

# Vridhi Finserv Home Finance Limited (VFHFL) (Formerly Vridhi Finserv Limited)

## CORPORATE GOVERNANCE POLICY

### Version V2.0

<b>Approving Authority</b>	Board of Directors
<b>Reviewing Authority</b>	Compliance Department
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**VRIDHI FINSERV HOME FINANCE LIMITED ('Vridhi' or 'VFHFL' or the 'Company')** as a prudent financier shall have sound governance practices which become strong foundation for robust functioning of the Company. The Company practices a trustworthy, transparent and ethical code of conduct both internally and externally. The Company is committed towards maintaining the highest standards of corporate governance practices in the best interest of all its stakeholders.

In order to have greater transparency & best practices, the Company has framed these internal guidelines on Corporate Governance ('Guidelines' or 'Policy') in accordance with the [Master Direction – Non-Banking Financial Company – Housing Finance Company \(Reserve Bank\) Directions, 2021](#) read along with the [Scale Based Regulation \(SBR\): A Revised Regulatory Framework for NBFCs](#). These Guidelines also incorporate various requirements prescribed by other laws, regulatory/ statutory authorities.

The Company has an active, experienced and a well-informed Board. The Board along with its below mentioned committees undertakes fiduciary duties towards all its stakeholders with the corporate governance mechanism in place.

## 1. Definitions

S. No.	Term	Meaning
1.	Act	Shall mean the Companies Act, 2013
2.	Articles of Association	Shall mean the Articles of Association of the Company
3.	Audit Committee/ACB	Shall mean the Audit Committee as constituted by the Board.
4.	Asset and Liability Committee /ALCO	Shall mean the Asset and Liability Committee as constituted by the Board.
5.	Board	Shall mean the Board of Directors of the Company
6.	Directors	Shall mean the directors of the Company
7.	Fair Practices Code/ FPC	Shall mean the Fair Practices Code drafted and adopted by the Company as per <a href="#">Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021</a> .
8.	Grievance Redressal Mechanism	Shall mean the Grievance Redressal Mechanism of the Company
9.	Independent Directors	Shall mean the Independent Directors of the Company
10.	Nomination and Remuneration Committee/NRC	Shall mean the Nomination and Remuneration Committee as constituted by the Board.
11.	Policy/Guidelines	Shall mean the corporate governance policy of the Company as approved by the Board, i.e., this policy

## 2. Board's Composition

Board shall have an optimum combination of executive, non-executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013, the Articles of Association of the Company and shareholder's agreements, if any.

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 along with its Committees will oversee the functioning of the Company and that of its management; and ensure that every decision taken is in the best interest of the Company.

The Directors shall possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields which enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company. All the Directors shall meet the 'fit and proper' criteria as provided in this Policy and as prescribed by the RBI Master Directions.

2/3<sup>rd</sup> of the Directors on the Board (except Independent Directors) are liable to retire by rotation and 1/3<sup>rd</sup> 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.

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10.

A Director shall not be a member in more than 10 committees nor shall not act as chairman of more than 5 committees across all Companies in which he is a Director.

An Independent Director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board of the NBFC Company shall ensure that there is no conflict arising out of their Independent Directors being on the Board of another NBFC at the same time. It may be noted that there shall be no restriction to directorship on the Boards of NBFC-BLs, subject to aforesaid limits.

All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of persons including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

The Board of Directors shall lay down a code of conduct for senior management of the Company. Senior management personnel shall affirm compliance with the code on an annual basis. Further, except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. It may be noted that there shall be no restriction to directorship on the Boards of NBFC-BLs, subject to aforesaid limits.

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.

### **3. Meetings of the Board**

- 3.1 At least four board meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days.
- 3.2 The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.
- 3.3 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.
- 3.4 The Independent Directors of the Company shall meet at least once in a financial year without the presence of non-independent Directors and the management in terms of Schedule IV of the Companies Act, 2013.
- 3.5 The decisions of the Board shall be taken by a simple majority of the Directors and each Director shall exercise one vote. In case of a tie, Chairman of the meeting shall exercise the casting vote.

