

## CORPORATE GOVERNANCE POLICY & CODE

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**Issued By:** SHARE MICROFIN LIMITED

**Approved By:** Board of Directors

**Date:**

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## **1. INTRODUCTION**

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The Company recognizes the role of corporate citizen and envisages to adopt the best practices of Governance and Higher standards of operations through transparency, ethics and to be accountable to the shareholders, customers, government and others etc., as per the legal and obligatory provisions and policies of the Company.

The Company carries out its activities of Microfinance and other allied services and the business in relation to the Company in a transparent manner as per the Corporate Governance rules and regulations applicable to the company.

SHARE is committed to highest standards of professionalism, ethics, commitment and integrity as well as to follow best practices in Corporate Governance, disclosure and transparency in its business operations. The Company always strives to achieve the best and constantly endeavours to improve upon its standards.

## **2. GUIDELINES ON CORPORATE GOVERNANCE**

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In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, the Company has framed the following internal Guidelines on Corporate Governance.

The policy has also been aligned with the Companies Act, 2013 as may be amended from time to time. In case of overlap of regulations on any subject matter, the Company shall ensure to comply with the Regulations which are more stringent.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention.

The Code has been drafted bearing in mind the size of the Company's operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs (MFI), issued by RBI from time to time.

## **3. BOARD OF DIRECTORS**

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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.

As per the Companies Act, 2013, the Board's strength is required to be a minimum of three directors and a maximum of fifteen directors.

The Board shall ensure that the Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold the office of a director on the Board, based upon qualification, expertise, track record, integrity and 'fit and proper' criteria as prescribed under applicable laws. The Company should obtain necessary information and declaration from the proposed / existing directors as per the Master Direction –

Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

The Company shall hold a minimum of four (4) meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

The Board shall periodically review Compliance Reports of all laws applicable to the Company, as well as steps taken by the Company to rectify instances of noncompliance. The Managing Director / Chief Executive Officer and the Chief Financial Officer shall provide the compliance certificate to the Board of Directors

The Board shall ensure that the appointment and rotation of the Auditors of the Company guidelines issued by the Reserve Bank of India and the provisions of Companies Act, 2013. The Company shall appoint the auditor by incorporating the formal Audit Engagement Letter by including the terms of references accordingly.

The Board shall ensure that the Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner shall not conduct audit of the company continuously for more than a period of three years. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

The performance of the entire Board of the Company shall be evaluated based on the procedures and criteria as laid down in the Policy for Evaluation of the Performance of the Board of Directors.

#### **DUTIES AND RESPONSIBILITIES OF THE BOARD**

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

1. A director of a Company shall act in good faith in order to promote the objects of the Company for the benefit of its Members as a whole, and in the best interests of the Company, its employees, the shareholders, and the community and for the protection of environment.
2. A director of a Company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
3. A director of a Company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
4. A director of a Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the Company.
5. A director of a Company shall not assign his office and any assignment so made shall be void.

### **THE MINIMUM INFORMATION TO BE PLACED BEFORE THE BOARD**

The information to be placed for consideration of the Board to include: a) meeting agenda, b) minutes of previous meeting along with Action Taken Report, c) reports/minutes of board committees and action taken report, d) management report, e) standard financial and operating reports, including key financial and social performance indicators, and f) additional information related to issues for discussion during the meeting.

The following information shall be put to the Board of Directors at regular intervals:

1. Annual operating plans and budgets and any updates.
2. Quarterly Reports on financial and operating performance.
3. Independently audited annual financial statements and the auditor's management letter, outlining any weaknesses in controls and other problems found during the audit.
4. Minutes of meetings of Committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the level of Board.
6. Show cause, demand, prosecution notices and penalty notices, which are materially important.
7. Any material default in financial obligations to and by the entity.
8. Non-compliance of any regulatory or statutory requirements.
9. Disclosures in the Annual Financial Statements, Directors report information as may be prescribed under the RBI Regulatory Framework and Companies Act, 2013 from time to time.

