
AADHAR HOUSING FINANCE LIMITED

INTERNAL GUIDELINES ON CORPORATE

GOVERNANCE

(Revision Effective from, 19th January, 2022)

Version III

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I. 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*, requires every deposit taking Housing Finance Company to frame “Internal guidelines on Corporate Governance”.

Pursuant to the same, the Board of Directors of the Company at their meeting held on 28th April, 2017, have approved and adopted the Internal Guidelines on Corporate Governance [“CG Guidelines”].

Further, the Reserve Bank of India vide Circular No. RBI/2020-21/60, DOR.NBFC (HFC).CC.No.118/03.10.136/2020-21, issued the Directions, in supersession of relevant regulations issued by National Housing Bank (NHB) to be complied with by the Housing Finance Companies.

The Reserve Bank of India has also issued Master Direction on Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, dated 17th February, 2021 (herein after referred as “RBI Master Directions”) and para 55 of the said RBI Master Directions has prescribed to frame Internal Guidelines on Corporate Governance by Housing Finance Companies.

These Guidelines outline the current Corporate Governance practices of the Company.

II. 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, regulators, 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.

III. DEFINITIONS

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

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1. **“Act”** shall mean the provisions of the Companies Act, 2013 and rules made thereunder and shall include the statutory amendment(s), modification(s) or re-enactment(s) thereof.
 2. **“Board”** shall mean the Board of Directors of the Company, as constituted from time to time.
 3. **“Company”** means Aadhar Housing Finance Limited (AHFL).
 4. **“Committee”** shall mean committee of the Board of Directors or such other Committee constituted from time to time.
 5. **“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 applicable Regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015.
 6. **“KMP”** shall mean Key Managerial Personnel as defined in sub section (51) of Section 2 of the Companies Act, 2013.
 7. **“RBI CG Directions”** refers to the Directions as given at Chapter IX of Master Direction on Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, issued by RBI vide circular no. RBI/2020-21/73/DOR.FIN.HFC.CC.NO. 120/03.10.136/2020-21, dated 17th February, 2021, repealing 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.
 8. **“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 all members of management one level below the Executive Directors, including all functional heads and all employees at Vice President Position and above
 9. **“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.

IV. GOVERNANCE OF THE BOARD

The Board of Directors play a pivotal role in ensuring that the good corporate governance practices are followed within the Company. The Board of Directors 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.

1. Role and Responsibilities

- The Board shall be required to uphold ethical standards of integrity and probity, act objectively & constructively and exercise responsibilities in a bona fide manner in the interest of the Company and its stakeholders.
- Every Director holds a fiduciary position and shall be required to attend and actively participate in the Board and its Committee Meetings in which they are a Member and conscientiously fulfill his/her obligations as Director of the Company.
- The Board shall be responsible for overall compliance and monitoring the effectiveness of the Corporate Governance practices and suggest changes, if required. The Board shall also periodically review compliance under various laws applicable to the Company.
- The Board shall scrutinize and monitor the performance of management to ascertain the achievement of agreed goals and objectives.
- The Board of directors shall provide strategic guidance to the Company.
- The Board shall ensure that the integrity of the financial information and that financial controls and the systems of risk management are robust and defensible;
- The Board of Directors shall exercise objective independent judgment on corporate affairs, board deliberations on issues relating to strategy, performance, risk management, resources, key appointments and standards of conduct. However, Independent Directors shall moderate and arbitrate in the interest of the company as a whole, in situations of conflict between the management and shareholder's interest.
- The Board shall bring an objective view in the evaluation of the performance of board and management.

In addition to the above, the Company and the Directors shall at all times abide by the applicable provisions of SEBI Listing Regulations and the Act.

2. Composition and Size

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

3. 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 fulfill the fit and proper criteria as laid down under the Company's Policy on fit and proper criteria for the Directors formulated as per RBI CG Directions.
- 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 RBI 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, duties. etc.
- The appointment/re-appointment and the remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board for approval in accordance with the Company's "Nomination (including Boards' Diversity), Remuneration and Evaluation Policy".
- The Non-Executive and Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/Committee Meetings eg. Travelling /lodging.
- Non –Executive Directors shall be entitled to a commission not exceeding one percent of the net profits or such other lower amount as may be approved by the Shareholders of the Company.
- Independent Directors of the Company shall not be entitled to stock options.

4. 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 RBI Master 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 thereunder.

5. 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.

6. 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.
- 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.

7. 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.

8. 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 applicable 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.

9. 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 Directors and the Management in terms of Schedule IV of the Act and applicable provisions of SEBI LODR. 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.

10. Board Committees

- The Board of Directors shall constitute various Committees which will enable the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of their duties and responsibilities. Presently, the Board has constituted seven committees namely – Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, Asset Liability Management Committee, Corporate Social Responsibility Committee, IT Strategy Committee and Stakeholders Relationship Committee
- The Committees should meet at periodical intervals as per the statutory requirement or depending upon the need, as the case may be.
- The Board has the discretion to allow certain market/price sensitive and unpublished information, which can be tabled at the Board /Committee meeting, as per the permission given under applicable provisions of law/act.

i. 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 thereunder, applicable RBI Master Directions, Notifications, Circulars & Guidelines and applicable provisions of SEBI Listing Regulations.

The Composition, Quorum, Terms of Reference and Frequency of the Audit Committee will be as per applicable provisions of Companies Act, RBI, SEBI Listing Regulations, as aforesaid.

ii. 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

thereunder, applicable RBI Master Directions , Notifications, Circulars & Guidelines and applicable provisions of SEBI Listing Regulations.

