

**AVANSE FINANCIAL SERVICES LIMITED**

**Corporate Governance Code**

## VERSION CONTROL

Version	Date of Adoption*	Change reference	Owner	Approving Authority
1	October 14, 2016	Adoption of Code	Secretarial	Board of Directors
2	July 17, 2018	Review of Code	Secretarial	Board of Directors
3	May 6, 2021	Review of Code	Secretarial	Board of Directors
4	May 5, 2022	Review of Code	Secretarial	Board of Directors
5	August 2, 2023	Review of Code	Secretarial	Board of Directors
6	November 7, 2023	Amendment in Code to incorporate provision for Chief Compliance Officer, changes in terms of reference in Audit Committee and to update ref. of RBI's latest master directions.	Secretarial	Board of Directors
7	May 14, 2024	Amendment in Code to incorporate amended terms of reference of various Committees	Secretarial	Board of Directors
8	August 12, 2024	Amendment in Code to replace reference of the Investment Committee and Borrowing Committee with Committee of Executives	Secretarial	Board of Directors
9	December 10, 2024	Amendment in Code to incorporate terms of reference of Review Committee	Secretarial	Board of Directors

*\* The Policy version controls are maintained from 2013 and onwards.*

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## 1. CORPORATE GOVERNANCE

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of various stakeholders of the company including shareholders, employees, customers, suppliers, financiers, government and the community within which it operates. This corporate governance code will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure.

## 2. OBJECTIVE

The Company's philosophy of Corporate Governance is aimed at assisting the Management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The philosophy has strong emphasis on transparency, accountability and integrity.

The Reserve Bank of India (“**RBI**”) vide its Master Direction– Reserve Bank of India (NBFC–Scale Based Regulation) Directions, 2023 dated October 19, 2023, as amended or re-enacted from time to time, (“**Scale Based Regulations**”) directed NBFCs to frame internal guidelines on corporate governance approved by the Board of Directors (“**the Board**”). Accordingly, this Corporate Governance Code of Avanse Financial Services Limited (“**the Company**”) is framed in the spirit of the said directions of the RBI and is approved by the Board of the Company. This Code also encompasses corporate governance standards and framework provided under the Companies Act, 2013 (including any rules framed thereunder) (“**the Act**”), the Securities and Exchange Board of India (“**SEBI**”) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), the Scale Based Regulations issued by the RBI, RBI’s Master Direction No. RBI/DNBS/2016-17/53DNBS.PPD.No.04/ 66.15.001/2016-17 dated June 08, 2017 on Information Technology Framework for the NBFC Sector, RBI’s Master Direction dated July 15, 2024 on Fraud Risk Management in NBFCs and any other applicable acts, statues, laws, rules, regulations, notifications, guidelines, circulars, directions and orders made or issued by SEBI, RBI, the Insurance Regulatory and Development Authority of India, the Central Government or any other governmental / regulatory authority or body, any policy, code, process or guideline framed, created, approved, maintained or adopted by the Board, any approval, sanction or direction of the Board, (“**the Applicable Laws**”), each as enacted, re-enacted or amended and applicable to the Company.

## 3. BOARD OF DIRECTORS

### **Composition of the Board:**

The Board along with its Committees shall provide leadership and guidance to the Company’s management, direct, supervise and control the performance of the Company. The current composition of the Board of the Company has an optimum combination of Executive and Non-Executive directors in compliance with the Companies Act, 2013 (“**the Act**”) and SEBI Listing Regulations:

Sr. No.	Name of Director	Designation
1	Mr. Neeraj Swaroop	Independent Director and Chairperson
2	Ms. Savita Mahajan	Independent Director
3	Ms. Vijayalakshmi Iyer	Independent Director
4	Mr. Ravi Venkatraman	Independent Director
5	Mr. Narendra Ostawal	Non-executive Director
6	Mr. Hemant Mundra	Non-executive Director
7	Mr. Sunish Sharma	Non-executive Director
8	Mr. Luca Molinari	Non-executive Director
9	Mr. Amit Gainda	Managing Director and Chief Executive Officer

#### **Board Diversity:**

The Company shall ensure that the Board shall have an optimum combination of executive, non-executive and independent Directors in accordance with requirements of the Act, SEBI Listing Regulations and other statutory, regulatory and contractual obligations of the Company. The Company also recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. The Company believes that a truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, race and gender, which will ensure that the Company retains its competitive advantage.

