



Internal Guidelines on Corporate Governance

1. REGULATORY FRAMEWORK

As per the National Housing Bank (“NHB”) notification dated 9 February 2017, titled “Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, bearing reference number NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 9 February 2017, every non-public deposit accepting Housing Finance Company (HFC) with assets size of INR 50 crores and above, as per the last audited balance sheet, and all public deposit accepting /holding Housing Finance Companies (HFCs) shall frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the NHB Directions and it shall be published on the company’s website, if any, for the information of various stakeholders. The assets size of SEWA Grih Rin Limited has exceeded INR 50 crores as on 31st March 2018. Hence, the Company is required to follow these directives.

2. PREAMBLE

SEWA Grih Rin Limited (hereinafter ‘the Company’) believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of various effective policies and procedures, which is mandated and reviewed by the Board or the Committees of the members of the Board in regular intervals.

The objective of the Corporate Governance Policy (‘Policy’) is to ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company and to elaborate on the provisions of applicable law governing information for shareholders. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy shall lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the National Housing Bank (“NHB”) in this regard.

3. BOARD OF DIRECTORS

An active, well-informed and Independent Board is necessary to ensure the highest standards of Corporate Governance and to oversee the performance of the company and ensure shareholders’ protection and maximization of their long-term values. There should be an active participation of Independent Directors in the Company.

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

In Compliance with the provisions of section 165 of the Companies Act, 2013 (‘the Act’), a director shall

not hold the office of a director, including any alternate directorship, in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance, if any.

- **Size of the Board**

The number of Directors shall not be less than three and not more than fifteen as per provisions of Companies Act 2013 and Articles of Association of Company. At the same time, the Company will also ensure the Board composition requirements as per the Share Subscription and Shareholders Agreement (SSSHA).

- **Board Composition**

The Company's Board shall have an optimum combination of Executive, Non- Executive, Nominee and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013, the Articles of Association of the Company and the Share Subscription and Shareholders Agreement (SSSHA).

- **Appointment of Directors**

- 1) Director(s) shall be appointed as per the applicable provisions of the Companies Act 2013 Act and rules made there under as well as the applicable NHB regulations.
- 2) 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 Directions.
- 3) 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 Directions.
- 4) 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.
- 5) 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".

- 6) **Independent Directors**

Independent Directors shall be appointed in accordance to the provisions of Companies Act 2013, the Articles of Association of the Company and the Share Subscription and Shareholders Agreement (SSSHA).

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act,

2013, Company's Code for Independent Directors and the relevant NHB regulations. They shall be eligible for sitting fees for attending the meetings of the Board, Committees etc., as may be decided by the Board/Nomination & Remuneration Committee from time to time. The sitting fees payable, if any, shall be within the prescribed limits of the Companies Act 2013. Apart from sitting fees, the Independent Directors shall also be eligible for reimbursement of expenses incurred for attending the Board and Committees meetings.

- **Board Meetings and Quorum**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013 & Share Subscription and Shareholders' Agreement (SSSHA) and as decided by the Board of Directors. The meetings of the Board shall generally be held at the Company's registered office unless otherwise decided by the Board of SEWA Grih Rin Limited. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013 & Share Subscription and Shareholders' Agreement (SSSHA) of the Company.

- **Attendance at Board Meetings**

The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

- **Minutes**

The minutes of all meetings of the Board shall be circulated to the Board within such timelines as mentioned in the Companies Act 2013/ NHB Guidelines, if any and other applicable laws and shall be approved in the consequent Board Meeting. Minutes of meetings of Committees of Board shall be placed before the Board.

- **Fit and Proper Criteria for Directors**

The Company shall have a policy put in place for ascertaining the fit and proper criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee shall review the appointment/re- appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

- **Disclosures**

- 1) 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 applicable NHB Guidelines shall be furnished by the Directors.
- 2) 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.
- 3) Disclosure of interest in other entities as per section 184 of the Companies Act 2013 shall be furnished by all the Directors every financial year or whenever there is any change in such interest.