The Composition, Quorum, Terms of Reference and Frequency of the Stakeholders' Relationship Committee will be as per applicable provisions of Companies Act, RBI, SEBI Listing Regulations, as aforesaid.

iii. 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 thereunder and applicable regulations of SEBI Listing Regulations

The Composition, Quorum, Terms of Reference and Frequency of the Nomination and Remuneration Committee will be as per applicable provisions of Companies Act, RBI, SEBI Listing Regulations, as aforesaid and as per Nomination (including Boards' Diversity), Remuneration and Evaluation Policy.

iv. Risk Management Committee

The Company shall have in place a Risk Management Committee constituted in accordance with the applicable provisions of Companies Act, 2013, RBI Master Directions, Notifications, Circulars & Guidelines and applicable Regulations of the SEBI Listing Regulations, .

The Composition, Quorum, Terms of Reference and Frequency of the Risk Management Committee will be as per applicable provisions of Companies Act, RBI, SEBI Listing Regulations and as per Risk Governance Framework of the Company.

v. Corporate Social Responsibility Committee (CSR Committee)

The Company shall have in place a Corporate Social Responsibility Committee constituted in accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed thereunder.

The Composition, Quorum, Terms of Reference and Frequency of the CSR Committee will be as per applicable provisions of Companies Act and as per CSR Policy of the Company.

vi. IT Strategy Committee

The Company shall have in place a IT Strategy Committee constituted in accordance with the applicable provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB.

The Composition, Quorum, Terms of Reference and Frequency of the IT Strategy Committee will be as per applicable provisions of RBI Master Directions and as per IT Strategy Policy of the Company.

vii. Asset Liability Management Committee

The Company shall have in place Asset Liability Management Committee constituted in accordance with the applicable provisions of RBI Master Directions, Notifications, Circulars & Guidelines issued by RBI/NHB.

The Composition, Quorum, Terms of Reference and Frequency of the Asset Liability Management Committee will be as per applicable provisions of RBI Master Directions and as per Asset Liability Management Policy of the Company.

V. AUDITORS

1. Statutory Auditors

The Statutory Auditors of the Company shall be appointed in accordance with the applicable provisions of the Companies Act, 2013 and RBI Master Directions. 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.

2. Secretarial Auditor:

The Company, as far as it is applicable, 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.

VI. CERTIFICATION

1. 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, as applicable.

2. Certificate on compliance of conditions of Corporate Governance.

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

VII. CODES AND POLICES

In accordance with the provisions of the Act, applicable SEBI Listing Regulations, Directions/ Guidelines issued by RBI 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:

1. Code of Conduct for the Board of Directors and Senior Management Personnel (SMP)

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.

2. Nomination (including Boards' Diversity), Remuneration and Evaluation Policy, including the Board Diversity Policy, Board Evaluation Policy and Succession Plan Policy

This policy, inter-alia, lays down the criteria for identifying the persons who are qualified to become directors and SMP of the Company, to determine the qualifications, positive attributes and independence of the Board & ensure Board Diversity, Board Evaluation and **Succession Plan**, to lay down the criteria for determining the remuneration of the Directors, KMP and other employees and to set the criteria for evaluation of the performance of Board of Directors (including Independent Directors) and other employees of the Company.

3. Policy on Familiarization Programme for Independent Directors

This Policy has been adopted to familiarize the Independent Directors about the operations, strategy and functions of the Company and also the roles, rights & responsibilities of Independent Directors to ensure the best Corporate Governance practices.

4. Policy on Preservation of Documents and Records

This Policy ensures that the Company complies with the applicable document retention laws, preservation of various statutory documents and also lays down minimum retention period for the documents/records in respect of which no retention period has been specified by any law/regulation.

5. Vigil Mechanism and 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 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.

6. 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.

7. Risk Management Policy

The Company remains committed to manage its risk in a proactive manner and adopts a structured and disciplined approach to risk management by developing and implementing risk management program. This policy has been formulated inter-alia to ensure that there is a formal process for risk identification, risk assessment and risk mitigation.

8. 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 fulfill 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.

9. 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 Regulatory Authorities for the Company’s lending/credit operations/ financial dealings.

10. 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.

11. Policy for fraud reporting and FCU Policy

This Policy mainly ensures, necessary safeguards for prevention of frauds, Recording and reporting frauds without any delay, to fix the staff accountability in respect of delays in reporting of fraud cases.

12. CSR Policy

The Corporate Social Responsibility Policy (“**Policy**”) specifies Aadhar Housing Finance (“**Company**”) philosophy for giving back to the society as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for the welfare and sustainable development of the community at large through its social arm and through various other charitable trusts and organisations.

13. Resource Planning Policy

Borrowing is a key element to support a sustainable disbursement growth and is integral part of business. This Policy ensures to maintain the right borrowing mix of liabilities along the diversification of funding.

14. IT and Information Security Policy & Framework :

The Company has adequate IT Policy and Information Security Policy and Framework as per the applicable Directions, Notifications and Guidelines issued by regulatory authorities.

VIII. REVIEW

The Board of Directors of the Company reserve the right to add, amend, modify or Review this Corporate Governance Guidelines, as and when it deems appropriate.

The RBI Directions /Notification/ Circulars/guidelines relating/pertinent to the Corporate Governance as in in force on the date will be automatically applicable to the Company.
