



MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The Company practices a culture that is built on core values and ethical governance practices and is committed to transparency in all its dealings.

The Company believes that sound Corporate Governance is essential for enhancing long-term shareholder value and retaining investor trust.

The Company manages its affairs with diligence, transparency, responsibility and accountability to generate long term value for its stakeholders on a continuous and sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels.

The Company's Governance processes and practices ensure that the interest of all stakeholders are taken into account in a balanced and transparent manner and are firmly embedded into the culture and ethos of the organization.

The Company has an active, experienced and a well-informed Board. The Board along with its Committees undertakes its fiduciary duties towards all its stakeholders with the Corporate Governance mechanism in place.

RESERVE BANK OF INDIA GUIDELINES ON CORPORATE GOVERNANCE

These Guidelines on Corporate Governance are applicable to Mahindra & Mahindra Financial Services Limited ("the Company") and are formulated to comply with the Reserve Bank of India (RBI) Notification dated May 8, 2007 (reference number DNBS.PD/CC 94/03.10.042/2006-07) as updated vide RBI Master Directions dated September 1, 2016 (reference number DNBR. PD. 008/03.10.119/2016-17).

The Internal Guidelines on Corporate Governance will be reviewed as and when necessary by the Board in the context of changing regulations and emerging best practices with a view to enhancing the Company's governance.

BOARD OF DIRECTORS

As per Article 142 of the Articles of Association of the Company, the Board of Directors shall comprise of minimum of three Directors and a maximum of fifteen Directors.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines/Regulations applicable to the Company.

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

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10. None of the Directors on the Company's Board shall be a Member of more than 10 Board Committees and Chairperson of more than 5 Board Committees (Committees being Audit Committee and Stakeholders Relationship Committee) across all companies in which they are Directors. All the Directors shall make the necessary annual disclosure regarding their change in 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 Directors shall act in accordance with the duties as provided under the Companies Act, 2013 ("the Act") and the Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act.

The Board shall provide the overall strategic direction and periodically review strategy and business plans, annual operating and capital expenditure budgets and oversee the actions and results of the management to ensure that the long-term objectives of enhancing stakeholders' value are met. The Board shall also, *inter-alia*, review and consider the investment and exposure limits, compliance report(s) of all laws applicable to the Company, as well as steps taken to rectify instances of non-compliances if any, review major legal issues, approval and adoption of quarterly/half-yearly/annual results, transactions pertaining to purchase/disposal of property, major accounting provisions and write-offs, corporate restructuring, minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of Officers just below the Board level including the Company Secretary and Compliance Officer.

The Board shall satisfy itself that plans are in place for orderly succession for appointment to the Board of Directors and Senior Management.

BOARD MEETINGS

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 minimum information to be statutorily made available to the Board pursuant to the applicable Guidelines and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“the Listing Regulations”] shall be furnished to the Directors before or at the Board Meeting.

CODE OF CONDUCT

The Board has laid down Code of Conduct for Board Members and for Senior Management and Employees of the Company (“Codes”). These Codes are hosted on the Company’s website.

The Board has also adopted a Code of Conduct for Independent Directors pursuant to section 149(8) read with Schedule IV of the Act, which is a guide to professional conduct for Independent Directors of the Company.

COMMITTEES OF THE BOARD

For operational convenience and to focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted various Committees with specific terms of reference.

The Committees shall operate as empowered agents of the Board as per their terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussion/noting.

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 taken by the Board of Directors.

The Committees shall periodically report to the Board on various matters that have been referred to the respective Committees.

DETAILS OF THE VARIOUS COMMITTEES ARE AS UNDER:

1. Audit Committee

Composition:

- The Company has in place an Audit Committee in accordance with the provisions of Clause 68 of the Master Direction No. DNBR. PD. 008/03.10.119/2016-17 on Guidelines on Corporate Governance issued by the RBI and the composition of the Audit Committee shall meet with the requirements of Section 177 of the Act and the Rules framed thereunder and Regulation 18(1) of the Listing Regulations, as amended from time to time.
- All the Members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
- The Chairperson of the Audit Committee shall be an Independent Director.
- The Company Secretary shall act as the Secretary to the Audit Committee.