Towards this and pursuant to the applicable provisions of the SEBI Listing Regulations, the Board has approved and adopted a policy to promote Diversity on the Board of Directors.

#### **Fit & Proper Criteria of Directors:**

Pursuant to the Scale Based Regulations and other Applicable Laws, the Company is required to ascertain the Fit & Proper criteria of its Board members at the time of their appointment and also on a continuous basis. In this regard, the Board has adopted a Director's Fit and Proper Criteria Policy with an aim to ensure that the Directors of the Company who are responsible for steering the affairs of the Company are fit and proper persons, besides having the necessary qualifications. This Policy intends to establish a system / process in place for undertaking due diligence of persons before appointing them on the Board and on continuing basis by ascertaining their suitability for the post on the basis their qualifications, technical expertise, track record, integrity etc.

#### **Independent Directors:**

All Independent Directors on the Board of the Company shall be Non-Executive Directors as defined under the Act and SEBI Listing Regulations. The maximum tenure and number of directorships of the Independent Directors shall be in compliance with the Applicable Laws. In addition to the Fit & Proper Criteria, all the Independent Directors shall also meet the criteria of independence as stipulated under the Applicable Laws.

**Performance Evaluation:**

The corner stone of best governance practices is the Board composition. The Company believes that the synergy of versatile individuals with diversified skill sets at the Board level has contributed a lot in bringing this company into its present heights. In line with the Applicable Laws, the Company has adopted a Nomination, Remuneration, Succession and Evaluation Policy. Pursuant to the Policy, the evaluation of the performance of the Board as a whole, its Committees and individual directors is carried out on an annual basis.

**Code of Conduct for Board and Senior Managerial Personnel:**

Pursuant to the Applicable Laws and also to ensure fairness and transparency in all aspects of the Company, the Board has adopted a Code of conduct for the Board of Directors and the Senior Management Personnel with an aim to manage the affairs of the Company in an ethical manner. The purpose of the said code is to recognize and emphasize upon ethical behavior and to develop a culture of honesty and accountability. The code attempts to set forth the guiding principles on which the Company and its Board and Senior Management shall operate and conduct themselves with various stakeholders, government and regulatory agencies, media and anyone else with whom it is connected.

**4. CONSTITUTION OF COMMITTEES**

The Board, along with its various Committees provides leadership and guidance to the Company's management and directs, supervises and ensures functioning of the Company in the best interest of all the stakeholders. Accordingly, the core Committees constituted by the Board are as follows:

- (i) Audit Committee
- (ii) Nomination, Remuneration and Compensation Committee
- (iii) Corporate Social Responsibility Committee
- (iv) Risk Management Committee
- (v) Stakeholders' Relationship Committee
- (vi) Asset Liability Committee
- (vii) IT Strategy Committee
- (viii) Review Committee (for classification of borrowers as willful defaulter)

**Composition, conduct and quorum:** The composition, conduct and quorum of the aforesaid Committees shall be in compliance with the Applicable Laws.

Unless otherwise prescribed under any of the aforesaid Applicable Laws:

- (a) Asset Liability Committee should meet at least once in a quarter and at least two members including CEO should be present in all the meetings.
- (b) Quorum for conducting meeting of IT Strategy Committee, Corporate Social Responsibility Committee, Asset Liability Committee and Review Committee and any other committee for which quorum has not been prescribed under the Applicable Laws, shall be at least two members or one-third of the members of the Committee, whichever is higher.

Subject to the Applicable Laws, a member or chairperson may attend meeting of the Committee physically or through any Permissible Mode (which shall deem to include attendance through video conferencing / video call, audio conferencing / audio call or such other mode or medium as may be permitted by the Committee or the Board).

