



KIFS Housing Finance Limited

**INTERNAL GUIDELINES ON
CORPORATE GOVERNANCE**

Version	Prepared by	Reviewed by	Approved by	Approved Date
1.0	Swarnpal Singh Bais	Board	Board	11th July, 2017
ANNUAL REVIEW		Board	Board	May 04, 2018
ANNUAL REVIEW		Board	Board	April 12, 2019
ANNUAL REVIEW		Board	Board	June 11, 2020
ANNUAL REVIEW		Board	Board	June 03, 2021
2.0	-	Board	Board	August 02, 2021
ANNUAL REVIEW		Board	Board	May 27, 2022
ANNUAL REVIEW		Board	Board	May 30, 2023
ANNUAL REVIEW		Board	Board	August 14, 2024
ANNUAL REVIEW		Board	Board	September 15, 2025

I. PREAMBLE

National Housing Bank (“NHB”) vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017, has notified Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which, *inter-alia*, requires every non-public deposit accepting with assets size of 50 crores and above to frame “Internal guidelines on Corporate Governance”.

Pursuant to the same, the Board of Directors of the Company at their meeting held on 27th April, 2017, have approved and adopted the Internal Guidelines on Corporate Governance. These Guidelines outline the current Corporate Governance practices of the Company.

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.

II. COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company practices a trustworthy, transparent, moral and ethical conduct, both internally and externally, and is committed towards maintaining the highest standards of Corporate Governance practices in the best interest of all its stakeholders.

The Company believes that it not only has legal, contractual and social responsibilities, but also has obligations towards its non-shareholder stakeholders such as bankers, regulators, government agencies, employees, investors, creditors and customers, among others. The Company strives to ensure that all its stakeholders have an access to clear, adequate and factual information relating to the Company. The Company continues to promote accountability of the management. The Board of Directors acknowledges its responsibilities towards all the stakeholders of the Company for creation and safeguarding their wealth.

III. DEFINITIONS

In these CG Guidelines, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this CG Guidelines, shall have the meaning as defined below:

1. **“Act”** shall mean the provisions of the Companies Act, 2013 and rules made thereunder and shall include the statutory amendment(s), modification(s) or re-enactment(s) thereof.
2. **“Board”** shall mean the Board of Directors of the Company, as constituted from time to time.
3. **“Company”** means KIFS Housing Finance Limited (KHFL).
4. **“Committee”** shall mean committee of the Board of Directors or such other Committee constituted from time to time.
5. **“Independent Director”** shall mean a Director who satisfies the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.

6. “**KMP**” shall mean Key Managerial Personnel as defined in subsection (51) of Section 2 of the Companies Act, 2013.
7. “**NHB CG Directions**” refers to the Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by NHB vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 on 9th February, 2017.
8. “**SMP**” shall mean Senior Management Personnel of the company who are members of the core management team excluding Board of Directors. Normally, this shall comprise of all members of management one level below the Executive Directors, including all functional heads and all employees at Vice President Position and above
9. “**SEBI Listing Regulations**” shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes any statutory modification(s) thereof.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable law/regulation/rules prescribed by National Housing Bank or such other authority.

IV. GOVERNANCE OF THE BOARD

The Board of Directors play a pivotal role in ensuring that the good corporate governance practices are followed within the Company. The Board of Directors oversees the functioning of the Company and that of its management; and ensures that every decision taken is in the best interest of the stakeholders of the Company.

1. Role and Responsibilities

- The Board shall be required to uphold ethical standards of integrity and probity, act objectively & constructively and exercise responsibilities in a bona fide manner in the interest of the Company and its stakeholders.
- Every Director holds a fiduciary position and shall be required to attend and actively participate in the Board and its Committee Meetings in which they are a Member and conscientiously fulfil his/her obligations as Director of the Company.
- The Board shall be responsible for overall compliance and monitoring the effectiveness of the Corporate Governance practices and suggest changes, if required. The Board shall also periodically review compliance under various laws applicable to the Company.
- The Board shall scrutinize and monitor the performance of management to ascertain the achievement of agreed goals and objectives.
- The Board of directors shall provide strategic guidance to the Company.
- The Board shall ensure that the integrity of the financial information and that financial controls and the systems of risk management are robust and defensible;
- The Board of Directors shall exercise objective independent judgment on corporate affairs, board deliberations on issues relating to strategy, performance, risk management, resources, key appointments and standards of conduct. However, Independent Directors shall be moderate and arbitrate in the interest of the company as a whole, in situations of conflict between the management and shareholder’s interest.
- The Board shall bring an objective view in the evaluation of the performance of board and management.

