

# Internal Guidelines on Corporate Governance

2024-10-24

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## Orientation

This is the third issue of this Guideline. The previous Internal Guidelines on Corporate Governance has been superseded and is replaced by this Directive.

## Introduction

Volvo Financial Services (India) Private Limited (“the **Company**”) believes in setting best standards and practices through adopting ‘policies’ into ‘practice’ in pursuit of ethical work culture with sustained commitment towards meeting compliances and maintaining of transparency. The objective of this document is to assist the Company as a member of the Volvo Group in India with the establishment and administration of a governance structure in line with Volvo Group (**‘Group’**) policies and practices and in compliance with local laws and regulations.

This Internal Guideline on Corporate Governance (the “Guidelines”) is framed in accordance with the directions issued by the Reserve Bank of India vide its Master Direction no. *RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/ 03.10.119/ 2016-17* dated September 01, 2016, and as updated till date.

## Governance Structure

The Company is professionally managed through the Board of Directors and through committees. The Company ensures good governance through the Board of Directors of the Company and its Committees.

The Company has laid terms with regard to constitution of its Board and committees in its Articles of Association that which is in accordance with directions issued by the Reserve Bank of India and the Companies Act, 2013.

The Company is a distinct legal entity registered under the Companies Act, 2013 and it is a Systemically Important Non-Banking Financial (Non-Deposit Accepting) Company (NBFC-ND-SI) and is registered with Reserve Bank of India (‘RBI’).

The affairs of the Company are governed in the manner as described below in detail.

## Board of Directors

The Composition of the Board shall be governed by the Articles of Association of the Company read with applicable provisions of Companies Act, 2013 (the ‘Act’) and rules framed thereunder, as may be amended from time to time.

The Board of Directors may include directors from various Business Units / Functions of Volvo, as may be required to oversee the business activities of the Company as per applicable local law, regulations and guidance issued by relevant regulators and as suggested under Group norms.

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In accordance with the Articles of Association, the Board of the Company can consist of a minimum of 02 (two) directors and a maximum of 15 (fifteen) directors.

The composition of the Board may change from time to time due to appointment, resignation, or any other reason.

The Company shall conduct due diligence, as may be appropriate and appoint person of integrity and expertise keeping in view the business needs of the company. Remuneration to the Director(s) other than the Managing Director may be paid as per the decision of the Board in consideration of the recommendation of Nomination & Remuneration Committee. The remuneration, if any, shall be paid out of the funds of the Company.

The Directors shall not be liable to retire by rotation at the general meeting.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a Director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

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.

The Board shall meet at least four times in a year, in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board (except where extension is granted by the Ministry of Corporate Affairs)

## **DUTIES AND RESPONSIBILITES OF THE BOARD OF DIRECTORS**

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

1. The Director shall disclose to the Board the nature of his/ her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the company and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.
2. The Director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

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3. The Director shall provide to the company a list of his / her relatives as defined in the Companies Act, 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.
4. The Director shall in carrying on his / her duties as director of the company:
  - (a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
  - (b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the company;
  - (c) shall keep himself / herself informed about the business, activities and financial status of the company to the extent disclosed to him / her;
  - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the Company;
  - (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;
  - (f) shall bring independent judgment to bear on all matters affecting the Company brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
  - (g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
  - (h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;

**5. The Director shall have:**

- a. fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
- b. duty to act only within the powers as laid down by the Company’s Memorandum and Articles of Association and by applicable laws and regulations; and
- c. duty to acquire proper understanding of the business of the Company.

**6. The Director shall:**

- a. not evade responsibility in regard to matters entrusted to him / her by the Board;

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b. not interfere in the performance of their duties by the whole-time directors and other officers of the Company and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

c. not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else’s advantage or benefit and shall use the information disclosed to him / her by the Company in his / her capacity as director of the Company only for the purposes of performance of his / her duties as a director and not for any other purpose.