### **4. Independent Directors' Meetings**

Independent Directors of the Company shall hold at least one meeting in a financial year, without the attendance of non-independent Directors and members of management to discuss the following:

- 4.1 Review of performance of non-independent Directors;
- 4.2 Review of performance of Board as a whole;
- 4.3 Review of performance of the chairman of the Company, considering the views of executive Directors and non- executive Directors
- 4.4 Review of the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

### **5. 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. 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.

## 6. Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and Audit Committee of the Company 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. The non- executive directors as well as Independent Directors of the Company will be paid remuneration by way of sitting fees for attending meetings of the Board and its committees/ Further, they may also be entitled to profit related commission in addition to the sitting fees in compliance with the applicable laws in this regard.

## 7. 'Fit And Proper' Criteria For Directors

In accordance with the 'RBI Master Directions and with approval of its Board of Directors, the Company has put in place '**Policy on Fit & Proper Criteria for Directors**' ('Fit & Proper Policy') for ascertaining the fit and proper criteria of the Directors at the time of appointment, and on a continuing basis. The Company, being a Housing Finance Company (HFC), is required to undertake 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.

**The Company will obtain necessary information and declaration from the proposed/existing Directors for this purpose in the prescribed format. The Fit & Proper Policy has been made part of these Guidelines, enclosed in Annexure II.**

## 8. Committees Constitution

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. Board shall be constituting committees namely Audit Committee, the Nomination and Remuneration Committee, Asset and Liability Committee (ALCO), Grievance Redressal Committee and other Committee(s) which will be in accordance with the provisions of the Companies Act, 2013, guidelines/directions issued by the RBI and NHB as applicable to the Company 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 a simple majority of the members of the respective committees and each member shall exercise one vote. These Board committees have specific terms of reference/ scope to focus effectively on the issues and ensure expedient resolution of diverse matters.

All decisions pertaining to the constitution/ re-constitution/ dissolution of committees, appointment of members and fixing/ modification of terms of reference of the various committees shall be made by the Board.

## **9. Details Of Various Committees Constituted By The Board**

### **9.1. Audit Committee**

The Audit Committee shall be responsible for carrying-out the specific responsibilities prescribed under Section 177 of the Companies Act, 2013 and is also required to act in accordance with the terms of reference as specified by the Board.

#### **Composition:**

The composition of Audit Committee is as under:

1. The Company shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors
2. All the members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
3. The chairman of the Audit Committee shall be an Independent Director.

#### **Frequency of meetings and quorum:**

The committee shall meet basis the requirements.

The quorum shall be either two members or one third of the members whichever is greater.

#### **Role and Responsibilities (Terms of Reference):**

- To make the recommendation for appointment, remuneration and terms of appointment of auditors of the company.
- To review and monitor the auditor's independence and performance, and effectiveness of the audit process.
- To examine the financial statement and the auditors' report thereon.

- To approve or any subsequent modification of transactions of the company with related parties
- To scrutinize inter-corporate loans and investments.
- To make the valuation of undertakings or assets of the company, wherever it is necessary.
- To evaluate internal financial controls and risk management systems.
- To monitor the end use of funds raised through public offers and related matters.
- To review and monitor the Information System Audit.
- Any other responsibilities as assigned by the Board from time to time and applicable provisions of Companies Act, 2013/ NHB/ RBI/ any other statutory authorities.

## **9.2 Nomination And Remuneration Committee (NRC)**

The Company has in place a nomination and remuneration committee constituted under the provisions of Section 178(1) of the Companies Act, 2013 and in terms of applicable RBI directions and guidelines in this regard.

### **9.2.1. Composition:**

The NRC shall be composed of at least three or more non-executive Directors out of which not less than half of the Directors shall be Independent Directors, as may be re-constituted by the Board from time to time.

### **9.2.2. Frequency of meeting:**

The NRC shall meet as and when required to discuss matters. It is, however, recommended that the committee meet at least twice during a financial year.

The quorum shall be either two members or one third of the members whichever is greater.

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.

### **9.2.3. Role and Responsibilities (Terms of Reference):**

9.2.3.1 To lay out and implement the policy on remuneration packages for executive Directors and senior management, including pension rights and any compensation payment.

9.2.3.2 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 and ensure that there is no conflict of interest in such appointment/reappointment

9.2.3.3. To oversee the framing, review and implementation of compensation policy of the company which should have the approval of the board.