### **KEY FUNCTIONS OF THE BOARD**

The Board shall fulfill certain key functions, including:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
2. Monitoring the effectiveness of the company's governance practices and making changes as needed.
3. Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning of the directors and senior management.
4. Aligning key managerial personnel and board of directors' remuneration with the longer-term interests of the company and its shareholders
5. Ensuring a transparent Board nomination process for the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender in the board.
6. Monitoring and managing potential conflicts of interest of management, Board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

7. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control.
8. Overseeing the process of disclosure and communications. 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.
9. Monitoring and reviewing Board Evaluation framework. Evaluating performance of Directors and senior management.
10. The Board shall provide strategic guidance to the company, ensure effective monitoring of the management and shall be accountable to the company and the shareholders.
11. The Board shall encourage continuing directors' training to ensure that the Board members are kept up to date.
12. When committees of the board are established, their mandate, composition and working procedures shall be well defined and disclosed by the Board.

#### **4. BOARD COMMITTEES**

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To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board may constitute such Committees with specific terms of reference / scope as it may from time to time deem fit. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

The Committee so formed shall operate within the parameters set by the Board from time to time and the Board shall, depending on the requirement, amend, withdraw or expand the scope of reference of such Committees from time to time.

In compliance with the applicable provisions of the Companies Act, 2013, RBI Directions on Corporate Governance and in order to meet business exigencies, and other Laws applicable to the Company from time to time, the Company / the Board of Directors may constitute several other committees.

The Roles and responsibilities and functional terms of references as approved by the Board & the various committees have been categorically defined and further aligned as per the requirements of the Company's operations with the approval of the Board.

The Company in compliance with applicable provisions, and for better corporate governance has constituted the following Board Committees.

1. Audit Committee
2. Nomination and Remuneration Committee
3. Risk & Fraud Control and Monitoring Committee
4. Asset Liability Management & Credit Policy Committee
5. Grievance Redressal Committee
6. Asset Sale Committee
7. Finance Committee

8. Stakeholders Relationship Committee
9. Allotment Committee
10. IT Strategy Committee
11. Corporate Social Responsibility Committee
12. Internal Complaints Committee

#### **4.1 AUDIT COMMITTEE:**

The Company constituted the Audit Committee in accordance with the provisions of Companies Act, 2013 and RBI Directions on Corporate Governance.

The Audit Committee shall consist of

1. Three Directors with independent directors forming a majority
2. All of the Members of the Audit Committee shall be financially literate.
3. The Committee may invite such other executives to its Meetings as it deemed fit and appropriate, such as the Department heads of the Company or it may also meet without the presence of any such executives as well.
4. The Chief Financial Officer, Chief Internal Auditor & the Representative from the Statutory Auditor may be invited to the Audit Committee Meetings.

The Company Secretary of the Company shall act as the Secretary to this Committee of the Company.

The Audit Committee shall meet as often as necessary subject to minimum number and frequency prescribed by any law or any authority or as stipulated by the Board.

The quorum for Audit Committee meeting shall either be two Members or one third of the Members of the Audit Committee, whichever is greater, with at least one independent director. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting. The Committee shall invite the finance Head, the internal auditor, statutory auditor, and any other such executives as deemed fit by it to be present at the meetings of the Committee.

The chairman of the Audit Committee shall be an Independent Director. He/she shall be present to Annual General Meeting to answer shareholders queries.

#### **Reference Terms for the Committee**

The Audit Committee shall act in accordance with the terms of reference specified by the Board which shall *inter alia*, include:

1. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditors independence and performance, and effectiveness of audit process;
3. Examination of the financial statement and the auditor's report thereon;
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters.
9. To oversee financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
10. To review matters required to be included in the Board's Report in terms of Section 134 of the Companies Act, 2013;
11. To examine changes, if any, in accounting policies and practices and reasons for the same;
12. To examine major accounting entries involving estimates based on the exercise of judgment by management and significant adjustments made in the financial statements arising out of audit findings;
13. Conduct of the Information System Audit of the Internal Controls, Systems & Processes at least once in two years to assess operational risks faced by the Company;
14. Formulating the scope, functioning, periodicity and methodology for conducting internal audit;
15. Reviewing the findings of any internal investigations by the internal auditors into the matters with suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting to the matter to the Board.
16. 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;
17. to review the functioning of the whistle blower mechanism;
18. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
19. To discharge such other functions as may be delegated by the Board from time to time, or terms of reference as may be specified under Companies Act, 2013 or Rules made thereunder or as directed by Reserve Bank of India from time to time.

