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# **POLICY ON INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

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## **1. OBJECTIVE**

The objective of the Corporate Governance Policy (Policy) is to ensure that the structure, responsibilities and functions of Board of Directors and the senior management of the Company, fully recognize the expectations of all stakeholders as well as those of the regulator. The structure should be such that it adopts sound and prudent principles and practices for the governance of the company and should have the ability to quickly address issues of non-compliance or weak oversight and controls.

## **2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. As part of the CNH Group, the Company's philosophy on Corporate Governance is embedded with rich legacy of fair, ethical and transparent governance practices.

## **3. RBI GUIDELINES ON CORPORATE GOVERNANCE**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, Reserve Bank of India (RBI) has on May 8, 2007, November 10, 2014 and on April 10, 2015 issued guidelines on Corporate Governance.

In pursuance of the aforesaid Guidelines and Master Direction - "Non-Banking Financial Companies- Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank)" Directions, 2016, the Company has framed the following Internal Guidelines on Corporate Governance.

## **4. BOARD OF DIRECTORS**

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.

The role of the Board is to determine the overall strategic direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is determined by various provisions of the laws and the Articles of Association

of the Company. In performing its duties, the Board meets regularly and act in the best interests of the Company including its shareholders, employees, customers and creditors

The Board is constituted as per the provisions of the Companies Act, 2013.

The Company's Board consists of executive and non-executive directors/ professionals. Non-executive/Professionals are expected to play a critical role in imparting balance to the Board processes by bringing an independent approach on matters of strategy, performance, resources, standards of Company conduct, etc.

The Managing Director have been appointed in the Company for a period of 5(five) years in 2019. In addition, the Company has a Company Secretary appointed pursuant to Section 203 of the Companies Act, 2013 as Key Managerial Personnel who also acts as the Compliance/Principal Officer under the RBI regulations.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of two to a maximum of twelve directors. 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.

## **5. FIT AND PROPER CRITERIA**

The Company has formulated the Fit and Proper Policy and carries out a due diligence exercise before the appointment of any candidate as director in the Company or for the continuance of the existing directors.

The Company obtains a declaration of being "Fit and Proper" from the proposed/existing Directors at the time of their appointment/ re-appointment and also on continuing basis.

The Company shall not appoint a person as the Director, if he/she does not fulfill the criteria mentioned below:

- a. A person who is professionally qualified to be a Director or occupy any key position in the Company as per internal guidelines and policies of the Company.
- b. A person who is having the relevant experience and track record to occupy the position of a Director or any key position in the Company.
- c. A person who is competent, capable, honest, fair and ethical in the conduct of day to day affairs of the Company. In determining these criteria, skills like satisfactory past performance, range of skill set, technical knowledge and understanding and management of the affairs of the Company shall be taken into account.
- d. A person who is eligible and suitable as per the conditions stipulated in the Declaration and Undertaking along with the Deed of Covenant.
- e. A person who is qualified to be appointed as a Director under Sections 149, 152, 164 and 165 of the Companies Act, 2013

## 6. BOARD MEETINGS

The Meetings of the Board of Directors shall be held atleast 4 (four) times a year in such a manner that not more than one hundred and twenty days (120) shall intervene between two consecutive meetings of the Board.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The Board shall constitute a set of Committees with specific Terms of Reference / scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees shall operate as empowered agents of the Board as per their terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for ratifications. The draft minutes shall be circulated to the Board of Directors within 15 (Fifteen) days after completion of the Board meeting or within such other time as may be prescribed under the Companies Act, 2013.

## 7. BOARD COMMITTEES

The Board in exercise of its powers has set out clear roles and responsibilities, including those powers, which the Board wishes to exercise by itself or through a formally constituted committee of the Board to ensure the good governance.

The Company has following Board Committees with terms of reference determined by the Board:

- i. **Audit Committee (AC):** The Committee will be responsible for review of internal financial controls and audit finding, review of financial statements, approval of audit plan and appointment of auditors amongst other responsibilities as stated in its Terms of Reference.
- ii. **Assets Liability Management Committee (ALCO):** The Committee will be responsible for setting the risk/reward objectives,formulating, implementing and monitoring ALM strategies, setting the risk tolerance limits, reviewing/ monitoring of mismatch between assets and liabilities and reviewing the solvency position of the Company on a regular basis amongst other responsibilities as stated in its Terms of Reference.
- iii. **Risk Management Committee (RMC):** The Committee shall identity risks associated with business of the Company and to devise mitigation plans. The Committee shall frame and implement policies and procedures and ensure adherence to the same in accordance to the Terms of Reference.
- iv. **Nomination and Remuneration Committee (NRC):** The Committee shall determine the criteria for appointment of Key Managerial Personnel, Directors etc. The Committee shall formulate policy for determining criteria for appointments and removals, conduct evaluation

of performance and recommend remuneration for the Directors, Key Managerial Personnel and other employees in accordance to the Terms of Reference