9.2.3.4. To formulate criteria for evaluation and evaluate the performance of every Director including the Independent Directors.

9.2.3.5. To formulate the criteria for determining qualifications, positive attributes and independence of the Directors.

9.2.3.6. To recommend to the Board a remuneration policy for the Directors, key managerial personnel and other employees of the Company.

### **9.3. Risk Management Committee (RMC)**

Risk Management is one of the most important constituents of the Company's business strategy. The constitution and the terms of reference of the RMC shall be in compliance with the provisions of guidelines issued by RBI and such other applicable laws

The RMC shall have the powers and duties conferred upon it in compliance with RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The quorum shall be either two members or one third of the members whichever is greater.

The RMC shall meet basis requirements.

The Risk Management Committee may invite such executives, as it considers appropriate to be present at its meetings.

#### **Role and Responsibilities (Terms of Reference)**

The RMC is expected to supervise, guide, review and identify current and emerging risks; developing risk assessment and measurement systems, establishing policies, practices and other control mechanisms to manage risks, developing risk tolerance limits for senior management and board approval, monitoring positions against approved risk tolerance limits, reporting results of risk monitoring to senior management and the board.

The Risk Management Framework of the Company is also guided and supervised by the RMC. While the Board has overall oversight on the governance, risk and compliance framework of the Company, the RMC reviews various risks assumed by the Company and provides its guidance on mitigation/management of various risks. Further, specific committees/ authorities have been constituted/ designated within the Company to facilitate independent evaluation, monitoring and reporting of various risks.

#### 9.4. **Assets Liability Management Committee (ALCO)**

The liquidity risk management of the Company has been delegated to the ALCO. The ALCO monitors the asset liability composition of the Company's balance sheet and determines actions to mitigate risks associated with the asset liability mismatches. The ALCO is responsible for ensuring adherence to the risk tolerance/ limits set by the Board as well as implementing the liquidity risk management strategy. ALCO with respect to liquidity risk should include, inter alia, decide on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions.

CFO, COO & CEO and any other official concerned/ nominated by CEO to meet quarterly to review debt position, strategy, liquidity risk management, ALM positioning.

The constitution and the terms of reference of the ALCO shall be in compliance with the guidelines issued by RBI.

The quorum shall be either two members or one third of the members whichever is greater. The ALCO shall meet at quarterly intervals.

The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.

The ALCO is a decision-making unit responsible for integrated balance sheet management from risk-return perspective including the strategic management of interest rate and liquidity risks of the Company. It is responsible for deciding the business strategy of the Company with the assets and liabilities perspectives, in line with the Company's budget and decided risk management objectives.

#### 9.5. **Information Technology (IT) Strategy Committee**

The committee's responsibility is to review and decide the IT strategy & framework of the Company in line with the Corporate Strategy & Business Planning, to review IT related policies, cyber security arrangements and any other matter related to IT Governance of the Company.

The IT strategy committee shall be formed to carry out review and amend the IT strategies in line with the overall strategies of the Company, and to review cyber security arrangements and any other matter related to IT governance. The IT Strategy Committee shall be responsible for recommending IT related policies and other security policies, evaluating new threats and reducing the risk of intrusion, loss of data integrity, compliance violations, and the committee is also responsible for role-based access controls, resource allocation, documentation, and reporting.

The committee will meet on quarterly basis to approve and recommend to the Board all IT related policies, and oversee the IT investments, and implementation of IT infrastructure and application projects and strategy. The quorum shall be either two members or one third of the members whichever is greater.

## 9.6. IT Steering Committee

The IT Steering committee should appraise/report to the IT strategy Committee periodically on the following –

- (i) Assist the IT Strategy Committee (ITSC) in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- (ii) Oversee the processes put in place for business continuity and disaster recovery;
- (iii) Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
- (iv) Update ITSC and CEO periodically on the activities of IT Steering Committee.

The quorum shall be either two members or one third of the members whichever is greater. The ALCO shall meet at quarterly intervals.

**Note:** In addition to above, the Board shall constitute other committees as it may deem fit for smooth functioning and robust corporate governance of the Company.

## 10. 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 it. 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, such 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 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.

The Company may grant loans to its directors, senior officers and relatives of directors or to entities where directors or their relatives have major shareholding in line with the Board-approved policy framed in this regard.

