

# **Sriffin Credit Private Limited**

## **Corporate Governance Policy**

### **1. Purpose**

Sriffin Credit Private Limited, ("Company"), is committed to highest standards of professionalism, ethics, accountability and integrity as well as to follow best practices in Corporate Governance, disclosure and transparency in its business operations. The Company always strives to achieve the best and constantly endeavors to improve upon its standards.

### **2. RBI Directions on Corporate Governance**

Pursuant to RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 ("RBI Directions"), the Company has framed this internal Guidelines on Corporate Governance.

### **3. Board of Directors**

The Company shall ensure that it has the minimum number of Directors on its Board at all times as prescribed in its Articles of Association including the adequate mix of independent, executive and non-executive directors, as prescribed under the Companies Act, 2013 ("Act"). The Independent Directors shall be appointed for such tenure as may be decided by the Board of Directors but not more than 2 terms of 5 years each or such number of years as may be prescribed under the Act.

The Board of Directors ("Board") shall meet in each financial year for not less than such number of times as may be required under the Act. The quorum for such meetings shall be as prescribed under the Act.

Every director of the Company shall not hold the office of a director including Chairmanship, membership of Committees of the Board in more than such number of companies as may be prescribed under the Act and RBI Directions. The Board shall constitute / re-constitute the Committees as and when required. The election of chairman of Board and Committees shall be decided by the Board.

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, if any.

### **4. Duties and Responsibilities of Directors**

The Board shall meet the expectations of Members the Company by adhering to the requirements specified in 'Report of the Consultative Group of directors of Banks / Financial Institutions' suggested by Reserve Bank of India ("RBI") apart from the statutory duties and responsibilities prescribed under the Act and RBI Directions in this regard.

All directors of the Company shall act in good faith in order to promote the objects of the Company for the benefit of its Members as a whole, and in the best interests of the Company, its employees, the

stakeholders and the community in general.

## 5. Committees of Board

The Board shall be empowered to constitute such number of Committees comprising such members as may be required from time to time to meet the regulatory requirements. The Committee so formed shall operate within the parameters set by the Board from time to time and the Board shall, depending on the requirement, amend, withdraw or expand the scope of reference of such Committees from time to time. Based on the extant requirement for setting up of Board Committees under RBI Directions and the Act, the Company shall constitute the following Committees of the Board:

- a) Asset Liability Management Committee
- b) Audit Committee
- c) Risk Management Committee
- d) Nomination & Remuneration Committee
- e) Information Technology Strategy Committee
- f) Finance Committee

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the applicable RBI Directions and the provisions of the Act, with the approval of Board.

### 1. Asset Liability Management Committee

In compliance with the requirements under the Code of Corporate Governance framed by the RBI, the Board shall constitute the Asset Liability Management Committee.

<b>Chairman</b>	The Board shall appoint a Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board from time to time.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as and when necessary. The quorum shall be at least two Directors.
<b>Terms of reference</b>	As per Annexure I.

### 2. Audit Committee

In compliance with the requirements under the Code of Corporate Governance framed by the RBI and the provisions of the Section 177 of the Companies Act, 2013, the Board shall constitute Audit Committee.

<b>Chairman</b>	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
<b>Composition</b>	The Audit Committee shall consist of a minimum of two independent directors.

<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.</p> <p>The Committee shall also meet as and when a fraud involving an amount of ₹1 Crore and above has been detected.</p> <p>The quorum shall be two members, but there should be a minimum of two independent members present.</p>
<b>Terms of reference</b>	As per Annexure II.

### 3. Nomination And Remuneration Committee

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Nomination and Remuneration Committee with all Non-Executive Directors to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future stakeholders and to ensure 'fit and proper' credentials/ status of proposed/ existing Directors of the Company.

The Committee also discharges the Board's responsibilities relating to the compensation of the Company's Executive Directors and senior management. The Committee has the overall responsibility of evaluating and approving the compensation plans, policies and programs for Executive Directors and senior management of the Company.

