

Magma Housing Finance Limited

To ensure compliance with legal requirements and set standards for corporate governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company.

Corporate Governance Policy

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Approved By: Board of Directors

Policy Owner: Secretarial Department

This document is confidential in nature and supersedes any Policy on Corporate Governance existing in the Company, and should be read in conjunction with the most recent policies and procedures documented.

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Governing Guideline/ Policy	:	Master Circular- Housing Finance Companies – Corporate Governance (NHB) Directions, 2016
Legal aspects checked by	:	M/s Vinod Kothari & Co., Ms. Priti Saraogi

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1. PREAMBLE

Magma Housing Finance Limited (hereinafter ‘the Company/MHFL’) believes that a good corporate governance system is necessary to ensure its long term success. The Company ensures good governance through the implementation of various effective policies and procedures, which is mandated and reviewed by the Board or the Committees of the members of the Board in regular intervals.

The objective of the Corporate Governance Policy (‘Policy’) is to ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company and also to elaborate on the provisions of applicable law governing information for shareholders. All those concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

The purpose of this Policy is to frame internal guidelines on Corporate Governance. This Policy shall lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the National Housing Bank (“NHB”) in this regard.

2. CONTEXT AND PURPOSE

This Policy on Corporate Governance draws reference to the Master Circular Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by NHB vide Notification No. NHB(ND)/DRS/REG/MC-07/2019 dated 1 July, 2019 (‘NHB Directions’), including any amendment, revision in the directions made thereunder and issuance of any guidelines, notification, circular by the NHB in this regard from time to time.

As per the NHB Directions, non-public deposit accepting Housing Finance Companies (HFCs) with assets size of Rs. 50 crores and above, as per the last audited balance sheet, and all public deposit accepting / holding HFCs shall frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the NHB Directions and it shall be published on the company's website, if any, for the information of various stakeholders. MHFL being a non-public deposit accepting HFC, is accordingly covered by the NHB Directions.

This Policy is to be read in conjunction with applicable laws; accordingly, this Policy enhances the provisions of applicable laws.

3. DEFINITIONS

In this Policy, unless the context otherwise requires:

- a) **“Applicable Laws”** means the Companies Act, 2013 and the rules made thereunder, Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by National Housing Bank vide Notification No. NHB(ND)/DRS/REG/MC-07/2019 dated 1 July, 2019, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing

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Regulations) to the extent applicable, applicable Secretarial Standards issued by the Institute of Company Secretaries of India from time to time and includes any other statute, law, standards, regulations or other governmental instruction relating to Corporate Governance Direction;

- b) **“Audit Committee”** means the Audit Committee formed under Section 177 of the Companies Act, 2013;
- c) **“Board of Directors”** or **“Board”** means the collective body of the directors of the Company;
- d) **“Charter”** with reference to a committee shall mean the principal document governing the operation of the committee in accordance with the provisions of Applicable Laws;
- e) **“Chief Financial Officer”** means chief financial officer as defined in Section 2(18) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;
- f) **“Company”** means Magma Housing Finance Limited;
- g) **“Committees”** means committees of Board of Directors constituted by virtue of Applicable Laws;
- h) **“Companies Act, 2013”** includes any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;
- i) **“Company Secretary”** means a company secretary as defined in Section 2(24) of Companies Act, 2013;
- j) **“Corporate Governance”** means a set of relationships between the Company’s management, its Board, its shareholders and other stakeholders which provide the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance. It helps to define the way authority is allocated and the way corporate decisions are arrived at and executed;
- k) **“Directions”** or **“NHB Direction”** means Master Circular - Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 issued by National Housing Bank vide Notification No. NHB(ND)/DRS/REG/MC-07/2019 dated 1 July, 2019 and shall include any amendment thereto made from time to time;
- l) **“Director”** means a director appointed to the Board of the Company;
- m) **“Independent Director”** means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;

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- n) **“Nomination Committee”** means the Nomination and Remuneration Committee (“NRC”) formed under Section 178 of the Companies Act, 2013 and other Applicable Laws;
- o) **“Risk Management”** means the process established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis;
- p) **“Risk Management Committee” or “RMC”** means the committee constituted as per the NHB Directions set forth by the National Housing Bank in this regard;
- q) **“Senior Management”** shall mean personnel of the Company have been defined in Section 178 of the Companies Act, 2013 as personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

4. GUIDELINES ON CORPORATE GOVERNANCE

In pursuance of the NHB Directions, the Company has framed the following internal guidelines on Corporate Governance.

5. BOARD OF DIRECTORS

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly, discharge their responsibilities.

