

# **INDIA HOME LOAN LIMITED**



## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

## VERSION CONTROL

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1	Mitesh M. Pujara	-	-	27.06.2018	
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## Definition & Purpose

Since the commencement of the liberalisation process, India's economic scenario has begun to alter radically. Globalisation has not only significantly heightened business risks, but has compelled the companies to adopt prudent norms of transparency and good governance. Equally, in the resultant competitive context, freedom of executive management and its ability to respond to the dynamics of a fast changing business environment will be the new success factors of a sound Housing Finance System and Business reality in India.

India Home Loans Limited (IHLL) Corporate Governance Policy recognises this challenge and has set up systems, processes and principles which ensure that the company is governed in the best interest of all stakeholders and establishes itself as a strong emerging force in the Housing Finance Sector in India and Abroad.

Corporate Governance is the system by which the company is directed and controlled. It is about promoting corporate fairness, transparency and accountability. In other words, '**good corporate governance**' is simply '**good business**'. It ensures:

- Adequate disclosures and effective decision making to achieve corporate objectives;
- Transparency & Accountability in business transactions;
- Statutory and legal compliances;
- Protection of shareholder interests;
- Commitment to values and ethical conduct of business.

Today adoption of good Corporate Governance practices has emerged as an integral element for doing business. It is not only a pre-requisite for facing intense competition for sustainable growth in the emerging global market scenario but is also an embodiment of the parameters of fairness, accountability, disclosures and transparency to maximize value for the stakeholders. Quality Corporate Governance is all about commitment to values, about ethical business conduct and is a necessity to serve the divergent interests of the IHLL.

The Corporate Governance Policy formulated by IHLL essentially involves balancing the interests of the stakeholders which include its shareholders, management, customers, regulators, financiers, government and the community at large. However, It undergoes changes with the passing time and change in scenario external and/or internal. It provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. The corporate governance framework consists of (i) explicit & implicit contracts between the company and the stakeholders for distribution of responsibilities, rights & rewards (ii) procedures for proper supervision, control and information flows to serve as a system of checks and balances and (iii) procedures for reconciling the sometimes conflicting interests of stake holders in accordance with their duties, privileges, and roles. It strengthens investor's confidence by ensuring company's commitment to higher growth and profits.

The underlying principles of IHLL's Corporate Governance policy revolve around three basic inter-related segments. These are:

- Integrity and Fairness
- Transparency and Disclosures
- Accountability and Responsibility

Thus, the fundamental objective is to enhance shareholders' value and protect the interests of other stakeholders by improving the corporate performance and accountability. The three key constituents of corporate governance of IHHL are the Board of Directors, the Shareholders and the Management.

### **Board of Directors**

The pivotal role in any system of corporate governance is performed by the Board of Directors. The Board is accountable to the stakeholders and directs and controls the management. It stewards the company, sets its strategic aim and financial goals and oversees their implementation, puts in place adequate internal controls and periodically reports the activities and progress of the company in a transparent manner to all the stakeholders.

Broadly, it will seek to achieve the following objectives:

- The IHLL Board is balanced as regards the representation of adequate number of non-executive and independent directors who will take care of their interests and well-being of all the stakeholders;
- The Board adopts transparent procedures and practices and arrives at decisions on the strength of adequate information;
- The Board has an effective machinery to sub serve the concerns of stakeholders;
- The Board keeps the shareholders informed of relevant developments impacting the company;
- The Board effectively and regularly monitors the functioning of the management team;
- The Board remains in effective control of the affairs of the company at all times.

IHLL has clear identification of powers, roles, responsibilities and accountability of the Board, CEO and the Chairman of the Board.

IHLL has an independent Board which is essential for sound corporate governance. It is capable of assessing the performance of managers with an objective perspective and ensures effectiveness in supervising the activities of management .It has the required blend of qualities, skills, knowledge and experience so as to make quality contribution. It includes operational or technical expertise, financial skills, legal skills as well as knowledge of government and regulatory requirements.

IHLL has appointed the most competent people in the Board. A well defined and open procedure exists for re-appointments as well as for appointment of new directors. The Directors remain abreast of all development, which are or may impact corporate governance and other related issues.

**The overall endeavour of the Board is to take the company forward so as to maximise long term value and shareholder's wealth.**

### **Share Holders**

The shareholders' role in corporate governance is to appoint the directors and the auditors and to hold the Board accountable for the proper governance of the company by requiring the Board to provide them periodically with the requisite information in a transparent fashion, of the activities and progress of IHLL.

### **Management**

The responsibility of the management is to undertake the management of the company in terms of the direction provided by the board, to put in place adequate control systems and to ensure their operation and to provide information to the board on a timely basis and in a transparent manner to enable the board to monitor the accountability of management to it.

The Management is aware of explicitly prescribed code of conduct and a system is in place to periodically measure and evaluate the adherence to such code of conduct by each member of the organization.