## 11. Auditors

### 11.1 STATUTORY AUDITORS

The statutory auditors (SAs) of the Company shall be appointed in accordance with the provisions of this Policy and in compliance with the provision of the Act and applicable RBI guidelines, if any. Declaration and consent shall be obtained from the auditors affirming their eligibility for being appointed as the statutory auditors of the Company. The audit firms duly qualified under the provisions of Section 141 of Companies Act 2013 and with no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI would be considered as eligible for appointment as auditors.

In addition to the requirements of provisions mentioned in the Companies Act, 2013 in regard to indebtedness, any audit firm selected for appointment would have to certify that none of the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors are indebted to the Company.

The appointment so made shall be with the approval of the Audit Committee, Board and Shareholders, as required under applicable laws.

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.

Post appointment, the Company will inform the RBI regarding the appointment of SAs every year by way of a certificate in Form A provided in the [Circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021](#), within one month of such appointment. The format is specified in **Annexure I**.

In case of removal, if any, of the Statutory Auditors before the expiry of their term and after obtaining requisite approval from ACB and Board, the Company shall inform concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) at RBI along with reasons/ justification for the same, within a month of such a decision being taken.

The Board/ACB shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/ recommendation of the Board/ ACB, with the full details of the audit firm.

## **11.2. INTERNAL AUDITORS**

The Board of the Company shall appoint internal auditors as and when provision is applicable to the Company 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.

## **11.3. SECRETARIAL AUDITORS**

The Company shall appoint a company secretary in practice in terms of Section 204 of the Companies Act, 2013 and as per the applicable rules made thereunder who shall be responsible to conduct secretarial audit of the Company as per the 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 to be annexed to the board's report which shall be circulated to the members of the Company in accordance with the applicable laws/regulations.

## **12. Guidelines For Convening Board and Audit Committee Meetings**

The Company is obligated to adhere to pertinent legislation, encompassing, but not restricted to, the Companies Act of 2013, RBI/NHB guidelines, or any other statutes as stipulated. The Company Secretary is vested with the authority to formulate internal protocols for convening Board and other committee meetings.

## **13. Performance Evaluation**

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the individual Directors and KMP, 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.

## **14. Code of Conduct And Policies**

The code of conduct for Directors (including Independent Directors) and employees provides a guide to professional code of conduct to be applied in their businesses and affairs in compliance with applicable laws, rules and regulations of India. The code is applicable to all employees of the Company, including executive Director(s) and to the non-executive Director(s), whether independent or non-independent to the extent of their role and responsibilities in the Company.

## **15. Policies Adopted By The Company**

In accordance with the applicable provisions of the Companies Act, 2013, the directions/guidelines issued by the RBI and National Housing Bank, under other applicable laws and for internal requirements and operational convenience, the Company shall frame and adopt various policies and shall modify/ update/ revise/ review as and when required under the applicable laws or due to change in the functioning or the structure of the Company.

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

## 16. Disclosure and Transparency

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board and employees of the Company shall ensure and make necessary disclosures to the Company, the regulatory / 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 or such other person authorized by the Board or any law/ regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the regulatory/ statutory authorities or such other persons as may be required under applicable laws / regulations.

### **Following disclosures to be made to the Board of Directors on yearly basis:**

- The Chief Operating Officer (COO) shall report on the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the HFC; and
- The Chief Compliance Officer (CCO) shall report 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.

### **The Company will also disclose the following (wherever applicable) in its Annual Financial Statements:**

- registration/ license/ authorization, 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 RBI/ NHB or any enforcement authority;
- information namely, area, country of operation and information about JV and overseas subsidiaries, if any; and
- Asset-Liability profile, 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 prescribed under RBI Directions;
- The Company shall meet the disclosure requirements prescribed by the RBI under its [Scale Based Regulation](#) including disclosures related to the types of exposure, related party transactions, loans to Directors/ senior officers and customer complaints.

