



Corporate Governance Policy of the Company

Version No.01
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BS & T Department
Registered Office
#29/1, Sir M N Krishna Rao Road
Basavanagudi
BANGALORE - 560 004

CORPORATE GOVERNANCE POLICY-2015-16

[Reviewed (without any modifications) for 2012-13 at the 140th meeting of the Board of Directors held on 19/01/2012].

1.Introduction:

In recent years, there has been a constantly increasing global trend and need towards improved corporate governance practices, accountability and responsibility. Corporate governance is about commitment to values and about the conduct of business with ethics. Corporate Governance encompasses the values, ethics and the best business practices followed by the Company. It comprises a unique combination of factors like statutory regulations, compliances, values, political and economical environments, transparency, accountability, voluntary practices and disclosures. It involves set-off relationships between the management and board of directors, shareholders and all its stakeholders.

The most important part of corporate governance is the timely and accurate disclosure of information regarding the financial position, performance, board constitution, ownership of the company and the related matters. The Corporate governance arrangements are those through which an organisation directs and controls itself and the people associated with it by establishing standards and codes of conduct.

Good Corporate Governance is a way of life that necessitates taking into account the stakeholders interests in every business decision.

2.Philosophy

The Company's philosophy on corporate governance is the adherence to the highest levels of transparency, accountability and equity, in all areas of its operations and in all interactions with its stakeholders, including shareholders, employees, government and other agencies. And commitment to achieve the highest standards of corporate governance. It believes that all operations must be spearheaded towards attaining the final objective of enhancing stakeholders value continuously.

At the core of its corporate governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well-informed and independent Board with an active participation is necessary to ensure the highest standards of corporate governance.

The Company is committed to establish and maintain best corporate governance practices. The Company's corporate governance practices comply with the corporate governance requirements as per the Listing Agreement with Stock Exchanges.

3.Principles:

Keeping in view the company's size, complexity, operations, corporate traditions, the CFHL Governance framework is based on the following main principles;

- a. Constitution of Board of Directors of appropriate composition, size, varied expertise and commitment to discharge their responsibilities and duties.
- b. Ensuring timely flow of information to the Board and its Committee to discharge their functions effectively.
- c. Maintain a sound system of risk management and internal control.
- d. Independent verification and safeguarding integrity of the company's financial reporting.
- e. Timely and balanced disclosure of all material information concerning the company to all its stakeholders.
- f. Transparency and accountability.
- g. Fair and equitable treatment of all stakeholders.
- h. Compliance with all Statutes, Rules, Regulations and agreements as are applicable from time to time.

4.Composition of Board and Board Committees

a.Board of Directors

The Board is responsible to exercise their business judgement to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging their duties the Directors shall comply with the Code of Conduct as adopted by the Board.

Directors are expected to attend and actively participate in Board Meetings and Meetings of Committees on which they serve as members and spend the needed time and meet as frequently as necessary to properly discharge their responsibilities.

The Board is responsible for overall compliance with the corporate governance of the Company. It oversees and directs the management of the Company's business and affairs. In doing so, it must act honestly, in good faith, and in the best interests of the Company.

The matters relating to the Code of conduct for the Board of Directors and the matters such as the size of the Board, its composition, appointment of directors, independent directors, meetings, compensation/sitting fees etc., are incorporated in the "Hand Book on Board Matters" placed before the Board separately as an annexure to this note (Chapter-I).

b.Committees of the Board

The functioning of the Board shall be further supplemented/facilitated by its Audit Committee, Management Committee and Shareholders/ Investors Grievance Committee. The Committees should meet at periodical intervals as per the statutory requirement or depending upon the need.

The Board shall constitute the Audit Committee and the Shareholders/Investors Grievance Redressal Committee, which are mandatory and may constitute any other Committees like Recruitment Committee, Remuneration Committee and the like at its discretion and depending on the need.

A director shall not be a member in more than ten committees or act as Chairman of more than five Committees across all Companies in which he is a director. Further it is a mandatory annual requirement for every director to inform the Company about the Committee positions he occupies in other Companies and notify changes as and when they take place. (for the purpose of considering the limit of Committees in which a Director can serve, all public limited companies, whether listed or not, shall be included and all other Companies including private limited companies, foreign companies and Companies under Section 25 of the Companies Act, 1956 shall be excluded. For the purpose of reckoning the limit Chairmanship/ membership of the Audit Committee shall alone be considered.

An independent director who resigns or is removed from the board of the Company shall be replaced by a new independent director within a period of not more than 180 days from the day of such resignation or removal, as the case may be. However, where the Company fulfills the requirement of independent directors in its board even without filling the vacancy created by such resignation or removal as the case may be, the requirement of replacement of a new independent director within a period of 180 days shall not apply.

The details of 3 existing committees are as below:-

i. Audit Committee

The Board shall constitute an Audit Committee.

A qualified and independent Audit Committee shall be set up, giving the terms of reference subject to the following in compliance with the provisions of Companies Act, 1956 and applicable Clauses of the Listing Agreement:

a. The Audit Committee shall have minimum three directors as members. Two-thirds of the members of Audit Committee shall be independent directors.

b. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Other comprehensive details relating to the Audit Committee are incorporated in the "Hand Book on Board Matters" placed before the Board separately as an annexure to this note (Chapter-II).

ii. Shareholders/Investors Grievance Committee

A Board committee under the chairmanship of a Non Executive Director shall be formed named as Share Transfer and Investors Grievance Committee. The Committee shall meet at such intervals as may be necessary. This Committee shall oversee the performance of the Registrar and Share Transfer Agent (R & T Agent) and recommend measures for overall improvement of the quality of investor services. The Committee shall also oversee and review all matters relating to transfer

of securities. The Committee shall also look into redressing complaints of shareholders/ investors.

Other comprehensive details relating to the Audit Committee are incorporated in the "Hand Book on Board Matters" placed before the Board separately as an annexure to this note (Chapter-III).

iii. Management Committee

This Committee shall consider proposals for housing loans, rates of interest on such loans, review of sanctions made etc., as per the delegation of powers, including certain other important business decisions taken by the management and other assignments in terms of the powers delegated to the Committee by the Board.

5. Code of Compliance, Disclosures, financial reporting and transparency

The Board shall ensure for compliance of the requirements under the applicable laws/ regulations/guidelines/listing agreements etc. on compliance, disclosures on related party transactions, accounting treatment, risk management, proceeds from public issues, rights issues, preferential issues etc., CEO/CFO certification to the Board and the like.

A report of directors on corporate governance incorporating the required particulars as prescribed under Clause 49 of the listing agreement shall form part of the Annual Report.

Other comprehensive details relating to the code of compliance, disclosures etc. stated above are incorporated in the "Hand Book on Board Matters" placed before the Board separately as an annexure to this note (Chapter-IV).

6. Fair Practices Code:

Board shall ensure adherence to the guidelines on fair practices code listed by the National Housing Bank (NHB) and amendments, if any, from time to time.

The details relating to the guidelines on fair practices Code issued by the NHB are incorporated in the "Hand Book on Board Matters" placed before the Board separately as an annexure to this note (Chapter-V).

7. Code of Conduct for prohibition of Insider Trading

The Company shall put in place a Code of Conduct for the Company on prohibition of insider trading in compliance of Regulation 12 of the SEBI(Prohibition of Insider Trading) Regulations, 1992, as amended from time to time.

The details on Code of Conduct for prevention of insider trading for the company is placed before the Board separately forming part of the "Hand Book on Board Matters" as an annexure to this note (Chapter-VI).

The said guidelines be circulated amongst the employees and published on the website of the Company.

8. Code of conduct for Directors

The matters relating to the Code of conduct for the Directors of the Company and obtaining their affirmation on an annual basis and placing the same before the Board for information. The said Code of Conduct is placed before the Board separately forming part of the "Hand Book on Board Matters" as an annexure to this note (Chapter-VII).

9. Code of conduct for Senior Management

The matters relating to the Code of conduct for the Senior Management and obtain their affirmation on an annual basis and placing the same before the Board for information. The said Code of Conduct is placed before the Board separately forming part of the "Hand Book on Board Matters" as an annexure to this note (Chapter-VIII).

Board of Directors of Can Fin Homes Ltd.,

Adopted at the 136th meeting of the Board of Directors held on July 21, 2011

**Reviewed (without any modifications) for 2012-13
at the 140th meeting of the Board of Directors held on 19/01/2012.**



CanFin Homes Ltd
(Sponsor: **CANARA BANK**)
HOME LOANS ♦ DEPOSITS
Translating Dreams into Reality

HAND BOOK

ON

BOARD MATTERS

INDEX

Chapter	Contents	Page No.
I.	Board of Directors and related matters	08-11
II.	Audit Committee and other related matters	12-14
III.	Shareholders'/Investors Grievance Committee	15
IV.	Code of Compliance, Disclosures, financial reporting and transparency	16-20
V.	(Guidelines on) Fair Practices Code for Housing Finance Companies (HFCs)	21-26
VI.	<i>Code of Conduct for prevention for prevention of Insider Trading (CFHL)</i>	27-34
VII.	Code of Conduct for Directors	35-40
VIII.	Code of Conduct for Senior Management of Canfin Homes Ltd.,	41-46

Chapter - I

Board of Directors

a.Size of the Board

As per the Articles of Association of the Company, the maximum number of Directors which the Company can appoint is 12.

b.Board Composition

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors with majority of Non-Executive and Independent Directors as required by the Listing Agreement.

c.Independent Directors

As per the definition provided in the Listing Agreement, an Independent Director means a Non-Executive Director of the Company who:

- i. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the Company, its promoters, its senior management or its holding Company, its subsidiaries and associated companies;
- ii. is not related to promoters or management at the Board level or at one level below the Board;
- iii. has not been an executive of the Company in the immediately preceding three financial years;
- iv. is not a partner or an executive of the statutory audit firm or the internal audit firm that is associated with the Company, and has not been a partner or an executive of any such firm for the last three years. This will also apply to legal firm(s) and consulting firm(s) that have a material association with the entity;
- v. is not a supplier, service provider or customer of the Company. This should include lessor-lessee type relationships also; and
- vi. is not a substantial shareholder of the Company, i.e. owning two percent or more of the block of voting shares.

d.Appointment of Directors

The invitation to join the Board is extended on behalf of the Board by the Chairman of the Board. New director shall be apprised of the working of the Company and various codes of conduct adopted by the Company in its functioning.

