

**MICRO HOUSING FINANCE CORPORATION LTD**  
**CORPORATE GOVERNANCE POLICY (w.e.f 01.04.2017)**

In recent years, there has been an increasing global trend and need towards improved corporate governance practices, accountability and responsibility. Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Corporate governance is primarily the responsibility of the Board as a group. The Board performs its duties with the support of managerial staff.

Timely and accurate disclosure of information regarding the financial situation, performance, board constitution, ownership of the company is an important part of corporate governance. Corporate governance arrangements are those through which an organisation directs and controls itself and the people associated with it.

The current policy is being updated w.e.f. 01.04.2017 (which will be ratified by the Board at its meeting to be held on 29<sup>th</sup> May, 2017 along with the annual review of the other Policies of the Company) to note the changes contained in the NHB Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9<sup>th</sup> February, 2017 advising Housing Finance Companies (HFCs) to ensure compliance of the guidelines mentioned therein in relation to the Corporate Governance Standards of the Company.

**THE COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company's philosophy on corporate governance envisages adherence to the highest levels of transparency, accountability and equity, in all areas of its operations and in all interactions with its stakeholders, including shareholders, employees, government and other agencies. The Company is committed to achieving the highest standards of corporate governance. It believes that all operations must be spearheaded towards attaining the final objective of enhancing shareholder value continuously.

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance.

The Company is committed to establish and maintain best corporate governance practices. However, at this stage, since the Company is not a listed entity, there is no requirement to comply with the corporate governance requirements as per the Listing Agreement with Stock Exchanges.

However, the following policy is being framed and will be revised from time to time during the coming years to assist the Board in the exercise of its responsibilities and ensure good Corporate Governance in the Company.

## **BOARD OF DIRECTORS**

The Board is responsible to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging their duties the Directors shall comply with the Code of Conduct as adopted by the Board.

Directors are expected to attend and actively participate in Board Meetings and Meetings of Committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

The Board is responsible for overall compliance with the corporate governance of the Company. It oversees and directs the management of the Company's business and affairs. In doing so, it must act honestly, in good faith, and in the best interests of the Company.

### **Duties and Responsibilities**

The Board is responsible for overseeing compliance with all relevant policies and procedures by which the Company operates and ensuring that the Company operates at all times in compliance with all applicable laws and regulations adhering to the highest ethical and moral standards.

The Board monitors the financial performance of the Company and must ensure that the financial results are prepared in accordance with the generally accepted accounting principles and is reported to shareholders and regulators on a timely and regular basis. The Board must also ensure that all material developments of the Company are disclosed to the public on a timely basis.

### **Size of the Board**

As per the Articles of Association of the Company, the maximum number of Directors which the Company can appoint is 8.

### **Board Composition**

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors.

### **Independent Director**

As defined in Section 149 (6) of the Companies Act, 2013, an independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director:

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

- (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (e) who, neither himself nor any of his relatives—
  - (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
    - (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
    - (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
  - (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or
  - (iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- (f) who possesses such other qualifications as may be prescribed.

### **Appointment of Director**

The invitation to join the Board is extended on behalf of the Board by the Chairman of the Board. New director shall be apprised of the working of the Company and various codes of conduct adopted by the Company in its functioning.

In case of appointment of a new director or re-appointment of a director the shareholders shall be provided with the following information:

- a. A brief resume of the director;
- b. Nature of his expertise in specific functional areas; and
- c. Names of companies in which the person also holds the directorship and the membership of committees of the board.

## **Tenure**

The tenure of Executive Directors shall not exceed a period of five years on each occasion. Non-Executive Directors shall be eligible for retirement by rotation as well as reappointment.

## **Compensation/ Sitting fees**

### Executive Directors:

Executive Directors shall be paid remuneration within the limits envisaged under Schedule V of the Companies Act, 2013. The remuneration payable shall be recommended by the Nomination & Remuneration Committee of the Company and be approved by the Board as well as the shareholders of the Company. As a policy, no sitting fees shall be payable to Executive Directors.

### Non- Executive/ Independent Directors:

Non-Executive Directors/ Independent Directors may be paid sitting fees for attending Board Meeting. No fees will be paid for attending Committee Meetings. The sitting fees to be paid shall be within the prescribed limits of Companies Act, 2013 and other applicable provisions of various regulations as the case may be.