## Committees

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as per the terms of reference approved by the Board. The minutes of the meetings of all Committees shall be placed before the Board for noting in subsequent meeting.

In compliance with applicable laws and regulations, its constitution documents and the Volvo Group governance and control arrangements, the Company has formed the following Committees:

### Board Committees

- Audit Committee
- Nomination & Remuneration Committee
- Corporate Social Responsibility Committee
- Information Technology Strategy Committee (ITSC)
- Review Committee

### Management Committees

- Risk Management Committee (RMC)
- Local Credit Committee
- Asset and Liability Management Committee (ALM)
- Customer Service Committee
- IT Steering Committee
- Information Security Committee (ISC)
- Identification Committee

The Board or the Management of the Company, as appropriate, may form other committees as may be necessary from time to time.

### 1. Board Committees

Each Committee has defined responsibilities and operates within its Terms of Reference (‘ToRs’) as approved by the Board from time to time. The details of the Committees formed by the Board of Directors are given hereinbelow:

#### 1.2 Audit Committee

The Company has in place the Audit Committee in accordance with the Companies Act, 2013 and the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies.

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<b>Composition</b>	<p>The Committee shall consist of minimum of three directors and a maximum of 10 Directors.</p> <p>One of the members of the committee shall be Managing Director however the Committee shall not be chaired by the Managing Director.</p> <p>Majority of the members of the Audit Committee including its Chairperson shall be 'financially literate' (persons with ability to read and understand, the financial statement).</p> <p>The Chairperson of the Audit Committee is required to attend the Annual General Meeting of the company to provide any clarification on matters relating to audit. If the Chairperson is unable to attend due to circumstances beyond his/her control, any other member of the Audit Committee may be authorized by him to attend the Annual General Meeting on his behalf;</p> <p>The Head – Finance, members of Executive Management Team, Internal Auditor, Chief Compliance Officer, and a Representative of the External Auditor may be invited to be present as invitees for the part or whole meetings of the Audit Committee, whenever necessary.</p> <p>The Auditors of the Company and the Key Managerial Personnel shall have a right to be heard at the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.</p>
<b>Quorum</b>	The quorum shall be either two Members or one-third of the total strength, whichever is higher.
<b>Frequency</b>	The Committee shall meet as and when required
<b>Role</b>	<p>The terms of reference of the Audit Committee, inter alia, shall include the following:</p> <ul style="list-style-type: none"> <li>• recommendation for appointment, remuneration and terms of appointment of auditors of the Company</li> <li>• review and monitor auditor's independence and performance, and effectiveness of audit process</li> <li>• examination of financial statement and auditors' report thereon</li> <li>• approval or any subsequent modification of transactions of the Company, if any, with related parties. Provided that the audit committee may make omnibus approval for related party transactions proposed to be entered by the Company subject to such conditions as may be prescribed</li> <li>• scrutiny of inter-corporate loans and investments if any</li> <li>• valuation of undertakings or assets of the company, wherever it is necessary</li> </ul>

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	<ul style="list-style-type: none"> <li>• discuss any significant findings and oversight over open points of observations with the internal auditors</li> <li>• Review the findings of all the internal investigations conducted by the internal auditors concerning matters where fraud has been suspected or in irregularity of internal control systems of material nature and informing the Board</li> <li>• evaluation of internal financial controls and risk management systems</li> <li>• ensuring that the Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company</li> <li>• oversight over the KYC/AML compliances of the Company</li> <li>• function as the High-Level Monitoring Committee under RBI KYC Master Directions and in that role evaluate and monitor compliance systems for Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) including timely completion of due diligence and reporting thereof;</li> <li>• Oversight over the Customer Grievance Redressal mechanism of the Company and act as the Customer Grievance Redressal Committee in case such need arises<sup>1</sup>; and the victim may directly access the chairperson of the audit committee in appropriate or exceptional cases</li> <li>• Periodically review the cases of wilful default and recommend steps to be taken to prevent such occurrences and their early detection should these occur.</li> <li>• such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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**1.2 Nomination and Remuneration Committee<sup>2</sup>**

The Company has in place the Nomination and Remuneration Committee in accordance with the Companies Act, 2013 and the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies.