Meetings:

- The Audit Committee shall meet periodically, but at least four times in a year and not more than one hundred and twenty days shall elapse between two successive meetings.
- The quorum for the Audit Committee Meetings shall be either two Members or one third of the Members of the Audit Committee, whichever is greater, with atleast two Independent Directors.
- The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committees.

Roles and Responsibilities (Terms of Reference):

A. Appointment/Re-appointment of Statutory Auditors

1. To recommend to the Board the appointment/ reappointment, remuneration and terms of appointment/ reappointment of Statutory Auditors ("Auditor/Auditors") of the Company including filling of any casual vacancy thereof and if required, the replacement or removal of the Auditor.
2. To recommend to the Board, the name of individual auditor or the audit firm who may be rotated in the place of the present incumbent.
3. 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.

4. To approve and recommend to the Board availing of such other services from the Auditor as may be deemed necessary from time to time excluding such services as may be prohibited from time to time and payment for the same.

B. Functions, Role and Duties

1. Review and monitor the Auditor's independence and performance, and effectiveness of audit process.
2. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Examination of and 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 Directors' 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. The going concern assumption;
 - vi. Compliance with accounting standards;
 - vii. Compliance with listing and other legal requirements relating to financial statements;
 - viii. Disclosure of any related party transactions;
 - ix. Modified Opinions in the draft audit report.
4. Providing comments/explanation on observations made by the auditors in the auditors' report/modified opinion(s) in the draft audit report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
6. Scrutiny of inter-corporate loans and investments.
7. Valuation of undertakings or assets of the Company, wherever it is necessary.

8. Evaluation of internal financial controls and risk management systems.
9.
 - a. Monitoring the end use of funds raised through public offers/any issue and related matters;
 - b. 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.
 - c. Making appropriate recommendations to the Board to take up steps in this matter.
10. To look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
11. Calling for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board for its approval and discussion with the Internal and Statutory Auditors and the Management of the Company on any related issues.
12. Monitoring and Reviewing, with the Management, performance of Statutory and Internal Auditors, and adequacy of the internal control systems.
13. Reviewing the financial statements, in particular, the investments made by the unlisted subsidiary companies.
14. To review the instances of fraud reported by auditor and provide comments thereon.
15. To investigate into any matter within its terms of reference or referred to it by the Board.
16. To obtain outside legal or other professional advice.
17. To seek information from any employee and shall have full access to information contained in the records of the Company.
18. To secure attendance of outsiders with relevant expertise, if it considers necessary.
19. Approval of system for storage, retrieval, display or printout of the electronic records for accounts.

20. To appoint valuers for the valuation of any property, stocks, shares, debentures, securities or goodwill or any other asset or net worth of the Company or liability of the Company under the provisions of the Companies Act, 2013.
21. Reviewing the utilisation of loans and/ or advances from/ investment by the holding company in the subsidiary exceeding Rs. 100 crores or 10% of the asset size of the subsidiary, whichever is lower, including existing loans / advances / investments.

C. Internal Audit

1. To recommend the appointment, removal and terms of remuneration of the Chief internal auditor and review the same.
2. In consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.
3. 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.
4. Discussion with Internal Auditors of any significant findings and follow-up thereon.
5. 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.
6. To ensure that an Information Systems Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

D. Review

1. Management discussion and analysis of financial condition and results of operations.
2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the Management.
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors.
4. Internal audit reports relating to internal control weaknesses.
5. Statement of deviations:
 - quarterly statement of deviation(s) including report of monitoring

agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).