Audit Committee shall review and discuss with Internal / external Auditors and management on significant issues/ findings arising from the internal /external audit reports and follow up action thereon. The findings of the internal /external audit should be placed before the Board through Audit Committee periodically. Internal / external Auditors and/or Head of Internal Audit department should be present in the Audit Committee/ Board meeting to answer the queries of the members.

#### **4.2 NOMINATION AND REMUNERATION COMMITTEE**

The Company constituted the Nomination and Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and the rules made thereunder and in Compliance with RBI Directions on Corporate Governance.

The Committee shall consist of a minimum three Non-Executive Directors, and not less than one-half shall be Independent Directors. The Chairman of the Nomination and Remuneration



Committee shall be an Independent Director. The Company Secretary of the Company acts as a Secretary to this Committee. The Committee shall meet as and when necessary.

The quorum for a meeting of the Nomination and Remuneration Committee shall be either two Members or one third of the Members of the Committee, whichever is greater, including at least one Independent Director in attendance.

Policy on criteria for determining qualifications, positive attributes and independence of a director should be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report of the Company.

#### **Reference Terms for the Committee**

1. To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
2. To ensure 'fit and proper' status of proposed/ existing Directors
3. To recommend to the Board the appointment and removal of Senior Management
4. To carry out evaluation of Director's performance and recommend to the Board appointment / reappointment / removal based on his / her performance.
5. To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
6. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
7. Ensure that the level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, to devise a policy on Board diversity;
8. To develop a succession plan for the Board and to regularly review the plan;
9. Review regularly and approve the Company's program for executive and employee development.
10. Develop, review and approve the principles guiding the Company's executive compensation philosophies.
11. specify the manner for effective evaluation of performance of Board, its committees and individual directors
12. Review annually and approve the Company's compensation policy
13. To discharge such other functions as may be delegated by the Board of Directors from time to time or terms of reference as may be specified under Companies Act, 2013 or Rules made thereunder or as directed by Reserve Bank of India from time to time.

Assure that the bonus plan is administered in a manner consistent with Company's compensation principles and strategies including Compensation areas such as ESOP & Human Resources Policy Administration & Review & Performance Management etc.

#### **4.3 RISK & FRAUD CONTROL AND MONITORING COMMITTEE**

The Company has in place the Risk & Fraud Control and Monitoring Committee in accordance with RBI guidelines on Corporate Governance for the purpose of monitoring the risk and to make suitable strategies to control.

The Committee consists of such members as may be decided by the Board from time to time. Managing Director and Independent Director may also be appointed as Member of the Committee. Either two members or one third of the Members of the Committee, whichever is higher, including at least one Member of the Board of Directors in attendance shall constitute the quorum.

The Company Secretary of the Company shall act as a Secretary to this Committee.

The Internal Auditors, as well as representatives of External Auditors, can also be invited to attend the meetings, as per the decision of the committee, to assist the Committee to make effective decisions. Various officers and executives, who are responsible for the day-to-day management or risk, can be invited to attend the meeting of the Committee to provide it with relevant input and reporting.

Minutes of the meetings shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

The Committee shall meet once in a quarter and also as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two members.

#### **Reference Terms for the Committee**

1. To monitor and review the risk management plan;
2. To review operational risk (including sub risk for operational risk), information technology risk and integrity risk;
3. To take strategic actions to mitigate the risk associated with the nature of the business;
4. To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
5. To periodically review the risk management policy, including by considering the changing industry dynamics and evolving complexity;
6. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
7. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
8. To do such other acts, deeds and things as may be directed by the Board and that are required to comply with the applicable laws; and
9. To lay down procedure to inform Board members about the risk assessment and minimization procedures.

#### **4.4 ASSET LIABILITY MANAGEMENT & CREDIT POLICY COMMITTEE**

The Company has in place the Asset Liability Management & Credit Policy Committee in accordance with RBI guidelines. The Committee's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.

The Committee comprises of the members as determined by the Board.

The Company Secretary of the Company acts as a Secretary to this Committee.

The Committee shall meet once in a quarter and also as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two members.