Composition	The Committee shall consist of minimum of three directors
Quorum	The quorum shall be either two Members or one-third of the total strength, whichever is higher  The Chairperson of the Company/ Audit Committee (whether executive or nonexecutive) may be appointed as a member of the Committee but shall not chair the said Committee
Frequency	The Committee shall meet as and when required, but shall meet at least once in a year

<sup>1</sup> Audit committee mandate modified by the Board at its meeting held on August 16, 2022

<sup>2</sup> Name of the Nomination Committee modified by the Board at its meeting held on November 14, 2022



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Role	<p>The terms of reference of the Nomination and Remuneration Committee, <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ identify persons who are qualified to become directors in accordance with the criteria laid down and recommend to the Board their appointment and removal</li> <li>▪ specify 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 &amp; Remuneration Committee or by an independent external agency and review its implementation and compliance</li> <li>▪ formulate the criteria for determining qualifications and positive attributes of a director</li> <li>▪ ensuring 'fit and proper' status of proposed / existing directors and scrutinize the declarations; and</li> <li>▪ to oversee the framing, review and implementation of compensation policy of the company</li> <li>▪ to ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).</li> <li>▪ to ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management including Chief Compliance Officer.]<sup>3</sup></li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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**1.3 Corporate Social Responsibility Committee**

The Company has in place the Corporate Social Responsibility Committee in accordance with the Companies Act, 2013.

Composition	The Committee shall consist of two or more directors
Quorum	The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.
Frequency	The Committee may meet as often as may be required but shall meet at least twice in a year.

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<sup>3</sup> Inserted by the Board at its meeting held on November 14, 2022

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<b>Roles</b>	<p>The Company has adopted a Corporate Social Responsibility Policy (CSR Policy) which indicates the activities to be undertaken by the Company as specified in Schedule VII to the Act.</p> <ul style="list-style-type: none"> <li>• Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII to the Act.</li> <li>• Formulate an Annual Action Plan and recommend the amount of expenditure to be incurred on the activities mentioned in the CSR Policy.</li> <li>• Monitor the CSR Policy of the Company from time to time.</li> </ul>
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**2. Management Committees**

**2.1 Risk Management Committee (RMC)**

The Company has in place the Risk Management Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

<b>Composition</b>	The Committee shall consist of such number of Members as may be determined by the Board. The members can be either part of Board or Senior Management including heads of various risk verticals in the Company. The Managing Director and Head – Risk must be a part of the committee.
<b>Quorum</b>	The quorum shall be either two Members or one-third of the Members of the Committee, whichever is higher. The Managing Director shall be a part of the Committee, but the Committee shall have at least one meeting in the year without the presence of the Managing Director.
<b>Frequency</b>	The Committee shall meet as and when required but shall meet at least four times in a year.
<b>Role</b>	<p>The terms of reference of the Risk Management Committee, inter alia, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ discuss on business updates and progress of the Company</li> <li>▪ review and monitor key business risks and take action where required in relation to changes in risk environment</li> <li>▪ oversee the effectiveness of the Control Environment across all Principal Risks through review of key indicators, risk events, regulatory reporting, material policy dispensations and breaches, incident and issue management, root cause analysis, lessons learned assessments, results of assurance reviews, themes and concentrations</li> <li>▪ monitor the status of new and amended products</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ oversee the compliance and monitoring of legal and regulatory changes</li> <li>▪ monitor credit risk exposures against the defined appetite and thresholds and ensure corrective action to bring within risk appetite</li> <li>▪ review fraud risk update relevant to the business for assessing the fraud key risk profile in the business, relative to operational risk tolerance, including fraud management information, key indicators, lessons learnt assessments, risk events / losses, open audit observations</li> <li>▪ review overall liquidity risk report; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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**2.2 Asset Liability Management Committee (ALM):**

