

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE



{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}
(SHFL)

Version History

Version	Date	Description of Changes
1.0	30.07.2019	First Version Released
1.1	20.05.2020	Amendment Made in Para 4
1.2	12.05.2021	Modification made in Para 4 and applicable regulation reference changed from NHB to RBI
1.2	27.04.2022	Review by the Board
1.2	22.04.2023	Review by the Board
1.2	22.04.2024	Review by the Board

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Internal Guidelines on Corporate Governance

1. PREAMBLE

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India (RBI) vide Notification No. RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021, the Company has framed this set of Internal Guidelines on Corporate Governance.

2. DEFINITIONS

- a) **“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.
- b) **“Board”** shall mean the Board of Directors of the Company, as constituted from time to time.
- c) **“Company”** means Satin Housing Finance Limited (“SHFL”)
- d) **“Committee”** shall mean committee of the Board of Directors or such other Committee constituted from time to time.
- e) **“Directions”** shall mean the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India (RBI) vide Notification No. RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021.
- f) **“Independent Director”** shall mean a Director who satisfies the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013
- g) **“KMP”** shall mean Key Managerial Personnel as defined in sub section (51) of Section 2 of the Companies Act, 2013.
- h) **“Senior Management Personnel”** shall mean employees of the Company who are members of the core management team excluding Board of Directors. This shall comprise of all members of management one level below the Directors, including all 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, or any other applicable law/regulation/rules prescribed by Reserve Bank of India or such other authority.

3. BOARD OF DIRECTORS

The Company’s Board has a primary role to protect and enhance stakeholders’ value through supervision and strategic inputs. The Board along with its Committees not only provides supervision and exercises appropriate controls, but also ensures a strong emphasis on transparency, accountability and integrity. 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 fulfil his/her obligations as Director of the Company.

The Board, in compliance with extant regulatory prescriptions, shall comprise of both Executive and Non-Executive Directors and at least a third of the total number of Directors being Independent Directors. All the Directors shall meet the ‘fit and proper’ criteria as prescribed under the Companies Act, 2013 and the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 by the Reserve Bank of India. The Directors bring to the Board a wide range of experience and skills, which

includes banking, finance, lending, accounting and economics. None of the Directors of the Company should be related to each other.

All the Directors on the Board (except Independent Directors) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

Meetings of the Board

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings. The meeting of the Board of Directors shall be called by giving not less than seven days' notice in writing to every Director by hand delivery or by post or by electronic means. The agenda for the meeting should be made available to the Board shall be furnished to the Directors well in advance.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote. The Chairman of the Board shall not be entitled to a second or casting vote at any meeting of the Board.

Minimum Information to be placed before the Board

1. 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.
2. 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.
3. 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.
4. Any further information / data / clarification as required by the Board would be made available as and when sought, in a transparent and timely manner.

Board Independence

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders. Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for

appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

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 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 as per annexure B by the independent Directors every financial year or whenever there is any change in the circumstances that affect their status as an Independent Director.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws. Presently, the Independent Directors of the Company are paid remuneration by way of sitting fees for attending meetings of the Board and its Committees, in compliance with the applicable laws in this regard.

4. COMMITTEES

The Board has constituted committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Working Committee, Audit Committee, Nomination and Remuneration Committee, Asset Liability Management Committee, Risk Management Committee and Grievance Redressal Committee have been constituted. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Committees of the Board and other Committee(s) as specified by the Board shall be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise one vote.

Chairman of the Committee(s) shall not be entitled to a second or casting vote at any meetings of the Committee(s). Details of various Committee(s) are as under:

A. Working Committee

The Company have in place a Working Committee, constituted by the Board of Directors and have delegated its power to committees from time to time for smooth functioning of the Company.

Working Committee shall constitute of such number of directors and officers as may Board decide from time to time. The scope of this committee will be the same as decided by the Board from time to time.

B. 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. The Audit Committee shall consist of minimum of three directors and atleast two third of the members shall be independent directors. All the Members of the Audit Committee shall be financially literate and atleast one Member shall have an accounting or related financial management expertise. The Chairperson of the Audit Committee shall be

an Independent Director. At least 4 meetings of the Committee shall be held in every calendar year and the Committee shall meet once every calendar quarter.

The terms of reference of the committee are as below:

- (i) The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (ii) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (iii) Examination of the financial statement and the auditors' report thereon;
- (iv) Approval or any subsequent modification of transactions of the company with related parties;
- (v) Scrutiny of inter-corporate loans and investments;
- (vi) Valuation of undertakings or assets of the company, wherever it is necessary;
- (vii) Evaluation of internal financial controls and risk management systems;
- (viii) Monitoring the end use of funds raised through public offers and related matters.
- (viii) Other roles and responsibilities as prescribed under various applicable laws from time to time.

The Company Secretary or an executive of the Secretarial Department shall act as the secretary to the committee.

c. Nomination & 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. The Nomination and Remuneration Committee shall comprise of atleast three directors and all Directors of the Committee shall be Non-Executive Directors. Atleast fifty percent of the Members shall be Independent Directors. However, the Chairman of the Company (whether executive or nonexecutive) may be appointed as a Member of the Committee but shall not be allowed to chair the Committee. The Committee shall meet at such regular intervals as may be required. The Chairperson of the Committee shall be present at the Annual General Meeting to answer shareholder queries. The presence of atleast two members shall be required to form the necessary quorum unless otherwise stipulated in the Act.

The terms of reference of the committee are as below:

- (i) 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 shall carry out evaluation of every director's performance;
- (ii) 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;
- (iii) The Committee, while formulating the policy under above-said clause (ii), 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; and
 - (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
- (iv) Other role and responsibilities prescribed under various applicable laws from time to time.