**17. Chief Compliance Officer (CCO)**

A qualified Company Secretary appointed in terms of Section 203 of the Companies Act, 2013 and as per [Scale Based Regulation \(SBR\): A Revised Regulatory Framework for NBFCs](#) shall act as the Chief Compliance Officer of the Company. The Chief Compliance Officer shall, inter-alia, be responsible for setting forth policies/procedures and ensuring conformity with the applicable laws/rules/regulations/ guidelines including Companies Act, and RBI Directions/guidelines, issued from time to time. The specific duties, rights and obligations of the Chief Compliance Officer, as well as the entire Compliance Department, are outlined in the Compliance Policy of the Company.

**18. Disclaimer**

While this policy has been made as informative as possible and structured to ensure quick and easy interpretation by all. As and when there’s an amendment to this policy, the updated policy document will be shared through the appropriate channel of communication.

In case of any ambiguity related to understanding of this policy, the final interpretation by the management will be considered as applicable.

Proposed committees or any other part of this policy would be suitably constituted / amended as and when applicable / required by NHB/ RBI/ any other regulatory body.

**19. Review of Policy**

The Board or its Committee may review the policy from time to time as may be required. The Board of Directors of the Company reserves the right to add, amend, modify the Guidelines, as and when it deems appropriate.

The Internal guidelines on Corporate Governance will be reviewed at least annually and as and when necessary by the Board in the context of changing regulations and emerging best practices with a view to improve the Company’s governance standards on an ongoing basis.

**20. Change Control Record**

Version No.	Change Request by	Memorandum of Change	Approval date

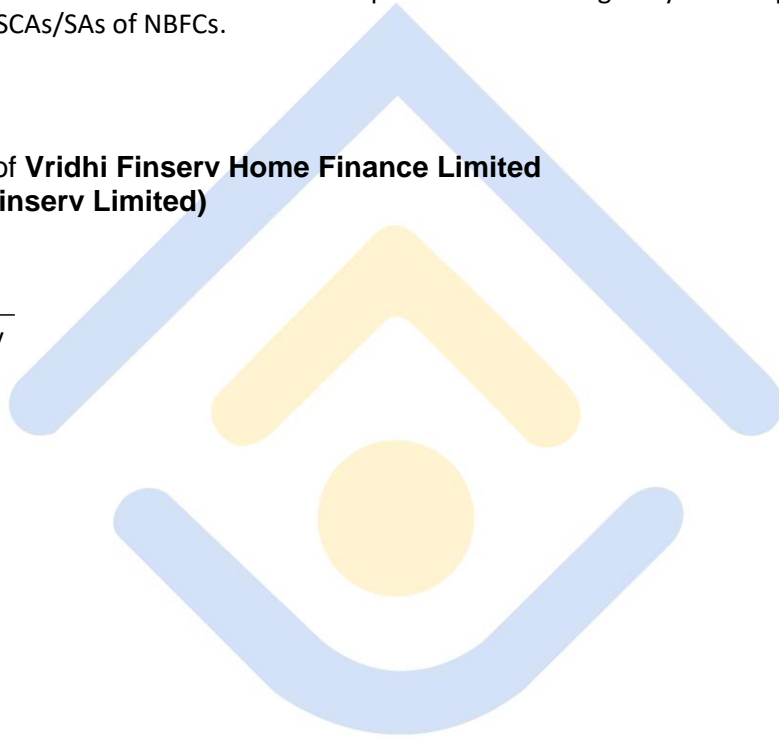
**ANNEXURE I**

**FORM A – INFORMATION TO BE SUBMITTED BY THE NBFCs REGARDING APPOINTMENT OF SCA/SA**

1. The company has appointed \_\_\_\_\_ (Firm Registration Number - \_\_\_\_\_) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year \_\_\_\_ for their \_\_\_\_ term.
2. The company has obtained eligibility certificate from \_\_\_\_\_ (Firm Registration Number - \_\_\_\_\_) appointed as SCA/SA of the company for FY \_\_\_\_\_ along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for \_\_\_\_\_ years with the company as SA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

For and on behalf of **Vridhi Finserv Home Finance Limited**  
**(formerly Vridhi Finserv Limited)**

\_\_\_\_\_  
Authorized Signatory





## ANNEXURE II

### POLICY ON FIT & PROPER CRITERIA FOR DIRECTORS ('FIT & PROPER POLICY')

#### 1. Objectives

The objective of the policy is to set out the Fit and Proper Policy ('Fit & Proper Policy') criteria based on which new Directors proposed for the appointment and existing Director continuance for evaluation. With this Fit & Proper Policy, the Company expects that only individuals of high caliber and who possess the right mix of qualifications & experience, expertise, track record and integrity are appointed to the Board.