The Company has in place the ALM Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

Composition	The Committee shall consist of such number of Members as may be determined by the Board. The members can be either part of Board or Senior Management including heads of various verticals in the Company including the Head – Finance and Head - Risk. The Managing Director shall be the Chairperson of the committee
Quorum	The quorum shall be at least three Members or one third whichever is higher.
Frequency	The Committee shall meet as and when required but shall meet at least four times in a year.
Role	<p>The terms of reference of the Asset Liability Management Committee, <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ oversight of the maturity profile of assets and liabilities, mix of incremental assets and liabilities, pricing of deposits and advances, determining the type of funding and monitoring liquidity risk levels of the Company</li> <li>▪ manage the funding and investment of Company’s balance sheet</li> <li>▪ manage the liquidity and cash flow of the Company</li> <li>▪ manage the exposure of Company to interest rate, exchange rate, commodity and equity market movements</li> <li>▪ manage the capital position and flow</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ consider and approve any other matters related to liquidity and market risk management including matters that might be required by RBI to be dealt with by this committee from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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### **2.3 Information Technology (IT) Strategy Committee (ITSC)**

The Company has in place the IT Strategy Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

Composition	The Committee shall consist of minimum three Directors as Members. The Committee shall be chaired by an independent Director, if any on the Board. Otherwise, any other Director who has the substantial IT expertise in managing/ guiding information technology initiatives can act as the Chairperson of the Committee. The Members shall be technically competent and Head – IT & CISO shall be the permanent invitees. Company Secretary shall be the Secretary to the Committee.
Quorum	The quorum shall be at least two Members
Frequency	The Committee can meet as and when required, but at least on a quarterly basis.
Role	<p>The terms of reference of the IT Strategy Committee, <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Ensure that the Company has put an effective IT strategic planning process in place;</li> <li>▪ Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Company towards accomplishment of its business objectives;</li> <li>▪ Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;</li> <li>▪ Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;</li> <li>▪ Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company’s IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives; and</li> </ul>

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	<ul style="list-style-type: none"> <li>▪ Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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**2.4 <sup>4</sup>[Customer Service Committee (CSC)]**

The Company has in place the Customer Service Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

Composition	The Committee shall consist of minimum two Members as appointed by the Board from time to times The Managing Director must be a member of the Committee, but his/ her attendance is not mandatory for a valid quorum
Quorum	The quorum shall be at least two Members.
Frequency	The Committee shall meet as and when required, but shall meet at least four times in a year
Role	<p>The terms of reference of the Customer Service Committee, <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Review Customer grievances on regular intervals</li> <li>▪ Review Customer Grievance redressal system</li> <li>▪ Report to Board/ Audit Committee on any material findings</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.]</li> </ul>

**2.5 Local Credit Committee:**

The Board of Directors of Volvo Financial Services has delegated credit authority to the operating management of VFS. The delegated authority is administered and maintained by the Local Credit Committee of Volvo Financial Services. The Local Credit committee shall be responsible for critical analyses of financials of the various loan proposals as per the credit delegation matrix as per Credit Directives of the Company as approved by the Board from time to time. The governance structure of this Committee shall be as per the Credit Directives.