#### **Reference Terms for the Committee**

1. Addressing concerns regarding asset liability mismatches;
2. Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
3. Addressing concerns regarding interest rate risk exposure; and
4. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

#### **4.5 GRIEVANCE REDRESSAL COMMITTEE**

The Company has in place the Grievance Redressal Committee to meet the compliance requirements of Reserve Bank of India. The GRC's primary goal is to collect, gather and identify the grievances of all the clients and the staff and other associates, general public in relation to the services, products of the company and to address such Grievances in a timely manner by resolving satisfactory.

The Committee also addresses such other issues and grievances that are escalated to the SRO & the Reserve Bank of India either directly or through the Company and provide the responses in a satisfactory manner and work-on to resolve such matters satisfactory.

The Committee comprises of the members as determined by the Board.

The Company Secretary of the Company acts as a Secretary to this Committee.

The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two members.

#### **Reference Terms for the Committee**

1. The Committee collects the data of the Grievance(s) recorded and identified on a regular frequency and evaluate such data based on the reason for such grievance, complaint, query (or) any other demand / request / issue raised with the Company.

2. The Committee evaluates and reviews the process mechanism for the Grievance Redressal and resolution on a frequent basis and considers the modifications on a timely basis as required.
3. The Committee appoints the Grievance Redressal Compliance officer on behalf of the Company in order to oversee the Process of Grievance Redressal Mechanism.

#### **4.6 ASSETS SALE COMMITTEE**

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Asset Sale committee is an Internal Operational Committee with the Primary Goal is to Observe and Identify the Fixed Assets scrap & unused assets in the Company based on the Assets Maintenance Register and to valuate such Asset(s) durability and pricing based on the service taken from such assets after put/ use in the Company.

The Committee is an Internal Operations Committee on a time-to-time basis.

One of the members of the Committee acts is responsible for maintaining the Minutes & the Proceedings of the Committee by acting as a secretary to the Committee.

The Committee shall comprise of the members as determined b the Board. The quorum shall be at least two Members.

#### **4.7 FINANCE COMMITTEE**

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The Company has in place the Finance Committee to meet the compliance requirements of Reserve Bank of India. The Committee's primary goal is to review the periodic balance sheet(s) and financial statements of the company and to assess the financial situation / funding & liquidity positions and to work on the strategies as required for financial fulfillment for the operations need on a time-to-time basis.

#### **Reference Terms for the Committee**

1. Gathers the Financial Data & Information of periodic financial statements / returns filed with the RBI & reviews the Financial position by observing various Financial parameters such as Debt: Equity / Current Ratio / Quick Ratio / Asset-Liability Position / CRAR etc.
2. The Finance Committee also reviews the Financial Work-flow(s) and mechanism on a periodic basis in order to improve such process and record-keeping and maintenance patterns in the Company.
3. Nominate and designate representatives to carry out the required documentation for all facilities approved by the committee.
4. Exercise all powers to borrow money including by way of term loan, securitization, pass through certificate, direct assignment, etc., (On-Balance Sheet and/or Off-Balance Sheet) for the purpose of funding, general corporate purposes, including working capital requirements and possible strategic investments, within limits approved by the Board, and take necessary actions connected therewith, including refinancing for optimization of borrowing costs.
5. To borrow funds for and on behalf of the Company in the form of term loans, cash credits, Portfolio buyouts/assignments and other debt instruments from banks and financial institutions up to Rs.500 crore per sanction within the overall limit of Rs.2000 crore.

6. To provide security by the Company within the limits approved by the Board.
7. Authorize entering into transactions for rendering Business Correspondent Services.
8. Nominate and designate representatives and authorize them to carry out the required documentation for all facilities approved by the Committee.
9. To review and make recommendations to the Board regarding policy issues relating to operating budgets, capital expenditures and annual budgets.
10. To make necessary operational decisions and accord authorizations relating to operation of Bank accounts, execution of documents for borrowings and creation of security interest, on behalf of the Board and get them ratified in the subsequent Board meetings.
11. To supervise investments and borrowing, determining the appropriate allocation of funds and their risks and terms.
12. To Review banking arrangements and cash management.
13. To authorize officials of the Company to operate bank accounts.
14. To revoke the authority accorded to officials of the Company to operate bank accounts.
15. To review the investment management activities.
16. To authorize signing officers in respect of all banking and make recommendations to the Board in respect of banking services.
17. Carry out any other function as is mandated by the Board from time to time.
18. Frequency of the Meetings: The meeting(s) of the Committee shall be convened to review and approve the facilities as and when the need arises.
19. Quorum for the Meetings: There will be a minimum of three members of which one member shall be the Board member.