- annual statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

E. Related Party Transactions (“RPTs”)

1. In accordance with the provisions of the Companies Act, 2013 and Rules made thereunder (“the Act”) and/or Regulation 23 of the SEBI Listing Regulations:
 - a. Approval or any subsequent modification of transactions of the Company with related parties which are in the ordinary course of business and on arm’s length basis;
 - b. To grant prior approval for all RPTs which are not in the ordinary course of business and/or on arm’s length basis and if approved, recommending it to the Board and for further placing it before the Shareholders for approval in case the transactions exceed the values prescribed under the Act;
2. To grant prior approval to all RPTs to be entered into by the Company in accordance with Regulation 23 of the SEBI Listing Regulations as amended from time to time;
3. To grant omnibus approval for RPTs proposed to be entered into by the Company, which shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. The omnibus approval shall be subject to following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPT of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify:
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - (ii) the indicative base price / current contracted price and the formula for variation in the price, if any; and
 - (iii) such other conditions as the Audit Committee may deem fit.

4. To grant omnibus approval where the need for RPTs cannot be foreseen and aforesaid details are not available, subject to their value not exceeding Rs.1 crore per transaction. Such omnibus approvals shall be valid for a period not exceeding one year.
5. To review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approvals given.
6. To define significant related party transactions.

F. CFO Appointment

To approve the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc., of the candidate and recommend the same to the Board.

G. Whistle Blower Policy / Vigil Mechanism

- To oversee/review the functioning of the Whistle Blower Policy/Vigil Mechanism.
- To review matters raised pursuant to Vigil Mechanism.
- To investigate and take actions for frivolous matters if necessary.

H. SEBI (Prohibition of Insider Trading) Regulations, 2015 (“Insider Trading Regulations”)

- Reviewing on a quarterly basis, the Report on compliance under Insider Trading Regulations given by the Compliance Officer.
- Reviewing compliance with the Insider Trading Regulations at least once in a financial year and verify that the systems for internal control are adequate and are operating effectively.

I. Residual Matters

Carrying out such other function as may be delegated to the Committee from time to time.

2. Nomination and Remuneration Committee

Composition:

- The constitution and the terms of reference of the Nomination and Remuneration Committee shall be in compliance with the provisions of section 178(1) of the Companies Act, 2013 and the Rules framed thereunder and Regulation 19 of the Listing Regulations, as amended from time to time.

- The Chairman of the Board (whether Executive or Non-Executive) may be appointed as a Member of the Committee but shall not chair the Committee.
- The Company Secretary shall act as the Secretary to the Nomination and Remuneration Committee.

Meetings:

- The Nomination and Remuneration Committee shall meet as and when required to discuss matters. It is however, recommended that the Committee meet at least twice during the year.
- Any two Members to constitute a quorum including one Independent Director.
- The Nomination and Remuneration Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committees.

Roles and Responsibilities (Terms of Reference):

- i. Develop and recommend policies with respect to composition of the Board commensurate with the size, nature of the business and operations of the Company in line with the appropriate legislations, including criteria such as global representation, age mix, gender mix.
- ii. Establish criteria for selection to the Board with respect to the competencies, qualifications, experience, track record, and integrity and recommend nominations for Board Membership.
- iii. Identification of persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, recommendation to the Board about their appointment and removal and carrying out evaluation of every Director's performance.
- iv. Establish Director retirement policies and appropriate succession plans in order to maintain continuity and stability of the Board.
- v. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director.
- vi. Ensure "Fit and Proper" status of Directors at the time of appointment and on a continuing basis, as prescribed by the Reserve Bank of India.
- vii. To determine Directors who are liable to retire by rotation in line with the existing legislation(s) and recommend whether they should be reappointed.