**Chairperson of the Committee:** Unless otherwise decided by the Board or provided under the Applicable Laws, every Committee shall have a designated Chairperson. In the absence of Chairperson at any meeting of the committee, the members present shall elect one of them to act as Chairperson for that meeting.

**Decision by the Committee:** Each member of the Committee shall have one vote. Any decision of the Committee shall be arrived at by majority of the votes cast. The Chairperson shall not have a casting vote.

**Resolution by Circulation:** A resolution / item passed by circulation pursuant to the receipt of approval or consent in writing (which shall include approval or consent by delivery of physically signed resolution / confirmation or through e-mail or facsimile transmission) of the requisite number of members shall be valid and effectual as if it were a resolution / item duly passed at a duly convened meeting of the Committee called and held in accordance with the provisions of the terms of reference provided that the draft resolution / item has been circulated to all members, along with copies of all relevant papers.

**Secretary:** Unless otherwise prescribed by the Board or the Committee, the Company Secretary shall act as Secretary to the meeting of the aforesaid Committees.

**Terms of Reference:** Subject to the Applicable Laws, the powers, duties and scope of work of the Committee shall, *inter-alia*, include the following:

**(A) Audit Committee**

- a) oversight of Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) recommendation for appointment, remuneration and terms of appointment of auditors of the Company and if required, the replacement or removal of the statutory auditor;
- c) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- d) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - i. matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - ii. changes, if any, in accounting policies and practices and reasons for the same;
  - iii. major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. significant adjustments made in the financial statements arising out of audit findings;
  - v. compliance with listing and other legal requirements relating to financial statements;
  - vi. disclosure of any related party transactions; and
  - vii. modified opinion(s) in the draft audit report.
- e) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- f) 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 utilisation of proceeds of a public or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the board to take up steps in this matter;

- g) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- h) approval or any subsequent modification of transactions of the Company with related parties;
- i) scrutiny of inter-corporate loans and investments;
- j) valuation of undertakings or assets of the Company, wherever it is necessary;
- k) evaluation of internal financial controls and risk management systems;
- l) examination of the financial statement and the auditors' report thereon;
- m) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- n) 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;
- o) To ensure that an Information System Audit of the internal systems and processes is conducted as per the periodicity prescribed under any applicable law;
- p) discussion with internal auditors of any significant findings and follow up there on;
- q) 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;
- r) 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;
- s) 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;
- t) to review the functioning of the whistle blower mechanism;
- u) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- v) carrying out any other function as is mentioned in the terms of reference of the audit committee;
- w) reviewing the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding ₹100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans /advances/investments;
- x) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders;
- y) carrying out any other functions and roles as may be provided under the Companies Act, 2013, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI (Prohibition of Insider Trading) Regulations, 2015 or other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company; and performing such other functions as may be necessary or appropriate for the performance of its duties; and
- z) to carry out such other functions as may be referred to or delegated to the Audit Committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

The Audit Committee shall mandatorily review the following information:

- a) management discussion and analysis of financial condition and results of operations;
- b) management letters / letters of internal control weaknesses issued by the statutory auditors;



- c) internal audit reports relating to internal control weaknesses;
- d) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- e) statement of deviations:
  - i. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI Listing Regulations, as amended.
  - ii. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of SEBI Listing Regulations, as amended; and
- f) such information as may be prescribed under the Companies Act, 2013, the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI (Prohibition of Insider Trading) Regulations, 2015 or any other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company.

The Audit Committee shall have powers, which should include the following:

- a) to investigate any activity within its terms of reference;
- b) to seek information that it properly requires from any employee of the Company or any associate or subsidiary, joint venture of the Company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee from such employees;
- c) to obtain outside legal or other professional advice;
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary and to seek their advice, whenever required as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- e) such powers as may be prescribed under the Companies Act, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws.