#### 2. Scope And Application

The Fit & Proper Policy shall apply in respect of appointment of Directors as the Board of Directors of the Company as well as continuation of the appointment of the Directors on the Board. It solely comprises the mandatory requirements as mentioned in the 'Housing Finance Companies- Corporate Governance'.

#### 3. Role Of Nomination And Remuneration Committee('NRC')

The NRC of the Company shall:

1. Review Fit and Proper Policy periodically;
2. Carry out the due diligence to determine the suitability of the person for appointment/ renewal of appointment.
3. Scrutinize the Declaration and Undertaking and Deed of Covenant received from the Directors of the Company; and
4. Recommend the appointment/ re-appointment of the persons proposed to be appointed/ reappointed after applying the fit and proper criteria as stipulated in this policy

#### 4. Evaluation Of Fit And Proper Criteria

1. Before appointing any person as a Director on the Board or continuing the appointment of any such director, the NRC shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the qualification, expertise, track record, integrity of such individual and other 'fit and proper' criteria.
2. To ensure adequate due diligence as envisaged above, the Company will collect necessary information, undertaking and declaration from the proposed/ existing Directors as per the format given as **Annexure III** of the Fit and Proper Policy or as may be prescribed by the regulatory authority from time to time.
3. It shall be ensured that a 'Deed of Covenant' is executed with the nominated/ elected Directors executed as per the format given as **Annexure IV** of the Fit and Proper Policy or as may be prescribed

by the regulatory authority from time to time. All Directors appointed after the effective date of this policy shall also execute the said Deed of Covenant, on or before the date on which such appointment becomes effective.

4. The NRC shall scrutinize each Declaration and Undertaking received. The NRC shall after considering the result of its due diligence and the information provided in the signed Declaration and Undertaking, decide on and recommend to the Board, acceptance or otherwise of the potential new Directors or existing Directors whose appointment is to be continued or renewed, as the case may be.
5. In order to conclude that a person's 'fit and proper' to be appointed as a Director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, on the basis of recommendations of the NRC, that:
  - 5.1 the person meets the fit and proper criteria expressly set out by the RBI
  - 5.2 the person possesses the qualifications, competence, technical expertise, track record, integrity and judgment to perform properly the duties of a director on the Board.
  - 5.3 the person possesses the educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities as a director on the Board;
  - 5.4 the person either:
    - a. has no conflict of interest in performing such person's duties as a director on the Board; or
    - b. if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.
6. The Company shall require every Director on the Board to annually provide not later than April 15th a simple declaration (reflecting the position as on 31st March) which either confirms that the information already provided to the Board in the Declaration and Undertaking has not undergone any change or where there is any change, specifies the requisite details of such change. Any declarations which indicate a change in the information provided in the original Declaration and Undertaking shall also be scrutinized by the NRC and the NRC shall keep the Board apprised of any such changes.

#### **5. Quarterly Reporting**

The Company shall provide a statement to the NHB on a quarterly basis (no later than 15 days from the end of every financial quarter) setting out the change of directors accompanying a certificate from the managing director of the Company confirming that the fit and proper criteria in selection of such new directors has been followed.

The statement for the quarter ending March 31, shall be certified by the auditors of the Company.

#### **6. Amendments**

This policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to any notifications and directions issued by RBI or under any other law applicable to the Company, from time to time. The Board of Director may issue /implement such guidelines, procedures, formats and/or reporting mechanisms to enforce the Fit and Proper Policy as may deem fit.

