

**L&T FINANCIAL SERVICES
("LTFS")**

Guidelines on Corporate Governance

Applicable to L&T Housing Finance Limited

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Version Control

Version	Date of adoption	Change Reference	Owner	Approving Authority
1.0	May 2, 2017	Drafting guidelines basis NHB notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017.	Compliance	Board of Directors
2.0	October 24, 2017	Incorporating amendments in the guidelines basis the clarification issued by NHB vide policy circular no. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017.	Compliance	Board of Directors
3.0	October 2018	Annual review and update policy	Compliance	Board of Directors
4.0	October 2019	Incorporating reference of guidelines on Risk management system (Chief Risk Officer) issued by NHB vide policy circular no NHB/ND/DRS/ Policy Circular No. 95/2018-19	Compliance	Board of Directors
5.0	October 2020	Annual review and update policy	Compliance	Board of Directors

Important Information

If at any point a conflict of interpretation / information between these guidelines and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by the National Housing Bank (“NHB”), then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by NHB shall prevail.

Document Ownership

This document will be owned, maintained & circulated purely on a need to know basis by the Regulatory Compliance Function.

The Head of Compliance will be responsible to ensure that this document remains updated at all times and is accessible by the Management Team and critical business functionaries.

Current Owner– Group Head – Regulatory Compliance.

Abbreviations

Act	The Companies Act, 2013
AML	Anti-Money Laundering
ALCO	Asset-Liability Management Committee
Board	Board of Directors of L&T Finance Limited
CFT	Combating of Financing of Terrorism
CISA	Certified Information System Auditor
Directions	Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016
HFC	Housing Finance Company
ISA	Information Systems Audit
KYC	Know Your Customer
LTHFL / the Company	L&T Housing Finance Limited
LTFHL	L&T Finance Holdings Limited
NRC	Nomination and Remuneration Committee
NHB	The National Housing Bank
NPA	Non-Performing Asset(s)

1. Introduction

Corporate governance refers to the accountability of the Board of Directors to all stakeholders of the company i.e. shareholders, employees, suppliers, customers and society in general; towards giving the company a fair, efficient and transparent administration. It is a set of systems, procedures and practices which ensure that the company is managed in the best interest of all stakeholders.

To ensure this accountability and transparency, regulators prescribe the Corporate Governance guidelines which act as a backbone of management functioning.

2. Company's philosophy on Corporate Governance

L&T Housing Finance Limited ("LTHFL" or "the Company") is a wholly-owned subsidiary of L&T Finance Holdings Limited ("LTFHL"). It is registered as a housing finance company with NHB under the National Housing Bank Act, 1987.

LTHFL offers a wide range of housing finance products like home loans, home improvement loans, loan against property, real estate finance, balance transfer and top-up loans to salaried and self-employed customers predominantly across the middle and premium segments. Construction finance is also available to real estate developers and builders.

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates.

3. NHB Guidelines on Corporate Governance

NHB has vide its notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated February 9, 2017, issued Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 ("the Directions"). NHB, vide these Directions and clarification thereon vide policy circular no. NHB (ND)/DRS/Policy Circular No.79/2016-17 dated April 27, 2017, directed HFCs *inter alia* to frame internal guidelines on corporate governance with the approval of the Board of Directors.

4. Objective of the guidelines

These guidelines on Corporate Governance will enable the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

5. 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.

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 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 a nomination and remuneration committee called as the '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/ re-appointment.

iii. Risk Management Committee:

The Company has in place a Risk Management Committee constituted in accordance with the NHB guidelines in this regard. The Risk Management Committee is responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk, currency risk and such other functions as may be assigned to it by the Board of the Company. Further, the Risk Management Committee shall ensure that progressive risk management system and risk management policy and strategy followed by the Company are put in place.

The Risk Management Committee shall have the powers and duties conferred upon it in compliance with NHB guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

In terms of NHB circular NHB/ND/DRS/ Policy Circular No. 95/2018-19 dated May 29, 2019, the Company shall appoint a CRO with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk

management. Accordingly, the Company has appointed Chief Risk Officer who is assigned duties and responsibilities as defined in the NHB circular.

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. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

The Committee shall meet once every month.

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.

- Corporate Social Responsibility Committee
- Committee of Directors
- Investment Committee
- Credit Committee
- Pricing Committee
- Identification Committee (as per NHB Guidelines)
- Review Committee (as per NHB Guidelines)

c) 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/declarations/information 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.

d) Vigil Mechanism

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company has framed and adopted Vigil Mechanism Framework (“**the framework**”) to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct.

Under the framework, the Company has set up 'Whistle Blower Investigation Committee', which is in compliance with the requirements of the Companies Act, 2013. The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

e) Disclosure and Transparency

- i. The Company shall provide an update on the following to the Board of Directors of the Company at regular intervals:
 - The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
 - Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- ii. The Company shall disclose the following in the Company's Annual Financial Statements:
 - registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
 - ratings assigned by credit rating agencies and migration of ratings during the year;
 - penalties, if any, levied by any regulator;
 - information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
 - asset-liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by the Company and also securitization/ assignment transactions and such other disclosures as may be prescribed by NHB from time to time.

f) Statutory Auditors

The appointment of statutory auditors and the partner/s of the Chartered Accountants' Firm conducting the Statutory Audit of the Company, shall be in terms with the provisions of Section 139 and 141 of the Companies Act, 2013 and in accordance with the applicable NHB guidelines as amended from time to time.

g) Other policies adopted by the Company

The Company has framed all the policies as required by the National Housing Bank, Companies Act, and Securities Exchange Board of India. All these policies required under any law have been also approved by the Board. As an overall corporate governance framework all these policies are reviewed/amended annually.

6. Review

These guidelines shall be reviewed by the Board of Directors at such periodic intervals as may be deemed necessary in order to align the same with the prevalent regulatory and business requirements.

These guidelines will also be uploaded on the website of the Company.