**(B) Nomination, Remuneration and Compensation Committee**

- a) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees.
- b) formulation of criteria for evaluation of performance of independent directors and the Board;
- c) for every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may: i. use the services of an external agencies, if required; ii. consider candidates from a wide range of backgrounds, having due regard to diversity; and iii. consider the time commitments of the candidates.
- d) devising a policy on Board diversity;
- e) identifying persons who are qualified to become directors of the Company and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and specifying the manner for effective evaluation of performance of Board, its committees and individual directors to

- be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- f) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
  - g) recommend to the Board, all remuneration, in whatever form, payable to senior management;
  - h) carrying out any other functions and roles as may be provided under the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the SEBI (Prohibition of Insider Trading) Regulations, 2015 or other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company; and performing such other functions as may be necessary or appropriate for the performance of its duties; and
  - i) to carry out such other functions as may be referred to or delegated to the Committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

The Nomination, Remuneration and Compensation Committee shall have powers, which should include the following:

- a) to investigate any activity within its terms of reference;
- b) to seek information that it properly requires from any employee of the Company or any associate or subsidiary, joint venture of the Company in order to perform its duties and all employees are directed by the Board to co-operate with any request made by the Committee from such employees;
- c) to obtain outside legal or other professional advice;
- d) to secure attendance of outsiders with relevant expertise, if it considers necessary and to seek their advice, whenever required as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
- e) such powers as may be prescribed under the Companies Act, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws.

### **(C) Corporate Social Responsibility Committee**

- a) to formulate and recommend to the Board, a corporate social responsibility policy (“**CSR Policy**”), including any modification or amendment thereto, 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) to review the CSR Projects / initiatives from time to time;
- e) to carry out other functions and roles as may be provided under the Companies Act, 2013 or any other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and/or any other committee; and performing such other functions as may be necessary or appropriate for the performance of its duties; and
- f) to carry out such other functions as may be referred to or delegated to the Committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

#### **(D) Risk Management Committee**

- a) to formulate a detailed risk management policy which shall include: i. a framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Risk Management Committee; ii. measures for risk mitigation including systems and processes for internal control of identified risks; and iii. business continuity plan.
- b) to formulate and review the processes for management of NPAs, provisioning requirements and delinquencies;
- c) to frame, implement, review and monitor the risk management plan including cyber security for the Company;
- d) to ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- e) to monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- f) to periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- g) to keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;
- h) the appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;
- i) to undertake regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness;
- j) to decide on business activities of a material nature to be outsourced, and approving such arrangements;
- k) to coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the Board of directors;
- l) any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable law, as and when amended from time to time, including the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- m) to carry out any other functions and roles as may be provided under the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company; and performing such other functions as may be necessary or appropriate for the performance of its duties; and
- n) to carry out such other functions as may be referred to or delegated to the Committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

#### **(E) Stakeholders Relationship Committee**

- a) resolving the grievances of the security holders of the Company 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, non-receipt of interest and/or redemption amount, non-receipt or delay in receipt of any securities etc.;
- b) review of measures taken for effective exercise of voting rights by securities holder;
- c) review of adherence to the service standards adopted by the Company in respect of various services being rendered by the registrar and share transfer agent;

- d) review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company; and
- e) carrying out any other functions and roles as may be provided under the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable laws, each as amended from time to time; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company; and performing such other functions as may be necessary or appropriate for the performance of its duties; and
- f) to carry out such other functions as may be referred to or delegated to the Committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

#### **(F) Asset Liability Committee**

The macro level management of Risk will be done by the Asset Liability Committee (“ALCO”). ALCO shall not consider individual cases for decision making. The role of ALCO is, thus, to formulate and oversee the function of ALM in the Company without getting into the day to day decision making process for raising, or deployment, of resources.

