BAJAJ HOUSING FINANCE LIMITED

Terms of Reference of Committees of Board of Directors:

1. Audit Committee:

1. 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;

2. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

    a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
    b) Changes, if any, in accounting policies and practices and reasons for the same;
    c) Major accounting entries involving estimates based on the exercise of judgement by management;
    d) Significant adjustments made in the financial statements arising out of audit findings;
    e) Compliance with listing and other legal requirements relating to financial statements;
    f) Disclosure of any related party transactions;
    g) Modified opinion(s) in the draft audit report.

3. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

4. To review Management discussion and analysis of financial condition and results of operations;

5. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

6. Scrutiny of inter-corporate loans and investments;

7. Evaluation of internal financial controls and risk management systems;

8. To review the utilization of loans, advances or both in the subsidiary company(ies) exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on 1 April 2019;

9. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements;

10. Discuss generally with management, prior to release, Company's quarterly earnings press releases and accompanying financial information, as well as earnings guidance, if

any. The Committee need not approve each earnings release or earnings guidance prior to issuance;

11. To approve adjustments made to the ECL model output;

12. To review ageing analysis of entries pending reconciliation with outsourced service provider relating to cash management;

13. 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 and background, etc. of the candidate;

14. Recommendation for appointment, remuneration and terms of appointment of auditors of the company;

15. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;

16. Review and monitor the auditor's independence and performance and effectiveness of statutory and internal audit process;

17. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

18. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

19. To review Management letters/letters of internal control weaknesses issued by the statutory auditors;

20. To consider whether the Auditor's performance of permissible non-audit services provided to Company and Group is compatible with the auditor's independence;

21. Approval or any subsequent modification of transactions of the Company with related parties;

22. Review at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given;

23. Reviewing the adequacy of internal audit function, if any, 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;

24. Discussion with internal auditors of any significant findings and follow up there on;

25. 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;

26. Oversight of Company's internal audit function, including recommendation of policy, approving annual plan and maintenance of quality assurance and improvement program;

27. To review Internal audit reports relating to internal control weaknesses;

28. To review the appointment, removal and terms of remuneration of the Chief internal auditor;

29. Meet at least on a quarterly basis with the Head-Internal Audit without the presence of the senior management (including the MD & CEO/WTD) to foster open communication;

30. To review the functioning of the Whistle Blower mechanism;

31. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

32. To review statement of deviations, if any:

    a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI Listing Regulations, 2015;
    b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of SEBI Listing Regulations, 2015.

33. To review compliance with the provisions of Regulation 9 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively;

34. To ensure that an appropriate compliance policy is in place to manage compliance risk and ensure that compliance issues are resolved effectively and expeditiously;

35. Review periodic reports on compliance failures/ breaches and results of compliance testing;

36. Review important guidelines, circulars, notifications etc. issued by RBI, SEBI, MCA and other regulatory bodies and submission to the Board at regular intervals;

37. To review the outcome of 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' periodically;

38. To review the appointment, removal and terms of remuneration of the Chief Compliance officer;

39. Meet at least on a quarterly basis with the Compliance Officer without the presence of the senior management (including the MD & CEO/WTD) to foster open communication;

40. Reviewing the adequacy of compliance function, if any, including the structure of the compliance department, staffing and seniority of the official heading the department, reporting structure coverage and frequency;

41. Review all issues / concerns raised in the Supervisory / Inspection reports of Regulators, and follow up action on the issues raised;

42. To review instances of disciplinary actions taken including punitive or preventive aspects of such instances;

43. Exercise oversight of Information Systems (IS) Audit of the Company, approve and annually review the IS Audit policy;

44. Review critical issues highlighted related to IT / information security/ cyber security and provide appropriate direction and guidance to the management;

45. To consider appointment, reappointment, removal, remuneration and terms of appointment of firms/consultants engaged to provide independent assurance over the correctness as well as adequacy of the financial reporting;

46. To review material penalties imposed / penal action taken against the Company under various statutes and action taken for corrective measures;

47. To review all instances of fraud greater than Rs. 1 crore, summary of fraud trends and cases if any reported by auditors;

