



Motilal Oswal Home Finance Limited (MOHFL)

**INTERNAL GUIDELINES ON CORPORATE
GOVERNANCE**

Approved By

Board of Directors at its meeting held on April 25, 2017

Title	MOHFL Internal Guidelines on Corporate Governance
-------	---

Date of Latest Release	October 19, 2022
------------------------	-------------------------

Amended/Reviewed by the Board of Directors at its Meeting Held on October 19, 2022

INDEX

Sr. No	Particulars	Page No.
1.	Philosophy, purpose and scope	4
2.	Board of Directors	4
3.	Committees	6
4.	Criteria for Fit and Proper Evaluation	8
5.	Conflict of Interest	9
6.	Auditor	9
7.	Policies adopted by the company	10
8.	Disclosures	10
9.	Chief Compliance Officer	11
10.	Loans to Directors, Senior Officers And Relatives of Directors	11
11.	Review/Revision of Policy	11

VERSION DETAILS

Sr. No.	Details of Changes	Date of Creation/Change	Department	Author	Version Number	Approved By
1.	Original Document	April 25, 2017	Secretarial	Company Secretary	Ver. 1.0	Board of Directors
2.	Review	May 21, 2018	Secretarial	Company Secretary	Ver. 1.0	Board of Directors
3.	Amendment	April 27, 2020	Secretarial	Company Secretary	Ver. 1.1	Board of Directors
4.	Amendment	October 19, 2022	Compliance	Compliance Team	Ver. 1.2	Board of Directors

Motilal Oswal Home Finance Limited

Internal Guidelines on Corporate Governance (As approved by the Board of Directors of the Company)

1. PHILOSOPHY, PURPOSE AND SCOPE

At Motilal Oswal Home Finance Limited (MOHFL/ 'the Company'), we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

In order to continue to have best practices and greater transparency in the operations of the Company and in compliance with the Chapter IX of Master Direction - Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021 ("Master Direction") and Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued by the Reserve Bank of India (RBI), the Company has framed these Internal Guidelines on Corporate Governance.

2. BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors, with at least one-woman Director and at least one-third of the total number of Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the RBI.

The Directors bring to the Board a wide range of experience and skills, which includes banking, global finance, loan, accounting and economics. None of the Directors of the Company are related to each other.

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.

At least one of the director of the company shall have relevant experience of having worked in a bank/ NBFC, considering the need for professional experience in managing the affairs of the company.

Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer, except for directorship in a subsidiary.

Meetings of the Board

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

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. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

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 Independent Director shall not hold position in more than three NBFCs ((NBFC-Middle Layer or NBFC-Upper Layer) at the same time subject to permissible limits mentioned in the Companies Act, 2013. Board of the company shall ensure that there is no conflict arise out of their independent directors being on board of another NBFC.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee (NRC) and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

Presently, the Non-Executive Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, and by way of commission, in compliance with the applicable laws in this regard.

3. COMMITTEES

The Board has constituted several committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Audit Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Finance and Securities Allotment Committee and other Committee(s) have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines/ directions issued by the RBI as applicable on the Company, the Securities and Exchange Board of India ("SEBI"), such other applicable laws for the time being in force and for internal requirements and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Board Committees and other Committee(s) as specified by the Board would be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise one vote.

Details of various Committee(s) are as under:

1. AUDIT COMMITTEE (AC)

The Audit Committee shall include not less than three members of its Board of Directors. The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and its subsidiary(ies) and their financial controls and systems or any other function as may be determined by the Board.

The members of the Audit Committee shall meet at such intervals as and when required, but shall meet at least 4 (four) times in a financial year.

The Committee shall ensure that an Information System Audit for critical and significant internal systems and processes should be conducted at least once in two years to assess operational risks faced by the company. The Information System Audit shall be carried out separately by the Certified Information System Auditor (CISA).

The Committee shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

2. NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee shall be responsible to (i) deal with nomination, appointment and remuneration of Directors on the Board; (ii) decide on remuneration packages (including pension rights, employee's stock options and

compensation payments, etc.) of the Executive Directors, Non- Executive Directors including Independent Directors and Senior-level employees; (iii) implement and monitor employee stock options scheme(s) and related matters; (iv) decide on appraisal, performance bonus and variable pay of all employees including Non-Executive Independent Directors in compliance with applicable laws and (v) the related matters in accordance with the applicable laws.