<b>Chairman</b>	<p>The Board shall appoint a Chairman of the Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of the Committee.</p>
<b>Composition</b>	The Committee shall consist of a minimum of two independent directors.
<b>Company Secretary</b>	The Company Secretary shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as and when required. The quorum shall be at least two Directors.
<b>Terms of reference</b>	As per Annexure III.

### 4. Risk Management Committee

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Risk Management Committee for monitoring the risk and to strategize action to mitigate risks associated with the Company.

<b>Chairman</b>	The Board shall appoint a Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board.
<b>Secretary</b>	The Company Secretary shall act as the Secretary to the Committee.

<b>Meetings and Quorum</b>	The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
<b>Terms of reference</b>	As per Annexure IV.

## 5. Information Technology Strategy Committee

The Company shall constitute an Information Technology Strategy Committee in compliance with RBI Master Direction - Information Technology Framework for the NBFC Sector.

<b>Chairman</b>	The Board shall appoint a Chairman of the Committee who shall be an Independent Director.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board including an Independent Director, Chief Technology Officer and Chief Information Officer.
<b>Secretary</b>	The Company Secretary shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet at least 2 times in a year with maximum gap between two meeting not exceeding six months. The quorum shall be at least two Members.
<b>Terms of reference</b>	As per Annexure V.

## 6. Finance Committee

The Company shall constitute the Finance Committee with power to borrow money up to specified limits.

<b>Chairman</b>	The Board shall appoint a Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of members as may be determined by the Board.
<b>Secretary</b>	The Company Secretary shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as and when required in consonance with the funding and borrowing requirement of the Company. The quorum shall be at least two Directors.
<b>Terms of reference</b>	As per Annexure VI.

## 6. Fit and Proper Criteria

The Company recognizes the importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity etc. Therefore, the Company has put in place an internal supervisory process to carry out due diligence on persons proposed to be appointed / re-appointed as Directors. In line with the RBI Directions, the Company follows the procedures mentioned below and ensures that the minimum criteria are fulfilled by the persons before they are appointed on the Boards:

- The Company shall undertake due diligence at the time of appointment / re-appointment of the person as a Director on the Board, based upon their qualification, expertise, experience, track record, integrity and other 'fit and proper' criteria.
- The Nomination & Remuneration Committee of the Board shall evaluate the due diligence process

- and decide on the acceptance or otherwise of the Directors.
- c. The Company shall obtain an annual declaration from each Director regarding compliance with the requirements of RBI Directions.
  - d. The Board shall ensure that all Directors execute the deed of covenants in the format prescribed under RBI Directions.

## **7. Reporting to RBI**

As per the extant RBI Directions, the Company shall report the following to RBI:

- a. a quarterly statement on change of directors.
- b. a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed.
- c. The statement submitted by the Company for the quarter ending March 31 each year shall be certified by the auditors.

## **8. Disclosure and Transparency**

As required under extant RBI Directions, the Company shall put up the following to the Board, at regular intervals, as may be prescribed by the Board in this regard:

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

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

- a) Registration/ license/ authorisation, by whatever name called, obtained from other financial sector regulators, if any.
- b) Ratings assigned by credit rating agencies and migration of ratings during the year.
- c) Penalties, if any, levied by any regulator.
- d) Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- e) 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 prescribed.

## **9. Rotation of Partners of Statutory Auditors Firm**

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years 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 will be eligible for conducting the audit of the Company after an interval of three years if the Company so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

The Company shall comply with such other guidelines, directions, Circular and other Notifications issued by RBI from time to time with regard to appointment / re-appointment of Statutory Auditors of the Company.