48. To review instances of significant fraud having involvement of the management or an employee having a significant role in the listed entity's internal control system over financial reporting;

49. To Review Proposals for compromise settlements in respect of borrowers classified as fraud or wilful defaulter;

50. To review the licensing and regulatory conditions stipulated and or relating to the subsidiaries of the Company;

51. Valuation of undertakings or assets of the company, wherever it is necessary;

52. To consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders;

53. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee;

54. All matters as may be prescribed or directed by RBI from time to time.

2. Nomination and Remuneration Committee:

1. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal, and to specify the manner for effective evaluation of performance of Board, its Committees, Chairperson and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance;

2. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

    a. use the services of an external agencies, if required;
    b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
    c. consider the time commitments of the candidates.

3. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

4. To assess and recommend the compensation payable to Non-Executive Directors taking into account participation in board and committee meetings and the enhanced responsibilities they are expected to bear in the interest of higher level of excellence in corporate governance and in order to enable the Company to attract and retain professional non-executive directors;

5. To lay down / formulate the evaluation criteria for performance evaluation of independent directors and the Board;

6. To devise a policy on Board diversity;

7. To ensure 'Fit & Proper' status of the proposed /existing directors;

8. Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;

9. To take into account financial position of the company, trend in the industry, appointee's qualifications, experience, past performance, past remuneration, etc., and bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders while approving the remuneration payable to managing director, whole time director or manager;

10. While formulating the policy, to ensure that:

    a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
    b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
    c. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long- term performance objectives appropriate to the working of the company and its goals.

11. To identify and review the list of persons who may be categorised as SMTs and Material Risk Takers (MRTs) and review their Key Performance Indicators (KPIs);

12. To recommend to Board, all remuneration, in whatever form, payable to senior management including Material Risk Takers;

['Senior Management' shall have the same meaning as defined under Regulation 16(1)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time]

13. To act as the Compensation Committee in terms of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

14. To review the updates on key people strategies, actions and situations as and when they occur and on periodic basis on key parameters;

15. To assist the Board in relation to succession plan for the executive and non-executive directors as well as for Senior Management.

3. IT Strategy Committee:

1. Ensure effective IT strategic planning process in place;

2. Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy towards accomplishment of its business objectives;

3. IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organization;

4. Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;

5. Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the BHFL's IT maturity, digital depth, threat environment and industry standards and are utilized in a manner intended for meeting the stated objectives;

6. Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management;

7. Review the assessment of IT capacity requirements and measures taken to address the issues;

8. Approve documented standards and procedures for access to information assets;

9. Decide constitution of Information Security Committee (ISC), with Chief Information Security Officer (CISO) and other representatives from business and IT functions, etc.;

10. Approve Recovery Time Objective (RTO) for critical information systems;

11. Review of internal audit findings with respect to IT processes;

12. Review of all IT and information security policies;

13. Review Key IT projects, Security incidents, Vulnerability Assessment Penetration testing (VAPT) including any recurring observation, Third Party Security Governance (TPSG);

14. Review audit reports of Cloud Service Providers (CSPs), overall performance of CSP and cyber resilience capabilities of CSPs;

15. Such other matters as may be assigned by the Board of Directors or prescribed under any of the directions, circulars, or guidelines issued by Reserve Bank of India or otherwise directed by them, from time to time;

16. Ensuring proper balance of IT investments for sustaining the Company's growth and becoming aware about exposure towards IT risks and controls.

4. Risk Management Committee:

1. To formulate a detailed risk management policy which shall include:

    a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee;
    b) Measures for risk mitigation including systems and processes for internal control of identified risks;
    c) Business continuity plan.

