

## GUIDELINES ON CORPORATE GOVERNANCE

### INTRODUCTION

Efficient corporate governance requires a clear understanding of the respective roles of the Board and of senior management and their relationships with others in the corporate structure. The relationships of the Board and management shall be characterized by sincerity; their relationships with employees shall be characterized by fairness; their relationships with the communities in which they operate shall be characterized by good citizenship; and their relationships with government shall be characterized by a commitment to compliance.

Senior management, led by the Chairman and Managing Director, is responsible for running the day to day operations of the corporation and properly informing the Board of the status of such operations. Management's responsibilities include strategic planning, risk management, financial reporting and compliance.

On behalf of the Company's shareholders, the Board is responsible for overseeing the management of the business and affairs of the Company. The Board acts as the ultimate decision-making body of the Company, except on those matters reserved to or shared with the shareholders of the Company under the different laws applicable.

As per the Master Circular of RBI DNBS (PD) CC No. 390/03.10.001/2014-15, dated July 01, 2014, DNBR (PD) CC. No. 029/ 03.10.001/ 2014-15 dated April 10, 2015 and vide **Master Direction - Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking company (Reserve Bank) Directions, 2016**, the following Corporate Guidelines have been adopted by the Board of Directors to assist the Board in the exercise of its responsibilities.

#### **1. Constitution of Audit Committee:**

The Company shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors who shall meet quarterly.

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and their financial controls and systems or any other function as may be determined.

The Audit Committee constituted shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Committee shall ensure that an Information Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

## **2. Constitution of Nomination Committee:**

The importance of appointment of directors with 'fit and proper' credentials is well recognised in the financial sector. In terms of Section 45-IA (4) (c) of the RBI Act, 1934, while considering the application for grant of Certificate of Registration to undertake the business of non-banking financial institution, it is necessary to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future stakeholders. In view of the interest evinced by various entities in this segment, the Company have formed a Nomination Committee to ensure 'fit and proper' status of proposed/existing Directors.

At least one meeting of the Committee shall be held every year.

The Committee constituted shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

## **3. Constitution of Risk Management Committee**

To monitor the asset liability gap and strategize action to mitigate the risk associated and to manage the integrated risk, The Company has formed a Risk Management Committee has, in addition to the Asset Liability Management Committee (ALCO).

## **4. Disclosure and transparency**

The following information shall be put up by the Company to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

- a. progress made in putting in place a progressive risk management system, and risk management policy and strategy followed,
- b. Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

## **5. Rotation of partners of the Statutory Auditors Audit Firm**

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability.

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. However, the partner so rotated may be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure that declaration is obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.