- v. **IT Strategy and Steering Committee:** The Committee will be responsible for all initiatives related to information security, Cyber security and risks, initiate internal and external security audits and coordinating during the risk assessment and internal audits, Reviewing the status of Security awareness program organization wide, Ensuring alignment of security program with organizational objectives, maintaining high-quality information to support business decisions, Generate business value from IT-enabled investments, i.e. achieve strategic goals and realize business benefits through effective and innovative use of IT, Achieve operational excellence through the reliable and efficient application of technology, maintain IT-related risk at an acceptable level etc., in accordance to the Policies adopted by the Company.
- vi. **India Credit Committee :** The Committee will be responsible for looking into the practices set out in this credit policy meet the requirement of identified regulatory and legal risks, the approved and updated version of the Credit Policy document is maintained, training is provided as needed to ensure Credit Policy document requirements are understood within the business and changes done to this Credit Policy are communicated as they are approved; adherence with the Wholesale/Commercial and retail lending policies etc, as adopted by the Company

The Terms of Reference/policies and board minutes outlines the responsibilities of the above mentioned committees and in particular, includes the following:

- Date of Constitution
- Composition
- Frequency of meeting / quorum requirements
- Objectives
- Responsibilities/Duties

## 8. ASSOCIATE COMMITTEES

In addition to the aforesaid Board level Committee, the Company has the following associate level committees:

- a. Pricing Committee
- b. Internal Complaint Committee (POSH)

## 9. POLICIES ADOPTED BY THE COMPANY

The Company has framed various policies for local governance which include the following policies which have been framed and adopted by the Board and the Committees viz.

SI No.	Name of the Policies
1	Fit and Proper Policy
2	Nomination and Remuneration Policy
3	Information Security and Cyber Security Policy
4	Information Technology Policy's
5	Fraud Policy
6	KYC and AML Policy
7	Interest Rate/Pricing Policy
8	Policy on Related Party Transactions
9	Fair Practice Code
10	Grievance Redressal Policy
11	Physical Security Policy
12	Risk Management Policy
13	Social Media Risk Policy
14	Policy on Prevention of Sexual Harassment of Women at Workplace
15	Managing Risk in Outsourcing of Services/Outsourcing Policy
16	Investment Policy
17	Credit Policy Commercial Lending/Wholesale
18	Credit Policy Retail Lending
19	Policy on Asset Classification, Identification of Distress Asset and Provisioning Norms
20	Policy on Internal Guidelines on Corporate Governance
21	Policy - Asset Liability Management
22	Vigil Mechanism/Whistle-Blower Policy
23	Write-Off Policy
24	Stock Audit Policy
25	Liquidity Risk Management Framework
26	Policy on Risk Based Approach
27	Loan Reserves Policy - Expected Credit Loss

28	Information Security (IS) Audit Policy
29	Policy on Business Continuity Planning ("BCP")
30	Management Information System (MIS) Policy

The policies will be reviewed, from time to time, to ensure compliance and also reflects the changes in the regulations/ corporate governance environment.

## 10. DISCLOSURES AND TRANSPARENCY

The RBI Regulatory Framework for Non-Banking Financial Companies (NBFC) and other applicable regulations imposes certain compliance requirements on the Company to apprise and inform the Directors about all the relevant information about the NBFC.

In order to facilitate easy reference of these compliances the Directors are well informed and updated about the policies and strategies followed by the Company by way PPT, email etc, and general information about various committees, their roles and functions, periodicity of the meetings and general conformity with corporate governance standards.

The Company shall disclose in their Annual Financial Statements Information as may be prescribed under the RBI Regulatory Framework from time to time.

## 11. ROTATION OF STATUTORY AUDITORS

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partners of Statutory Auditors firm shall be subject to rotation. The partners of the Statutory Auditors firm shall rotate in every 3 years. Further as per the Companies Act, 2013 the Board shall appoint an individual as auditor for not more than five consecutive years. In case of an audit firm the appointment shall not be made for more than ten consecutive years.

## 12. SHAREHOLDERS

The Board is responsible for effective management of relationship with the shareholders. The Company will comply with various reporting requirements towards the shareholders as stipulated in the Act and its Articles. The Company will seek approval of the shareholders on matters as stipulated under the regulations and Company's governance requirements.



### **13. INTERACTION WITH THE REGULATOR**

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator.

In order to ensure effective management of those relationships, contact between business units and regulators should only be made through lines of communication agreed by line management of the Company.

### **14. POLICY REVIEW**

This Policy shall be reviewed by the Audit Committee every year or as and when required, in order to align with the ongoing regulatory and business requirements. The policy as reviewed by the Audit Committee shall be placed before the Board for its approval.

### **15. APPROVAL**

The Policy has been approved by the Board of Directors of the Company at its meeting held on April 21, 2021.