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<sup>4</sup> Committee formed by Board at its meeting held on August 16, 2022

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## 2.6 <sup>5</sup>IT Steering Committee

The Company has in place the IT Steering Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

Composition	The Committee shall consist of minimum two Members as appointed by the Board from time to time with representation at Senior Management level from IT and business functions. Head – IT shall be one of the members of the Committee and CISO shall be the permanent invitee. The Managing Director must be a member of the Committee, but his/ her attendance is not mandatory for a valid quorum.
Quorum	The quorum shall be at least two Members.
Frequency	The Committee shall meet as and when required, but at least on quarterly basis
Role	<p>The terms of reference <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;</li> <li>▪ Oversee the processes put in place for business continuity and disaster recovery;</li> <li>▪ Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and</li> <li>▪ Update ITSC and MD periodically on the activities of IT Steering Committee.</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>

## 2.7 <sup>6</sup>Information Security Committee (ISC)

The Company has in place the Information Security Committee in accordance with the provisions of directions issued by the Reserve Bank to Systemically Important Non-Deposit Accepting Non-Banking Financial Companies:

Composition	The Committee shall consist of minimum two Members as mutually appointed by the Board and ITSC from time to time with CISO and other representatives from business and IT functions etc. The head of the ISC shall be from the risk management vertical. Head – IT & CISO shall be one of the members of the Committee.
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<sup>5</sup> Committee formed by Board at its meeting held on March 25, 2024

<sup>6</sup> Committee formed by Board at its meeting held on March 25, 2024

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Quorum	The quorum shall be at least two Members.
Frequency	The Committee shall meet as and when required, but at least on half-yearly basis
Role	<p>The terms of reference <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Managing the cyber/ information security.</li> <li>▪ Development of information/ cyber security policies, implementation of policies, standards and procedures to ensure that all identified risks are managed within the Company’s risk appetite;</li> <li>▪ Approving and monitoring information security projects and security awareness initiatives;</li> <li>▪ Reviewing cyber incidents, information systems audit observations, monitoring and mitigation activities; and</li> <li>▪ Updating ITSC and MD periodically on the activities of ISC.</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.]</li> </ul>

**2.8 <sup>7</sup>Review Committee**

The Company has in place the Review Committee in accordance with the provisions of directions issued by the Reserve Bank to Middle Layer Non-Banking Financial Companies:

Composition	The Committee shall consist of minimum three Members as appointed by the Board from time to time with MD as the Chairperson and two non-executive directors or equivalent officials serving as members. The Committee shall not be compromised of members who are part of Identification Committee.
Quorum	The quorum shall be at least two Members.
Frequency	The Committee shall meet as and when required, but at least once in a calendar year

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<sup>7</sup> Committee formed by Board at its meeting held on October 24, 2024

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<b>Role</b>	<p>The terms of reference <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Consider the recommendations and review the findings of the Identification Committee, the submissions made by the borrower, and any written representations before taking the final call.</li> <li>▪ Give opportunity of personal hearing to the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity and carefully, and with reasoning, give its ultimate decision on tagging the borrower as wilful.</li> <li>▪ Issue a reasoned final order, communicated to the wilful defaulter.</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>
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**2.9 <sup>8</sup>Identification Committee**

The Company has in place the Identification Committee in accordance with the provisions of directions issued by the Reserve Bank to Middle Layer Non-Banking Financial Companies:

<b>Composition</b>	The Committee shall consist of minimum three Members as appointed by the Board from time to time with an officer not more than one rank below the MD as the Chairperson and two senior officials not more than two ranks below the Chairperson serving as members.
<b>Quorum</b>	The quorum shall be at least two Members.
<b>Frequency</b>	The Committee shall meet as and when required, but at least once in a calendar year
<b>Role</b>	<p>The terms of reference <i>inter alia</i>, shall include the following:</p> <ul style="list-style-type: none"> <li>▪ Examine evidence of wilful default and if satisfied, issue a show-cause notice to the borrower/guarantor/promoter/director/persons in charge, calling for submissions within 21 days.</li> <li>▪ Consider the borrower’s response and if thought appropriate, propose the classification as a wilful defaulter to the Review Committee providing written reasons.</li> <li>▪ undertake any other responsibility as laid down by RBI from time to time; and</li> <li>▪ such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> </ul>

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<sup>8</sup> Committee formed by Board at its meeting held on October 24, 2024



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## Performance Evaluation

The Company recognizes the benefits of a Board that possesses a balance of skill, experience, and expertise appropriate to the requirements of the business of the Company.