In case of appointment of a new director or re-appointment of a director the shareholders shall be provided with the following information:

- i. A brief resume of the director, qualification(s);
- ii. Previous experience;
- iii. Nature of his expertise in specific functional areas; and
- iv. Names of companies in which the person also holds the directorship and the membership of committees of the board with its Chairmanship, if any.

e.Tenure

The tenure of Executive Director(s)/Managing Director(s)/ Wholetime Director(s) shall not exceed a period of five years on each occasion, subject to extension(s), if any. Non-Executive/ Independent Directors shall be eligible for retirement by rotation as well as reappointment.

f.Compensation/ Sitting fees

i. Executive Directors

Executive Director(s)/Managing Director(s)/Wholetime Director(s) shall be eligible/paid such remuneration and perquisites within the limits envisaged under Schedule XIII of the Companies Act, 1956. The remuneration payable shall be approved by the Board as well as the shareholders of the Company. As a policy, no sitting fees shall be payable to Executive Director(s)/Managing Director.

ii.Non Executive/ Independent Directors:

Non-Executive Directors/ Independent Directors are paid sitting fees for attending the meetings of the Board and attending Meeting of Committees constituted by the Board.. The sitting fees to be paid shall be within the prescribed limits of Companies Act, 1956 and other applicable provisions of various regulations, as the case may be, from time to time.

All compensation paid to Non-Executive/ Independent Directors, if any, shall be fixed by the Board of Directors and shall be approved by shareholders in general meeting. The shareholders' resolution shall specify the limits for the maximum number of stock options, if any, that can be granted to non-executive directors, including independent directors, in any financial year and in aggregate.

The requirement of obtaining prior approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 1956 for payment of sitting fees without approval of the Central Government. All the details relating to the compensation so paid shall also be disclosed in the Annual Report of the Company.

g. Board Meetings

The Board Meetings of the Company shall be held at least four times a year, once every quarter i.e. during the last week of April, July, October and January. However, the maximum time gap between two meetings shall not exceed 4 months. The meetings of the Board will normally be held at the Company's registered office unless otherwise decided by the Board of Directors.

h. Quorum

The quorum shall be either two members or one-third of the members of the Board whichever is greater, but here should be a minimum of two independent members present.

i.Information to be placed before Board of Directors

- a. Annual operating plans and budgets and any updates.
- b. Capital budgets and any updates.
- c. Quarterly results for the Company and its operating divisions or business segments.
- d. Minutes of meetings of Audit Committee and other committees of the Board.
- e. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- f. Show cause, demand, prosecution notices and penalty notices which are materially important
- g. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- h. Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.

- i. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- j. Details of any joint venture or collaboration agreement.
- k. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- l. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- m. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
- n. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- o. Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

j. Agenda for the Meeting

The agenda for the Board Meetings will be sent to the Directors at least 7 days prior to the Meeting. Each Board member is free to suggest the inclusion of items on the agenda. With the permission of the Chair, each Board member is also free to raise at any Board Meeting matters that are not on the agenda. All information relevant to the agenda to be discussed at an upcoming Board Meeting shall be distributed in writing or electronically to all members to facilitate informed decisions at the Meeting. However, with reference to any sensitive/confidential matter on the agenda, relevant information shall be made available only at the time of the Board Meeting.

k. Attendance at Board Meetings

The Board Meetings shall be attended by the Directors and on invitation of the Board by the executives of the Company, depending upon the requirement and who can provide an insight into the items being discussed.

All the Executive as well as Non-Executive Directors shall make it a point to attend all meetings of the Board. In case a Director cannot attend a Meeting, he or she shall obtain leave of absence from the Board and the same cannot be presumed. The granting of leave of absence or otherwise by the Board that fact should be recorded in the minutes of the meeting.

The Board, in its sole discretion, shall also have access to any independent advisors.

l. Planning

At the Board Meeting the Board shall make strategic and operating plans for the Company. The Board shall review the plans periodically as may be necessary.

m. Minutes

The minutes of all meetings of the Board shall be approved by the Chairman of the Board or Chairman of the meeting, as the case may be and placed before the succeeding meeting of the Board for confirmation.

Duties and Responsibilities

The Board is responsible for overseeing compliance with all relevant policies and procedures by which the Company operates and ensuring that the Company operates at all times in

compliance with all applicable laws and regulations adhering to the highest ethical and moral standards.

The Board reviews the annual business plans, business performance, risk levels of the Company, position of asset-liability management, show cause/ demand/ prosecution/ penalty notices, if any, received and which are materially important, material defaults, if any, in financial obligations to and by the Company, claims on Company, significant development in Human Resources/Industrial Relations and non-compliance, if any, under any regulatory, statutory or listing agreements and shareholders services and the like.

The Board monitors the financial performance of the Company and must ensure that the financial results are prepared in accordance with the generally accepted accounting principles and is reported to shareholders and regulators on a timely and regular basis. The Board must also ensure that all material developments of the Company are disclosed to the public on a timely basis in accordance with the Listing Agreement requirement.

The members of the Board should ensure that other responsibilities do not have any material impact on their responsibility as a director of the Company.

The members of the Board shall ensure compliance with all Statutes, Rules, Regulations and agreements from time to time. They shall also adhere to 'Code of Conduct for Directors' as approved by the Board from time to time and affirm compliance with the Codes on annual basis. (Chapter- I)

Disclosure of interest or holding by directors in terms of SEBI (Prohibition of Insider Trading) Regulations, 1992 (applicable for listed companies)

Initial Disclosure

The directors holding more than 5% shares or voting rights in the Company shall disclose to the Company in the prescribed Form, the number of shares or voting rights held by him/her, on becoming such holder, within two working days of the receipt of intimation of allotment of shares; or the acquisition of shares or voting rights, as the case may be.

The directors shall disclose to the Company in the prescribed form, the number of shares or voting rights held and positions taken in derivatives by such director and his dependents (as defined by the Company), within two working days of becoming a director of the Company.

Continual disclosure

The directors holding more than 5% shares for voting rights in the Company shall disclose to the Company in the prescribed Form, the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the Company.

The directors shall disclose to the Company and the stock exchange where the securities are listed in the prescribed form, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the Company) from the last disclosure made under sub-regulation (2) or under this sub-regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower.

The said disclosures shall be made within two working days of the receipts of intimation of allotment of shares or the acquisition or sale of shares or voting rights, as the case may be.

Chapter - II

Audit Committee

The Chairman of the Committee shall be an Independent Director, who shall be present at Annual General Meeting to answer shareholder queries.

The Meetings of the Audit Committee shall be attended by the members of the Audit Committee and on invitation at the discretion of the Chairman of the Committee, by the executives of the Company and who can provide an insight into the items being discussed, depending upon the requirement .

The Company Secretary of the Company shall be Secretary to the Committee.

a. Frequency of Meetings

The meetings of the Audit Committee shall be held at least four times a year, once every quarter i.e. during the last week of April, July, October and January, normally preceding the Board Meeting. However, the maximum time gap between two meetings shall not exceed 4 months. The meetings of the Audit Committee will normally be held at the Company's registered office unless otherwise decided by the Board of Directors.

The quarterly financial statements shall be reviewed by the Audit Committee before placing the same before the Board. In addition to its members, the Committee may at its discretion require the attendance of executives of the Company like Head of Finance, at its meetings. The Committee would be free to meet without the presence of any or all of such invitees if it so desires.

The management of the Company has the overall responsibility to prepare financial statements in accordance with generally accepted accounting principles. The Company's Independent Auditors has the responsibility to audit those financial statements. The Audit Committee's responsibility is one of overseeing the financial information. However, the Audit Committee has no obligation to provide any expert or other special assurance as to the Company's financial statements.

The objectives of the Audit Committee are to:

- i. Assist the Board of Directors of the Company in fulfilling its responsibilities to oversee
 - Company's financial reporting process
 - The integrity of the Company's financial statements
 - Independent Auditors' qualifications and independence
 - The performance of the Company's Internal Audit function and Independent Auditor
- ii. Oversee the Company's compliance with legal and regulatory requirements
- iii. Evaluate the adequacy and effectiveness of the Company's legal compliance control system
- iv. Encourage legal compliance in the observance of highest standards of ethics and integrity.

b. Quorum for the meeting

The quorum shall be either two members or one-third of the members of the Audit Committee whichever is greater, but here should be a minimum of two independent members present.

c. Powers of Audit Committee

The Audit Committee will have the resources and other authority necessary to discharge its duties and responsibilities. The Committee is empowered:

- a. To investigate any activity within its terms of reference.
- b. To have direct access to seek information from any employee of the Company.
- c. To obtain outside legal or other professional advice and to secure attendance of outsiders with relevant expertise, if it considers necessary.
- d. To have unrestricted access to the Company's books and records.

d. Responsibilities and Duties

Internal Audit

- i. Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- ii. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- iii. Reviewing and discussing with internal auditors and management on significant \ issues/ findings arising from the internal audit reports and follow up thereon.
- iv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

External Audit

- v. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- vi. Discussion with external auditors before the audit commences about nature and scope of audit.
- vii. Post-audit discussion with external auditors to ascertain any area of concern. Review of performance of the external auditors.

General

- viii. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ix. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on
 - Any changes in accounting policies and practices and reasons for the same.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit findings.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Disclosure of any related party transactions.
- x. Reviewing with the management, external and internal auditors, adequacy of internal control systems.
- xi. Reviewing the Company's financial and risk management policies.
- xii. To look into the reasons for substantial defaults in the payment to the depositors, \ debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- xiv. Identifying and reporting of the potential risk factors with necessary remedial measures, if any.
- xv. Review the functioning of the Whistle Blower mechanism.
- xiv. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function after assessing the qualifications, experience, background, etc. of the candidate.

In addition to the above, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

e. Review of information by Audit Committee

- i. Financial statements and draft audit report, including quarterly / half-yearly financial information.
- ii. Management discussion and analysis of financial condition and results of operations.
- iii. Reports relating to compliance with laws and to risk management.
- iv. Management letters / letters of internal control weaknesses issued by statutory / internal auditors.
- v. Statement of significant related party transactions submitted by Management.
- vi. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

The Company Secretary of the Company shall be Secretary to the Committee.

f. Minutes

The Company Secretary will maintain minutes of the meetings of the Audit Committee.

Chapter - III

Shareholders'/Investors Grievance Committee

To expedite the settlement of grievances the Committee may delegate the powers to the Company Secretary.

The Company Secretary of the Company shall be Secretary to the Committee.

A qualified and independent Shareholders'/Investors Grievance Committee has been set up subject to the following requirements:

- (1) **No. of members:** Two or Three as constituted by the Board of Directors, from time to time.
- (2) **Quorum:** Any two members present at the meeting of the committee shall form the quorum and if on any date of the meeting on which the Chairman is not able to attend the meeting or not present within half an hour of the time fixed for the meeting, the remaining members of the committee shall appoint a Director as the Chairman for the meeting.

The Chairman of the Committee shall be the non-executive director.