Report of the Meetings: The report of the meeting(s) of the Committee shall be placed before the Board at the subsequent Board meeting.

#### **4.8 STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Company voluntarily has in place the Stakeholders Relationship Committee. Stakeholders Relationship Committee shall consist of chairperson who shall be a Non-Executive Director and such other Members as may be decided by the Board from time to time.

The quorum of the committee shall be minimum two (2) members of one-third of the members of the committee, whichever is greater, of which one shall be Non-Executive Director, present in person.

The committee's primary goal is to consider and resolve the grievances of security holders of the Company. The Company Secretary of the Company acts as a Secretary to this Committee.

The Chairperson of the Committee of the Company shall be a Non-Executive Director and should be present at the Annual General Meeting to answer queries of the security holders. The Chairperson in his absence may authorise any other Member of the Committee in his behalf to attend the General Meetings of the Company.

The Committee shall meet as and when necessary. The quorum shall be at least two Members with at least one Non-Executive Director.

#### **References of Terms for the Committee**

1. Resolving the grievances of the security holders including complaints related to transfer / transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new / duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the company in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. To discharge such other functions as may be delegated by the Board of Directors from time to time.

#### **4.9 ALLOTTMENT COMMITTEE**

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The Company has in place the Allotment Committee in accordance with Companies Act. The committee's primary goal is to review the share applications and approve the share allotments by assessing the Capital structure need(s) on a timely basis.

The Company Secretary of the Company acts as a Secretary to this Committee.

The Committee shall meet as and when necessary and to allot shares to the prospective investors as approved by the Board of Directors. The quorum shall be at least two members.

##### **References of Terms for the Committee**

1. The Committee members elect and designate one of the members as a Compliance Officer for the Share holder's allotment, Transfers & respective regulatory and legal compliances in that regard.
2. The Committee is permitted for allotment of shares only for new share application only. For any allotment of shares to the existing shareholders, the Share Transfers committee reviews and approves such allotment as necessary and required.

#### **4.10 IT STRATEGY COMMITTEE**

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As per RBI's Master Directions on IT Framework for the NBFC categorized into 7 unique domains( IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business continuity planning and IT Services outsourcing). Based on Direction, the Company has prepared IT Policy, Information Security Policy and Cyber Security Policy. The Board of Directors of the Company have constituted the IT Strategy Committee and adopted these Policies at its Board Meeting held on March 28, 2018 to formulate and amend IT strategies to align with the organisation's business strategy, IT governance along with information and Cyber Security consideration.

The Committee consists of minimum three members. The chairman of the Committee shall be an Independent Director. The other members shall be one from CIO and other from CTO or Head of IT Operations.

The IT Strategy Committee shall meet at least bi-annually with not more than six months between two meetings. Based on agenda, the committee might choose to involve other members in this meeting.

#### **References of Terms for the Committee**

- Periodically reviewing the effectiveness of policies and procedures
- Carryout review and amend strategies in line with corporate strategies, Board policy reviews, cyber security arrangements and any other matter related to IT Governance.
- Ensuring an independent review and audit in accordance with approved policies and procedures.
- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.
- 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 company's growth and becoming aware about exposure towards IT risks and controls.
- Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner.

#### **4.11 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Company constituted Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013. The Corporate Social Responsibility Committee of the Board shall consist of three or more Directors, out of which at least one director shall be an Independent Director. The Chairperson of the Committee shall be an Independent Director.

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher. An Independent Director shall be necessary to form the Quorum.

The Board shall ensure that the Company spends, in every financial year, at least 2% of the average net profits of the company made during the three immediately preceding financial years. The activities to be implemented shall be as per the Board approved CSR Policy read with Schedule VII of the Companies Act, 2013.

**References of Terms for the Committee**

- a. To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013;
- b. To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the company;
- c. To monitor the CSR policy of the Company from time to time;
- d. Any other matter as the CSR Committee may deem appropriate after approval of the Board of Directors or as may be directed by the Board of Directors from time to time.
- e. The quorum for the CSR Committee Meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.

**4.12 INTERNAL COMPLAINTS COMMITTEE**

As per the provisions of Section 4 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 – every employer of a workplace working with 10 or more employees shall by an order in writing, constitute a Committee called as “Internal Complaints Committee”. Further as per the Rule 8 of the Companies (Accounts) Rules 2014, the Board of Directors has to state in their Board’s Report, that the Company has complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Board of Directors constituted the Committee at the Board meeting held on September 27, 2018.

**References of Terms for the Committee**

- To develop a policy against sexual harassment of woman at work place.
- To evolve a permanent mechanism for the prevention and redressal of sexual harassment cases and other acts of gender based violence at the institute.
- To ensure the implementation of the policy in letter and spirit through proper reporting of the complaints and their follow up procedures.
- To uphold the commitment of the Company to provide environment free of gender based discrimination.
- To create a secure physical and social environment to deter any act of sexual harassment.
- To promote a social and psychological environment to raise awareness on sexual harassment in its various forms.

**5. POLICIES ADOPTED BY THE COMPANY**



The company in line with the requirement of the Companies Act, 2013, and the guidelines / directions issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the company, inter alia has framed and adopted following policies. In addition to the policies enumerated the Board of Directors shall, from time to time, formulate and approve policies as prescribed by Reserve Bank of India or any other regulatory agency concerning to the operations / affairs of the Company. The Policies are reviewed and updated at regular intervals based on statutory requirement or on modification or amendments of various acts, rules, regulations, statues applicable to the company. The Board of Directors has adopted the following policies of the organization;

**5.1 FINANCE AND ACCOUNTING MANUAL**

**5.2 OPERATIONAL POLICY & MANUAL**

**5.3 HUMAN RESOURCES MANUAL**

**5.4 TRAINING MANUAL**

**5.5 INFORMATION TECHNOLOGY POLICY**

**5.6 INFORMATION SECURITY POLICY**

**5.7 ADMINISTRATION MANUAL**

**5.8 INTERNAL AUDIT MANUAL**

**5.9 ASSET LIABILITY MANAGEMENT POLICY**

**5.10 PRICING POLICY**

**5.11 INVESTMENT POLICY**

**5.12 RISK POLICY**

**5.13 KYC AML POLICY**

**5.14 INSURANCE POLICY**

**5.15 PREVENTION OF SEXUAL HARRASMENT POLICY**

**5.16 ENVIRONMENTS MANAGEMENT SYSTEMS POLICY**

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**5.17 GRIEVANCE REDRESSAL POLICY AND PROCESS**

**5.18 BOARD EVALUATION POLICY**

**5.19 NRC CHARTER**

**5.20 RISK-BASED INTERNAL AUDIT POLICY**

**5.21 ASSET LIABILITY MANAGEMENT POLICY**

**5.22 CORPORATE SOCIAL RESPONSIBILITY POLICY**

**5.23 BUSINESS CONTINUITY PLAN & DISASTER RECOVERY PLAN**

**5.24 ESG POLICY**

**5.25 VIGIL MECHANISM POLICY**

**5.26 CORPORATE COMMUNICATION POLICY**

**5.27 DOCUMENTS PRESERVATION POLICY**

**6. COMPLIANCE**

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The Board of Directors are responsible for overseeing the Management of the Company's Compliance approach and is responsible, among other things, for promoting and monitoring that the organization operates with integrity and in compliance with applicable, laws, regulations and internal policies.

The Company's senior management is responsible for establishing a written compliance approach and policies that contain the basic principles to be followed by the board, management and staff, and explains the main processes by which compliance risks are to be identified and managed through all levels of the organization.

Senior management advises staff on compliance laws, rules and standards, including keeping them informed of developments in the area. They help to educate staff about compliance issues, act as a contact point within the organization for compliance queries from staff members, and provide guidance to staff on the appropriate implementation of compliance laws, rules and standards in the form of policies and procedures.

**7. FIT AND PROPER CRITERIA**

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The Company recognizes the importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity etc. Therefore, the company has put in place an internal supervisory process to carry out due diligence on persons proposed to be appointed / re-appointed as directors. The Board shall review the suitability of the Members based on the Fit and Proper criteria on a regular basis.

The Company has policy on 'Fit and Proper Criteria for Directors. The policy on the fit and proper criteria shall be on the lines of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. Pursuant to the policy, the Company should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format prescribed by RBI from time to time. The Company shall obtain a Deed of Covenant duly signed by the Directors, which shall be in the RBI format.

Terms and conditions of appointment of independent directors are required to be disseminated on the website of the company under a separate section.

## **8. PERFORMANCE APPRAISAL / EVALUATION PROCESS**

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As Members of the Board, their performance as well as the performance of the entire Board and its Committees will be evaluated annually. Evaluation of each Director shall be done by all the other Directors excluding the Director being evaluated. The evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committee.

The evaluation of Directors shall include (a) performance of the directors; and (b) fulfillment of the criteria as specified in law for the time being in force. On the basis of the report of their performance evaluation, it will be determined to extend or continue the term of their appointment.

## **9. DISCLOSURE AND TRANSPERANCY**

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The governance of the Company shall be adequately transparent to its shareholders, creditors, regulators and other relevant stakeholders. All disclosures should be accurate, clear and presented in its annual and periodic financial reports, or by other appropriate means. All material developments that arise between regular reports should be disclosed to the regulators and relevant stakeholders as required by law without undue delay.

The Company shall disclose required information inconsonance with the circulars issued by Reserve Bank of India on Corporate Governance in the Audited Financial Statements.

The objective of transparency in the area of corporate governance is therefore to provide these parties with the information necessary to enable them to assess the effectiveness of the board and senior management in governing the organization.

The Company also discloses in its Annual Financial Statements the following information:

- i. Registration / license / authorization, by whatever name called, obtained from other financial sector regulators;
- ii. Ratings assigned by credit rating agencies and migration of ratings during the year;

- iii. Penalties, if any, levied by any regulator;
- iv. Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and
- v. Asset-Liability profile, extent of financing of parent company product, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as per the RBI guidelines.

## **10. CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT**

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The Code is to be applicable to all the members of the Board of Directors and its Committee/s and the Senior Management of the Company. The Code of Conduct adopted by the Company shall be posted on the web site of the Company.

1. The Directors and the Senior Management shall exercise due diligence in attending to their respective duties and obligations in the best interest of the Company. They shall know the mission, purpose, and goals of the Company and its policies and programs;
2. They are to be scrupulous in avoiding 'conflicts of interest' with the Company.
3. Maintain independence, objectivity, personal integrity, and ethical standards.
4. They are to take action/s in accordance with the accepted standards of personal and professional integrity, honesty, probity, ethics, in good faith and in the best interest of the Company.
5. They are to ensure that the Company carries out its business as per accepted practices of business integrity, ethical standards, fair play and conduct, honestly, legitimately and as a fair competitor.
6. They are to endeavour that the services of the Company meet the accepted standards of quality and also the specifications of the legal authorities/ laws so that customer satisfaction is ensured.
7. They are to ensure that they and/or the concerned employees do not disclose any confidential information gained in the course of their employment / holding the position in the Company, for personal profits or future advantage of any other person/s.
8. They are to endeavour that their dealings with the customers are given due importance, value is created and relationship of trust is built.
9. They are to ensure to use the information technology resources of the Company and social media responsibly without detriment to the interest of the Company.
10. Review and understand the Company's financial statements, key performance indicators (KPIs), and related information. The Directors and the Senior Management shall ensure compliance with all the applicable laws, rules, regulations etc. as amended from time to time.

## **11. REPORTING TO RBI**

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As per the extant RBI Directions, the Company shall report the following to RBI:

- a) a quarterly statement on change of directors.
- b) a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed.

c) The statement submitted by the Company for the quarter ending March 31 each year shall be certified by the auditors.

## **12. REVIEW OF THE POLICY**

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This Policy shall be reviewed at least once a year and modified, as and when deemed necessary, to ensure alignment with the applicable laws and best practices in Corporate Governance.

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**END OF THE DOCUMENT**