**ANNEXURE III**

**DECLARATION AND UNDERTAKING BY THE DIRECTOR**

**Name of HFC:** VRIDHI FINSERV HOME FINANCE LIMITED (FORMERLY VRIDHI FINSERV LIMITED)

**Declaration and Undertaking by Director** (with enclosures as appropriate as on \_\_\_\_\_)

<b>I. Personal details of Director</b>	
a. Full Name	
b. Date of Birth	
c. Education Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address/ Telephone Number	
h. Director Identification Number	
i. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
j. Relevant knowledge and experience	
k. Any other information relevant to Directorship of the HFC	
<b>II. Relevant Relationship of Director</b>	
a. List of relatives, if any, who are connected with the HFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013).	
b. List of entities, if any, in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013).	
c. List of entities in which he/she is considered as holding substantial interest as defined in Master Direction Non-Banking Financial Company – Housing Finance Company (Reserve Bank of India) Directions, 2021.	
d. Name of HFC in which he/she is or has been a member of the Board (giving details of period during which such office was held).	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the HFC.	
f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or	

have been in default in the past in respect of credit facilities obtained from the HFC or any other HFC/ bank.	
<b>III. Records of professional achievements</b>	
a. Relevant professional achievements	
<b>IV. Proceedings, if any, against the Director</b>	
a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director.	
d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the director at any time been found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange / other revenue authorities? If so, give particulars.	
g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA, RBI, etc.	
<b>(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/ setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit. If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)</b>	

**V. Any other explanation/ information in regard to items I to III and other information considered relevant for judging fit and proper**

**Undertaking**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the HFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the Deed of Covenant required to be executed by all the directors of the HFC.

**Place:**

**Signature**

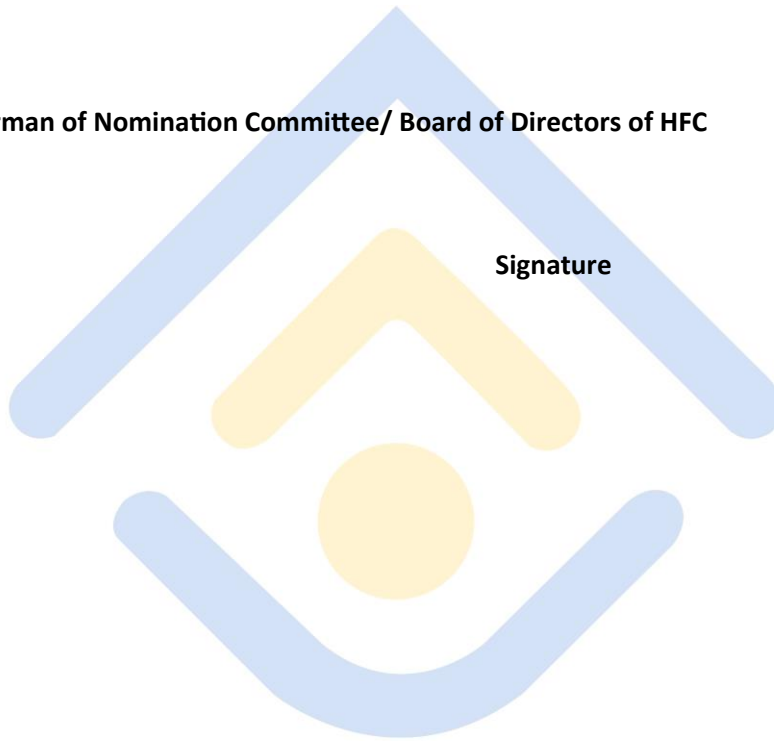
**Date:**

**VI. Remarks of Chairman of Nomination Committee/ Board of Directors of HFC**

**Place:**

**Signature**

**Date:**



## ANNEXURE IV

### FORM OF DEED OF COVENANTS WITH A DIRECTOR

**THIS DEED OF COVENANTS** is made on this \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand \_\_\_\_\_  
**BETWEEN** VRIDHI FINSERV HOME FINANCE LIMITED (FORMERLY VRIDHI FINSERV LIMITED) having its registered office at No. 38, 1st Floor, GKR Sapthagiri Vaishtadhama, 12<sup>th</sup> Cross, Off CBI Road, Ganganagar Bangalore North KA 560032 IN (hereinafter called the “**HFC**”) of the one part and Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the “**DIRECTOR**”) of the other part.