All compensation paid to Non-Executive Directors shall be fixed by the Remuneration Committee/ Board of Directors and shall be approved by shareholders in general meeting. All compensation paid to the Independent Director shall be in accordance with the Code of Conduct for Independent Directors.

## **BOARD MEETINGS**

The Board Meetings of the Company shall be held at least four times a year, in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board. The meetings of the Board will be held at the Company's registered office unless otherwise decided by the Board of Directors.

## **Information to be placed before Board of Directors**

This should include at minimum the following items:

- a. Annual operating plans and budgets and any updates.
- b. Capital budgets and any updates.
- c. Quarterly results for the company and its operating divisions or business segments.
- d. Minutes of meetings of Audit Committee and other committees of the Board.
- e. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.

- f. Show cause, demand, prosecution notices and penalty notices which are materially important.
- g. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- h. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- i. Details of any joint venture or collaboration agreement.
- j. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- k. Significant Human Resources problems and their proposed solutions.
- l. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- m. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- n. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o. The returns/ forms/ reports submitted to various authorities like ROC, RBI, NHB, Income Tax, etc.
- p. All the other regulatory requirements as required by the National Housing Bank and any other statutory authority, from time to time.

### **Agenda for the Meeting**

The agenda for the Board Meetings will be sent to the Directors at least 7 days prior to the Meeting. The Meetings can be held at a shorter notice subject to the provisions of the Secretarial Standards, Companies Act, 2013 and the Articles of Association of the Company. Each Board member is free to suggest the inclusion of items on the agenda. With the permission of the Chair, each Board member is also free to raise at any Board Meeting matters that are not on the agenda. All information relevant to the agenda to be discussed at an upcoming Board Meeting shall be distributed in writing or electronically to all members to facilitate informed decisions at the Meeting. However, with reference to any sensitive matter on the agenda, relevant information shall be made available only at the time of the Board Meeting.

### **Attendance at Board Meetings**

The Board Meetings shall be attended by the Directors and on invitation of the Board by the selected executives of the Company who can provide an insight into the items being discussed. All the Executive as well as Non-Executive Directors shall make it a point to attend all meetings of the Board. In case a Director cannot attend a specific Board Meeting, he or she shall obtain leave of absence from the Board. The Board, in its sole discretion, shall also have access to any independent advisors.

## **Planning**

At the Board Meeting the Board shall make strategic and operating plans for the Company. The Board shall review the plans periodically as may be necessary.

## **Minutes**

Subject to and in accordance with the provisions of the Secretarial Standards (including any amendments thereto from time to time) as issued by the Institute of Company Secretaries of India, the minutes of all meetings of the Board shall be circulated to the Board before finalization and shall be approved in the next Board Meeting.

## **BOARD COMMITTEES**

The functioning of the Board shall be further supplemented by the Audit Committee, Nomination & Remuneration Committee and CSR Committee.

- **The Audit Committee**

The Company has formed an Audit Committee in compliance with the provisions of Companies Act, 1956 which binds the constitution and functioning of the Committee.

As per Section 177 of the Companies Act, 2013, the Audit Committee of the Company shall consist of not less than three Directors of which majority shall be Independent Directors, who shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise etc. To bring the existing Audit Committee of the Company in line with the provisions of the Companies Act, 2013, the Committee was re-constituted by the Board of Directors at its meeting held on 16<sup>th</sup> March, 2015.

- **Nomination & Remuneration Committee:**

As per Section 178 of the Companies Act, 2013, the Company was required to have a Nomination & Remuneration Committee. The Committee should consist of 3 or more Non-Executive Directors out of which half of the members should be Independent Directors. The Nomination & Remuneration Committee was re-constituted by the Board of Directors at its meeting held on 16<sup>th</sup> March, 2015.

- **CSR Committee:**

As per Section 135 of the Companies Act, 2013, the Company was required to have a CSR Committee. The Committee should consist of 3 or more Directors out of which at least one Director should be an Independent Director. The CSR Committee was constituted by the Board of Directors at its meeting held on 16<sup>th</sup> March, 2015.

## **REVIEW OF CORPORATE GOVERNANCE POLICY**

The Board shall have the right to amend the Corporate Governance Policy from time to time. The Policy shall be reviewed every year along with the other policies of the company. However, it shall be reviewed earlier if need arises for the same and/ or under special circumstances, for example a change in law.