



SAHARA HOUSINGFINA CORPORATION LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

1. Preamble

National Housing Bank (“NHB”) vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9th February, 2017, has notified Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, which, inter-alia, advises every eligible Housing Finance Company to frame an “Internal Guidelines on Corporate Governance”.

Pursuant to the same, the Board of Directors of the Company at their meeting held on 26th September 2017, have approved and adopted the Internal Guidelines on Corporate Governance [“ICG Guidelines”]. These Guidelines outline the current Corporate Governance practices of the Company.

2. Company’s Philosophy on Corporate Governance

The Company practices a trustworthy, transparent, moral and ethical conduct, both internally and externally, and is committed towards maintaining the highest standards of Corporate Governance practices in the best interest of all its stakeholders.

The Company believes that it not only has legal, contractual and social responsibilities, but also has obligations towards its non-shareholder stakeholders such as bankers, regulator, government agencies, employees, investors, creditors and customers, among others. The Company strives to ensure that all its stakeholders have an access to clear, adequate and factual information relating to the Company. The Company continues to promote accountability of the management. The Board of Directors acknowledge its responsibilities towards all the stakeholders of the Company for creation and safeguarding their wealth and interest.

3. Definitions

In this ICG Guidelines, unless repugnant to the meaning or context thereof, the following expressions, wherever used in this ICG Guidelines, shall have the meaning as defined below;

- a) “**Act**” shall mean the provisions of the Companies Act, 2013 and rules made there under and shall include the statutory amendment(s), modification(s) or re-enactment(s) thereof.
- b) “**Board**” shall mean the Board of Directors of the Company, as constituted from time to time.
- c) “**Company**” means Sahara Housingfina Corporation Limited.
- d) “**Committee**” shall mean committee of the Board of Directors or such other specific Committee(s) constituted from time to time.
- e) “**Independent Director**” shall mean a Director who satisfies the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Regulation 16(1) (b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.
- f) “**KMP**” shall mean Key Managerial Personnel as defined in sub section (51) of Section 2 of the Companies Act, 2013.



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- g) "NHB CG Directions" refers to the Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016 issued by NHB vide notification no. NHB.HFC.CG-DIR.1/MD&CEO/2016 on 9th February, 2017.
- h) "SMP" shall mean Senior Management Personnel of the company who are members of the core management team excluding Board of Directors. Normally, this shall comprise of functional heads.
- i) "SEBI Listing Regulations" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and includes any statutory modification(s) thereof.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable law / regulation/rules prescribed by National Housing Bank or such other authority.

4. Governance of the Board

The Board of Directors ("the Board") play a pivotal role in ensuring that the good corporate governance practices are followed within the Company. The Board of Directors oversees the functioning of the Company and that of its management; and ensures that every decision taken is in the best interest of the stakeholders of the Company.

The Board along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

I. Composition of the Board

- The Board shall have minimum three directors and a maximum of ~~twelve~~ directors or such other limit as may be prescribed under the applicable provisions of Companies Act, 2013, SEBI Listing Regulations and Articles of Association of the Company.
- The Board of the Company shall have an optimum combination of Non-Executive Promoter Director and Non-Executive Independent Directors with at least one woman director. However, it shall at all times ensure that at least one-half of the Board comprises of Independent Directors.

II. Appointment and Compensation of Directors

- Director(s) shall be appointed as per the applicable provisions of the Act and rules made there under.
- A person proposed to be appointed as a Director shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets. etc. The person considered to be appointed as a Director should also possess relevant expertise which will help the person to act objectively and constructively.
- All the Directors on the Board shall fulfil the fit and proper criteria as laid down under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions.





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- Upon appointment, the Director shall execute a Deed of covenant with the Company as per the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated as per NHB CG Directions.
- The Company shall upon appointment of an Independent Director, issue a formal letter of appointment outlining his/her terms of appointment, role, responsibilities and duties. etc.
- The Non-Executive and Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/Committee Meetings i.e. Travelling / Lodging.