- viii. Formulation of a Policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees and recommending this Policy to the Board which shall be disclosed in the Board's Report after ensuring the following :
- a) Level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
 - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.
- ix. In cases where any services rendered by a Director are of a professional nature to opine whether the Director possesses the requisite qualification for the practice of the profession.
- x. Review market practices and to decide on and recommend to the Board remuneration packages applicable to the Managing Director, the Executive Director(s), Functional Heads and such of the employees of the Company who are Member(s) of the Senior Management/Core Management Team, one level below the Chief Executive Officer/ Managing Director/ Executive Director(s)/Whole- time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board), the Chief Financial Officer and Company Secretary.
- xi. Approve the payment of remuneration of Managing Director or Whole-time Director or Manager (Managerial Person) for the purposes of Section II (dealing with remuneration payable by companies having no profit or inadequate profit) of Part II of Schedule V read with sections 196 and 197 of the Companies Act, 2013.
- xii. To lay down performance parameters for Managing Director and the Executive Director(s) based on which variable pay (including commission) would be determined and review the performance parameter achieved.
- xiii. To review performance parameters laid down for the Functional Heads and such of the employees of the Company who are Member(s) of the Senior Management/ Core Management Team one level below the Chief Executive Officer/ Managing Director/ Executive Director(s)/ Whole-time Director/Manager, (including the Chief Financial Officer and the Company

Secretary) based on which variable pay would be determined and review the performance parameters achieved.

- xiv. Determining the overall compensation policies of the Company;
- xv. To administer “Mahindra & Mahindra Financial Services Limited Employees’ Stock Option Scheme- 2005”, “Mahindra & Mahindra Financial Services Limited Employees’ Stock Option Scheme - 2010” and such further ESOP Schemes as may be formulated from time to time in future and take appropriate decisions in terms of the concerned schemes;
- xvi. Evaluate functioning of the Board on an annual basis including an assessment of the effectiveness of the full Board with a view to improve the overall performance of the Board;
- xvii. To attend to such other matters and functions as may be assigned by the Board of Directors or prescribed under the Companies Act, 2013 or any other applicable law and Rules made thereunder.

The Nomination and Remuneration Committee shall determine the performance evaluation criteria for Independent Directors on parameters and perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines and Listing Regulations.

3. Stakeholders Relationship Committee

Composition:

- The constitution and the terms of reference of the Stakeholders Relationship Committee shall be in compliance with the provisions of section 178(5) of the Companies Act, 2013 and the Rules framed thereunder and Regulation 20 of the Listing Regulations, as amended from time to time.
- The Chairperson of the Stakeholders Relationship Committee shall be a Non-Executive Director.
- The Company Secretary is the Compliance Officer of the Company.

Meeting:

- The Stakeholders Relationship Committee shall meet as and when required, but at least once in a year, to *inter-alia*, deal with matters relating to transfers/transmissions of shares/securities and monitor redressal of grievances of security holders/investors relating to transfers, non-receipt of balance sheet, non-receipt of dividends declared, issue of duplicate certificates, etc.

- The quorum for the Meeting of Stakeholders Relationship Committee shall be any two Directors.
- The Stakeholders Relationship Committee may invite such other persons or professionals with relevant expertise to assist the Committee in its deliberations as may be considered necessary from time to time.

Roles and Responsibilities (Terms of Reference):

The terms of reference of the Stakeholders Relationship Committee would *inter alia*, include the following:

- approve transfer of Shares including approving of the transfer of shares on receipt of the duly executed documents along with the duplicate/new share certificates to Investor Education and Protection Fund (“IEPF”).
- approve transmission of Equity Shares/Debentures held in the name(s) of a deceased shareholder(s)/ debentureholder(s) to the legal representative(s) without production of Succession Certificate or Probate or Letters of Administration or other legal representation based on an Affidavit and Indemnity Bond in a form acceptable to the Company.
- approve transmission of Equity Shares/ Debentures held in the name(s) of a deceased shareholder(s)/ debentureholder(s) to the legal representative(s) with production of Succession Certificate or Probate or Letters of Administration or other legal representation based on an Affidavit and Indemnity Bond in a form acceptable to the Company.
- approve the transfer/transmission of other securities,
- approve the issue of duplicate /new share certificate(s) in lieu of the original certificate(s) lost or misplaced, or for the purpose of transferring of shares to IEPF,
- approve the issue of duplicate debenture certificate(s) in lieu of the original certificate(s) lost or misplaced,
- look into redressal of shareholders, debentureholders and investor complaints such as transfer/transmission of shares/ debentures, non-receipt of Balance Sheet, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings, etc.
- look into all shares and securities related matters including legal cases, compliances under the Companies Act, 2013, Listing Regulations, SEBI Regulations, etc.
- monitor and resolve the grievances of security holders of the Company.
- review 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.