The Company Secretary shall act as the Secretary to the committee.

(3) Meeting of the Committee

The committee shall meet at least twice a year i.e., once in six month and such additional number of meetings be held as decided by the Chairman of the Committee depending upon the requirement.

(4) Powers and role of the Committee

The committee shall have powers as per the provisions of Companies Act, 1956, Articles of Association of the Company, the powers conferred under the Listing agreement, various statutes, notifications from various statutory regulatory authorities from time to time and the powers that might be delegated by the Board of Directors of the Company from time to time. The following are some of the powers, which are only illustrative:

The Committee shall approve, severally, the following:

- (a) The transfers/ transmissions,
- (b) sub-divisions,
- (c) consolidation,
- (d) renewal,
- (e) exchange of shares and debentures and other securities issued by the Company from time to time
- (f) issue within the statutory time limit of such lodgment for transfer, Pucca Transfer Receipts in denominations corresponding to the market units of trading, signed by a responsible Official of the Company upto 10,000 units of each of the said securities, per case of transfer etc.
- (g) in cases where transfers etc., exceed 10,000 units of shares/debentures and other securities per case, the said subject be placed before the Committee for approval.
- (h) to redress the grievance of shareholders/investors for their complaints like transfer of shares etc., non receipt of balance sheet, non receipt of dividend etc.
- (i) to invite any executives of the Company or any members of the R & T Agents, if need be, for discussion of any issues pertaining to R & T Agreement of any other matter relating to the shares, debentures of any other securities issued by the Company from time to time and also regarding the matters pertaining to the shareholders, debenture holders or any other holders of securities of the Company.
- (j) to review the shareholding pattern of the Company periodically.
- (k) And such other matters as delegated by the Board of Directors from time to time.

Chapter - IV

Code of Compliance, Disclosures, financial reporting and transparency

(A) Compliance

1. The Company obtains a certificate from the statutory auditors or practicing Company Secretary(ies) regarding compliance with conditions of corporate governance as stipulated in Clause 49 of the listing agreement(s) and annex the certificate with the directors' report, which is sent annually to all the shareholders of the Company. The said certificate be sent to the Stock Exchanges along with the annual report filed by the Company.
2. The non-mandatory requirements as per the listing agreement(s) be implemented depending upon the need and at the discretion of the Company. However, the disclosures on compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the section on corporate governance of the Annual Report.
3. In terms of the requirement Clause 49(v) of the listing agreement with stock exchanges, a certificate in the prescribed manner, confirming the correctness of the financial statements, adequacy of internal control measures and the matters to be reported to the Audit Committee and the Board before the respective meetings.
4. Compliance with the Guidelines and Directions issued by the NHB on asset classification of Credit / Investments, Credit Rating, Fair Practices Code, Know Your Customer (KYC), Deposits and Anti Money Laundering Guidelines, Accounting Standards issued by the ICAI, New Delhi, Secretarial Standards issued by ICSI etc. be ensured.
5. The quarterly compliance report prepared in the prescribed format, signed either by the Chief Executive Officer or the Compliance Officer of the Company be submitted to the respective stock exchanges within 15 days from the close of each quarter.

(B) Disclosures

(a) Basis of related party transactions

- i. A statement in summary form of transactions, if any, with related parties in the ordinary course of business shall be placed periodically before the Audit Committee.
- ii. Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the Audit Committee.
- iii. Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the Audit Committee, together with Management's justification for the same.

(b) Disclosure of Accounting Treatment

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Report on Corporate Governance.

(c) Board Disclosures – Risk management

The Board members be informed about the risk assessment and minimisation procedures laid down by the Management. These procedures shall be periodically reviewed to ensure that executive management controls risk by means of a properly defined framework.

(d) Proceeds from public issues, rights issues, preferential issues etc.

When money is raised by the Company, through an issue (public issues, rights issues, preferential issues etc.), it shall disclose to the Audit Committee, the uses / applications of funds by major category (capital expenditure, sales and marketing, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results.

Further, on an annual basis, the Company shall prepare a statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and place it before the Audit Committee. Such disclosure shall be made only till such time that the full money raised through the issue has been fully spent. This statement shall be certified by the statutory auditors of the Company. Furthermore, where the Company has appointed a monitoring agency to monitor the utilisation of proceeds of a public or rights issue, it shall place before the Audit Committee the monitoring report of such agency, upon receipt, without any delay. The Audit Committee shall make appropriate recommendations to the Board to take up steps in this matter.

(e) Remuneration of Directors

- i. All pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company shall be disclosed in the Annual Report.
- ii. Further the following disclosures on the remuneration of directors shall be made in the section on the corporate governance of the Annual Report:
 - a. All elements of remuneration package of individual directors summarised under major groups, such as salary, benefits, bonus(es), stock options, pension etc.
 - b. Details of fixed component and performance linked incentives, along with the performance criteria.
 - c. Service contracts, notice period, severance fees.
 - d. Stock option details, if any – and whether issued at a discount as well as the period over which accrued and over which exercisable.
- iii. The Company shall publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may be put up on the Company's website and reference drawn thereto in the annual report.
- iv. The Company shall disclose the number of shares and convertible instruments held by non-executive directors in the annual report.
- v. Non-executive directors shall be required to disclose their shareholding (both own or held by / for other persons on a beneficial basis) in the listed Company in which they are proposed to be appointed as directors, prior to their appointment. These details should be disclosed in the notice to the general meeting called for appointment of such director.

(f) Management

- i. As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the Company's competitive position:
 - a. Industry structure and developments.
 - b. Opportunities and Threats.
 - c. Segment-wise or product-wise performance.
 - d. Outlook
 - e. Risks and *concerns*.
 - f. Internal control systems and their adequacy.
 - g. Discussion on financial performance with respect to operational performance.

h. Material developments in Human Resources / Industrial Relations front, including number of people employed.

- ii. Senior management shall make disclosures to the board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the Company at large (for e.g. dealing in Company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.).

Explanation: For this purpose, the term "senior management" shall mean 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.

The Senior Management shall adhere to the 'Code of Conduct for Senior Management' as approved by the Board from time to time and affirm compliance with the Codes on annual basis. (Annexure II)

(g) CEO/CFO certification

The CEO, i.e. the Managing Director or Manager appointed in terms of the Companies Act, 1956 and the CFO i.e. the whole-time Finance Director or any other person heading the finance function discharging that function shall certify to the Board that:

- a. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d. They have indicated to the auditors and the Audit Committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

(h) Report on Corporate Governance

The Company presents a separate section on Corporate Governance in the Annual Reports of Company, with a detailed compliance report on Corporate Governance. Non-compliance of any mandatory requirement of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically highlighted.

The report on Corporate governance should cover the following as per clause 49:

- (1) A brief statement on Company's philosophy on code of governance.
- (2) Board of Directors:
- (3) Audit Committee:
- (4) Management Committee:
- (5) Shareholders Committee:
- (6) General Body meetings:
- (7) Disclosures:
- (8) Means of communication.
- (9) General Shareholder information;

(i) Disclosures as a part of shareholders rights and investor relations

- A. In case of the appointment of a new director or re-appointment of a director the shareholders must be provided with the following information:
- a. A brief resume of the director;
 - b. Nature of his expertise in specific functional areas;
 - c. Names of companies in which the person also holds the directorship and the membership of Committees of the Board; and
 - d. Shareholding of non-executive directors as stated in Clause 49 (IV) (E) (v) of the listing agreement.
- B. Disclosure of relationships between directors inter-se shall be made in the Annual Report, notice of appointment of a director, prospectus and letter of offer for issuances and any related filings made to the stock exchanges where the Company is listed.
- C. Quarterly results and presentations made by the Company to analysts shall be put on Company's web-site, or shall be sent in such a form so as to enable the stock exchange on which the Company is listed to put it on its own web-site.
- D. A board committee under the Chairmanship of a non-executive director has been formed to specifically look into the redressal of shareholder and investors complaints, if any, like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. This Committee be designated as 'Shareholders /Investors Grievance Committee'.
- E. To expedite the process of share transfers, the Board of Directors of the Company shall delegate the power of share transfer to an Executive in the rank of the Managing/Whole-time Director. The process of transfer/transmission/deletion/change etc. be carried out as per the statutory requirements and listing agreements.
- F. The name, address and contact details of designated officer(s) be displayed on the Company's website.

List of non-mandatory compliances followed by the Company

1. The Board

Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board of a Company. The Company may ensure that the person who is being appointed as an independent director has the requisite qualifications and experience which would be of use to the Company and which, in the opinion of the Company, would enable him to contribute effectively to the Company in his capacity as an independent director."

2. Remuneration Committee

- i. Depending upon the requirement, the board may set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Managing Director/Wholetime Director including pension rights and any compensation payment.
- ii. To avoid conflicts of interest, the remuneration committee, which would determine the remuneration packages of the for Managing Director/Wholetime Director may comprise of at least three directors, all of whom should be non-executive directors, the Chairman of committee being an independent director.
- iii. All the members of the remuneration committee could be present at the meeting.
- iv. The Chairman of the remuneration committee could be present at the Annual General Meeting, to answer the shareholder queries. However, it would be up to the Chairman to decide who should answer the queries.

3. Audit qualifications

There are no qualifications in the Audit Report of the Company. Company may sustain to continue to move towards a regime of unqualified financial statements.

4. Whistle Blower Mechanism

The Company has established a mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The existence of the mechanism has been appropriately communicated within the organization.

5.Compliance

In terms of the requirements of Clause 49 of the Listing Agreement with stock exchanges:

(i). The Company shall obtain a certificate from either the auditors or the Company Secretaries regarding compliance of conditions of corporate governance as stipulated in that Clause and annex the said certificate to the Report of Directors on Corporate Governance, being sent to all the shareholders of the Company on an annual basis. The said certificate shall also be sent to all the stock exchanges together with the annual report of the Company.

(ii). The non-mandatory requirement in terms of Clause 49 may be implemented at the discretion of the bank. However, the disclosures on compliance with mandatory requirements and adoption (and compliance) /non-adoption of the non-mandatory requirements shall be made in the section on Corporate Governance of the Annual Report.

Chapter – V

(GUIDELINES ON) FAIR PRACTICES CODE FOR HFCs

(As amended as per NHB Circular No NHB/ND/DRS/POL-NO 38/2010-11 dated 25-04-2011 and approved by the Board of Directors at the 135th meeting held on June 9, 2011)

1. OBJECTIVES & APPLICATION

Objectives of the Code

Housing Finance Companies (HFCs) which are a part of the financial system contribute to the economic growth by increasing the outreach of the housing credit delivery mechanism. To provide for transparency in transactions between the institutions and the end users and also to provide for well informed business relationships, some broad guidelines have been considered necessary. In this backdrop, the National Housing Bank, has framed the Guidelines on Fair Practices Code for HFCs to serve as a part of best corporate practices and to provide transparency in business practices. The Code has been developed to:

- a. Promote good and fair practices by setting minimum standards in dealing with customers;
- b. Increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- c. Encourage market forces, through competition, to achieve higher operating standards;
- d. Promote a fair and cordial relationship between customer and HFC; and
- e. Foster confidence in the housing finance system.