4. INFORMATION TO BE PLACED BEFORE BOARD AND ITS COMMITTEES

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 Companies Act, 2013 and other Applicable Laws. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

5. AGENDA FOR THE MEETING

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period prior to the Meeting as per Companies Act, 2013 and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Each Board member and Committee member as the case may be is free to suggest inclusion of items in the agenda. With the permission of the Chair, each Board member and Committee member is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions. However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting.

6. BOARD COMMITTEES

In order to focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. As of now, the Board has the constituted the following mandatory Committees:

- Audit Committee;
- Nomination and Remuneration Committee; and
- Risk Management Committee;

The terms of reference of the above-mentioned Committees shall be determined by the Board from time to time as per Companies Act, 2013 and other Applicable Laws. Details of the above-mentioned Board Committees are as under:

A. AUDIT COMMITTEE

The Audit Committee constitution and functioning shall follow the provisions of the Companies Act, 2013, NHB guidelines and other Applicable laws. The powers, functions, duties and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013.

The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

- **Composition**

The Audit Committee of the Company shall have minimum of three Directors with Independent Directors forming a majority. Further, the composition shall be in compliance with the provisions of the SSSHA of the Company. Also, majority of members of the Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement. The Chairman of the Committee, if required shall attend the Annual General Meeting to answer shareholder queries

The Company Secretary of the Company shall act as secretary to the Audit Committee. The members of the Audit Committee shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. as required by Companies Act, 2013 and other Applicable Laws. The members of the Audit Committee shall be appointed by the Board of Directors of the Company.

The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Audit Committee. MD & CEO, Chief Financial Officer, a representative of the statutory/Internal auditor may be present as invitees for the meetings of the Audit Committee.

- **Meetings and Quorum**

The Audit Committee should meet as and when required or as per its TOR and the quorum for the meeting shall comprise of two members.

- **Minutes**

The Company Secretary will maintain minutes of the meetings of the Audit Committee as per the Applicable laws.

- **Role of the Committee:**

The Audit Committee shall undertake such duties as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time.

B. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ('NRC') constitution and functioning shall follow the provisions of the Companies Act, 2013 and other Applicable laws. The powers, functions, duties and terms of reference of the Nomination and Remuneration Committee shall be comprehensive and include the requirements as set out by Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

- **Composition**

The Nomination and Remuneration Committee of the Board shall have at least three non-executive Directors out of which not less than one half shall be Independent Directors. The Chairperson of the Company whether

executive or non-executive may be appointed as member of NRC but shall not act as the Chairperson of the NRC. The Chairman of the NRC if required shall attend the Annual General Meeting of the Company to answer the shareholders' queries.

- **Meetings and Quorum**

The NRC shall meet on need basis or as per its TOR. Quorum shall comprise of two members.

- **Minutes**

The Company Secretary will maintain the minutes of the meeting of the NRC as per Applicable Laws.

- **Role of Committee**

The NRC shall undertake the duties as per the Terms of Reference approved by the Board and any other duties as may be delegated to it from time to time. The NRC shall also ensure fit and proper criteria as required by the Directions issued by the National Housing Bank from time to time.

C. RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall be constituted of Board of Directors to manage the integrated risks of the Company. The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The powers, functions, duties and terms of reference of the Risk Management Committee shall be comprehensive and include the requirements as set out by National Housing Bank or any other laws.

- **Composition**

The constitution and functioning of Risk Management Committee shall be in line with the requirements of the NHB Directions. The Risk Management Committee shall have such number of Directors as may be decided and appointed by the Board from time to time. The Company Secretary of the Company shall act as the secretary to the Risk Management Committee.

- **Meetings and Quorum**

The Risk Management Committee shall meet on need basis or as per its TOR. The quorum of Risk Management Committee shall comprise any two members of the Committee.

- **Minutes**

The Company Secretary will maintain minutes of the meetings of the Risk Management Committee as per Applicable Laws.

- **Role of the Committee**

The Risk Management Committee shall undertake all such duties as decided and delegated by the Board of Directors to it from time to time.