- a) to review and approve the ALM Policy of the Company;
- b) developing an asset/liability management process and related procedures;
- c) developing asset/liability strategies and tactics;
- d) establishing a monitoring and reporting system;
- e) submitting a written report to the Board at least quarterly; and overseeing the maintenance of a management information system that supplies, on a timely basis, the information and data necessary for the ALCO to fulfill its role as asset/liability manager of the institution;
- f) to receive and review reports on liquidity risk, interest rate risk, market risk and capital management;
- g) to identify balance sheet management issues like balance sheet gaps, capital planning, funding interest rate gap/profiles etc.;
- h) to review product-pricing strategy for the market;
- i) review liquidity contingency plan for the Company;
- j) decide on Source and Mix of Liabilities or Sale of Assets;
- k) develop a view on future direction of interest rate movements and decide on funding mixes between fixed vs. floating rate funds, money market vs. capital market funding, domestic vs. foreign currency funding, etc.;

#### **(G) IT Strategy Committee**

- a) to frame and approve IT Strategy and Policy documents and ensure that the management has put an effective strategic planning process in place;
- b) to ensure that Management has implemented processes and practices that ensures that the IT delivers value to the business;
- c) to ensure IT investments represent a balance of risks and benefits and that budgets are acceptable.
- d) to monitor 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.

- e) to ensure proper balance of IT investments for sustaining the Company's growth and becoming aware about exposures towards IT Risks and Controls.

The role of IT Strategy Committee in respect of outsourced operations shall include –

- a) 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;
- b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- f) Periodically reviewing the effectiveness of policies and procedures;
- g) Communicating significant risks in outsourcing to the NBFC's Board on a periodic basis;
- h) Ensuring an independent review and audit in accordance with approved policies and procedures;
- i) Ensuring that contingency plans have been developed and tested adequately;
- j) Company should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. To adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.
- k) Any other matter as the Committee may deem appropriate after approval of the Board or as may be directed by the Board from time to time or as per the applicable RBI directions, circulars etc.

**(H) Review Committee (for classification of borrowers as willful defaulter)**

- a) review the proposal made by the Identification Committee for classifying a borrower as a willful defaulter and providing the borrower or guarantor with an opportunity for a written representation and a personal hearing;
- b) issue a reasoned order based on the facts and material on record and representations made by the borrower/guarantor, if any;
- c) take such steps and to do all such acts, deeds, matters and things as the Committee may deem fit and proper for the purposes of these resolutions and resolve and settle all questions or difficulties that may arise in regard, and take all steps which are incidental and ancillary in this connection without being required to seek any further consent or approval of the Board and the Board shall be deemed to have given their approval thereto expressly by the authority of this Resolution and all actions taken by the Committee in connection with any matters referred to or contemplated in any of these Resolutions be and are hereby approved, ratified and confirmed in all respects;
- d) sub-delegate all or any of the powers contained herein or such other powers and authorities as may be required for the purpose of giving effect to any of these powers;
- e) carrying out any other functions and roles as may be provided under the Applicable Laws; or as specified under any Policy or Manual or Process approved by the Board of Directors and / or any committee of the directors of the Company; and
- f) carry out such other functions as may be referred to or delegated to the committee by the Board and / or other committees of directors of the Company and / or by the shareholders of the Company by way of passing necessary resolution with requisite majority.

**Power of the Committee to be subject to the Applicable Laws:** In the event of any repugnancy or inconsistency between this Terms of Reference and under the Applicable Laws, unless otherwise prescribed, permitted or not prohibited, the Applicable Laws shall prevail.

**Power to amend or revoke Terms of Reference:** The Board shall have power to amend, supplement and / or revoke all or any of the terms of reference of the Committees from time to time.

**Other Committees:**

- (a) In addition to the above, the Board has also constituted a Committee of Executives which inter-alia performs role and responsibilities of Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds as required in the RBI Master Direction on Fraud Risk Management in NBFCs and such other roles and responsibilities as may be delegated by the Board from time to time.
- (b) The Board and / or any of the Committees of the Board, may from time to time, constitute any sub-committee / internal committee to perform such role and responsibility and for such tenure as may be decided by the Board / the Committee from time to time.
- (c) Quorum for Other Committees:
  - (i) Quorum for Committee of Executives shall be as follows:
    - Any three members.
    - Attendance of MD & CEO (or his BCP in his absence) shall mandatory for items required to be approved / reviewed under the RBI Master Direction on Fraud Risk Management in NBFCs.
    - Attendance of CFO (or his BCP in his absence) shall mandatory to exercise any powers which were earlier conferred upon the Borrowing Committee or the Investment Committee.
  - (ii) Quorum for any other Committee:  
Without prejudice to the Applicable Laws and the provisions of this Policy, the quorum for conducting meeting of or transacting any business at any other committee shall be at least two members or one-third of the members of the concerned committee, whichever is higher.