The Board focuses its activity on the determination, supervision, and monitoring of the strategies and general guidelines that must be followed by the Company, and entrusts to the representative management decision making bodies and to the senior officers the dissemination, coordination, and acting in furtherance of the interests of each and every one of the companies forming part thereof.

The Board shall ensure that the Company’s organisational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision-making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions.

A. Corporate culture and values

In order to promote a sound corporate culture and values, the Board shall ensure the following:

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1. setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
2. promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
3. ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
4. employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the Breach of Integrity and Whistle Blower Policy including any modification(s) revision(s) thereto.

B. Oversight of Senior Management

The Board should oversee the Senior Management. It should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations. This includes adhering to the Company's values, risk appetite and risk culture, regardless of financial gain or loss to the Company. In doing so, the Board should:

1. monitor that Senior Management's actions are consistent with the strategies and policies approved by the Board;
2. meet regularly with Senior Management;
3. ensure that Senior Management's knowledge and expertise remain appropriate given the nature of the business and the Company's risk profile;
4. ensure that appropriate succession plans are in place for Senior Management positions.

C. Size of the Board

The Board's strength shall be minimum 3 (three) Directors and maximum number of directors shall be as per the limit specified in the Companies Act, 2013.

D. Board Composition

The Board shall have an optimum combination of executive, non-executive and Independent Directors and at least one women Independent director in line with the requirements of the provisions of the Companies Act, 2013.

E. Board Meetings and Quorum

The Board Meetings of the Company shall be held as per the requirements prescribed under the Applicable Laws and as decided by the Board. The meetings of the Board shall generally be held at

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the Company's office unless otherwise decided by the Board of Directors. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013 and other Applicable Laws.

F. Information to be placed before Board and its Committees

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Companies Act, 2013 and other Applicable Laws. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

G. Agenda for the Meeting

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period of time prior to the Meeting as per Companies Act, 2013 and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Each Board member and Committee member as the case may be is free to suggest inclusion of items in the agenda. With the permission of the Chair, each Board member and Committee member as the case may be is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions. However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting as the case may be.

H. Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee as the case may be.

I. Minutes

The minutes of all meetings of the Board and the Committees shall be circulated to the Board and the Committee respectively and shall be noted in the consequent Board Meeting and Committee meeting respectively as per Companies Act, 2013 and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Minutes of meetings of Committees of Board shall be placed before the Board.

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6. BOARD COMMITTEES

In order to focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. The Board shall have the following Committees mandatorily besides other committees:

- Audit Committee;
- Nomination and Remuneration Committee;
- Risk Management Committee; and
- Asset Liability Management Committee.

The terms of reference of the above mentioned Committees shall be determined by the Board from time to time as per Applicable Laws.

Details of the various Board Committees are as under:

A. AUDIT COMMITTEE

The Audit Committee constitution and functioning shall be in compliance with the provisions of the Companies Act, 2013 and other Applicable laws. The powers, functions, duties and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013 and as laid down in the Charter/Terms of Reference of the Audit Committee adopted by the Board. The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Composition:

The Audit Committee of the Company shall have minimum of three Directors with Independent Directors forming a majority. Further, majority of members of the Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.

The chairman of the Committee shall attend the Annual General Meeting (AGM) to answer shareholder queries and in case of any exigency he may authorise any member of the Audit Committee to attend the AGM on his behalf.

The Company Secretary of the Company shall act as secretary to the Audit Committee.

The members of the Audit Committee shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. as required by Companies Act, 2013 and other Applicable Laws. The members of the Audit Committee shall be appointed by the Board of Directors.

The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Audit Committee, but on occasions it may also meet without the presence of any executives of the Company. The CFO, head of internal audit

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and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.

Meetings and Quorum:

The Audit Committee should meet atleast four times a year and not more than four months shall elapse between two meetings including one prior to the finalization of the Annual Financial Statements.

Quorum shall comprise of two members or one third of the total members of the Audit Committee whichever is higher.

Minutes:

The Company Secretary will maintain minutes of the meetings of the Audit Committee as per the Applicable laws.

Role of the Committee:

The Audit Committee shall undertake such duties as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time, in conformity with the Applicable Laws.

Additionally, the Audit Committee shall *inter alia* ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks.

B. NOMINATION AND REMUNERATION COMMITTEE

The Board shall constitute a Nomination and Remuneration Committee (NRC) to ensure 'fit and proper' status of proposed/existing directors.

The NRC constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013 and other Applicable laws and as laid down in the Charter of the NRC.

Composition:

The NRC of the Board shall have atleast three non-executive Directors out of which not less than one half shall be Independent Directors.