2. To provide guidance and help to set the tone to promote a strong risk culture;

3. To review and recommend for Board approval overarching risk policies and frameworks;

4. To set the 'Risk Appetite/Limit' of the Company based on its 'Risk Capacity' and to review risk profile in relation to approved risk appetite limit;

5. To review the status of Risk Appetite Framework, stress test results, ICAAP outcomes in terms of level and direction of various risks (both financial & non-financial risks) as well as the adequacy of capital on a periodic basis;

6. To review Credit, Financial & Liquidity, Debt Management, Operational & Service, Technology, ESG (including climate risk), Reputational & Market (investment), Outsourcing risk and other risk associated with the business of the Company;

7. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

8. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;

9. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

10. To review and recommend to board any new or novel non customary features and critical changes in product program;

11. To review and recommend for Board approval the credit risk limits/ ceilings viz. single/ group borrower, ensuring risk is prudentially diversified, and monitor adherence to the limits/ ceilings;

12. To review the credit portfolio quality/ composition/concentration across portfolios;

13. To review the treasury portfolio and other specified reports that are required to be presented to the Board as per the Board approved Investment Policy;

14. To oversee the implementation of Operational Risk Management and Operational Resilience framework and review the same from time to time;

15. To decide the composition as well as the mandate of various senior management level sub committees to assist the Committee in overseesing the risk management, if required;

16. To provide guidance on emerging risks;

17. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

18. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee; and

19. To review the risk management organisation / architecture at least annually with respect to the functions under risk management group, resourcing of the functions, competency / qualification of the staff etc.;

20. Meet at least on a quarterly basis with the Chief Risk Officer without the presence of the senior management (including the MD & CEO/WTD) to foster open communication;

21. Such other matters as may be directed by the Board from time to time.

5. Corporate Social Responsibility Committee:

1. Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII to the Companies Act, 2013;

2. Recommend the amount of expenditure to be incurred on the activities referred to in clause; and

3. Monitor the Corporate Social Responsibility Policy of the company from time to time;

4. Such other duties/functions as may be specified under Companies Act, 2013.

6. Stakeholders' Relationship Committee:

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.;

2. Review of measures taken for effective exercise of voting rights by shareholders;

3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent;

4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company;

5. Ensuring timely servicing of principal and interest to Debenture holder(s);

6. Ensuring that the Company has not violated or breached any covenants of the Trust Deed;

7. Ensuring that the security has been created promptly and adequately;

8. Review disclosures in the information memorandum is adequate and in line with the regulatory requirements;

9. Redress grievances of debenture trustee, if any;

10. Such other matters necessary to protect the interests of the debenture holders or matters as delegated by the Board or as specified by the SEBI Listing Regulations, 2015.

7. Review Committee:

To review the order passed by the identification committee.

8. Special Committee for Monitoring and Follow-up of cases of Frauds:

1. To oversee the effectiveness of the fraud risk management;

2. To review and monitor all categories of frauds including digital frauds;

3. To review root cause analysis undertaken and mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of all categories frauds;

4. To review the reasons for any delay in reporting to the Reserve Bank of India/NHB;

5. To oversee the organisational structure for institutionalisation of fraud risk management within the overall risk management functions / Department of the Company;

6. To approve and oversee implementation of fraud risk management policy and any other fraud related policies;

7. To oversee effectiveness of the Early Detection framework through Early warning System (EWS);

8. Such other matters as may be assigned by the Audit Committee or Board of Directors from time to time;

9. Carrying out any other function as may be prescribed under any of the directions, circulars, or guidelines issued by Reserve Bank of India from time to time or as may be directed by Reserve Bank of India or other regulatory body in India.

9. Customer Service Committee:

1. To oversee and guide implementation of service enhancement initiatives across the Company;

2. Review grievance redressal and issues relating to the quality of services rendered by the Company to its customers and adherence to Fair Practices Code;

3. Review the type of Complaints received and corrective practices undertaken to reduce complaints;

4. Any specific observation from NHB in the inspection reports pertaining to Customer Service, remediation plan regarding to Customer Service and any other directions and guidelines from RBI / NHB;

5. To review other matters as may be assigned by the Board of Directors;

6. Ensure that all the regulatory instructions regarding customer services are followed;

7. Review customer grievances and their redressal related to handling & reporting of Credit Information by the Company to Credit Information Companies (CIC);

8. Monitoring of deviations from stipulated time limits for reporting of correction in Credit Information of customers with Credit Information Companies (CIC);

9. To review and approve customer service policies and / or adopt new policies based on RBI directives;

10. Such other matters as may be assigned by the Board of Directors or prescribed under any of the directions, circulars, or guidelines issued by Reserve Bank of India or otherwise directed by them, from time to time.