



**DOCUMENT TYPE:** Master Policy Document

**VERSION:** 1.1

**DOCUMENT NUMBER:** POL/CG/002

**TITLE:** Internal Guidelines on Corporate Governance


**EFFECTIVE DATE:**

25.08.2020

Page **1** of **12**


# **Internal Guidelines on Corporate Governance**

## **NABSAMRUDDHI Finance Limited**

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>2</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

## **DOCUMENT SUMMARY**

<b>Current Version</b>	<b>Version 1.1</b>
<b>Date of Current Version</b>	<b>25.08.2020</b>
<b>Author</b>	<b>Puja Shah</b>
<b>Reviewed by</b>	<b>Smt Bonani Roychoudhury (COO)</b>
<b>Approved by</b>	<b>Smt. Suparna Tandon (MD)</b>
<b>Document Status</b>	<b>Approved by Board of Directors</b>
<b>Document Circulation</b>	<b>NSFL Management</b>
<b>Document Owner</b>	<b>NABSAMRUDDHI Finance Limited</b>

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>3</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

## **1. Company Philosophy on Corporate Governance:**

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way that ensures accountability, transparency and fairness in all transactions in the widest sense and to meet the stakeholders' aspirations and social expectations. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

NABSAMRUDDHI Finance Limited has set for itself the objective of achieving excellence in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the field of Corporate Governance. The Company emphasises the need for full transparency and accountability and conducting its business in a highly professional and ethical manner, thereby enhancing trust and confidence of all its stakeholders. The Company believes in pursuing holistic growth and realizes its responsibility towards its stakeholders and environment.

The comprehensive Corporate Governance practices ensure that the Company always works optimally, protecting the best interests of the stakeholders and withholding the reputation and status of the Company.

## **2. Objectives of Guidelines on Corporate Governance:**

The Company is a Non-Banking Financial Institution - Non Deposit accepting - Systemically Important (NBFI-ND-SI) registered with Reserve Bank of India (RBI).

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its Notification No. DNBR.019/CGM (CDS)-2015 dated April 10, 2015 (as updated from time to time) advised all the Non-Banking Financial Companies with asset size of Rs. 500 crores and above (NBFC-ND-SI) to frame internal guidelines on Corporate Governance.


The Company has formulated the following Internal Guidelines of Corporate Governance on the basis of the following:

- i. Pursuant to said RBI Circular dated April 10, 2015;
- ii. Companies Act, 2013 and Rules amended from time to time;
- iii. Industry Best Practices.

## **3. Governance Structure:**

### **3.1 Board of Directors:**

The Board of Directors plays a pivotal role in ensuring that good corporate governance practices are followed within the Company. The Board of Directors along with its Committees oversees the functioning of the Company and that of its management, and ensures that all decisions taken are in the best interest of the stakeholders of the

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>4</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

Company. The Directors shall accordingly possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields to enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company.

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed thereunder.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Women Directors, as per the Guidelines/Regulations applicable to the Company. All the Directors shall meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India and the Company's policy on Fit and Proper Criteria. None of the Directors of the Company should be related to each other.


All the Directors on the Board (except Independent Directors and NABARD Nominee Directors) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company, who shall be eligible for re-election. All the Directors shall make the necessary annual disclosures regarding changes, if any in their concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and Committee positions and shall intimate changes as and when they take place.

The Board of Directors shall lay down a Code of Conduct for Senior Management of the Company. Senior Management personnel shall affirm compliance with the Code on an annual basis. The Directors shall not disclose any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

### **3.2 Meetings of the Board:**

At least four Board Meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days. The information to be statutorily made available to the Board shall be furnished to the Directors before the Meeting. The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire Meeting.

The Independent Directors of the Company shall meet at least once in a year without the presence of Non-Executive Directors and the Management in terms of Schedule IV of the Companies Act, 2013.

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>5</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

### 3.3 Committees:

For operational convenience and to focus effectively on important issues and to ensure appropriate resolution of diverse matters, the Board has constituted several Committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws.


The Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, CSR Committee, IT Strategy Committee, Loan Committee and internal committees like Investment Committee, ALCO Committee, NPA Management Committee have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the RBI as applicable to the Company and for internal requirements and operational convenience. These Board Committees and Internal Committees have specific terms of reference/scope to focus effectively on issues and to ensure appropriate resolution of diverse matters. All decisions pertaining to the constitution/re-constitution/dissolution of Committees, appointment of members and fixing/modification of terms of reference of the various Committees shall be made by the Board of Directors.

#### 1) Audit Committee:

The Company shall have in place an Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and the Rules framed thereunder and the provisions of Para 3 of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015.

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act, RBI guidelines and such other duties, obligations and powers as may be prescribed.


<b>Chairman</b>	The Chairman of the Audit Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	<p>i. The Audit Committee shall comprise of at least three Directors as Members, the majority of which shall be Independent Directors (i.e. more than 50% of the members of Audit Committee shall be Independent Directors).</p> <p>ii. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p>
<b>Meetings</b>	The Committee shall meet at least 4 times in a year and not more than 4 months shall elapse between two Meetings. The Committee shall meet with management, the internal auditor and the statutory auditor as deemed fit.

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>6</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

<b>Quorum</b>	Two members or one-third of the members of the Audit Committee, whichever is greater.
---------------	---

### **Role and Responsibilities (Terms of Reference):**

- To make recommendation for remuneration and terms of appointment of statutory auditors of the Company.
- To review and monitor the Statutory Auditor's Independence and performance, and effectiveness of audit process;
- To examine the financial statements of the Company and the Auditors' report thereon before submission to the Board for approval;
- To make recommendation for appointment, remuneration and terms of appointment of Tax Auditors of the company.
- To approve transactions of the Company with related parties;
- To scrutinise inter-corporate loans and investments;
- To make the valuation of undertakings or assets of the Company, wherever it is necessary;
- To evaluate internal financial controls and risk management systems;
- To monitor the end use of funds raised through public offers and related matters;
- Reviewing performance of the statutory and internal auditors and adequacy of the internal control system;
- To examine the Internal Audit Report on Quarterly basis and discussion with internal auditors regarding any significant findings and follow-up thereon;
- To review the function of whistle blower mechanism in case the same exists;
- To look into the reasons for substantial defaults in the payments to the depositors, debenture-holders, shareholders (in case of non-payment of declared dividends) and creditors.

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page 7 of 12
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

## 2) Nomination and Remuneration Committee:

The Company shall have in place a Nomination and Remuneration Committee constituted under the provisions of Section 178 of the Companies Act, 2013 and Rules framed thereunder. The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, RBI guidelines and such other duties, obligations and powers as may be prescribed in the Company's Nomination and Remuneration Policy.


<b>Chairman</b>	One of the members of Nomination and Remuneration Committee shall be appointed as the Chairman of Nomination and Remuneration Committee. In the absence of the Chairman, the members of the Committee present in the meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Committee shall consist of three or more Non-Executive Directors of which not less than one-half shall be Independent Directors
<b>Meeting</b>	The meeting of the Committee shall be held at such regular intervals as may be required but atleast once in a financial year to review and evaluate the performance of directors of the Company.
<b>Quorum</b>	Minimum two (2) members, of which one shall be Independent Director. The quorum must be present at all times during the meeting.
<b>Terms of reference</b>	As per the Nomination and Remuneration Policy approved by Board.

## 3) Risk Management Committee

The Company shall have in place a Risk Management Committee in accordance with the provisions of Para 3 of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015.

The Risk Management Committee is required to manage the integrated risk and inform the Board from time to time the progress made by the Company in putting in place a progressive risk management system, risk management policy and strategy.

<b>Chairman</b>	One of the members of Committee shall be appointed as the Chairman of the Risk Management Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Risk Management Committee of the Board shall be decided by the Board from time to time. The Company's MD & CEO and an Independent Director may also be included as members of the Committee.