Application of the Code

All parts of this code apply to all the products and services, whether they are provided by the HFCs or subsidiaries across the counter, over the telephone, by post, through interactive electronic devices, on the internet or by any other method.

2. TO ACT FAIRLY AND IN A TRANSPARENT MANNER

2.1 To act fairly and reasonably in all dealings with customers, by ensuring that:

- a. We meet the commitments and standards in this code for the products and services we offer and in the procedures and practices our staff follows.
- b. Our products and services meet relevant laws and regulations in letter and spirit.
- c. Our dealings with customers rest on ethical principles of integrity and transparency.

2A. To transparently disclose to the borrower all information about fees/charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/dispensed, pre-payment options and charges if any, penalty for delayed payment if any, conversion charges for switching loan from fixed to floating rate or vice versa, existence of any interest reset clause and any other matter which affects the interest of borrower. In other words, HFCs must disclose 'all in cost' inclusive of all charges involved in processing/sanction of loan application in a transparent manner. It should also be ensured that such charges/fees are non-discriminatory.

3. ADVERTISING, MARKETING & SALES

- a. To ensure that all advertising and promotional material is clear, and not misleading.
- b. To include, in any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.

- c. To provide information on interest rates, common fees and charges through putting up notices in their branches; through telephone or help lines; on the Company's website; through designated staff/help desk; or providing service guide/tariff schedule.
- d. To ensure that if services of third parties are availed for providing support services, such third parties shall handle customer's personal information (if made available to the third parties) with the same degree of confidentiality and security as the HFCs would.
- e. To communicate from time to time, to customers, various features of products availed by them. Information about our other products or promotional offers in respect of products / services to be communicated only if he / she has given his / her consent to receive such information / service either by mail or registering for the same on the website or on customer service number.
- f. To prescribe a code of conduct for the Direct Selling Agencies (DSAs) whose services are availed to market products / services which amongst other matters require them to identify themselves when they approach customers for selling products personally or through phone.
- g. To ensure that in the event of receipt of any complaint from the customer that its representative, courier or DSA has engaged in any improper conduct or acted in violation of this code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

4. LOANS

4.1 (i) Applications for loans and their processing

- a. Loan application forms to include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other HFCs can be made and an informed decision can be taken by the borrower. The loan application form may also indicate the list of documents required to be submitted with the application form.
- b. A system of giving acknowledgement for receipt of all loan applications and preferably indicating the time frame within which the applications will be disposed off, in the acknowledgement.

(ii) Loan Appraisal and terms / conditions

- a. To collect all particulars required for processing the loan application at the time of application. In case further information is required, the customer to be told that he would be contacted immediately again.
- b. To convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record.
- c. To invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower at the time of sanction / disbursement of loans.

(iii) Communication of rejection of Loan Application

To communicate in writing the reason(s) for rejection if loan cannot be provided to the customer.

(iv) Disbursement in loans including changes in terms and conditions

- a. To ensure disbursement is made in accordance with the disbursement schedule given in the loan Agreement / Sanction letter.
- b. To give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc. Also to ensure that changes in the interest rates and

charges are effected only prospectively. A suitable condition in this regard to be incorporate in the loan agreement.

- c. If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his / her account or switch it without having to pay any extra charges or interest.
- d. To ensure that any decision to recall / accelerate payment or performance under the agreement or seeking additional securities, be in consonance with the loan agreement.
- e. Release of all securities on repayment of all dues or on realization of the outstanding amount of loan to be made subject to any legitimate right or lien for any other claim against the borrower. However if such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which entitlement, to retain the securities till the relevant claim is settled / paid, is made.

4.2 GUARANTORS

To ensure that when a person is considering to be a guarantor to a loan, he / she should be informed about

- a. his/her liability as guarantor;
- b. the amount of liability he/she will be committing him / herself to the Company;
- c. circumstances in which HFC will call on him/her to pay up his/her liability;
- d. whether HFC has recourse to his / her other monies in the Company if he/she fail to pay as a guarantor;
- e. whether his /her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- f. time and circumstances in which his/her liabilities as a guarantor will be discharged as also the manner in which HFC will notify him/her about this.

The guarantor will also be informed of any material adverse change/s in the financial position of the borrower to whom he/she stands as guarantor.

4.3 PRIVACY AND CONFIDENTIALITY

To treat all personal information of customers as private and confidential [even when the customers are no longer customer], and shall be guided by the following principles and policies. To ensure that information or data relating to customer accounts, whether provided by the customer or otherwise, shall not be revealed to anyone, including other companies, entities in their group, other than in the following exceptional cases:

- a. If the information is to be given by law
- b. If there is a duty towards the public to reveal the information
- c. If the HFCs' interests require them to give the information (for eg to prevent fraud) but it should not be used as a reason for giving information about customer or customer accounts [including customer name and address] to anyone else, including other companies in the group for marketing purposes.
- d. If the customer asks the HFC to reveal the information, or with the customer's permission.
- e. If HFCs are asked to give a reference about customers, they shall obtain his/her written permission before giving it.
- f. The customer shall be informed the extent of his rights under the existing legal framework for accessing the personal records that an HFC holds about him/her.

- g. HFCs shall not use customer's personal information for marketing purposes by anyone including HFCs unless the customer specifically authorizes them to do so.

4.4 CREDIT REFERENCE AGENCIES

- a. To ensure that when a customer opens an account, we shall inform him/her when his /her account details will be passed on to credit reference agencies and the checks we may make with them.
- b. We may give information to credit reference agencies about the personal debts the customer owes them if:
 - i) The customer has fallen behind with his/ her payments;
 - ii) The amount owed is not in dispute; and
 - iii) The customer has not made proposals that we are satisfied with, for repaying his/her debt, following our formal demand.
- c. In these cases, we shall intimate the customer in writing that we plan to give information about the debts the customer owes us to credit reference agencies. At the same time, we shall explain to the customer the role of credit reference agencies and the effect the information we provide can have on customer's ability to get credit.
- d. We may give credit reference agencies other information about the customer's account if the customer has given us his/her permission to do so.
- e. A copy of the information given to the credit reference agencies, shall be provided by us to a customer, if so demanded.

4.5 COLLECTION OF DUES

- 4.5.1 It must be ensured that whenever loans are given, we should explain to the customer the repayment process by way of amount, tenure or periodicity of repayment. However, if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. The process will involve reminding the customer by sending him/her notice or by making personal visits and / or repossession of security if any.
- 4.5.2 Our collection policy should be built on courtesy, fair treatment and persuasion. We should believe in fostering customer confidence and long term relationship. Our staff or any person authorized to represent us in collection of dues or/and security repossession shall identify himself/ herself and display the authority letter issued by us and upon request, display his/ her identity card issued by us or under authority of the Company. We shall provide customers with all the information regarding dues and shall endeavor to give sufficient notice for payment of dues.
- 4.5.3 All the members of the staff or any person authorized to represent us in collection or / and security repossession should follow the guidelines set out below:
 - a. Customer would be contacted ordinarily at the place of his / her choice and in the absence of any specified place at the place of his/her residence and if unavailable at his /her residence, at the place of business/occupation.
 - b. Identity and authority to represent us should be made known to the customer at the first instance.
 - c. Customer's privacy should be respected.
 - d. Interaction with the customer shall be in a civil manner
 - e. Our representatives shall contact the customers between 0700 hrs and 1900 hrs, unless the special circumstances of the customer's business or occupation require otherwise.

- f. Customer's request to avoid calls at a particular time or particular place shall be honored as far as possible.
- g. Time and number of calls and contents of conversation would be documented.
- h. All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i. During visits to customer's place for dues collection, decency and decorum should be maintained.
- j. Inappropriate occasions such as bereavement in the family or such other calamitous occasions should be avoided for making calls/ visits to collect dues.

4.6 COMPLAINTS AND GRIEVANCES

4.6.1 Internal procedures

- a. There should be a system and a procedure for receiving, registering and disposing of complaints and grievances in each of our offices.
- b. The appropriate grievance redressal mechanism within the organization should be laid down by the Board of Directors to resolve complaints and grievances. The mechanism should ensure that all disputes arising out of decisions of lending institutions' functionaries are heard and disposed off at least at the next higher level.
- c. Customers should be told where to find details of HFCs procedure for handling complaints fairly and quickly.
- d. If the customer wants to make a complaint, he/she should be told:
 - I. How to do this – (In writing)
 - II. Where a complaint can be made – (At the branch addressed to the branch Manager)
 - III. How a complaint should be made – (Gist of the complaint with reference A/c number)
 - IV. When to expect a reply – (Within 15 days)
 - V. Whom to approach for redressal – (If not resolved then to complain with the copies of correspondences to the Registered Office.)
 - VI. What to do if the customer is not happy about the outcome – (same as above)
 - VII. Our staff shall help the customer with any questions the customer has.
- e. If a complaint has been received in writing from a customer, the branch or R.O. shall send him /her an acknowledgement /response within a week. The acknowledgement shall contain the name and designation of the official who will deal with the grievance. If the complaint is relayed over phone at the branch / designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- f. After examining the matter, we shall send the customer our final response or explain why we need more time to respond and shall endeavor to do so within six weeks of receipt of a complaint and he/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.
- g. The grievance redressal procedure shall be publicized and shall ensure that it is specifically made available on our website.

5.0 GENERAL

We shall give the customer information:

- 1 Verify the details mentioned by him/ her in the loan application by contacting him/ her at his/ her residence and / or on business telephone numbers and/ or physically visiting

- his/ her residence and / or business addresses through agencies appointed for this purpose, if deemed necessary by us.
- 2 The customer should be informed to co-operate if we need to investigate a transaction on the customer's account and with the police/ other investigative agencies, statutory bodies, if we need to involve them.
 - 3 The customer shall be advised that if the customer acts fraudulently, he/she will be responsible for all losses on his / her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
 - 4 About their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
 - 5 The customer shall not be discriminated on grounds of sex, caste and religion in the matter of lending. However this does not preclude HFCs from instituting or participating in schemes framed for different sections of the Society.
 - 6 Requests for transfer of loan account either from the borrower or from a bank/financial institution, shall be processed in the normal course.
 - 7 To publicise the code, HFCs shall:
 - a. Provide existing and new customers with a copy of the code on request.
 - b. Make this code available on request either over the counter or by electronic communication or mail;
 - c. Make available this code at every branch and on their website; and
 - d. Ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.
 - 8 The Board of Directors shall provide for periodical review of the compliance of Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals as prescribed by it.
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Chapter - VI

Code of conduct for prevention of Insider Trading for Can Fin Homes Ltd.,(CFHL)

Preamble

In order to have a internal procedure for prevention of insider trading in the Company in compliance of Regulation 12 under Chapter IV of the SEBI (Prohibition of Insider trading) Regulations, 1992 (as amended upto 09.03.2010). The Company has framed the Code of Conduct for its Directors and Senior Management personnel of the Company based on the model code of conduct on similar lines as given in Schedule I (Part A) of the said Regulations.