## 5. DISCLOSURE AND TRANSPARENCY

The Company shall put up to the Board or its Committee(s), at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. 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.;

The Company shall also disclose the following in its Annual Financial Statements:

- i. Registration/ license/ authorisation, 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 products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by the Company and other disclosures as required under the Scale Based Regulations.

In addition to above, the Company shall also make required disclosures pursuant to the Applicable Laws.

#### **6. CHIEF RISK OFFICER (“CRO”)**

- a) The Company shall appoint a CRO who shall be a senior official in the hierarchy of the Company and he shall possess adequate professional qualification/ experience in the area of risk management.
- b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision, RBI.
- c) The CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (“RMC”) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets.
- d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products shall be vetted by the CRO from the angle of inherent and control risks. The CRO’s role in deciding credit proposals shall be limited to being an advisor.

#### **7. CHIEF COMPLIANCE OFFICER (“CCO”)**

- a) The CCO shall be a senior executive of the Company with a position not below two levels from the Managing Director / CEO.
- b) The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations.
- c) The CCO shall be appointed for a minimum fixed tenure of not less than 3 years with the approval of the Board. However, in exceptional cases, the Board may relax the minimum tenure by one year, provided appropriate succession planning is put in place.
- d) The CCO shall have direct reporting lines to the MD & CEO and / or Board / Audit Committee. In case the CCO reports to the MD&CEO, the Board / Audit Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including MD & CEO. The CCO shall not have any reporting relationship with the business verticals. Further, the performance appraisal of the CCO shall be reviewed by the Board / ACB.

- e) The CCO shall ensure compliance with various laws, rules, and regulations applicable to the Company, implementation of the Compliance Policy. The CCO shall be the nodal point of contact between the Company and the regulators / supervisors and shall take part in the structured or other regular discussions with RBI.

## **8. OTHER POLICIES**

The following Policies have been framed and adopted by the Board of the Company and shall form part and parcel of the overall corporate governance framework of the Company:

- i. Fair Practice Code
- ii. AML / KYC Policy
- iii. Whistle Blower Policy
- iv. Policy on materiality of Related Party Transactions and dealing with Related Party Transactions
- v. Prevention of Sexual Harassment Policy
- vi. Policy on Disclosure of Information
- vii. Preservation of Documents and Archival Policy
- viii. Policy regarding administration of Risk Management function by the CRO
- ix. Compliance Policy
- x. Policy on appointment of Statutory Auditors
- xi. Nomination, Remuneration, Succession and Evaluation Policy
- xii. Policy on Directors Fit and Proper Criteria
- xiii. Policy to promote diversity on the Board of Directors
- xiv. Risk Management Policy
- xv. Outsourcing Policy
- xvi. Fraud Risk Management Policy
- xvii. Remuneration Policy

## **9. REVIEW AND AMENDMENTS**

This Code shall be reviewed by the Board at regular intervals and the period between two reviews shall not be more than 2 years.

The Board is, subject to the Applicable Laws, entitled to amend, suspend or rescind this Code at any time. Any difficulties or ambiguities in the Code will be resolved by the Board in line with the broad intent of the Code. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Code.

In the event of any conflict between the provisions of this Code and the Applicable Laws, the Applicable Laws in force from time to time shall prevail over this Code.

Further, if and when any Applicable Laws concerning the subject matter of this Code are promulgated, amended, enacted, re-enacted or modified, this Code shall, unless otherwise prescribed, be deemed to be amended to take into account or to give effect to such promulgated, amended, enacted, re-enacted or modified Applicable Laws.