The Company Secretary or an executive of the Secretarial Department shall act as the secretary to the committee

D. Asset-Liability Management Committee (ALCO)

The Company shall have in place an Asset Liability Management Committee. The Asset Liability Management committee shall consist of minimum of two members. At least 4 meetings of the Committee shall be held in every calendar year and the Committee shall meet once every calendar quarter. The presence of two members shall be required to form the necessary quorum.

The terms of reference of the committee are as below:

- (i) Product pricing for borrowings and advances.
- (ii) Desired maturity profile and mix of the incremental assets and liabilities.
- (iii) Monitor prevailing interest rates offered by other peer HFCs for similar services/ product, etc. and benchmarking its services/ products within Company's objectives.
- (iv) Monitoring the risk levels of the Company.
- (v) Review the results of and progress in implementation of the decisions made in the previous meetings. Monitor the adherence to prudential tolerance limits set by the Board.
- (vi) Articulate the current interest rate view of the Company and base its decisions for future business strategy on this.
- (vii) Decide the funding policy with respect to the source and mix of liabilities or sale of assets.
- (viii) Develop a view on future direction of interest rate movements and decide on funding mixes between fixed vs. floating rate funds, wholesale vs. retail funds, money market vs. capital market funding, domestic vs foreign currency funding, etc.
- (ix) Acting proactively requires the ALCO to develop alternative courses of action, and prioritize them based on cost/ benefit relationships, long-term effectiveness, and time to implement. For example, to fund potential liquidity shortfalls, the ALCO may establish plans to secure lines of credit, sell assets, or shorten the investment portfolio's cash flows

The Company Secretary or an executive of the Secretarial Department shall act as the secretary to the committee.

E. Risk Management Committee

The Company shall have in place a Risk Management Committee. The Asset Liability Management committee shall consist of minimum of three members consisting of one member each from Finance Department, Operation Department and Credit & Risk Department.

The Committee shall be responsible to manage the integrated risk and the scope as prescribed by the Company through its Board approved Risk Management Policy and other roles and responsibilities as prescribed under various applicable laws from time to time.

The Company Secretary or an executive of the Secretarial Department shall act as the secretary to the committee.

F. Grievance Redressal Committee

The Company shall have in place a Grievance Redressal Committee. The Grievance Redressal Committee shall consist of minimum of three members consisting of one member each from Finance Department, Customer Service and Human Resource Department.

The Committee shall be responsible to manage and address the Grievance of various stakeholders of the company and the scope as prescribed by the Company through its Board approved Grievance Redressal Mechanism and other roles and responsibilities as prescribed under various applicable laws from time to time.

The Company Secretary or an executive of the Secretarial Department shall act as the secretary to the committee.

5. PERFORMANCE EVALUATION

The Nomination and Remuneration Committee of the Company shall evaluate the performance of the Individual Directors, the Board, as a whole and its Committees. The NRC shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion and analysis.

6. CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policies and codes adopted by the Company. The Directors, senior management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever and is restricted from casting his vote for the particular agenda. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Whole Time Director and CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances.

7. RELATED PARTY TRANSACTIONS

All transactions with related parties should be an arm's length basis and that such credits are clearly identifiable, effectively monitored and appropriate steps are taken to control the quantitative limits or mitigate risks. All transactions with related parties shall be subject to the approval of the Board of Directors on the recommendation of the Audit Committee including the limits, terms and conditions, if any, imposed thereon.

8. AUDITORS

Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. A declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company. 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 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.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

Secretarial Auditors

The Board shall appoint a Company Secretary in practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct a secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the members of the Company in accordance with the applicable laws / regulations.

9. CODES AND POLICIES OF THE COMPANY

Code of Conduct for Directors and Employees

The Code of Conduct for Directors and Employees provides for employees to conduct their business and affairs in compliance with applicable laws, rules and regulations of India. The Code is applicable to all employees of the Company, including Executive Director(s) and to the Non-Executive Director(s) to the extent of their role and responsibilities in the Company.

Whistle Blower Policy / Vigil Mechanism

The Whistle Blower Policy/Vigil Mechanism has been framed to provide a mechanism under which an employee/ director of the Company may report violation of personnel policies of the Company, unethical behaviour, suspected or actual fraud, violation of code of conduct and such similar incidences. The Vigil Mechanism ensures standards of professionalism, honesty, integrity and ethical behavior. The Mechanism adopted by the Company encourages the whistle blower to report genuine concerns or grievances and provides for adequate safeguards against victimisation of whistle blower who avails of such mechanism and also provides for direct access to the Chairman of the Audit Committee.

Other Codes and Policies

In accordance with the applicable provisions of the Companies Act, 2013, the directions/ guidelines issued by the Reserve Bank of India for internal requirements and operational convenience, the Company has framed and adopted the following policies and codes which shall be updated / revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company.

10. DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors or other stakeholders as may be required by the applicable laws and the codes & policies of the Company.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations.

11. ANNUAL REPORT

The Annual Report of the Company shall contain a separate section on Corporate Governance detailing the measures / activities undertaken by the Company as a part of its efforts towards good corporate governance.

12. WEBSITE

This internal guideline on corporate governance shall be published on the Company's website, if any, for the information of various stakeholders, as required by RBI/NHB, from time to time.

13. NODAL OFFICER

The Internal guidelines on Corporate Governance shall be implemented and monitored by the Company Secretary of the Company, being the Nodal Officer for this and the periodical review and update shall be reported by the aforementioned Nodal Officer.

14. AMENDMENT

The policy will be amended from time to time by the Board of Directors on the recommendation of the Nomination & Remuneration Committee of the Board. The policy shall be automatically amended with the changes in law.