The definitions of some important terminologies (as per regulation 2 of the said regulations) are given below:

Unless the context otherwise requires:—

- (a) "**Act**" means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (b) "**body corporate**" means a body corporate as defined in section 2 of the Companies Act, 1956 (1 of 1956);
- (c) "**connected person**" means any person who—
 - (i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a Company, or is deemed to be a director of that Company by virtue of sub-clause (10) of section 307 of that Act; or
 - (ii) occupies the position as an officer or an employee of the Company or holds a position involving a professional or business relationship between himself and the Company whether temporary or permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that Company.

Explanation :— For the purpose of clause (c), the words "connected person" shall mean any person who is a connected person six months prior to an act of insider trading;

- (d) "**dealing in securities**" means an act of subscribing, buying, selling or agreeing to subscribe, buy, sell or deal in any securities by any person either as principal or agent;
- (e) "**insider**" means any person who, is or was connected with the Company or is deemed to have been connected with the Company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a Company, or who has received or has had access to such unpublished price sensitive information;
- (f) "**investigating authority**" means any officer of the Board or any other person, not being a firm, body corporate or an association of persons, having experience in dealing with the problems relating to the securities market and who is authorised by the Board under Chapter III;
- (g) "**officer of a Company**" means any person as defined in clause (30) of section 2 of the Companies Act, 1956 (1 of 1956) including an auditor of the Company;
- (h) "**person is deemed to be a connected person**", if such person—
 - (i) is a Company under the same management or group, or any subsidiary Company thereof within the meaning of sub-section (1B) of section 370, or sub-section

- (11) of section 372, of the Companies Act, 1956 (1 of 1956), or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), as the case may be;
- (ii) is an intermediary as specified in section 12 of the Act, Investment Company, Trustee Company, Asset Management Company or an employee or director thereof or an official of a stock exchange or of clearing house or corporation;]
 - (iii) is a merchant banker, share transfer agent, registrar to an issue, debenture trustee, broker, portfolio manager, Investment Advisor, sub-broker, Investment Company or an employee thereof, or, is a member of the Board of Trustees of a mutual fund or a member of the Board of Directors of the Asset Management Company of a mutual fund or is an employee thereof who has a fiduciary relationship with the Company;
 - (iv) is a Member of the Board of Directors, or an employee, of a public financial institution as defined in section 4A of the Companies Act, 1956;
 - (v) is an official or an employee of a Self-regulatory Organisation recognised or authorised by the Board of a regulatory body;
 - (vi) is a relative of any of the aforementioned persons;
 - (vii) is a banker of the Company;
 - (viii) relatives of the connected person; or
 - (ix) is a concern, firm, trust, Hindu undivided family, Company or association of persons wherein any of the connected persons mentioned in sub-clause (i) of clause (c), of this regulation or any of the persons mentioned in sub-clause (vi), (vii) or (viii) of this clause have more than 10 per cent of the holding or interest;]]

(ha) "**price sensitive information**" means any information which relates directly or indirectly to a Company and which if published is likely to materially affect the price of securities of Company.

Explanation.— The following shall be deemed to be price sensitive information :—

- (i) periodical financial results of the Company;
- (ii) intended declaration of dividends (both interim and final);
- (iii) issue of securities or buy-back of securities;
- (iv) any major expansion plans or execution of new projects;
- (v) amalgamation, mergers or takeovers;
- (vi) disposal of the whole or substantial part of the undertaking; and
- (vii) significant changes in policies, plans or operations of the Company;]

(i) "**relative**" means a person, as defined in section 6 of the Companies Act, 1956 (1 of 1956);

(j) "**stock exchange**" means a stock exchange which is recognised by the Central Government 15[or Securities and Exchange Board of India] under section 4 of Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(k) "**unpublished**" means information which is not published by the Company or its agents and is not specific in nature.

Explanation.— Speculative reports in print or electronic media shall not be considered as published information.]

(l) "**Working day**" shall mean the working day when the regular trading is permitted on the concerned stock exchange where the securities of the Company are listed.

1.0 Compliance Officer

1.1 CFHL will appoint a Compliance Officer for the purpose and who shall report to the Managing Director/Chief Executive Officer.

1.2 The Compliance Officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of "Price Sensitive Information",

pre-clearing; of designated employees' and their dependents' trades (directly or through respective department heads as decided by the Company), monitoring of trades and the implementation of the code of conduct under the overall supervision of the Board of CFHL.

Explanation: For the purpose of this Schedule, the term 'designated employee' shall include :—

- (i) officers comprising the top three tiers of the Company management;
- (ii) the employees designated by the Company to whom these trading restrictions shall be applicable, keeping in mind the objectives of this code of conduct.

1.3 The Compliance Officer shall maintain a record of the designated employees and any changes made in the list of designated employees.

1.4 The Compliance Officer shall assist all the employees in addressing any clarifications regarding the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Company's code of conduct.

2.0 Preservation of "Price Sensitive Information"

2.1 Employees/Officers/Directors shall maintain the confidentiality of all Price Sensitive Information. Employees/Officers/Directors shall not pass on such information to any person directly or indirectly by way of making a recommendation for the purchase or sale of securities.

2.2 Need to know basis

2.2-1 Price Sensitive Information is to be handled on a "need to know" basis, *i.e.*, Price Sensitive Information should be disclosed only to those within the Company who need the information to discharge their duty.

2.3 Limited access to confidential information

2.3-1 Files containing confidential information shall be kept secure.

2.3-2 Computer files must have adequate security of login and password etc.

3.0 Prevention of misuse of "Price Sensitive Information"

3.1 All directors/officers and designated employees of the Company shall be subject to trading restrictions as enumerated below.

3.2 Trading window

3.2-1 The Company shall specify a trading period, to be called "trading window", for trading in the Company's securities. The trading window shall be closed during the time the information referred to in para 3.2-3 is unpublished.

3.2-2 When the trading window is closed, the Employees/Officers/Directors shall not trade in the Company's securities in such period.

3.2-3 The trading window shall be, *inter alia*, closed at the time :—

- (a) Declaration of financial results (quarterly, half-yearly and annually).
- (b) Declaration of dividends (interim and final).
- (c) Issue of securities by way of public/rights/bonus etc.
- (d) Any major expansion plans or execution of new projects.
- (e) Amalgamation, mergers, takeovers and buy-back.
- (f) Disposal of whole or substantially whole of the undertaking.
- (g) Any changes in policies, plans or operations of the Company.

3.2-3A The time for commencement of closing of trading window shall be decided by the Company.

3.2-4 The trading window shall be opened 24 hours after the information referred to in para 3.2-3 is made public.

3.2-5 All Directors/Officers/Designated employees of the Company shall conduct all their dealings in the securities of the Company only in a valid trading window and shall not deal in any transaction involving the purchase or sale of the Company's securities during the periods when trading window is closed, as referred to in para 3.2-3 or during any other period as may be specified by the Company from time to time.

3.2-6 In case of ESOPs, exercise of option may be allowed in the period when the trading window is closed. However, sale of shares allotted on exercise of ESOPs shall not be allowed when trading window is closed.

3.3 Pre-clearance of trades

3.3-1 All Directors/Officers/Designated employees of the Company who intend to deal in the securities of the Company (above a minimum threshold limit to be decided by the Company) should pre-clear the transaction as per the pre-dealing procedure as described hereunder.

3.3-2 An application may be made in such form as the Company may notify in this regard, to the Compliance Officer indicating the estimated number of securities that the Designated Employee/Officer/Director intends to deal in, the details as to the depository with which he has a security account, the details as to the securities in such depository mode and such other details as may be required by any rule made by the Company in this behalf.

3.3-3 An undertaking shall be executed in favour of the Company by such designated Employee/Director/Officer incorporating, *inter alia*, the following clauses, as may be applicable:

(a) That the Employee/Director/Officer does not have any access or has not received "Price Sensitive Information" upto the time of signing the undertaking.

(b) That in case the Employee/Director/Officer has access to or receives "Price Sensitive Information" after the signing of the undertaking but before the execution of the transaction he/she shall inform the Compliance Officer of the change in his position and that he/she would completely refrain from dealing in the securities of the Company till the time such information becomes public.

(c) That he/she has not contravened the code of conduct for prevention of insider trading as notified by the Company from time to time.

(d) That he/she has made a full and true disclosure in the matter.

4.0 Other restrictions

4.1 All Directors/Officers/Designated employees shall execute their order in respect of securities of the Company within one week after the approval of pre-clearance is given. If the order is not executed within one week after the approval is given, the Employee/Director must pre-clear the transaction again.

4.2 All Directors/Officers/Designated employees shall hold their investments in securities for a minimum period of 30 days in order to be considered as being held for investment purposes. The holding period shall also apply to subscription in the primary market (IPOs). In the case of IPOs, the holding period would commence when the securities are actually allotted.

4.3 In case the sale of securities is necessitated by personal emergency, the holding period may be waived by the compliance officer after recording in writing his/her reasons in this regard.

5.0 Reporting Requirements for transactions in securities

5.1 All Directors/Officers/Designated employees of the Company shall be required to forward following details of their securities transactions including the statement of dependent family members (as defined by the Company) to the Compliance Officer:

- (a) all holdings in securities of that Company by Directors/Officers/Designated employees at the time of joining the Company;
- (b) periodic statement of any transactions in securities (the periodicity of reporting may be defined by the Company. The Company may also be free to decide whether reporting is required for trades where pre-clearance is also required); and
- (c) annual statement of all holdings in securities.

5.2 The Compliance Officer shall maintain records of all the declarations in the appropriate form given by the Directors/Officers/Designated employees for a minimum period of three years.

5.3 The Compliance Officer shall place before the Managing Director/Chief Executive Officer or a committee specified by the Company, on a monthly basis all the details of the dealing in the securities by Employees/Director/Officer of the Company and the accompanying documents that such persons had executed under the pre-dealing procedure as envisaged in this code.