III. Disclosures

- An annual declaration on confirmation in respect of fit and proper criteria in the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated in terms of NHB Directions shall be furnished by the Directors.
- A declaration of independence in terms of Section 149(7) of the Companies Act, 2013 shall be furnished by the independent Directors every financial year or whenever there is any change in the circumstances that affect their status as an Independent Director.
- All the Directors shall abide with the Company's "Code of Conduct for the Board and Senior Management Personnel" and affirm compliance with the same within 30 days from the close of every financial year.
- All the Directors shall comply with all laws, rules, and regulations governing trading in the securities of the Company and the Company's Code of Conduct for Prohibition of Insider Trading in dealing with the securities of the Company which, inter-alia, prohibits buying or selling of the Company's securities on the basis of any unpublished price sensitive information and submit necessary disclosures there under.

IV. Confidentiality

- The Directors shall not disclose any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

V. Conflict of Interest

- All the Directors and key managerial personnel shall be required to disclose to the Board of directors whether they, directly or indirectly, or on behalf of third parties, have any material interest in any transaction or matter directly affecting the Company.
- No Independent Director shall have any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors and ensure that none of their relatives have any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower.

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- Every Director if concerned or interested, whether directly or indirectly, in any contract or arrangement or proposed contract or arrangement entered into or to be entered with a body corporate in which either the Director individually or in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, the Director is a partner, owner or member, as the case may be, shall disclose the nature of concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

VI. Board Meetings

- The Company shall be required to hold at least one Board meeting in a calendar quarter with a maximum interval of one hundred and twenty days between two consecutive meetings, such that at least four meetings are held in a year.
- The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire meeting.

VII. Minimum Information to be placed before the Board

- To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per the Act and other applicable laws.
- The Company shall place all statutory and other significant matters including minimum information required to be placed in terms of Schedule II - Part A of the SEBI Listing Regulations and Secretarial Standard on the Meetings of the Board of Directors [SS-1] as prescribed by the Institute of Company Secretaries of India, before the Board to enable it to discharge its duty responsibly.
- The Minutes of all Board Meetings and its Committee Meetings shall be circulated to the Board members as per the applicable provisions of the Act and SS-1. Minutes of the previous Board / Committee Meetings are placed in the subsequent Board/Committee Meeting for noting.

VIII. Separate Meeting of the Independent Directors

- The Independent Directors of the Company shall meet at least once in a year without the presence of Non-Executive Promoter Directors and the Management in terms of Schedule IV of the Act and SEBI Listing Obligations. The meeting shall be held to review the performance of Non-Independent Directors and the Board as a whole; to review the performance of the Chairman and to assess the quality, quantity and timeliness of flow of information between the company management and the Board and its members that is necessary for the Board to effectively and reasonably perform their duties.

IX. Committees of the Board

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. Accordingly, as per the requirement of NHB directions, the core committees constituted by the Board in this connection are as follows;





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a) Audit Committee

The Company shall have in place an Audit Committee constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 and rules framed there under and Regulation 18 of the SEBI Listing Regulations.

b) Nomination and Remuneration Committee

The Company shall have in place a Nomination and Remuneration Committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and rules framed there under and Regulation 19 of the SEBI Listing Regulations.

c) Risk Management Committee

The Company shall have in place a Risk Management Committee constituted in accordance with the provisions of Regulation 21 of the SEBI Listing Regulations and applicable provisions of Companies Act, 2013.

d) Stakeholders' Relationship Committee

The Company shall have in place a Stakeholders' Relationship Committee constituted in accordance with the provisions of Section 178 of the Companies Act, 2013 and rules framed there under and Regulation 20 of the SEBI Listing Regulations.

e) Finance & Management Committee

The Committee shall be responsible to monitor resource mobilization and to ensure efficient and timely decisions on the matters relating to banking and finance activities of the Company. It shall also consider and approve the allotment of securities by the Company and approve loans beyond a specified threshold.

5. Auditors

a) Statutory Auditors

The Statutory Auditors of the Company shall be appointed in accordance with the provisions of the Act. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Audit Committee shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.