D. Other Committees:

- In addition to the aforesaid Committees, the Company has also constituted various other Committees as per the requirement of the NHB guidelines.
 - Assets & Liability Committee.
 - IT Strategy Committee; and
 - IT Steering Committee.

ASSET & LIABILITY COMMITTEE

The constitution and functioning of the ALCO shall be in line with the requirements of the NHB Directions. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated.

- **Composition**

The ALCO Committee shall have such members as approved by the Board of the Company. As of now, the Committee comprises of the following members:

- 1) Chief Executive Officer
- 2) Head Finance & Accounts-
- 3) Retail Business Head
- 4) Head MIS & Operations

- **Meetings and Quorum**

The ALCO shall meet as per its TOR. Quorum of ALCO meetings shall comprise of at least two members of the Committee.

- **Role of the Committee**

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time.

Apart from the above committees, the Board shall constitute such other Committees as may be deemed fit by it, if required.

IT STRATEGY COMMITTEE

The Company shall have in place an IT Strategy Committee as per NHB Guidelines on Information Technology Framework (NHB(ND)/DRS/Policy Circular No.90/ 2017-18).

The Composition, Quorum, Terms of Reference and Frequency of the IT Strategy Committee will be as per applicable guidelines of the NHB.

ROLES & RESPONSIBILITIES

- Approving IT Strategy and Policy Documents and ensuring that the management has put an effective strategic planning process in place.
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Ensuring proper balance of IT investments for sustaining the company's growth and becoming aware about exposure towards IT risks and controls.

D. IT STEERING COMMITTEE

The Company shall have in place an IT Steering Committee as per NHB Guidelines on Information Technology Framework (NHB(ND)/DRS/Policy Circular No.90/ 2017-18).

The Composition, Quorum, Terms of Reference and Frequency of the IT Strategy Committee will be as per applicable guidelines of the NHB.

ROLES & RESPONSIBILITIES

- Priority Settings - The IT Steering committee members will discuss and set the Priority for different projects / tasks / deliverables.
- Resource Allocation - In SGRL, since most of the resources will have to be loaned to the project from function, the IT Steering committee members will take decision to allocate adequate resources for adequate time to execute the project. Any impact of movement of resource on function will be discussed and decision will be taken accordingly.
- Project tracking – The project manager will prepare and provide the progress report of each project undertaken. The IT steering committee members will review and track the progress of the projects. Any delay / deviation from the planned activity shall be explained by the project manager. Recommendation / recourse shall be provided by the project manager for future course of action to expedite any delayed project. The IT Steering committee should review and reset the priority and provide adequate resources as per the decision of the IT Steering committee Chairperson.

7. APPOINTMENT & ROTATION OF STATUTORY AUDITORS

Subject to the provisions contained in the Companies Act, 2013, the Auditors of the Company shall be appointed with the approval of the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company. The Auditors can be appointed for a period of 5 years and such appointment shall be ratified by the shareholders every year at the Annual General Meeting. Auditors can be appointed for a two-consecutive term of 5 years.

The Company shall also comply with the NHB guidelines and provisions of the Companies Act, 2013 regarding rotation of partners of the Firm conducting Statutory Audit from time to time. As contained in the Directions, presently the Company is required to rotate the partner of the Chartered Accountant firm conducting the audit, every three years 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 will be eligible for conducting the audit of the company after an interval

of three years, subject to approval of the shareholders and recommendations of the Board and Audit Committee of the Company. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

Also, the Company will follow the required process as per the Share Subscription & Shareholders' Agreement (SSSHA) for appointment/change in the Statutory Auditors.

8. DISCLOSURES TO THE BOARD

The Company shall disclose and provide to the Board including the director all information which is

reasonably required for them to carry out their functions and duties as a Director of the HFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof. The disclosures to be made by the Company to the Directors shall include but not be limited to the following:

- all relevant information for taking informed decisions in respect of matters brought before the Board;
- Strategic and business plans and forecasts;
- Organizational structure and delegation of authority;
- Corporate and management controls and systems including procedures;
- periodic reviews of performance.

9. REVIEW OF POLICY

The Board or its relevant Committee may review the Policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.