6.0 Penalty for contravention of code of conduct

6.1 Any Employee/Officer/Director who trades in securities or communicates any information for trading in securities in contravention of the code of conduct may be penalised and appropriate action may be taken by the Company.

6.2 Employees/officers/directors of the Company who violate the code of conduct shall also be subject to disciplinary action by the Company, which may include wage freeze, suspension, ineligible for future participation in employee stock option plans, etc.

6.3 The action by the Company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992.

7.0 Information to SEBI in case of violation of SEBI (Prohibition of Insider Trading) Regulations, 1992

7.1 In case it is observed by the Company/Compliance Officer that there has been a violation of SEBI (Prohibition of Insider Trading) Regulations, 1992. SEBI shall be informed by the Company.

PROHIBITION ON DEALING, COMMUNICATING OR COUNSELLING

[In terms of regulations 3 to 11]

Prohibition on dealing, communicating or counseling on matters relating to insider trading.

3. No insider shall—

- (i) either on his own behalf or on behalf of any other person, deal in securities of a Company listed on any stock exchange when in possession of any unpublished price sensitive information; or
- (ii) communicate, counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities :

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business or profession or employment or under any law.

3A. No Company shall deal in the securities of another Company or associate of that other Company while in possession of any unpublished price sensitive information.

Regulation 3A not to apply in certain cases.

3B. (1) In a proceeding against a Company in respect of regulation 3A, it shall be a defence to prove that it entered into a transaction in the securities of a listed Company when the unpublished price sensitive information was in the possession of an officer or employee of the Company, if:

- (a) the decision to enter into the transaction or agreement was taken on its behalf by a person or persons other than that officer or employee; and
- (b) such Company has put in place such systems and procedures which demarcate the activities of the Company in such a way that the person who enters into transaction in securities on behalf of the Company cannot have access to information which is in possession of other officer or employee of the Company; and
- (c) it had in operation at that time, arrangements that could reasonably be expected to ensure that the information was not communicated to the person or persons who made the decision and that no advice with respect to the transactions or agreement was given to that person or any of those persons by that officer or employee; and
- (d) the information was not so communicated and no such advice was so given.

(2) In a proceeding against a Company in respect of regulation 3A which is in possession of unpublished price sensitive information, it shall be defence to prove that acquisition of shares of a listed Company was as per the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Violation of provisions relating to insider trading.

4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.

ACTION THAT MAY BE TAKEN BY SEBI AGAINST THE INSIDERS/ COMPANY FOR VIOLATION OF THE REGULATIONS

Power to make inquiries and inspection.

4A. (1) If the Securities and Exchange Board of India (Board) suspects that any person has violated any provision of these regulations, it may make inquiries with such persons or any other person as mentioned in clause (i) of sub-section (2) of section 11 as deemed fit, to form a *prima facie* opinion as to whether there is any violation of these regulations.

(2) The Board may appoint one or more officers to inspect the books and records of insider(s) or any other persons as mentioned in clause (i) of sub-section (2) of section 11 for the purpose of sub-regulation (1).

Board's right to investigate.

5.(1) Where the Board, is of *prima facie* opinion that it is necessary to investigate and inspect the books of account, either records and documents of an insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act for any of the purposes specified in sub-regulation (2), it may appoint an investigating authority for the said purpose.

(2) The purpose referred to in sub-regulation (1) may be as follows :

- (a) to investigate into the complaints received from investors, intermediaries or any other person on any matter having a bearing on the allegations of insider trading; and
- (b) to investigate *suo motu* upon its own knowledge or information in its possession to protect the interest of investors in securities against breach of these regulations.

Procedure for investigation

6. (1) Before undertaking any investigation under regulation 5, the Board shall give a reasonable notice to insider for that purpose.
- (2) Notwithstanding anything contained in sub-regulation (1), where the Board is satisfied that in the interest of investors or in public interest no such notice should be given, it may by an order in writing direct that the investigation be taken up without such notice.
- (3) On being empowered by the Board, the investigating authority shall undertake the investigation and inspection of books of account and the insider against whom an investigation is being carried out an insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act shall be bound to discharge his obligations as provided in regulation 7.

Obligations of insider on investigation by the Board

7. (1) It shall be the duty of every insider, who is being investigated or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act, to produce to the investigating authority such books, accounts and other documents in his custody or control and furnish the authority with the statements and information relating to the transactions in securities market within such time as the said authority may require.
- (2) The insider or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act shall allow the investigating authority to have reasonable access to the premises occupied by such insider and also extend reasonable facility for examining any books, records, documents and computer data in the possession of the stock-broker or any other person and also provide copies of documents or other materials which, in the opinion of the investigating authority are relevant.
- (3) The investigating authority, in the course of investigation, shall be entitled to examine or record statements of any member, director, partner, proprietor and employee of the insider or any other person mentioned in clause (i) of sub-section (2) of section 11 of the Act.
- (4) It shall be the duty of every director, proprietor, partner, officer and employee of the insider to give to the investigating authority all assistance in connection with the investigation, which the insider or any other person mentioned in clause (i) of subsection (2) of section 11 of the Act may be reasonably expected to give.

Submission of Report to the Board.

8. The investigating authority shall, within reasonable time of the conclusion of the investigation, submit an investigation report to the Board.

Communications of findings, etc.

9. (1) The Board shall, after consideration of the investigation report communicate the findings to the person suspected to be involved in insider trading or violation of these regulations.
- (2) The person to whom such findings have been communicated shall reply to the same within 21 days.
- (3) On receipt of such a reply or explanation, if any, from such person, the Board may take such measures as it deems fit to protect the interests of the investors and in the interests of the securities market and for the due compliance of the provisions of the Act, the regulations made there under including the issue of directions under regulation 11.

Appointment of Auditor.

10. Notwithstanding anything contained in regulation 4A and regulation 5, the Board may appoint a qualified auditor to investigate into the books of account or the affairs of the insider or any other person mentioned in clause (i) of sub-section (1) of section 11 of the Act:

Provided that, the auditor so appointed shall have the same powers of the inspecting authority as stated in regulation 5 and the insider shall have the obligations specified in regulation 7.

Directions by the Board.

11. The Board may without prejudice to its right to initiate criminal prosecution under section 24 or any action under Chapter VIA of the Act, to protect the interests of investor and in the interests of the securities market and for due compliance with the provisions of the Act, regulation made thereunder issue any or all of the following order, namely :

- (a) directing the insider or such person as mentioned in clause (i) of sub-section (2) of section 11 of the Act not to deal in securities in any particular manner;
- (b) prohibiting the insider or such person as mentioned in clause (i) of sub-section (2) of section 11 of the Act from disposing of any of the securities acquired in violation of these regulations;
- (c) restraining the insider to communicate or counsel any person to deal in securities;
- (d) declaring the transaction(s) in securities as null and void;
- (e) directing the person who acquired the securities in violation of these regulations to deliver the securities back to the seller :

Provided that in case the buyer is not in a position to deliver such securities, the market price prevailing at the time of issuing of such directions or at the time of transactions whichever is higher, shall be paid to the seller;

- (f) directing the person who has dealt in securities in violation of these regulations to transfer an amount or proceeds equivalent to the cost price or market price of securities, whichever is higher to the investor protection fund of a recognised stock exchange.]

Chapter -VII

CODE OF CONDUCT FOR BOARD OF DIRECTORS

(As approved at the 100th meeting of the Board of Directors held on January 22, 2005)

The Purpose of a code of conduct

A code is a comprehensive collection of laws, instructions or precepts on a given subject area and a code of conduct is a comprehensive statement of the guiding principles of conduct by which a Company expects its directors to behave when carrying out their work. Such a code states the values for which the Company stands and by which it professes to do its business. A code of conduct states publicly to customers, shareholders, competitors and all those who come into contact with the Company what standards of dealing they can expect from the Company.

Its value

If a Company director is to be held to account for his conduct, it is elementary fairness that he/she should have been told what was expected of him and that he/she should know in what way his/her conduct has fallen short of those expectations. A clear, concise and accessible written statement of the standards or a benchmark by which he is expected to behave in his working environment is a basic requirement.

Its content

A code of conduct usually contains general statements of principle grouped into areas covering diligence, efficiency and thrift; confidentiality and the handling of secret information; personal responsibility and independent judgment; fair dealing and integrity and professional training. The code can also be broadly divided into provisions dealing with personal integrity and those dealing with managerial responsibilities for upholding the integrity of the Company, such as:

- (a) devising and putting in place appropriate systems of operation;
- (b) ensuring that subordinates are informed and aware of their duties;
- (c) applying systems of supervision and accountability;
- (d) applying proper selection procedures;
- (e) enforcing the code of conduct and maintaining Company discipline.

A Company code of conduct should reflect and reinforce the basic standards set in the criminal legislation dealing with dishonesty and corruption, legislation that in turn provides the foundation of the code. Any consequence of breach of certain provisions of the code will amount to an offence. It is equally a function of a code of conduct to guide directors from situations in which their integrity can be compromised or the good standing of the Company damaged.

Pre-eminently a code should essentially state the guiding principles and at the same time, provide advice sufficiently specific to be of use in any given situation.

A code should, of course, require compliance with the law. The duty to act lawfully means that the directors must not do anything prohibited by the law.

A code of conduct will state the Company should state that honesty; integrity and fair dealing are its important assets in business. Consequently, all directors must ensure that the Company's reputation is not damaged by dishonesty, disloyalty or corruption.

The code of conduct for directors will usually go on to deal with:

- (i) the personal conduct of directors;
- (ii) relations with suppliers and contractors;
- (iii) relations with customers and consumers;
- (iv) responsibilities to shareholders and the financial community;
- (v) employment practices; and
- (vi) responsibilities to the community.

Cultural differences will make for different approaches to its preparation.

While it is important that the Company's statement of what it stands for and what it expects of its people should emanate from the top. It is equally important that directors should contribute to drafting the content and setting its tone. The code must address the ethical issues people have to face every day.

A code must be pragmatic and practical, it must work, it must be good for profits. Above all, those who are to lead their working lives in accordance with its guidance must accept it. They are more likely to live by it if they have had a hand in its preparation.

Its promulgation and observance

Not only every director should receive his or her own copy but also everyone must understand the importance of compliance and the consequences of not complying. But above all, it is the responsibility of management to ensure that the practices of the Company are consistent with the code, that there is no contradiction between the standards and targets they are expected to meet. It must also be the responsibility of every one of us to make sure that we are constantly aware of the standards set by the code and in practice and discharge duties in conformity with them.

Its enforcement

When a Company has stated in a code of conduct what it stands for and how it wants its directors to behave and when directors, management and staff apply the code's guidance in their daily work, what must follow is enforcement of the rules. A code honoured more in the breach than the observance could hardly be expected to have any positive effect on the way the Company, does its business.

