view to improving the Company's governance standards on an ongoing basis

### **A. BOARD OF DIRECTORS**

The Board of Directors plays a crucial role in overseeing how the management serves the short and long-term interests of stakeholders. This belief is reflected in Aavas governance practices, under which the Company strives to maintain an effective, informed and independent Board. The Board represents the interest of the Company's stakeholders, oversees and directs the Company's overall business and affairs, reviews corporate performance, authorizes and monitors strategic investments, has an oversight on regulatory compliances and corporate governance matters and provides the management with guidance and strategic direction.

The Board, along with its various Committees, provides leadership and guidance to the Company's management and directs, supervises and ensures functioning of the Company in the best interest of all the stakeholders.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines/ Regulations applicable to the Company. All the Directors shall meet the 'fit and proper' criteria as prescribed by the NHB.

All the Directors on the Board (except Independent Directors and Executive Director) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

❖ **NUMBER OF DIRECTORSHIP/COMMITTEE/MEMBERSHIP:**

Sr. no	Heading	Particular
1	Maximum no of Directorship	<ul style="list-style-type: none"> <li>A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10</li> <li>Any person who is serving as a whole time director / managing director in any listed entity shall serve as an independent director in not more than three listed entities</li> </ul>
2	Directorship in listed entities	A person shall not be a director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020
3	Independent Director	A person shall not serve as an Independent Director in more than seven listed entities
4	Committee/ Membership	A Director shall not be a Member in more than 10 Committees or shall not act as Chairperson of more than 5 Committees across all listed Companies in which he/she is a Director

❖ **DIRECTOR DISCLOSURE:**

All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place in the next board meeting.

Further all the Directors including Independent Director shall also give disclosures and declaration as required to be given under Companies Act, SEBI LODR Regulations and RBI Master Directions.

❖ **CODE OF CONDUCT FOR BOARD OF DIRECTORS AND SENIOR MANAGEMENT:**

The Board of Directors shall lay down a Code of Conduct for Board of Directors and Senior Management of the Company. The Board of Directors and Senior Management Personnel shall affirm compliance with the code on an annual basis.

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.

❖ **MEETINGS OF THE BOARD**

Act/Regulation	The Companies Act, SEBI LODR Regulations and other applicable guidelines
Composition	Board of directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty% of the board of directors shall comprise of non-executive directors

Quorum	1/3 <sup>rd</sup> of the total number of directors or three (3) directors whichever is the higher including at least one independent director.
Meeting	At least four Board Meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days
Chairperson	As per Companies act, LODR and AOA of the Company
Terms of reference/ roles & responsibilities	As per Companies act and LODR

The Independent Directors of the Company shall meet at least once in a year without the presence of Non-Executive Directors and the Management in terms of Schedule IV of the Companies Act, 2013.

## B. COMMITTEES OF THE BOARD

The Board of Directors has constituted a set of Committees comprising of Directors of the Company and expert senior management personnel as its Members. The Committees allow Board to divide the work of the Board into manageable sections and take informed decisions in the best interest of the Company. These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters. These Board Committees operate as empowered agents of the Board as per their terms of reference. To enable better and more focused attention on the affairs of the Company, the Board delegates particular matters to the respective Committees of the Board set up for the purpose. These specialist Committees prepare the groundwork for decision-making and provide updates at the subsequent Board Meeting.

These Board Committees have specific terms of reference/scope to focus effectively on the issues and ensure expedient resolution of diverse matters.

All decisions pertaining to the constitution/re-constitution/dissolution of Committees, appointment of members and fixing/modification of terms of reference of the various Committees shall be made by the Board of Directors.

### DETAILS OF THE COMMITTEES:

#### 1. AUDIT COMMITTEE

The Board constituted the Audit Committee in terms of provisions of Section 177 of the Act, Regulation 18 read with Part D of Schedule II of SEBI LODR Regulations and RBI Master Directions.

Act/Regulation	The Companies Act, SEBI LODR Regulations and other applicable guidelines
Composition	Minimum 3 Directors out of which 2/3 <sup>rd</sup> of the members shall be Independent Directors  All the Members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise
Quorum	1/3 <sup>rd</sup> or 2 Members, whichever is greater with atleast 2 independent

	directors.
Meeting	4 times in a year & the time gap between 2 meetings shall not exceed 120 days
Chairperson	The Chairperson of the Audit Committee shall be an Independent Director
Terms of reference/ roles & responsibilities	The Audit Committee shall have the same powers, functions and duties as laid down in Section 177 of the Act, Regulation 18 read with Part C of Schedule II of SEBI LODR, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

## **2. NOMINATION AND REMUNERATION COMMITTEE:**

The Board constituted the Nomination and Remuneration Committee in terms of the provisions of Section 178 of the Act, Regulation 19 read with Part D of Schedule II of SEBI LODR Regulations, RBI Master Directions

Act/Regulation	The Companies Act, SEBI LODR Regulations and other applicable guidelines.
Composition	At least 3 directors, all the directors shall be non-executive and 2/3 <sup>rd</sup> of members shall be independent directors
Quorum	2 Members or 1/3 <sup>rd</sup> of the members of the committee, whichever is greater, including at least 1 independent director in attendance.
Meeting	The Committee shall meet at least once in every financial year
Chairperson	The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director. The Chairperson of the Company, whether executive or non-executive, may be appointed as a member of the Committee but shall not be allowed to chair the Committee
Terms of reference/ roles & responsibilities	The Committee shall have the same powers, functions and duties as laid down in Section 178 of the Act, Regulation 19 read with Part D of Schedule II of SEBI LODR, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