**Annexure I**  
**Terms of reference of Asset Liability Management Committee**

1. Addressing concerns regarding asset liability mismatches;
2. Achieving optimal return on capital employed while maintaining acceptable levels of risk including and relating to liquidity; market and operational aspects and adhering to the relevant policies and regulations;
3. Addressing concerns regarding interest rate risk exposure; and
4. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

**Annexure II**  
**Terms of reference of Audit Committee**

1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. To recommend to the Board the appointment, remuneration and terms of appointment of auditors of the Company;
3. To approve payments to the Statutory Auditors for any other services rendered by the Statutory Auditors;
4. To review, with the management, the financial statements (including annual financial statements) and auditor's report thereon before submission to the Board for approval, with particular reference to:
  - i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
  - ii) Changes, if any, in accounting policies and practices and reasons for the same;
  - iii) Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv) Significant adjustments made in the financial statements arising out of audit findings;
  - v) Compliance with listing and other legal requirements relating to the financial statements;
  - vi) Disclosure of any related party transactions;
  - vii) Qualifications in the draft audit report;
5. To review, with the management, the quarterly financial statements before submission to the Board for approval;
- 5A. To review, 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
6. To review and monitor the auditor's independence and performance, and effectiveness of audit process;
7. To approve transactions/arrangements (including any modification thereto) between the Company and related parties;
8. To scrutinize inter-corporate loans and investments;
9. To consider / review valuation of undertakings or assets of the company, wherever it is necessary;
10. To evaluate of internal financial controls and risk management systems;
11. To review, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
12. To review 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;
13. To discuss with internal auditors on any significant findings and follow-up thereon;
14. To review 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;
15. To discuss with the 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;
16. To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

17. To review the functioning of the whistle-blower mechanism;
18. To approve 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
19. To carry out any other function as is mentioned in the terms of reference of the Audit Committee.



**Annexure III**  
**Terms of reference of Nomination and Remuneration Committee**

1. To ensure fit and proper credentials of proposed/ existing Directors;
2. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
3. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws;
4. To formulate criteria for evaluation of Independent Directors and the Board;
5. To devise a policy on Board diversity;
6. To determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;
7. To determine the revenue matrix, salary and bonus to be paid to Whole-Time-Director(s) or Managing Director of the Company;
8. To determine the sitting fee to be paid to the members of the Board;
9. To recommend to the Board the revenue matrix, salary and bonus to be paid to the Key Management Personnel of the Company;
10. To identify, appoint and review the performance of Key Management Personnel of the Company;
11. To make recommendations to the Board with respect to the compensation to be paid to the Executive Directors and the Key Management Personnel of the Company;
12. To determine the criteria for the grant of options or shares under the Stock Option or Stock Purchase Scheme;
13. To consider any other matter as may be required under the Stock Option or Stock Purchase Scheme of your Company;
14. To authorize to implement any matter in relation to the above functions/ powers; and
15. To delegate any of the powers mentioned above to the executives of the Company.
16. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and
17. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

**Annexure IV**  
**Terms of reference of Risk Management Committee**

1. To monitor and review the risk management plan;
2. To review operational risk (including sub risk for operational risk), information technology risk and integrity risk;
3. To take strategic actions to mitigate the risk associated with the nature of the business;
4. To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
5. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and
6. To lay down procedure to inform Board members about the risk assessment and minimization procedures.

**Annexure V**  
**Terms of reference of Information Technology Strategy Committee**

1. Providing input to other Board committees and Senior Management
2. Carrying out review and amending the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance
  - a. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
  - b. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
  - c. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
  - d. 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;
  - e. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

**Annexure V**  
**Terms of reference of Finance Committee**

1. Review and approve the loan facilities (on-balance sheet and/ or off-balance sheet) and borrowings within the limits specified;
2. Review the facilities beyond their limits and thereafter propose to the Board;
3. Nominate and designate representative(s) to carry out the required documentation for the facilities approved by the Committee;
4. Review the annual budget and revisions made to the Business Plan, and make specific recommendations to the Board on its adoption, including where desirable, comments on expense levels, revenue structures, fees and charges, adequacy of the proposed funding levels as also adequacy of provision for reserves;
5. Review the funding mix from time to time to ensure mitigation of risk concentration in terms of specific lender or lender class;
6. Review of cash flows in comparison to the liquidity metric;
7. Review the targeted credit limits (Funnel);
8. Power to open bank accounts in the name of the Company in/ outside India; and
9. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.