In addition to the above, the Company and the Directors shall at all times abide by the applicable provisions of SEBI Listing Regulations and the Act.

2. Composition and Size

- The Board shall have minimum three directors and a maximum of fifteen directors or such other limit as may be prescribed under the applicable provisions of Companies Act, 2013, SEBI Listing Regulations and Articles of Association of the Company.
- The Board of the Company shall have an optimum combination of Executive, Non-Executive and Independent Directors with at least one woman director. However, it shall at all times ensure that atleast one-third of the Board comprises of Independent Directors.

3. Appointment and Compensation of Directors

- Director(s) shall be appointed as per the applicable provisions of the Act and rules made there under.
- A person proposed to be appointed as a Director shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets.etc. The person considered to be appointed as a Director should also possess relevant expertise which will help the person to act objectively and constructively.
- All the Directors on the Board shall fulfill the fit and proper criteria as laid down under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions and Master Direction- Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021.
- Upon appointment, the Director shall execute a Deed of covenant with the Company as per the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions and Master Direction- Non-Banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021.
- The Company shall upon appointment of an Independent Director, issue a formal letter of appointment outlining his/her terms of appointment, role, responsibilities, duties. etc.
- The appointment/re-appointment and the remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board for approval in accordance with the Company's "Nomination (including Boards' Diversity), Remuneration and Evaluation Policy".
- The Non-Executive and Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/Committee Meetings eg. Travelling /lodging.
- Non –Executive Directors shall be entitled to a commission not exceeding one percent of the net profits or such other lower amount as may be approved by the Shareholders of the Company.
- Independent Directors of the Company shall not be entitled to stock options.

4. Disclosures

- An annual declaration on confirmation in respect of fit and proper criteria in the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated in terms of NHB Directions shall be furnished by the Directors.
- A declaration of independence in terms of Section 149(7) of the Companies Act, 2013 shall be furnished by the independent Directors every financial year or whenever there is any change in the circumstances that affect their status as an Independent Director.
- All the Directors shall abide with the Company's "Code of Conduct for the Board and Senior Management Personnel" and affirm compliance with the same within 30 days from the close of every financial year.
- All the Directors shall comply with all laws, rules, and regulations governing trading in the securities of the Company and the Company's Code of Conduct for Prohibition of Insider Trading in dealing with the securities of the Company which, inter-alia, prohibits buying or selling of the Company's securities on the basis of any unpublished price sensitive information and submit necessary disclosures thereunder.

5. Confidentiality

- 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.

6. Board Meetings

- The Company shall be required to hold at least one Board meeting in a calendar quarter with a maximum interval of one hundred and twenty days between two consecutive meetings, such that at least four meetings are held in a year or any rule as may be prescribed by MCA.
- The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire meeting.

7. Board Committees

- The Board of Directors shall constitute various Committees which will enable the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of their duties and responsibilities. Presently, the Board has constituted six committees namely – Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Asset Liability Management Committee, Corporate Social Responsibility Committee and Investment Committee.

i. Audit Committee

The Company shall have in place an Audit Committee constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 and rules framed thereunder.

Composition	<p>The Audit Committee shall consist of minimum of three directors and at least two third of the members shall be independent directors.</p> <p>All the Members of the Audit Committee shall be financially literate and at least one Member shall have an accounting or related financial management expertise.</p> <p>The Chairperson of the Audit Committee shall be an Independent Director.</p>
Meetings and	<p>The Committee shall meet at least four times in a year with a maximum interval of not more than one hundred and twenty days in between two days.</p> <p>The Chairperson of the Committee shall be present at the Annual General Meeting to answer shareholder queries.</p>
Quorum	<p>The presence of either two members or one third of the total members, whichever is higher, with at least two independent Directors shall be required to form the necessary quorum unless otherwise stipulated in the Act or SEBI Listing Regulations</p>
Terms of reference	<p>The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and systems or any other function as may be determined by the Board.</p>

ii. Nomination and Remuneration Committee

The Company shall have in place a Nomination and Remuneration Committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and rules framed thereunder.