The chairperson of the Company whether executive or non-executive may be appointed as member of NRC but shall not act as the chairman of the NRC.

The Business Head — Human Resource (HR) shall be responsible to act as the primary interface between the Chairperson of the Committee and the Senior Management and ensure relevance of the items tabled at the Committee Meetings.

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The Company Secretary will act as a Secretary to the Committee but shall not be a member. The Company Secretary shall be responsible to provide support to the Business Head - HR in his/her role and to ensure proper execution of the required processes.

The Chairperson of the NRC if required shall attend the AGM of the Company to answer the shareholders' queries. However, it would be up to the chairman of the NRC to decide who should answer the queries.

Meetings and Quorum:

The NRC shall meet atleast once in a year and on need basis.

Quorum shall comprise of two members or one third of the total members of the NRC, whichever is higher.

Minutes:

The Company Secretary will maintain the minutes of the meeting of the NRC as per Applicable Laws.

Role of Committee:

The NRC shall undertake the duties as per the Charter approved by the Board and any other duties as may be delegated to it from time to time, in accordance with Applicable Laws.

C. RISK MANAGEMENT COMMITTEE

The RMC will be constituted of Board to manage the integrated risks of the Company.

The RMC shall identify, review and control key risk areas, across the entire organization. The RMC shall review and monitor integrated risk viz; credit risk, market risk, liquidity risk, operational risk, regulatory risk and reputational risks. The Risk Management Committee shall be vested with necessary powers, as defined in its Charter/Terms of Reference to achieve its objectives.

Composition:

The constitution and functioning of RMC shall be in line with the requirements of Applicable Laws.

The RMC shall have minimum of three Directors. The members of the Committee will be appointed by the Board.

The Head of the Risk Department shall be responsible to act as the primary interface between the Chairperson of the Committee and the Senior Management and ensure relevance of the items tabled at the Committee Meetings.

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The Company Secretary will act as a secretary to the Committee but shall not be a member. The Company Secretary shall be responsible to provide support to the head of the risk department in his/her role and to ensure proper execution of the required processes.

Meetings and Quorum:

The RMC shall meet on a quarterly basis and on need basis.

The quorum of RMC shall comprise any two members of the Committee.

Minutes

The Company Secretary will maintain minutes of the meetings of the RMC as per Applicable Laws.

Role of the Committee:

The RMC shall undertake all such duties as decided and delegated by the Board to it from time to time.

D. ASSET LIABILITY MANAGEMENT COMMITTEE

The Board shall also constitute an Asset Liability Management Committee (ALCO) as required by the NHB Directions. The constitution and functioning of the ALCO shall be in line with the requirements of the NHB Direction.

The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

Composition:

The ALCO shall have minimum of three Directors and the Managing Director & Chief Executive Director or the Chief Executive Director must head the Committee. The members of the Committee will be appointed by the Board.

The CFO shall be responsible to act as the primary interface between the Chairperson of the Committee and the Senior Management and ensure relevance of the items tabled at the Committee meetings.

The Company Secretary will act as a Secretary to the Committee but shall not be a member. The Company Secretary shall be responsible to provide support to the Chief Financial Officer in his/her role and to ensure proper execution of the required processes.

Meetings and Quorum:

The ALCO shall meet on a quarterly basis and on need basis.

The quorum of ALCO meetings shall comprise of at least two members of the Committee.

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Minutes:

The minutes of the meetings of ALCO shall be maintained by the Company Secretary as per Applicable Laws.

Role of the Committee:

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time.

Apart from the above committees, the Board shall constitute such other Committees as may be deemed fit by it, if required.

7. FIT AND PROPER CRITERIA FOR DIRECTORS

The Company has in place a Policy for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The NRC shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy on 'Fit and Proper' Criteria for Directors in line with the NHB Direction .

8. DISCLOSURE TO THE BOARD

The following disclosures shall be made to the Board at regular intervals as may be prescribed by the Board in this regard:

1. progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
2. 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 following disclosures shall be made in the annual financial statements:

1. registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
2. ratings assigned by credit rating agencies and migration of ratings during the year;
3. penalties, if any, levied by any regulator;
4. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
5. asset-liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.

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6. any other information which requires disclosure under the Applicable Laws.

9. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

The Company shall appoint/re-appoint/rotate the firms/partner(s) of the Chartered Accountant firm conducting statutory audit as per Applicable Laws.

10. REVIEW OF POLICY

The Board or its Committee may review the Policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.

11. CHANGE CONTROL RECORD

Version No.	Change Request by	Memorandum of Change	Approval date
2.0	Secretarial	Periodic Review	09.06.2020