### **Management Environment**

IHLL has set up clear objectives and appropriate ethical framework & establishing due processes. It provides for transparency and clear enunciation of responsibility and accountability for implementing sound business planning, encouraging business risk assessment, having right people and right skill for jobs, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures and evaluating performance and recognition of individual and group contribution. The objective of the company is clearly documented in a long term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

Comprehensive, regular, reliable, timely, correct and relevant information is provided to the Board to discharge its function of monitoring corporate performance.

### **Core principle**

IHLL's Corporate Governance initiative is based on the core principles which are:

- The Management of IHLL has the executive freedom to drive the enterprise forward without undue restraints; and this freedom of management is exercised within a framework of effective accountability.
- IHLL believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company, and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management is not only misused, but is used with care and responsibility to meet stakeholder aspirations and expectations.
- IHLL's governance philosophy, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. It believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed in a manner that fulfills the purpose of Corporate Governance.
- IHLL believes in transparency explaining Company's policies and actions to those to whom it has responsibilities and lead to maximum appropriate disclosures without jeopardising the Company's strategic interests. Internally, transparency means openness in Company's relationship with its employees, as well as the conduct of its business in a manner that will bear scrutiny. IHLL believes transparency enhances accountability.
- Empowerment is an essential ingredient of IHLL's first core principle of governance that management must have the freedom to drive the enterprise forward. IHLL believes that empowerment is a process of actualising the potential of its employees. Empowerment unleashes creativity and innovation throughout the organisation by truly vesting decision-making powers at the most appropriate levels in the organisational hierarchy.
- The Board of Directors are accountable to the shareholders, and the management is accountable to the Board of Directors. We believe that empowerment, combined with accountability, provides an impetus to performance and improves effectiveness, thereby enhancing shareholder value.

Control is the other ingredient of core principle of governance,so that the freedom of management is exercised within a framework of appropriate checks and balances which would prevent misuse of power, facilitate timely management response to change, and ensure that business risks are pre-emptively and effectively managed.

The Main Constituents of Good Corporate Governance are:

- **Role and Powers of Board: Legislation:** a clear and unambiguous legislative and regulatory framework is fundamental to effective corporate governance.
- **Code of Conduct: Board Independence: Board Skills:** in order to be able to undertake its functions effectively, the IHLL Board possess the necessary blend of qualities, skills, knowledge and experience so as to make quality contribution. It includes operational or technical expertise, financial skills, legal skills as well as knowledge of government and regulatory requirements.

- **Board Appointments: Board Induction and Training Board Meetings:** are the forums for Board decision making. These meetings enable directors to discharge their responsibilities. The effectiveness of board meetings is dependent on carefully planned agendas and providing relevant papers and materials to directors sufficiently prior to board meetings.
- **Strategy Setting: Business and Community Obligations:** though the basic activity of a business entity is inherently commercial yet it must also take care of community's obligations. The stakeholders must be informed about the approval by the proposed and ongoing initiatives taken to meet the community obligations.
- **Financial and Operational Reporting: Monitoring the Board Performance:** IHLL Board monitors and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review.
- **Audit Committee:** is inter alia responsible for liaison with management, internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the board on the key issues.
- **Risk Management:** risk is an important element of corporate functioning and governance. There is an established process of identifying, analysing and treating risks, which prevent the company from effectively achieving its objectives. The board has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risks and ensuring that senior management takes steps to detect, monitor and control these risks.

IHLL's Corporate Governance Policy emphasises special attention to some areas, namely:

- Quality of audit, which is at the root of effective corporate governance;
- Role of Board of Directors as well as accountability of the CEOs and CFOs;
- Quality and effectiveness of the legal, administrative and regulatory framework; etc.

IHLL is a board-managed professional company, committed to creating enduring value for the housing finance sector and the shareholder. It has a rich organisational culture rooted in its core values of respect for people and belief in empowerment. Its philosophy of all-round value creation is backed by strong corporate governance policies and systems.

IHLL's corporate strategies are:

- To create multiple drivers of growth by developing a portfolio of world class businesses that best matches organisational capability with opportunities in domestic and international markets.
- To continue to focus on the chosen portfolio of Housing Finance Business and To benchmark the health of the business activities comprehensively across the criteria of Market Standing, Profitability and Internal Vitality.

- To ensure that its businesses is world class and competitive.
- To enhance the competitive power of the portfolio through synergies derived by blending the diverse skills and capabilities
- To create distributed leadership within the organisation by nurturing talented and focused top management teams for the businesses.
- To continuously strengthen and refine Corporate Governance processes and systems to catalyse the entrepreneurial energies of management by striking the golden balance between executive freedom and the need for effective control and accountability.

Flowing from the philosophy and core principles, Corporate Governance in IHLL shall take place at three interlinked levels, namely -

- Strategic supervision by the Board of Directors
- Strategic management by the Corporate Management Committee
- Executive management by the Chief Executive Officer assisted by the Top Management Committee