Its periodic review

A code of conduct needs to be kept up to date. It should be reviewed at regular intervals to ensure that it reflects changes in applicable laws and give appropriate emphasis to current issues of concern.

THE CODE OF CONDUCT

Introduction by the Chairman:

- (a) Our reputation for honest dealing
- (b) The value of our reputation
- (c) Upholding our reputation paramount

- (d) Code sets out the standards of behaviour that have earned us our reputation
- (e) These are the standards which all of us are expected to uphold in conducting the Company's business. They go beyond the requirements of the law.
- (f) We are all to observe this code.

CORE STANDARDS

PERSONAL CONDUCT

1. We must observe the laws of India in everything we do in particular, comply with all applicable laws, regulations, rules and regulatory orders.
2. We must not adopt any unfair means/un-esthetical practices in discharging our duties in any circumstance anywhere. We must function in a manner most conducive to the interests of the Company and to the welfare of the Nation as a whole.
3. Each one of us has a responsibility to the Company, our stockholders and each other. Although this duty does not prevent us from engaging in personal transactions and investments; it does demand that we avoid situations where a conflict of interest might occur or appear to occur. The Company is subject to scrutiny from many different individuals and organisations. We should always strive to avoid even the appearance of Impropriety.
4. We as Directors, should exercise power as members of a collective body, sitting along with others on the Board. An individual director or a committee may be authorised by the Board to finally decide a matter or make a recommendation to the Board for its direction.
5. Our dealings with all who have contact with us must be straight, fair, honest, courteous and efficient. We, should act with that amount of care and prudence, which an ordinary person is expected to take in his own business.
6. We must never offer any gift or favour anyone in order to influence that person in the way he does his job.
7. We, as the people of the Company, must not ask for any gift or favour from anyone if that gift or favour has an influence the way we do our jobs. While moderate business entertaining is acceptable, we must guard against hospitality that appears to be aimed at influencing us in the way we do our jobs, whenever possible hospitality should be reciprocated.
8. In the course of business, we generate, receive and store information that is valuable to outsiders. We must not disclose such information without permission. We each have a responsibility to ensure such information under our control or to which we have access is properly safeguarded.
9. We must not allow our personal interests to conflict with our official duties in the Company. If any of us has a personal interest that may influence, or appear to influence, the way we do our job, we must declare such interest to the Board as soon as possible after the relevant circumstances and no such interested director shall vote on any such contract, loan or proposal. We must each make sure that our dealings with customers, suppliers, contractors and colleagues do not place us in a position of obligation that may lead to a conflict of interest.
10. As a general rule, we should avoid conducting Company's business with a relative, or with a business in which a relative is associated in any significant role. Relatives include spouse, children, parents, grandparents, grandchildren, aunts, uncles, nieces, nephews, cousins, step

relationships and in-laws. If such a related party transaction is unavoidable, we must fully disclose the nature of the related party transaction to the Board where at the subject is placed for consideration. Any such dealings with a related party must be conducted in such a way that no preferential treatment is given to that business.

11. We, the directors are not required to watch the routine of every day's business of the Company and its management functions. It is the Chief Executive viz., the Managing Director, along with Executives and Officers who has to manage the affairs. The Board has to oversee the implementation of policies and performance of the Company at the corporate level.

12. We should, under the normal circumstances, desist from sending any instructions to the individual officers of the Company or give directions to such officers on any matter.

13. We are expected to work collectively as a team in the Board Meetings. If any information is required, it should be sought only for the purpose of taking a decision or reviewing the situation at the Board level. The Management on its part is supposed to furnish the full facts and complete papers in advance.

14. We should not approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official.

15. We should not involve ourselves in the routine of every day Business and in the management functions.

16. All constructive ideas for the better management of the Company and for making valuable contribution would be welcome.

17. Apart from certain exceptional circumstances, the Company's services and facilities are not to be used for private purposes.

18. The Company's confidential information is a valuable asset. The confidentiality of the agenda papers/notes of the Board/Committee meetings be ensured. All confidential information must be used for the Company's business purposes only.

COMPETITORS

It is the Company's policy to lawfully compete in the market place. This commitment to fairness includes respecting the rights of our competitors and abiding by all applicable laws in the course of competing. The purpose of the policy is to maintain the Company's reputation as a lawful competitor and to help ensure the integrity of the competitive market place. The Company expects its competitors to respect our rights to compete lawfully in the marketplace, and we must respect their rights equally.

RESPONSIBILITIES TO SHAREHOLDERS AND THE FINANCIAL COMMUNITY

We believe in fair and open competition. We treat our competitors honourably and we aim to develop and maintain long-term relationships with customers based on mutual trust.

We acknowledge that our shareholders and potential shareholders are entitled to know all information that that is necessary to evaluate how their investments are or would be managed. We make available true and accurate information on the management of the Company, its financial position and its general plans to all who have a legitimate interest in the Company. It is the policy of the Company to maintain complete and accurate records and accounts and to present them in accordance with all applicable laws and professional accounting standards. We do not tolerate any false, artificial or misleading statement or entry in any of the Company's books, accounts, records, documents or financial statements.

We should continue to maintain and continue to maintain the highest standards of Corporate Governance.

None of us must ever make use or divulge any of the insider information, namely, information that has not been made public, for personal advantage, relating to or to the affairs of the Company, except in circumstances in which it is, in accordance with law or practices and usages customary among related companies, necessary or appropriate for the Company to divulge such information.

The Managing Director and the Committees of the Board shall exercise such powers and discharge such duties as may be delegated by the Board from time to time.

EMPLOYMENT PRACTICES OF THE COMPANY

The health, safety and welfare of the employees are a prime concern of the Company. It is the responsibility of us all to comply with all health, safety and welfare measures as are applicable and to provide a good and working conditions.

The Company aims to achieve equality of opportunity and treatment for all its employees in recruitment, training, career-path, promotion, transfer, benefits and discipline. All the employees are treated as individuals according to their ability to meet job requirements. The dignity and individuality of every employee will be respected. The privacy and confidentiality of employees' records will be safeguarded.

An employee who believes he or she is being required to act in a way that is inconsistent with the standards in this code or who believes others are breaching the code should report the matter to the Audit Committee under the Whistle Blower Policy. The Company undertakes to ensure, to the best of its capacity, that no prejudice whatsoever results to an employee who makes such a report on reasonable grounds or in good faith.

RESPONSIBILITY TO THE COMMUNITY

Participation by directors and employees in community activities and civic affairs are encouraged. The Company supports charitable organisations and encourages Directors and employees to do likewise.

COMPLIANCE AND ENFORCEMENT

It is the personal responsibility of every director to understand and comply with this Code of Conduct. Any breach of the code will be promptly dealt with by the Board of the Company. Channels of complaint are open to shareholders and potential shareholders, customers and suppliers, contractors and directors and employees of the Company. All complaints will be considered impartially and efficiently.

OTHER STANDARDS

PERSONAL CONDUCT

We must always be aware that our conduct when we are off duty can reflect on the Company's reputation. Our social life is usually not entirely separate from our working life. Personal conduct, whether on or off duty, that adversely affects work performance is not acceptable.

RELATIONS WITH CUSTOMERS AND CONSUMERS

We aim to provide an efficient and courteous service to our customers. We aim to keep our customers truthfully informed about the Company's capabilities without mis-representation, exaggeration or overstatement.

We aim to provide our customers with services that meet high standards of quality and reliability.

EMPLOYMENT PRACTICES – INFORMATION FLOW

Employees are kept informed of all the Company matters affecting them, including the Company's goals, an atmosphere of mutual trust and respect between the Company and its employees are always open.

For and On behalf of the Board of Directors

Sd/-

Bangalore,
January 22, 2005

CHAIRMAN

Chapter -VIII

Code of conduct for Senior Management of Can Fin Homes Ltd., Bangalore

(Approved at the 104th meeting of the Board of Directors held on August 23, 2005)

The Purpose of a code of conduct

A code is a comprehensive collection of laws, instructions or precepts on a given subject area and a code of conduct is a comprehensive statement of the guiding principles of conduct by which a Company expects its Senior Management personnel to behave when carrying out their work. Such a code states the values for which the Company stands and by which it professes to do its business. A code of conduct states publicly to customers, shareholders, competitors and all those who come into contact with the Company what standards of dealing they can expect from the Company.

Its value

If a Senior Management personnel is to be held to account for his/her conduct, it is elementary fairness that he/she should have been told what was expected of him/her and that he/she should know in what way his/her conduct has fallen short of those expectations. A clear, concise and accessible written statement of the standards or a benchmark by which he/she is expected to behave in his/her working environment is a basic requirement.

For this purpose, the term "Senior Management" shall mean and include Personnel of the Company in the Cadre of Chief Managers and above, who are members of its core management team excluding Board of Directors and including all the Functional Heads.

Its content

A code of conduct usually contains general statements of principle grouped into areas covering diligence, efficiency and thrift; confidentiality and the handling of secret information; personal responsibility and independent judgement; fair dealing and integrity and professional training. The code can also be broadly divided into provisions dealing with personal integrity and those dealing with managerial responsibilities for upholding the integrity of the Company, such as:

- (a). devising and putting in place appropriate systems of operation;
- (b). ensuring that subordinates are informed and aware of their duties;
- (c). applying systems of supervision and accountability;
- (d). applying proper selection procedures; and
- (e). enforcing the code of conduct and maintaining Company discipline.

A Company code of conduct should reflect and reinforce the basic standards set in the criminal legislation dealing with dishonesty and corruption, legislation that in turn provides the foundation of the code. Any consequence of breach of certain provisions of the code will amount to an offence. It is equally a function of a code of conduct to guide the Senior Management from situations in which their integrity can be compromised or the good standing of the Company damaged.

Pre-eminently a code should essentially state the guiding principles and at the same time, provide advice sufficiently specific to be of use in any given situation.

A code should, of course, require compliance with the law. The duty to act lawfully means that the Senior Management personnel must not do anything prohibited by the law.

A code of conduct will state the Company should state that honesty; integrity and fair dealing are its important assets in business. Consequently, all Senior Management personnel must ensure that the Company's reputation is not damaged by dishonesty, disloyalty or corruption.

The code of conduct for Senior Management personnel will usually go on to deal with:

- (i) the personal conduct of Senior Management personnel;
- (ii) relations with suppliers and contractors;
- (iii) relations with customers and consumers;
- (iv) responsibilities to shareholders and the financial community;
- (v) employment practices; and
- (vi) responsibilities to the community.