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

<b>Meetings</b>	The Risk Management Committee of the Board would meet periodically at least four times in a year to review the risk management policies and practices of the Company.
<b>Quorum</b>	Minimum Two Members
<b>Terms of reference</b>	As per the Board approved Risk Management Framework.

#### 4) Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) shall be a Sub Committee appointed by the Board to monitor the asset liability gap and to strategise action to review and manage the system for management of market liquidity and interest rate risk.


The constitution and the terms of reference of the Asset Liability Committee shall be in compliance with the Guidelines issued by RBI from time to time. The ALCO's primary goal is to evaluate, monitor and approve practices relating to liquidity management while managing the Company's spread between interest income and interest expense.

<b>Chairman</b>	The Managing Director shall be the Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board comprising of at least four officials, including <ul style="list-style-type: none"> <li>i. The Managing Director;</li> <li>ii. Chief Operating Officer;</li> <li>iii. Chief Financial Officer;</li> <li>iv. Chief Risk Officer/ Credit Risk Manager;</li> <li>v. Head of Technology Division shall also be an invitee for building up of MIS and related computerisation.</li> </ul>
<b>Meetings</b>	The ALCO shall meet at such intervals depending on the business requirements, but at least once in every quarter
<b>Quorum</b>	50% of the strength of the ALCO at any point of time, including the Chairman of the Committee. In case 50% works out to a fraction it would be rounded-off to the next higher number.
<b>Terms of reference</b>	As per the guidelines issued by RBI from time to time.

#### 5) Corporate Social Responsibility Committee:

The Company shall have in place a Corporate Social Responsibility Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014. The Company shall have a Board approved CSR Policy in place and required disclosures to the effect will be made from time to time.



 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>9</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	


CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and also recommend the amount of expenditure to be incurred on the activities referred to in above clause and review and recommend any amendments to be made in the CSR policy of the Company.

<b>Chairman</b>	One of the members of the Corporate Social Responsibility Committee shall be appointed as the Chairman of the Corporate Social Responsibility Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Committee shall consist of three or more Directors, of which at least one Director shall be an Independent Director.
<b>Meetings</b>	The CSR Committee of the Board would meet as and when required, with atleast one Meeting in a year.
<b>Quorum</b>	At least two or one-third of the members of the Committee, whichever is higher
<b>Terms of Reference</b>	As per the Board approved Corporate Social Responsibility Policy

#### 5) IT Strategy Committee:

The Company shall have in place an IT Strategy Committee in pursuant to Reserve Bank of India, Master Directions on Information Technology Framework for the NBFC Sector, 2017. IT Governance is an integral part of corporate governance and every Systemically Important NBFC shall adopt IT framework with a focus on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing.

<b>Chairman</b>	The Chairman of IT Strategy Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Committee shall consist of three or more Directors, of which at least one Director shall be an Independent Director. The CIO & CTO shall be a part of the committee.
<b>Meetings</b>	The IT Strategy Committee of the Board should meet at an appropriate frequency but not more than six months should elapse between two meetings.
<b>Quorum</b>	At least two or one-third of the members of the Committee, whichever is higher.

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>10</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	


### **Roles and Responsibilities of IT Strategy Committee:**

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- 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 NBFC's growth and becoming aware about exposure towards IT risks and controls.

### **6) Loan Committee**

The Company shall have in place a Loan Committee to approve/recommend to the Board the deployment of funds for lending to companies/firms/entities/body corporates/individuals, in line with the integrated credit policy of the Company, with risk management framework, and with reference to both taking on and divesting exposures.