- k. ensure setting of proper controls, review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar and Transfer Agent for Equity Shares and Debentures and oversee the performance of the Registrar and Transfer Agent.
- l. review measures taken for effective exercise of voting rights by Shareholders.
- m. provide guidance and make recommendations to improve the service level for investors.
- n. attend to such other matters and functions as may be prescribed from time to time.

The Stakeholders Relationship Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines and Listing Regulations.

4. Corporate Social Responsibility Committee

Composition:

- The constitution and the terms of reference of the Corporate Social Responsibility Committee shall be in compliance with the provisions of section 135(1) of the Companies Act, 2013 (“the Act”) and the Rules framed thereunder and Schedule VII of the Act.

Meetings:

- The Corporate Social Responsibility Committee shall meet as and when required to discuss matters, and atleast twice during the year.
- The quorum for the Meeting of Corporate Social Responsibility Committee shall be any two Directors.
- The Corporate Social Responsibility Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committees.

Roles and Responsibilities (Terms of Reference):

The terms of reference and role of the Corporate Social Responsibility Committee shall be as under:

- To formulate and recommend to the Board, a CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Act;

- To recommend the amount to be spent on these activities;
- To monitor the Company's CSR policy periodically;
- To formulate and recommend to the Board for its approval and implementation, the Business Responsibility ("BR") Policy(ies) of the Company, undertake periodical assessment of the Company's BR performance, review the draft Business Responsibility Report and recommend the same to the Board for its approval and inclusion in the Annual Report of the Company.
- To attend to such other matters and functions as may be prescribed from time to time.

The Corporate Social Responsibility Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines and Listing Regulations.

5. Asset Liability Committee

Composition:

The constitution and the terms of reference of the Asset Liability Committee shall be in compliance with the Guidelines issued by Reserve Bank of India.

Meetings:

- The Asset Liability Committee shall meet atleast twice during the year.
- The quorum for the Meeting of Asset Liability Committee shall be any two Directors.
- The Asset Liability Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committees.

Roles and Responsibilities (Terms of Reference)

The Asset Liability Committee shall review/oversee the working of the Asset Liability Operating Committee, its findings and reports in accordance with the Guidelines of the Reserve Bank of India (RBI).

The Asset Liability Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Regulations and Guidelines issued by the RBI.

6. Risk Management Committee

Composition:

- The constitution and the terms of reference of the Risk Management Committee shall be in compliance with the provisions of Regulation 21 of the Listing Regulations, Guidelines on Corporate Governance issued by Reserve Bank of India and such other applicable laws.

Meetings:

- The quorum for the Meeting of Risk Management Committee shall be any two Directors.
- The Risk Management Committee shall meet atleast once in a quarter.
- The Risk Management Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committees.

Roles and Responsibilities (Terms of Reference):

- The Risk Management Committee shall manage the integrated risk, inform the Board about the progress made in implementing a risk management system and review periodically the Risk Management Policy and strategy followed by the Company.
- The Executive Director & Chief Financial Officer of the Company shall apprise the Risk Management Committee and the Board of the major risks as well as the movement in the profile of the high risk category, the root causes of risks and their impact, key performance indicators, risk management measures and the current controls being exercised to mitigate these risks.

The Risk Management Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines and Listing Regulations.

7. Committee for Strategic Investments

Composition:

- The constitution and the terms of reference of the Committee for Strategic Investments shall be as decided by the Board from time to time.

Meetings:

- The Committee for Strategic Investments shall meet as and when required to discuss matters.

- The quorum for the Meeting of Committee for Strategic Investments shall be any two Directors.
- The Committee for Strategic Investments may invite such executives, as it considers appropriate to be present at the meetings of the Committee.