Its promulgation and observance

Not only every Senior Management personnel should receive his or her own copy but also everyone must understand the importance of compliance and the consequences of not complying. But above all, it is the responsibility of management to ensure that the practices of the Company are consistent with the code, that there is no contradiction between the standards and targets they are expected to meet. It must also be the responsibility of every one of us to make sure that we are constantly aware of the standards set by the code and in practice and discharge duties in conformity with them.

Its enforcement

When a Company has stated in a code of conduct what it stands for and how it wants its Senior Management to behave and when Senior Management personnel apply the code's guidance in their daily work, what must follow is enforcement of the rules. A code honoured more in the breach than the observance could hardly be expected to have any positive effect on the way the Company, does its business.

Its periodic review

A code of conduct needs to be kept up to date. It should be reviewed at regular intervals to ensure that it reflects changes in applicable laws and give appropriate emphasis to current issues of concern.

The Code of Conduct

Introduction by the Managing Director:

- (a) Our reputation for honest dealing
- (b) The value of our reputation
- (c) Upholding our reputation paramount
- (d) Code sets out the standards of behaviour that have earned our reputation
- (e) These are the standards which all of us are expected to uphold in conducting the Company's business. They go beyond the requirements of the law.
- (f) We are all to observe this code.

CORE STANDARDS

PERSONAL CONDUCT

1. The Senior Management personnel must observe the laws of India in everything we do in particular, comply with all applicable laws, regulations, rules and regulatory orders.
2. The Senior Management personnel should not adopt any unfair means/un-ethical practices in discharging their duties. They must function in a manner most conducive to the interests of the Company and to the welfare of the Nation as a whole.
3. The dealings of Senior Management personnel with all who have contact with him/her must be straight, fair, honest, courteous and efficient. He/she should act with that amount of care and prudence, which an ordinary person is expected to take in his own business.
4. The Senior Management personnel must never offer any gift or favour anyone in order to influence that person in the way he does his job.
5. Senior Management personnel, as the people of the Company, must not ask for any gift or favour from anyone if that gift or favour has an influence the way they do their jobs. While moderate business entertaining is acceptable, they must guard against hospitality that appears to be aimed at influencing us in the way they do their jobs, whenever possible hospitality should be reciprocated.
6. In the course of business, Senior Management personnel generates, receives and stores information that is valuable to outsiders. He/she must not disclose such information without permission. He/she has a responsibility to ensure such information under his/her control or to which he/she has access is properly safeguarded.
7. The Senior Management personnel must not allow his/her personal interests to conflict with his/her official duties in the Company. In case he/she has a personal interest that may influence, or appear to influence, the way he/she does his/her job, he/she must declare such interest to the Company as soon as possible after the relevant circumstances and no such interested personnel shall vote on any such contract, loan or proposal. He/she must make sure that his/her dealings with customers, suppliers, contractors and colleagues do not place him/her in a position of obligation that may lead to a conflict of interest.
8. As a general rule, the Senior Management personnel should avoid conducting Company's business with a relative, or with a business in which a relative is associated in any significant role. Relatives include spouse, children, parents, grandparents, grandchildren, aunts, uncles, nieces, nephews, cousins, step relationships and in-laws. If such a related party transaction is unavoidable, he/she must fully disclose the nature of the related party transaction to the Company where at the subject is placed for consideration. Any such dealings with a related party must be conducted in such a way that no preferential treatment is given to that business.
9. The Senior Management personnel shall serve the Company honestly and faithfully and shall use utmost endeavors to promote the interests of the Company and shall show courtesy and attention in all transactions and interactions with the Officers of Government and Company's constituents.
10. The Senior Management personnel shall not contribute to the press, without the prior sanction of the competent authority or without such sanction, make public or publish or cause to be published or pass on to others any document, paper or information which may come into our possession in our official capacity.

11. No Senior Management personnel shall accept, solicit or seek any outside activity, employment or office, whether stipendiary or honorary without the previous sanction of the competent authority, he/she shall also inform the Company if any member of his/her family is engaged in a trade or business or owns or manages an insurance agency or commission agency and no such personnel shall act as an agent of, or canvass business in favour of an insurance Company or corporation in his individual capacity.
12. Every Senior Management personnel shall maintain the strict secrecy regarding the Company's affairs of its constituents and shall not divulge, directly or indirectly any information of a confidential nature either to a member of the public or to the Company's staff unless compelled to do so by judicial or other authority or unless instructed to do so by a Superior Officer in the discharge of his duties.
13. The Senior Management personnel shall not absent himself from his duties without having obtained prior permission of the competent authority, nor shall absent himself in case of sickness or accident without submitting a proper medical certificate. If he/she absents himself from duty without leave or overstays his leave, except under circumstances beyond his control, shall not be entitled to draw any pay and allowances for the period of such absence and further be liable to such disciplinary measure as the competent authority may impose.
14. The Senior Management personnel, must not absent himself/herself from his/her station overnight, without prior intimation to the Registered Office, barring certain emergent/exceptional circumstances which may be subsequently got ratified.
15. The Senior Management personnel shall not borrow money from, or in any way place himself under a pecuniary obligation to a broker or an Officer or employee of the Company subordinate to him or any firm or persons having dealings with the Company. He/she shall not make or permit any member of his family to make any investment likely to embarrass or influence him/her in the discharge of his/her official duties.
16. The Senior Management personnel of the Company on his first appointment shall submit a return of his assets and liabilities giving full particulars regarding immovable property, shares, debentures and cash, other movable properties, debts and other liabilities. He/she shall submit such returns every year on a date to be specified by the Company. No such personnel shall, except with the previous knowledge of the competent authority acquire or dispose of any immovable property, sale, gift or otherwise either in his name or in the name of any member of his family. The Company may any time, by general or special order, require such a personnel to furnish a full and complete statement of such movable/immovable property held or acquired by him or on his behalf or by any member of his family.
17. The Senior Management personnel who is arrested for debt or on a criminal charge or is detained in pursuance of any process of law, may, if so directed by the competent authority, be treated as being or having been under suspension, from the date of his arrest or as the case may be, of his detention, up to such date or during such period, as the competent authority may direct. He/she shall be liable to dismissal or to any of the other penalties, if he is committed to prison for debt or is convicted of an offence which in the opinion of the competent authority, either involves moral turpitude, or has a bearing on any of the affairs of the Company; or on the discharge by the Officer or employee of his duties in the Company; the opinion in this respect of the competent authority shall be conclusive and binding on the employee.
18. Apart from certain exceptional circumstances or unless permitted, the Company's services and facilities are not to be used for private purposes.
19. All constructive ideas for the better management of the Company and for making valuable contribution would be welcome.

Let us function as a team and contribute our efforts to achieve the goals of the organisation.

COMPETITORS

It is the Company's policy to lawfully compete in the market place. This commitment to fairness includes respecting the rights of our competitors and abiding by all applicable laws in the course of competing. The purpose of the policy is to maintain the Company's reputation as a lawful competitor and to help ensure the integrity of the competitive market place. The Company expects its competitors to respect our rights to compete lawfully in the marketplace, and we must respect their rights equally.

RESPONSIBILITIES TO SHAREHOLDERS AND THE FINANCIAL COMMUNITY

We believe in fair and open competition. We treat our competitors honorably and we aim to develop and maintain long-term relationships with customers based on mutual trust.

We acknowledge that our shareholders and potential shareholders are entitled to know all information that is necessary to evaluate how their investments are or would be managed. We make available true and accurate information on the management of the Company, its financial position and its general plans to all who have a legitimate interest in the Company. It is the policy of the Company to maintain complete and accurate records and accounts and to present them in accordance with all applicable laws and professional accounting standards. We do not tolerate any false, artificial or misleading statement or entry in any of the Company's books, accounts, records, documents or financial statements.

We should continue to maintain and continue to maintain the highest standards of Corporate Governance.

None of us must ever make use or divulge any of the insider Information, namely, information that has not been made public, for personal advantage, relating to or to the affairs of the Company, except in circumstances in which it is, in accordance with law or practices and usages customary among related companies, necessary or appropriate for the Company to divulge such information.

The Managing Director/General Manager and the Senior Management Personnel shall exercise such powers and discharge such duties as are required by applicable Laws, Rules and Regulations and as may be delegated by the Board from time to time.

EMPLOYMENT PRACTICES OF THE COMPANY

The health, safety and welfare of the employees are a prime concern of the Company. It is the responsibility of all of us to comply with all health, safety and welfare measures as are applicable and to provide a good and working conditions.

The Company aims to achieve equality of opportunity and treatment for all its employees in recruitment, training, career-path, promotion, transfer, benefits and discipline. All the employees are treated as individuals according to their ability to meet job requirements.

The dignity and individuality of every employee will be respected. The privacy and confidentiality of all the employees' records will be safeguarded.

The Senior Management Personnel who believes he or she is being required to act in a way that is inconsistent with the standards in this code or who believes others are breaching the code should report the matter to the Audit Committee under the Whistle Blower Policy. The Company undertakes to ensure, to the best of its capacity, that no prejudice whatsoever results to an employee who makes such a report on reasonable grounds or in good faith.

RESPONSIBILITY TO THE COMMUNITY

Participation by Senior Management Personnel in community activities and civic affairs are encouraged.

The Company supports charitable organisations and encourages its Senior Management Personnel to do likewise.

OTHER STANDARDS

PERSONAL CONDUCT

We must always be aware that our conduct when we are off duty can reflect on the Company's reputation. Our social life is usually not entirely separate from our working life.

Personal conduct, whether on or off duty, that adversely affects work performance is not acceptable.

RELATIONS WITH CUSTOMERS AND CONSUMERS

We aim to provide an efficient and courteous service to our customers.

We aim to keep our customers truthfully informed about the Company's capabilities without mis-representation, exaggeration or overstatement.

We aim to provide our customers with services that meet high standards of quality and reliability.

EMPLOYMENT PRACTICES –INFORMATION FLOW

The Senior Management Personnel are kept informed of all the Company matters affecting them, including the Company's goals, an atmosphere of mutual trust and respect between the Company and its Senior Management Personnel are always open.

COMPLIANCE AND ENFORCEMENT

It is the personal responsibility of the Senior Management Personnel to understand and comply with this Code of Conduct. All the Senior Management Personnel shall affirm compliance with this Code of Conduct on an annual basis, by sending their compliance report in the prescribed format, to the Personnel & Administration Department at the Registered Office, Bangalore, within April 15, every year.

The Appropriate Competent Authority prescribed under the Can Fin Homes Staff Service Regulations will promptly deal with any breach of the code.

Channels of complaint are open to shareholders and potential shareholders, customers and suppliers, contractors and Senior Management Personnel of the Company. All complaints will be considered impartially and efficiently.

Sd/-

Bangalore
Dated: August 23, 2005

MANAGING DIRECTOR

Adopted at the 136th meeting of the Board of Directors held on July 21, 2011.