## **3. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Board constituted the Corporate Social Responsibility Committee in terms of the provisions of Section 135 of the Act

Act/Regulation	The Companies Act and other applicable guidelines
Composition	The Committee shall comprise of 3 or more Directors, out of which at least 1 director must be an independent director
Quorum	1/3 of its total strength or two members, whichever is higher.
Meeting	The Committee shall meet as and when required.
Terms of reference/ roles & responsibilities	As per section 135 read with Schedule VII of the Companies Act.

#### 4. RISK MANAGEMENT COMMITTEE

The Board constituted the Risk Management Committee in terms of the provisions of Regulation 21 of SEBI LODR Regulations and RBI Master Directions

Act/Regulation	The Companies Act, SEBI LODR Regulations and other applicable guidelines
Composition	Minimum 3 members with majority of them being members of the board of directors including atleast 1 independent director
Quorum	Either two members or 1/3 <sup>rd</sup> of the members of the committee, whichever is higher including at least one member of the board of directors in attendance.
Meeting	The Committee shall meet at least twice in a year. The meetings of the committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.
Chairperson	Chairperson of the Committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee
Terms of reference/ roles & responsibilities	<p>The board of directors shall define the role and responsibility of the Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit, such function shall specifically cover cyber security.</p> <p>The Committee shall have the same powers, functions and duties as laid down in Regulation 21 read with Part D of Schedule II of SEBI LODR, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.</p> <p>The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.</p>

#### 5. STAKEHOLDER RELATIONSHIP COMMITTEE

The Board constituted the Stakeholders Relationship Committee in terms of the provisions of Section 178 of the Act and Regulation 20 read with Part D of the Schedule II of SEBI LODR Regulations

Act/Regulation	The Companies Act, SEBI LODR Regulations and other applicable guidelines
Composition	At least 3 directors with at least 1 independent director
Quorum	
Meeting	The Committee shall meet at least once in a year.
Chairperson	Chairperson of the Committee shall be a non-executive director
Terms of reference/	The Committee shall have the same powers, functions and duties as laid down in Regulation 20 read with Part D of Schedule II of SEBI LODR, RBI

roles & responsibilities	guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.
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#### 6. ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO)

The Board constituted the Asset Liability Management Committee as per the guidelines issued by the NHB

Act/Regulation	As per NHB and RBI guidelines
Composition	The size (number of members) of ALCO would depend on the size of each institution, business mix and organizational complexity. To ensure commitment of the Top Management and timely response to market dynamics, the CEO/CMD/President or the ED should head the Committee. The Chiefs of Investment, Credit, Resources Management or Planning, Funds Management/ Treasury, International Business and Economic Research can be members of the Committee.
Quorum	The quorum for the meetings of the ALCO shall be any two Directors
Meeting	The ALCO shall meet quarterly
Terms of reference/ roles & responsibilities	The Committee is responsible for keeping a watch on the asset liability gaps, if any. ALCO lays down policies and quantitative limits relating to assets and liabilities, based on the assessment of the various risks involved in managing them.  The Committee shall have the roles and responsibilities as per NHB and RBI Guidelines and as may be prescribed by the Board of the Company from time to time.

#### 7. MEETING OF INDEPENDENT DIRECTOR

Act/Regulation	The Companies Act read with Schedule IV of the Companies Act
Composition	All the Independent Directors of the Company
Quorum	All the Independent Directors of the Company shall be required to be present at the meeting
Meeting	The Committee shall meet at least once in a financial year.
Chairperson	As elected in the Meeting
Terms of reference/ roles & responsibilities	As per Companies act, SEBI LODR and other applicable regulations

#### 8. 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.

- Executive Committee
- IT Strategy Committee
- Customer Service & Grievance Redressal (CS&GR) Committee

#### C. FIT & PROPER CRITERIA



Pursuant to RBI Master Directions, 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 RBI Master 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, will be certified by the auditors.

#### **D. 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 & Remuneration Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

#### **E. AUDITORS**

##### **❖ Statutory Auditors**

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence in accordance with the RBI Guidelines, SEBI LODR Regulations and Companies Act, 2013. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

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 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.

##### **❖ Internal Auditors**

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

##### **❖ Secretarial Auditors**

The Board shall appoint an independent Company Secretary in practice, in accordance with the provisions of the Companies Act, 2013, SEBI LODR Regulations and Rules made thereunder to conduct a Secretarial Audit of the Company for every financial year.

The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the Members of the Company in accordance with the applicable laws / regulations.

#### **F. POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, SEBI LODR Regulations, the RBI Guidelines / Directions applicable to the Company, and such other laws and regulations as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

#### **G. DISCLOSURES AND TRANSPARENCY**

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.

#### **H. 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, SEBI Listing Regulations and RBI Directions/guidelines, issued from time to time.

#### **I. REVIEW**

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

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Date of approval by the Board: **May 26, 2017**

Date of last review by the Board: **February 01, 2024**

Version: **0.8**