The Company has in place separate policy on fit and proper criteria for proposed/existing directors. The committee shall ensure that there is no conflict of interest while appointment of directors and their independence is not subject to potential threats.

The Committee shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

3. RISK MANAGEMENT COMMITTEE

Risk Management Committee (RMC) shall evaluate, identify, monitor, manage and mitigate all the risk applicable on the company considering business operations through integrated risk management system. The committee shall lay down risk tolerance level, monitoring risk exposure and risk management plan. The committee shall be responsible for setting up and reviewing risk management policies of the company from time to time.

The Committee shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

4. ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee (ALCO) determines the maturity profile of assets and liabilities, type of funding, monitor level of risks and determine actions to mitigate risks associated with the asset and liability mismatches and manage liquidity risk of the company.

The Committee (ALCO) shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

5. FINANCE AND SECURITIES ALLOTMENT COMMITTEE

Finance and securities Allotment Committee shall deliberate and approve all matters relating to Finance, allotment of the securities and all other matters, acts and deeds that may be necessary in this regard.

The Committee shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee shall decide upon the corporate social responsibility activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board for its consideration and approval. The Committee shall be responsible for monitoring the CSR Policy of the Company.

The Committee shall undertake duties pertaining to Terms of reference approved by the Board of Directors time to time.

In addition to above, the Board may constitute such other Committees, as may be required for effective functioning of the Company and as per applicable laws for the time being in force.

4. CRITERIA FOR FIT AND PROPER EVALUATION

MOHFL shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

Further, the company has in place separate Board approved policy on Fit and proper Criteria of the Directors.

a) MOHFL shall obtain necessary information and declaration from the proposed / existing Directors.

b) The process of due diligence shall be undertaken by the MOHFL at the time of appointment / renewal of appointment.

c) The Boards of the MOHFL has constituted Nomination and Remuneration Committee (NRC) to scrutinize the declarations.

d) Based on the information provided in the signed declaration, NRC shall decide on the acceptance or otherwise of the Directors, where considered necessary.

f) The Board of MOHFL must ensure in public interest that the nominated/ elected Directors execute the deeds of covenants.

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 NRC shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

5. CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policy(ies) and code(s) adopted by the Company.

The Directors, senior management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, s u c h Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Managing Director and CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

6. AUDITORS

The company has in place the board approved Policy on Appointment of Statutory 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. 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 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.

7. POLICIES ADOPTED BY THE COMPANY

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, 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.

8. DISCLOSURES

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.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to made on behalf of the Company are duly made to the Regulatory/ Statutory authorities or such other persons as maybe required under applicable laws / regulations.

The company shall also disclose following in the Annual Financial Statements:

- a. registration/ license/ authorisation, by whatever name called, obtained from other financial sector regulators;
- b. ratings assigned by credit rating agencies and migration of ratings during the year;
- c. penalties, if any, levied by any regulator/ supervisor/ enforcement authority;
- d. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
- e. Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, exposure to real estate,

exposure to capital market, structured products issued by them as also securitization/ assignment transactions and other disclosures, as given in Annex IV of the Master Direction;

f. Types of exposure, related party transactions, loan to directors/senior officers, customer complaints.

g. Corporate Governance report of the company shall include composition and category of directors, shareholding of non-executive directors, etc.

h. Disclosure on modified opinion, if any, expressed by auditors, its impact on various financial items and views of management on audit qualifications.

h. Items of income and expenditure of exceptional nature.

i. Breaches in terms of covenants in respect of loans availed by the NBFC or debt securities issued by the NBFC including incidence/s of default.

j. Divergence in asset classification and provisioning above a certain threshold to be decided by the Reserve Bank.

9. CHIEF COMPLIANCE OFFICER (CCO)

The Board of Directors of the company shall appoint Chief Compliance Officer for a minimum fixed tenure of not less than 3 year or 4 years (subject to board/committee exceptional approval) for independent compliance function and a strong compliance risk management framework in the company.

The rank of CCO shall be a senior executive of the company with a position not below 2 or 3 levels from the CEO.

10. LOANS TO DIRECTORS, SENIOR OFFICERS AND RELATIVES OF DIRECTORS

The company shall have in place separate Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.

11. REVIEW/REVISION OF THE POLICY

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy