



# **CORPORATE GOVERNANCE POLICY & CODE**

**CONTENTS**

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- 1. INTRODUCTION .....4
- 2. GUIDELINES ON CORPORATE GOVERNANCE.....4
- 3. BOARD COMMITTEES.....5
- 4. POLICIES ADOPTED BY THE COMPANY .....15
- 5. COMPLIANCE .....16
- 6. FIT AND PROPER CRITERIA.....16
- 7. DISCLOSURE AND TRANSPERANCY .....16
- 8. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS.....17

## **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.

## **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 Directions – “Non-Banking Financial Company – 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.

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.

### **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.

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 appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria. The Company should obtain necessary information and declaration from the proposed / existing directors as per the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directors, 2015.

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 prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The Board shall ensure that the Auditors of the Company shall rotate the Partners / of the Chartered Account firms to conduct audits for every three years so that the partner does not conduct audit continuously for more than three (3) years. The Company shall appoint the auditor by incorporating the formal Audit Engagement Letter by including the terms of references accordingly.

### **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.

### **3. BOARD COMMITTEES**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, the Companies Act, 2013 requires the Company to constitute an Audit Committee, Nomination

and Remuneration Committee, Corporate Social Responsibility Committee and internal complaints committee.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted several other committees.

The Roles and responsibilities and Functional terms of references of 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 complies with all the required committees as per the Statutory / Regulatory requirements and has the following Board committees.

1. Audit, Compliance & Corporate Governance Committee:
2. Remuneration and Nomination 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. Allotment Committee
9. IT Strategy Committee
10. Corporate Social Responsibility Committee
11. Internal Complaints Committee

### **3.1 AUDIT, COMPLIANCE & CORPORATE GOVERNANCE COMMITTEE:**

The Company has constituted the Audit, Compliance & Corporate Governance 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, Compliance & Corporate Governance 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 Finance Director, 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 at least two times in a year.

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.

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

The Audit Committee shall act in accordance with the terms of reference specified in writing 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. 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.
10. To discharge such other functions as may be delegated by the Board of Directors from time to time or as prescribed under Companies Act, 2013 or Rules made thereunder or as directed by Reserve Bank of India from time to time.

### **3.2 REMUNERATION AND NOMINATION COMMITTEE**

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

The Committee shall consist of a minimum 3 Non-Executive Directors, and not less than half shall be Independent Directors.

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

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.

#### **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 as prescribed 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.

### **3.3 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 defined by the Board

The Company Secretary of the Company shall act 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. 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 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
6. To lay down procedure to inform Board members about the risk assessment and minimization procedures.

### **3.4 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 as well.

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.

### **3.5 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 as well.

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.

### **3.6 ASSETS SALE COMMITTEE**

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.

### **3.7 FINANCE COMMITTEE**

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. To negotiate and finalize various sanctions from Banks and Financial institutions and also Review and approve the loan facilities (On-Balance Sheet and/or Off-Balance Sheet) within the limits specified.
4. Nominate and designate representatives to carry out the required documentation for all facilities approved by the committee.
5. Review and make specific recommendations to the Board on the adoption of the Annual Budget.
6. Approval Limits: Rs.500 Crore per month in the form of term loans, overdrafts, cash credits, Portfolio buyouts/assignments and other debt instrument from banks and financial institutions with not more than Rs. 200 Crore per sanction.
7. 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.
8. 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.

### **3.8 ALLOTTMENT COMMITTEE**

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 as well.

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.

### **3.9 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.

### **3.10 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

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As per the provisions of Section 135 of the Companies Act 2013 Every company having

- net worth of rupees five hundred crore or more, or
- Turnover of rupees one thousand crore or more or
- Net profit of rupees five crore or more

during any financial year shall constitute a Corporate Social Responsibility Committee.

As per the Audited Financial Statements for the year ended March 31, 2018, the company earned a net profit of Rs. 6.01 crore. As such it is necessary to constitute CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent Director. The Board proposed to constitute CSR Committee with following members:

The Company has constituted *Corporate Social Responsibility Committee* at the Board meeting held on September 27, 2018 with Directors.

#### **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.

### **3.11 INTERNAL COMPLAINTS COMMITTEE**

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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.

#### **4. POLICIES ADOPTED BY THE COMPANY**

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The company in line with the requirement of the Companies Act, 2013, and the guidelines issues by the Reserve Bank of India and others acts, rules, and regulations applicable to the company, has framed and adopted following policies. 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;

##### **4.1 FINANCIAL AND ACCOUNTING MANUAL**

##### **4.2 OPERATIONAL POLICY & MANUAL**

##### **4.3 HUMAN RESOURCES MANUAL**

##### **4.4 TRAINING MANUAL**

##### **4.5 INFORMATION TECHNOLOGY POLICY**

##### **4.6 INFORMATION SECURITY POLICY**

##### **4.7 ADMINISTRATION MANUAL**

##### **4.8 INTERNAL AUDIT MANUAL**

##### **4.9 ASSET LIABILITY MANAGEMENT POLICY**

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**4.10 PRICING POLICY**

**4.11 INVESTMENT POLICY**

**4.12 RISK POLICY**

**4.13 KYC AML POLICY**

**4.14 CORPORATE GOVERNANCE POLICY**

**4.15 INSURANCE POLICY**

**4.16 SEXUAL HARRASMENT POLICY**

**4.17 ENVIRONMENTS MANAGEMENT SYSTEMS POLICY**

**4.18 GRIEVANCE REDRESSAL POLICY**

**5. 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.

**6. FIT AND PROPER CRITERIA**

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The Company has fit and proper criteria of the directors at the time of appointment and on a continuous basis. The policy on the fit and proper criteria shall be on the lines of the RBI Master Directions dated September 01, 2016

**7. 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 from 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.

## **8. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS**

The Company shall rotate the partners of Audit firm conducting the Audit in line with the requirement of the Companies Act, 2013, and the guidelines issues by the Reserve Bank of India on Corporate Governance of NBFC.

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