<b>Chairman</b>	One of the members of Loan Committee shall be appointed as the Chairman of Loan Committee. In the absence of the Chairman, the members of the Committee present in the meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Loan Committee shall consist of the Managing Director, Chief Operating Officer, 2 Nominee Directors (One from NABARD and one from Commercial Bank) and 1 Independent Director.
<b>Meetings</b>	The Loan Committee of the Board should meet at an appropriate frequency but not more than six months should elapse between two meetings.
<b>Quorum</b>	A Quorum of 3 members is prescribed for the Loan Committee (of which One Director from Commercial Bank or Independent Director shall be mandatorily present).
<b>Terms of Reference</b>	As per Board approved Integrated Loan Policy

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>11</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

**Other Committees:** In addition to the aforesaid Committees, the Company has also constituted the following Committees to oversee specific areas and/ or for the smooth functioning of business/ functional operations.

- Investment Committee
- NPA Management Committee

#### **4. Fair Practices Code:**

Pursuant to the guidelines on Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on 'Fair Practices Code' which is posted on its website.

#### **5. Board Evaluation:**

The evaluation of the Board and its members shall be carried out by the Board members as indicated in the Companies Act, 2013 as follows:

- i. **Separate Meeting of the Independent Directors** - Independent Directors are required to evaluate the performance of Non-Independent Directors, Chairman and Board as a whole. The Independent Directors of NABSAMRUDDHI Finance Limited shall hold at least one Meeting in a financial year or on any other frequency as the Board may decide or as prescribed under the applicable laws.


The Independent Directors at their separate meetings shall:

- review the performance of the Non-Independent Directors and the Board as a whole, the Committees of the Board, taking into account the views of the Executive Directors and Non-Executive Directors;
  - review the performance of the Company's Chairperson, taking into account the views of Executive and Non-Executive Directors;
  - assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
- ii. Similarly, the Board other than the member being evaluated shall evaluate the Independent Directors. The Nomination Remuneration Committee and Company Secretary/Compliance Officer shall co-ordinate the evaluation process.

#### **6. Fit And Proper Criteria:**

The Company shall have a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment and on a continuing basis, as per extant guidelines of RBI. Further, the Company shall ensure compliance with the provisions laid down in the said Policy. The Board shall review the suitability of the members based on the Fit and Proper criteria on a regular basis.

#### **7. Code of Conduct:**

 <b>Nabsamruddhi Finance Ltd.</b>	<b>DOCUMENT TYPE:</b> Master Policy Document	<b>EFFECTIVE DATE:</b> 25.08.2020
	<b>VERSION:</b> 1.1	
	<b>DOCUMENT NUMBER:</b> POL/CG/002	Page <b>12</b> of <b>12</b>
	<b>TITLE:</b> Internal Guidelines on Corporate Governance	

The Company shall adopt a Code of Conduct for its Directors and Senior Management of the Company and ensure strict adherence thereto.

### **8. Policies adopted by the Company:**

The Company shall adopt such policies, as may be required to be adopted under the Companies Act, 2013, RBI Guidelines / Directions applicable to the Company, and such other laws and regulations as may be applicable. The policies adopted may be reviewed by the Board on an annual basis, or earlier, if required.

### **9. Disclosures and Transparency:**

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors, Members or other stakeholders as may be required by the applicable laws and the codes / policies of the Company.

### **10. Compliance Officer:**

The Company Secretary appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer of the Company. The Compliance Officer shall, inter-alia, be responsible for setting forth policies / procedures and ensuring conformity with the applicable laws/ regulations/ guidelines including Companies Act and RBI Directions/guidelines, issued from time to time.

### **11. Rotation of Statutory Auditors/Audit Partner(s):**

NABSAMRUDDHI Finance Limited is a Public Limited Company incorporated under Companies Act, 2013, registered as a Non-Banking Financial Institution. Being a wholly owned subsidiary of NABARD, the Statutory Auditors for NABSAMRUDDHI Finance Limited will be appointed by the Comptroller and Auditor-General of India under the provisions of section 139 (5) of Companies Act, 2013.

### **12. Review:**

The Internal Guidelines on Corporate Governance shall be reviewed annually. The Board of Directors of the Company reserves the right to add, amend, modify the Guidelines, on an annual basis or earlier, if so required.