

MUTHOOT HOUSING FINANCE CO Ltd

Corporate Governance Policy

Recommended by:

CEO

Approved by:

Board

Date of Approval:19.04.2017

CORPORATE GOVERNANCE POLICY

Muthoot Housing Finance Company Ltd. (MHFCL) is a subsidiary of Muthoot Fincorp Ltd and is registered with the National Housing Bank. MHFCL caters mainly to the housing finance requirements of customers in the middle and lower income category. The company offers housing loans, primarily to the people in the unorganized sector to make their dream of owning home come true.

From Low ticket loans with an extended repayment period to loans for the purchase of property, house or apartment to loans from home extension and loans against residential property, MHFCL offers its customers a bouquet of products.

Muthoot Fincorp Ltd the flagship company of the Muthoot Pappachan Group , is one of the largest NBFC's in India, registered with the Reserve Bank of India. Muthoot Fincorp is a mass provider of finance in the form of Gold Loans

The need for good Corporate Governance has been gaining increased emphasis over the years. It is based on trust and mutual good. It is the key to protecting the interests of all the stakeholders. Transparency is basic to Corporate Governance. "True and Fair concept" is further expanded and practiced through timely and accurate disclosures of information regarding the financial status, performance and related matters as key aspects of Corporate Governance. It is a self-regulating mechanism, through which an organization directs and regulates itself and the people associated with it towards steadfast compliance.

MHFCL's Corporate Governance Philosophy

The Company's Corporate Governance philosophy envisage adherence to the highest standards of transparency, accountability and equity in all areas of its operations and in interactions with all its stakeholders, including its customers, shareholders, employees, Government and others. The objective is to enhance shareholder value continuously.

The Board of Directors are at the core of its Corporate Governance practice, formulating, directing and overseeing how the company and its management and all employees adhere to Corporate Governance norms, serve and protect the long-term interests of all the stakeholders of the Company.

The Company believes that an active, well-informed, "Independent Board" shall ensure the highest standards of Corporate Governance. Independent Directors of the Company actively participate in ensuring proper Corporate Governance.

Board of Directors

The Board is responsible to exercise their best business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board is responsible for overall compliance with the Corporate Governance norms of the Company. It shall oversee and direct the management of the Company's affairs and its business. In doing so, the Board shall act honestly, in good faith, and in the best interests of the Company.

Composition of the Board

The Company's Board is broad based having an optimum combination of Professionals and Independent Directors. The Company shall ensure that all its Directors meet the fit and proper criteria.

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 shall ensure that the financial results are prepared in accordance with the generally accepted Accounting Principles and reported to shareholders and regulators regularly and on time.

Committees

The functioning of the Board shall be further supplemented by its various committees. The Directors, Management and Auditors deal with matters relating to financial reporting obligations, internal controls, review of accounting policies and management of financial risks.

The Board shall constitute the following Committees.

1.0 Audit Committee

The Audit Committee shall be constituted by the Company as required under Section 177 of the Companies Act, 2013 and the Audit Committee thus constituted shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

2.0 Nomination Committee

The Company shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors. The Nomination Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

3.0 Risk Management Committee

To manage the integrated risk, the Company shall form a Risk Management Committee, besides the Asset Liability Management Committee.

Fit and Proper Criteria for Directors

The Company shall

- i. ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on NHB Notification No-NHB.HFC.CG-DIR.1/MD & CEO/2016
- ii. obtain a declaration and undertaking from the directors giving additional information on the directors..
- iii. obtain a Deed of Covenant signed by the director

Disclosure and transparency

- (1) the Company shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:
 - i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by it
 - ii. 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.
- (2) the Company shall also disclose the following in its Annual Financial Statement,
 - i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
 - ii. ratings assigned by credit rating agencies and migration of ratings during the year;
 - iii. penalties, if any, levied by any regulator;
 - iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
 - v. Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by it as also securitization/ assignment transactions and other disclosures.

Internal Control Systems

The adequacy of internal control systems shall be reviewed by the Management, External and Internal Auditors. The Board has laid emphasis on adequate transparency and disclosure measures. Adequate risk management policies and measures are to be strictly adhered to.

Participative Management

The Company on its own has constituted various committees at operational levels to invite greater participation of Executives and Staff, to harvest their collective knowledge, skills and expertise and to hone the process towards qualitatively better performance, with 'Excellence' as the goal. This process will reinforce the steps towards 'transparency'.

Compliance with Laws and Ethical standards

The systems and procedures shall be constantly reviewed to ensure due conformance with ethical standards of the highest order. All guidelines and regulations issued by the concerned regulators shall be strictly complied with in letter and spirit.