The Nomination & Remuneration Committee shall specify 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 & Remuneration Committee or by an independent external agency and review its implementation and compliance.

Pursuant to the provisions of Companies Act, 2013, the Company shall include in the report of its Board of Directors, a statement indicating the manner in which formal annual performance evaluation was carried by the Board of its own performance, its Committees and Individual Directors.

## Fit and Proper Criteria

The Company has adopted 'fit and proper' policy as issued by Reserve Bank of India. The Nomination & Remuneration Committee shall :

- i. ensure fit and proper status of proposed directors at the time of appointment and renewal of appointment and of the existing directors on an ongoing basis.
- ii. undertake the 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.
- iii. obtain a declaration and undertaking from the directors giving certain information on the directors. The declaration and undertaking shall be on the lines of the format as prescribed by the RBI from time to time.
- iv. Obtain a deed of covenant signed by the directors in the prescribed format.
- v. ensure that a quarterly statement shall be furnished to the Regional Office of the Reserve Bank of India within 15 days of the close of the respective quarter on change of directors and a certificate from the Managing Director of the Company stating that fit and proper criteria in selection of the directors has been followed. The statement submitted by the Company for the quarter ending March 31, shall also be certified by the Statutory Auditors of the Company.

## Disclosure and Transparency

The following must be put forth before the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard:

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

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- 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.
- iii. Committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.;
- iv. Updates of the various committee meetings at from time to time;
- v. Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time

The following must be disclosed in the Annual Financial Statements of the Company:

- 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
- v. details of customer grievances received by the Company
- vi. details of any fraud reported by the Company
- vii. 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 them as also securitization / assignment transactions and other disclosures as may be prescribed.

## Rotation of partners of the Statutory Auditors Audit Firm

The partner of the Chartered Accountant firm conducting statutory audit of the Company will be subject to rotation and is required to rotate in every three years. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance. The Company shall formulate a separate policy for the appointment and evaluation of Auditors.

## Policies and Directives

Policies/Codes have been formulated by the Company in compliance with the provisions of the Companies Act, 2013 and other Applicable laws and/ or as a matter of Good Corporate Governance Practices. Some of the important Policies are as under (not Exhaustive):

- |                                      |   |
|--------------------------------------|---|
| 1. Whistle Blower Policy             | 15. Asset Liability Management Policy   |
| 2. Fraud Risk Management Policy      | 16. Risk Management Framework           |
| 3. VFS India Authorisation Directive | 17. Customer Grievance Redressal Policy |

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| <ul style="list-style-type: none"> <li>4. Fair Practices Code</li> <li>5. Credit Policy</li> <li>6. Wholesale Policy</li> <li>7. Operations Policy</li> <li>8. Collection Directives</li> <li>9. IT Policy</li> <li>10. KYC/AML Policy</li> <li>11. Provisioning Policy</li> <li>12. Direct assignment Policy</li> <li>13. Pricing and interest rate Policy</li> <li>14. Repossession and Remarketing Directives</li> </ul> | <ul style="list-style-type: none"> <li>18. Outsourcing Policy</li> <li>19. Direct Assignment Policy</li> <li>20. Policy on Related Party Transactions</li> <li>21. Write off Policy</li> <li>22. Provisioning Policy</li> <li>23. Investment Policy</li> <li>24. Pricing and interest rate Policy</li> <li>25. Policy on Prevention of Sexual Harassment</li> <li>26. Corporate Social Responsibility Policy</li> <li>27. Policy on Treatment of Willful and Large Defaulters</li> </ul> |
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## Review of Framework

The Board may review the Guideline once in every financial year or more frequently as may be required. Changes, if any, shall be effective only upon approval by the Board.

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