#### **WHEREAS**

- A. The Director has been appointed as a director on the Board of Directors of the HFC (hereinafter called "**the Board**") and is required as a term of his/ her appointment to enter into a Deed of Covenants with the HFC.
- B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

#### **NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:**

1. The Director acknowledges that his/her appointment as director on the Board of the HFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the HFC and the provisions of this Deed of Covenants.
2. The Director covenants with the HFC that:
  - i) The Director shall disclose to the Board the nature of his/ her interest, direct or indirect, if he/ she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the HFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/ she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

ii) The Director shall disclose by general notice to the Board his/ her other directorships, his/ her memberships of bodies corporate, his/ her interest in other entities and his/ her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

iii) The Director shall provide to the HFC a list of his/ her relatives as defined in the Companies Act, 1956 or the Companies Act, 2013 and to the extent the Director is aware of directorships and interests of such relatives in other bodies' corporate, firms and other entities.

iv) The Director shall in carrying on his/ her duties as director of the HFC:

a) use such degree of skill as may be reasonable to expect from a person with his/ her knowledge or experience;

b) in the performance of his/ her duties take such care as he/ she might be reasonably expected to take on his/ her own behalf and exercise any power vested in him / her in good faith and in the interests of the HFC;

c) shall keep himself/ herself informed about the business, activities and financial status of the HFC to the extent disclosed to him/ her;

d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his/ her obligations as director of the HFC;

e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the HFC;

f) shall bring independent judgment to bear on all matters affecting the HFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;

g) shall in exercise of his/ her judgement in matters brought before the Board or entrusted to him/ her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/ her independent judgement; and

h) shall express his/ her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/ her independent judgement;

v) The director shall have:

a) fiduciary duty to act in good faith and in the interests of the HFC and not for any collateral purpose;

b) duty to act only within the powers as laid down by the HFC's Memorandum and Articles of Association and by applicable laws and regulations; and

c) duty to acquire proper understanding of the business of the HFC.

vi) The Director shall:

- a) not evade responsibility in regard to matters entrusted to him/ her by the Board;
- b) not interfere in the performance of their duties by the whole-time Directors and other officers of the HFC and wherever the Director has reasons to believe otherwise, he / she shall forthwith disclose his/ her concerns to the Board; and
- c) not make improper use of information disclosed to him/ her as a member of the Board for his/ her or someone else's advantage or benefit and shall use the information disclosed to him/ her by the HFC in his/ her capacity as director of the HFC only for the purposes of performance of his/ her duties as a director and not for any other purpose.
- d) make declaration to the effect that:
  - i. he/ she has not been associated with any unincorporated body that is accepting deposits;
  - ii. he/ she has not been associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the National Housing Bank/ Reserve Bank of India;
  - iii. there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him/ her.

3. The HFC covenants with the Director that:

- i) the HFC shall apprise the Director about:
  - a) Board procedures including identification of legal and other duties of the Director and required compliances with statutory obligations;
  - b) control systems and procedures;
  - c) voting rights at Board meetings including matters in which the Director should not participate because of his/ her interest, direct or indirect therein;
  - d) qualification requirements and provide copies of Memorandum and Articles of Association;
  - e) corporate policies and procedures;
  - f) insider dealing restrictions;
  - g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
  - h) appointments of Senior Executives and their authority;
  - i) remuneration policy;
  - j) deliberations of committees of the Board, and



k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the HFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

ii) the HFC shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof;

iii) the disclosures to be made by the HFC to the Directors shall include but not be limited to the following:

a) all relevant information for taking informed decisions in respect of matters brought before the Board;

b) HFC's strategic and business plans and forecasts;

c) organisational structure of the HFC and delegation of authority;

d) corporate and management controls and systems including procedures;

e) economic features and marketing environment;

f) information and updates as appropriate on HFC's products;

g) information and updates on major expenditure;

h) periodic reviews of performance of the HFC; and

i) report periodically about implementation of strategic initiatives and plans.

iv) the HFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

Note: It is clarified that circulation of minutes within two business days is not mandatory and provisions in the Companies Act, 2013 in this regard shall apply.

v) advise the Director about the levels of authority delegated in matters placed before the Board.

4. The HFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The HFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of the Reserve Bank and National Housing Bank and other concerned statutory and governmental authorities.

6. The Director shall not assign, transfer, sublet or encumber his/ her office and his/ her rights and obligations as director of the HFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the HFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge, or compliance thereof at any time or times thereafter.

8. Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorised representative of the HFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

**IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.**

**For the HFC**

**Director**

By \_\_\_\_\_

Name:

Title:

Name:

In the presence of:

1 \_\_\_\_\_

2 \_\_\_\_\_