Composition	<p>The Nomination and Remuneration Committee shall comprise of at least three directors and all Directors of the Committee shall be Non- Executive Directors. At least fifty percent of the Members shall be Independent Directors.</p> <p>However, the Chairman 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.</p>
Meetings	<p>The Committee shall meet at least once in every financial year.</p> <p>The Chairperson of the Committee shall be present at the Annual General Meeting to answer shareholder queries.</p>
Quorum	<p>The presence of at least two members shall be required to form the necessary quorum unless otherwise stipulated in the Act or SEBI Listing Regulations.</p>
Terms of Reference	<ul style="list-style-type: none">▪ To identify and recommend to the Board, in accordance with the criteria as laid down, appointment/reappointment/removal of the Executive /Non – Executive Directors and the senior management of the Company▪ To formulate criteria for evaluation and evaluate the performance of every director including the Independent Directors.▪ To formulate the criteria for determining qualifications, positive attributes and independence of the Directors.▪ To recommend to the Board a remuneration policy for the Directors, Key Managerial Personnel and other employees of the Company.▪ To monitor and handle any other matter relating to framing/administration of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 or any amendments thereof.▪ Any other function as may be mandated by the Board or stipulated by the Companies Act, 2013, SEBI, Stock Exchanges or any other regulatory authorities from time to time.

iii. Corporate Social Responsibility Committee

The Company shall have in place a Corporate Social Responsibility Committee constituted in accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed there under.

Composition	<p>The Corporate Social Responsibility Committee shall consist of three or more Directors, out of which at least one Director shall be an Independent Director.</p>
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Meetings	At least two meetings shall be held in a year and a presence of at least two Directors shall be required to constitute a Quorum unless otherwise stipulated in the Act or SEBI Listing Regulations.
Quorum	The presence of at least two members shall be required to form the necessary quorum unless otherwise stipulated in the Act or SEBI Listing Regulations.
Terms of Reference	<ul style="list-style-type: none"> • 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. • Any other function as may be stipulated by the Companies Act, 2013, SEBI, Stock Exchanges or any other regulatory authorities from time to time.

iv. Asset Liability Management Committee

Composition	The Asset Liability Management Committee shall consist of such number of members depending on the business mix and organisational 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.
Meetings	At least four meetings of the Committee shall be held in every year.
Quorum	The presence of at least two members shall be required to form the necessary quorum unless otherwise stipulated in the Act or SEBI Listing Regulations.
Terms of Reference	<ol style="list-style-type: none"> a. Addressing concerns regarding asset liability mismatches; b. determine actions to mitigate risks associated with the asset liability mismatches c. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

OTHER COMMITTEES

1. Risk Management Committee

The Risk Management Committee shall be responsible for setting up and reviewing risk management policies of the Company from time to time. The Risk Management Committee shall primarily be responsible for identifying, monitoring, managing and mitigating the credit risk, operational risk and other risks of the Company that can be applicable to the Company considering the business operations of the Company through integrated risk management systems and strategies.

If the Members of the Risk Management Committee have a conflict of interest, matter will be referred to the Board of Directors for final resolution.

At least four meetings of the Committee shall be held in every year.

2. Investment Committee

The Investment Committee is responsible to pass necessary resolutions for considering the investment by way of Inter Corporate Deposits.

3. Customer Grievance Redressal Committee

The Customer Grievance Redressal Committee shall be responsible for ensuring that all the regulatory instructions regarding customer services are followed. The cell would also examine any other issues having a bearing on the quality of Customers Service rendered.

The Company has formed a Customer Grievance Redressal Committee consisting of Managing Director and other senior officials.

At least four meetings of the Committee shall be held in every year.

4. IT Strategy Committee

The IT Strategy Committee shall be responsible for Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.

The IT Strategy Committee shall meet at an appropriate frequency but not more than six months shall elapse between two Meetings.

In addition to above, the Board has constituted a Wilful Defaulter Identification Committee and Wilful Defaulter Review Committee and may constitute such other Committees, as may be required for effective functioning of the Company.

V. 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.

VI. 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.

VII. AUDITORS

1. Statutory Auditors

The Statutory Auditors of the Company shall be appointment in accordance with the provisions of the Act. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Audit Committee shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.

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 the 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. The Company shall incorporate appropriate terms to this effect in the letter of appointment of the firm of auditors and ensure its compliance.

2. Secretarial Auditors

The Company shall appoint a Company Secretary in practice in terms of Section 204 of the Act who shall be responsible to conduct audit of the secretarial and related records of the Company.

3. 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.

VIII. 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.

IX. CODES AND POLICES

In accordance with the provisions of the Act, SEBI Listing Regulations, Directions/ Guidelines issued by National Housing Bank (NHB)/RBI guidelines and other applicable laws, the Company has formulated various Codes and Policies to ensure high ethical standards in the overall functioning of the Company.

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

X. REVIEW

The Board of Directors of the Company reserve the rights to add, amend, modify or Review this Corporate Governance Guidelines, as and when it deems appropriate.