

# **Internal Guidelines on Corporate Governance**

## **Philosophy of Corporate Governance**

The Company believes that good Corporate Governance emerges from the application of the best and sound Management practices and Compliances with the laws with adherence to the highest standards of transparency and business ethics. The Company believes in sound governance practices for functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis.

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the guidelines in terms of para 100 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as amended from time to time), Company has formed Internal Guidelines on Corporate Governance.

## **Board of Directors (“Board”)**

The Directors are responsible to set strategic objectives for the Management and to ensure that the long term interests of all stakeholders are served by adhering to and enforcing the principles of sound Corporate Governance.

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 acts in the best interests of the Company including Shareholders, employees & clients. The Board is an independent of the Management.

## **Board Meetings**

Meetings of the Board of Directors shall be held at least four times a year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board. The minimum information made available to the Board shall be furnished to the Directors. The Company shall observe secretarial standards with respect to General and Board Meetings specified by the Companies Act and Institute of Company Secretaries of India.

## **Committees**

The Board has constituted various Committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with applicable laws. The Audit Committee, Risk Management Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee and IT Strategy Committee have been constituted in accordance with the applicable provisions of the Companies Act, 2013, guidelines issued by the Reserve Bank of India and the SEBI Regulations for internal and operational convenience. 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.

The Minutes of the Board level Committee(s) as specified by the Board are placed before Board for its perusal, discussion and noting.

## **1. Audit Committee**

The Audit Committee is constituted as per the provisions of the Companies Act, 2013 and SEBI (LODR), 2015 and at least one meeting shall be held in every quarter. The terms of reference of Audit Committee are as under:

### **(A) Pursuant to Section 177(4) of the Companies Act, 2013:**

- (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) Security 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.

### **(B) Pursuant to Clause 49 of the Listing Agreement :**

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the Management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 3 (c) of section 134 of the Companies Act, 2013
  - b) Changes, if any, in accounting policies and practices and reasons for the same
  - c) Major accounting entries involving estimates based on the exercise of judgment by Management.

- d) Significant adjustments made in the financial statements arising out of audit findings
- e) Compliance with listing and other legal requirements relating to financial statements
- f) Disclosure of any related party transactions
- g) Qualifications in the draft audit report

**5.** Reviewing, with the Management, the quarterly financial statements before submission to the board for approval.

**5A.** Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

**6.** Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.

**7.** Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

**8.** Discussion with internal auditors any significant findings and follow up there on.

**9.** Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

**10.** Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

**11.** To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

**12.** To review the functioning of the Whistle Blower mechanism, in case the same is existing.

**12A.** Approval of appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.

**13.** Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

## **2. Risk Management Committee**

The Risk Management Committee shall be responsible for setting up and reviewing Risk Management Policies of the Company from time to time. The Risk Management Committee shall be primarily responsible for identifying, monitoring, reviewing and mitigating the key risks associated with the nature of business of the Company, the risk management practices followed by the Company to mitigate these risks and recent developments affecting the business growth and profitability of the Company.

## **3. Nomination & Remuneration Committee**

- To lay down criteria and terms & conditions with regard to identifying persons qualified to become Directors and persons who may be appointed as Key Managerial Personnel & Senior Management Personnel.
- To recommend the Board for the appointment of Directors, Key Managerial Personnel. (To be added)
- To determine remuneration for Key Managerial Personnel and Senior Management Personnel.
- To recommend Sitting fees (Approved by SBI) for Directors.
- To carry out evaluation of performance for determining criteria for payment of Performance Linked Incentive to Key Managerial Personnel and Senior Management Personnel.
- To approve payment of performance Linked Incentives to Key Managerial Personnel and Senior Management Personnel.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- The Nomination & Remuneration Committee of the Company shall evaluate the performance of the Board, Individual Directors, the Board as a whole and its Committees. The Nomination & Remuneration Committee shall provide an overview Report of the evaluation conducted by it, to the Board for their discussion.
- A Policy for ensuring the fit and proper criteria for appointment of Directors is forming part of the Nomination and Remuneration Committee criteria and said Committee approves the and recommend to the Board appointment of Directors and Key Managerial Personnel.

### **Statutory Auditors**

The Comptroller & Auditor General of India (C&AG) will appoint Statutory Auditors of the Company.

### **Internal Auditors**

The Board on the recommendation of the Audit Committee shall appoint an Internal Auditor 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 on the recommendation of the Audit Committee shall appoint an Independent Company Secretary in Practice as Secretarial Auditors, in accordance with the provisions of the Companies Act, 2013 and rules made there under to conduct a Secretarial Audit of the Company for every Financial Year. The Secretarial Auditor shall provide in the form and the 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 Shareholders of the Company in accordance with the applicable laws / regulations.

### **Code of Conduct for Directors & Senior Managerial Personnel**

Company has laid down the Code of Conduct for Directors and Senior Managerial personnel. The Code is applicable to Executive/ Non Executive Directors including Independent Directors and Senior Managerial Personnel of the Company.

### **Whistle Blower Policy / Vigil Mechanism**

The Vigil (Whistle Blower) Mechanism is to ensure highest ethical, moral and business standards in the course of functioning and to build a lasting and strong culture of Corporate Governance within the Company. In terms of Policy, an internal mechanism is established for Directors and employees to report to the Management, concerns about unethical behavior, actual or suspected fraud or violation of Company's code of conduct. The policy is intended to encourage all Directors and employees of the Company to report suspected or actual occurrence of illegal, unethical or inappropriate actions, behaviors or practices by Directors/employees without fear of retribution. The Directors/ employees can voice their concerns on irregularities, malpractices and other misdemeanors through this Policy.

It also provides necessary safeguards and protection to the Directors/employees who disclose the instances of unethical practices/ behavior observed in the Company. The mechanism also provides for direct access to the Chairman of the Audit Committee in exceptional case.

## **Related Party Transactions Policy**

This Policy is framed based on the provisions of the Companies Act, 2013, and rules there under. This policy intends to ensure proper approval and reporting of transactions between the Company and its Related Parties in accordance with the provisions of Companies Act, 2013 and rules there under or any other law for the time being in force. Such transactions are appropriate only if they are in the interest of the Company and its stakeholders.

## **Other Policies and Framework**

For Internal requirements and Operational convenience, the Company has framed and adopted the following Policy(ies) / code(s) and Manuals, 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:

- Fair Practice Code
- Investment Policy manual
- Foreign Exchange Operations Policy Manual
- Asset Liability Management Policy manual
- Nomination & Remuneration Policy
- Policy on Fit & Proper Criteria
- Corporate Social Responsibility Policy
- Performance Evaluation Criteria
- Code for Independent Directors
- Credit Manual
- Accounting Manual
- Operations Procedure Manual
- Compliance Policy
- HR Manual
- IT Policy
- Anti Money Laundering Policy
- Succession Planning Policy
- Board Diversity Policy

## **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, Denture holders 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 made on behalf of the Company are duly made to the Regulatory/ Statutory Authorities or such other persons as may be required under applicable laws / regulations.

## **Annual Report**

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

## **Compliance Officer**

The Company Secretary shall be the Compliance Officer of the Company.