Further, the Company shall rotate the partner(s) of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, so that the same partner does not conduct audit of the Company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years. The Company shall incorporate appropriate terms to this effect in the letter of appointment of the firm of auditors and ensure its compliance.





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b) Secretarial Auditors

The Company shall appoint a Company Secretary in practice in terms of Section 204 of the Act who shall be responsible to conduct audit of the secretarial and related records of the Company.

6. Certification

a) CEO / CFO Certification

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) shall provide a certificate on quarterly / annual, inter-alia, certifying that the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading, to the Audit Committee and the Board of Directors in terms of Regulation 17 (8) and Regulation 33 (2) (a) of the SEBI Listing Regulations.

b) Annual compliance with the Company's Code of Conduct

An Annual declaration in terms of Schedule V of the SEBI Listing Regulations signed by the Chief Executive Officer (CEO) stating that the Members of Board of Directors and SMP have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management.

c) Certificate on compliance of conditions of Corporate Governance.

A compliance certificate from the auditor or practicing company secretaries in terms of Schedule V (E) of SEBI Listing Regulations, shall be furnished stating compliance of conditions of corporate governance and be annexed to the Board's Report.

7. Codes and Policies

In accordance with the provisions of the Act, SEBI Listing Regulations, Directions / Guidelines issued by National Housing Bank (NHB) and other applicable laws, the Company has formulated various Codes and Policies to ensure high ethical standards in the overall functioning of the Company.

The key codes and policies as approved by the Board of Directors inter-alia include the following;

a) Code of Conduct for the Board of Directors and Senior Management Personnel

This Code sets forth the guiding principles on which the Company, its Board and the SMP shall operate and conduct themselves with multitudinous stakeholders, government and regulatory agencies, media and anyone else with whom it is connected.

b) Code of Conduct for Prohibition of Insider Trading

This Code lays down the process of trading in securities of the Company by the employees and the connected persons and to regulate, monitor and report trading by the employees and the connected persons of the Company either on his / her own behalf or on behalf of any other person, on the basis of unpublished price sensitive information.

c) Whistle Blower Policy

The Company has established a vigil mechanism by way of 'Whistle Blower Policy', to report to the management instances of unethical practices, illegal activities and/or actual or suspected fraud





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or violation of the company's code of conduct or ethics policy. It also provides for direct access to the Chairman of the Audit Committee in exceptional cases and ensures that the Whistleblower is provided with adequate safeguards against victimization.

d) Fair Practice Code

This Code includes guidelines in appropriate staff conduct when dealing with the customers and on the Company's policies vis-à-vis client protection. It captures the spirit of National Housing Bank guidelines on fair practices for Housing Finance Companies.

e) Policy on Fit and Proper Criteria for the Directors

This Policy lays down the process and procedure of due diligence of Director(s) to ensure that they fulfil the 'fit and proper' criteria and to determine their suitability for appointment / re-appointment as a Director(s) on the Board of the Company. It also aims to ensure that each Director on the Board of the Company continues to meet the fit and proper criteria on an on-going basis.

f) Policy on "Know Your Customer and Anti Money Laundering Measures"

This Policy has been formulated in line with the Know Your Customer and Anti Money Laundering guidelines prescribed by NHB for the Company's lending/credit operations/ financial dealings.

g) Related Party Transaction Policy

This Policy aims to regulate transactions with related parties of the Company and aims to ensure transparency between them. It also sets out the materiality thresholds for related party transactions and the manner of dealing with such transactions in accordance with the applicable laws.

h) Policy on Disclosure of Material Events and Information

This Policy has been formulated as per the applicable provisions of SEBI Listing Regulations, to determine the events and information which are material in nature and are required to be disclosed to the Stock Exchanges.

8. Compliance Officer

The Company Secretary of the company appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer. The Compliance Officer shall, inter-alia, be responsible for setting forth policies / procedures and ensuring conformity with the applicable laws/ regulations/ guidelines including Companies Act, SEBI Listing Regulations and NHB Directions/guidelines, issued from time to time.

9. Review

The Board of Directors of the Company reserves the right to add, amend, modify this ICG Guidelines, as and when it deems appropriate.