Roles and Responsibilities (Terms of Reference):

The Committee for Strategic Investments shall take up for evaluation and scrutinise significant investments/ funding including but not limited to business acquisitions, reviewing and monitoring existing investments in Subsidiaries and the Joint Venture Company, overseeing and reviewing performance of the subsidiaries and make necessary recommendations to the Board from time to time including disinvestments.

The Committee for Strategic Investments shall perform such other duties, as may be delegated to the Committee from time to time.

8. IT Strategy Committee

Composition:

- The constitution and the terms of reference of the IT Strategy Committee shall be in compliance with the Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 on Information Technology Framework for the NBFC Sector, issued by Reserve Bank of India.
- The Chairman of the committee shall be an Independent Director.

Meetings:

- The IT Strategy Committee shall meet at an appropriate frequency but not more than six months shall elapse between two meetings.
- Except where a higher number is prescribed by any law for the time being in force, the quorum shall comprise of any two Members.
- The IT Strategy Committee may invite such other persons or professionals with relevant expertise to assist the Committee in its deliberations as may be considered necessary from time to time.

Roles and Responsibilities (Terms of Reference):

- i) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.

- ii) Ascertaining that Management has implemented processes and practices that ensure that the IT delivers value to the business.
- iii) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
- iv) 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.
- v) Ensuring proper balance of IT investments for sustaining the Company's growth and becoming aware about exposure towards IT risks and controls.
- vi) Instituting effective governance mechanism and risk management process for all IT outsourced operations, viz.:
 - 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 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) Ensuring that the business continuity preparedness is not adversely compromised on account of outsourcing by adopting sound business continuity management practices as issued by the RBI and seeking proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.
- vii) To obtain outside legal or other professional advice.
- viii) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- ix) Carrying out such other function as may be delegated to the Committee from time to time.

SUBSIDIARY COMPANIES

The Subsidiaries of the Company shall function independently, with an adequately empowered Board of Directors and sufficient resources. The Minutes of the Board Meetings of the Company's subsidiaries shall be placed at the Board Meeting for review by the Board Members. The financial statements of the subsidiary companies shall be presented to the Audit Committee. The Company shall also comply with the other provisions of Regulation 24 of the Listing Regulations with regard to subsidiary companies.

SHAREHOLDERS

Shareholders shall be informed of details regarding the appointment or re-appointment of a Director.

FIT AND PROPER CRITERIA

The Company has in place a Board approved Policy for ascertaining the Fit and Proper criteria of the Directors at the time of appointment and on a continuing basis. The Policy on the Fit and Proper Criteria is in accordance with the Circular issued by the RBI.

All the Directors shall meet the 'Fit and Proper' criteria as prescribed by the RBI.

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.

The Board of Directors of the Company or such other person authorised by the Board or under any law/ regulations, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as may be required under applicable laws/ regulations.

The Company as per the requirement of the Companies Act, 2013, Listing Regulations and the Guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs places before the Board of Directors, at regular intervals, the following:

1. the progress made in putting in place a progressive risk management system, risk management policy and strategy followed by the Company;
2. 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.

ROTATION OF PARTNER(S) OF THE STATUTORY AUDITORS

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Further, the Company shall rotate the partner(s) of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, so that same partner does not conduct audit of the Company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

CEO/CFO CERTIFICATION

The CEO i.e. the Vice-Chairman & Managing Director and the CFO i.e the Executive Director & Chief Financial Officer shall make the necessary certifications regarding the Financial Statements, internal controls, etc., to the Board.

ANNUAL REPORT

The Annual Report of the Company shall contain a separate section on Corporate Governance dealing the measures/activities undertaken by the Company as a part of its efforts towards good corporate governance.

COMPLIANCE OFFICER

The Board of Directors shall designate a Compliance Officer to ensure compliance with applicable laws.

POLICIES ADOPTED BY THE COMPANY

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the Listing Regulations, the RBI Guidelines applicable to the Company and such other laws and regulations as may be applicable.

The Policies adopted may be reviewed by the Board from time to time.
