

## **Poonawalla Fincorp Limited**

To ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company.

## **Corporate Governance Policy**

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## PREAMBLE

Poonawalla Fincorp Limited (hereinafter referred as “Company” / “the Company”) believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board of Directors or the Committees of the Board.

The objective of this policy is to ensure compliance with legal requirements and set standards for Corporate Governance, so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company and also to elaborate on the provisions of applicable law governing information for shareholders.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India in this regard.

## CONTEXT AND PURPOSE

This Policy on Corporate Governance (“Policy”) draws reference to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India (“RBI”) vide its notification DNBR.PD008/ 03.10.119/ 2016-17 dated 1<sup>st</sup> September 2016, (“RBI master directions”) including any amendment, revision in the directions made thereunder and issuance of any guidelines, notification, circular by the RBI in this regard from time to time.

As per the RBI master directions, non-deposit accepting Non-Banking Financial Company with asset size of Rs. 500 crore and above (“NBFCs-ND-SI”), as per its last audited balance sheet, and all deposit accepting Non-Banking Financial Companies (“NBFCs-D”) should frame internal guidelines on corporate governance with the approval of the Board of Directors for enhancing the scope of the guidelines without sacrificing the spirit underlying the RBI master directions. Further, such Policy shall be published on the company's website, if any, for the information of various stakeholders. The Company being an NBFCs-ND-SI, is accordingly covered by the RBI master directions.

This Policy is to be read in conjunction with Applicable Laws; accordingly, this Policy enhances the provisions of Applicable Laws.

## DEFINITIONS

In this Policy, unless the context otherwise requires:

- a) **“Applicable Laws”** means the Companies Act, 2013 (‘the Act’) and the rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (‘SEBI Listing Regulations’), RBI Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFC Master Direction issued by Reserve Bank of India on September 01, 2016 for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking

Company Directions, 2016 and shall include any amendment thereto, applicable Secretarial Standards issued by the Institute of Company Secretaries of India ('ICSI') from time to time and includes any other statute, law, standards, regulations, directions or other governmental instruction relating to Corporate Governance Guidelines;

- b) **"Board of Directors"** or **"Board"** means the collective body of the directors of the Company;
- c) **"Company"** means Poonawalla Fincorp Limited;
- d) **"Committee(s)"** means committees of Board of Directors constituted by virtue of Applicable Laws;
- e) **"Corporate Governance"** means a set of relationships between the Company's management, its Board, its shareholders and other stakeholders which provide the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance. It helps to define the way authority is allocated and the way corporate decisions are arrived at and executed;
- f) **"Director(s)"** means a director(s) appointed to the Board of the Company as defined in Section 2(34) of the Companies Act, 2013 and as defined under Regulation 2(1)(d) of SEBI Listing Regulations;
- g) **"Independent Director"** means an independent director defined in Section 2(47) of Companies Act, 2013 and as defined under Regulation 16 (1) (b) of SEBI Listing Regulations or any modification or re-enactment made thereunder for the time being in force;
- h) **"Nomination Committee"** means the Nomination and Remuneration Committee ("NRC") formed under Section 178 of the Companies Act, 2013 and other Applicable Laws;
- i) **"Risk Management"** means the process established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis ;
- j) **"Risk Management Committee"** means the committee constituted as per the Applicable Law;
- k) **"Senior Management"** shall mean Senior Management Personnel' (SMP), shall be those functionaries, who are members of the NBFC's core management team, vested with managerial responsibilities and include Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), Whole Time Directors (WTDs) and those reporting to the Committee of the Board/ Board, including those who are heads of Control, Assurance and Vigilance functions. SMP shall necessarily include Key Managerial Personnel as defined under the Companies Act, 2013 which states that key managerial personnel, in relation to a company, means - (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; (iv) the Chief Financial Officer; and (v) such other officer as may be prescribed.

## **GUIDELINES ON CORPORATE GOVERNANCE**

In pursuance of the RBI Master directions, the Company has framed the following internal guidelines on Corporate Governance.

### **BOARD OF DIRECTORS ('Board')**

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its Shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly, discharge their responsibilities.

The Board of Directors focus its activity on the determination, supervision, and monitoring of the strategies and general guidelines that must be followed by the Company, and entrusts to the representative management decision making bodies and to the senior officers the dissemination, coordination, and acting in furtherance of the interests of each and every one of the companies forming part thereof.

The Board shall ensure that the Company's organisational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision-making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions.

#### **A. Corporate Culture and values**

In order to promote a sound corporate culture and values, the Board shall ensure the following:

1. delineate the role of various committees (Audit Committee, Nomination and Remuneration Committee, Risk Management Committee or any other Committee) and lay down a calendar of reviews.
2. formulate a whistle blower mechanism for directors and employees to report genuine concerns.
3. setting and adhering to corporate values, in the form of the vision or mission statement or in any other form that the Company feels appropriate, for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
4. promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
5. ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;

6. employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the Whistle Blower Policy including any modification(s) revision(s) thereto.

## **B. Oversight of Senior Management**

The Board should oversee the Senior Management. It should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations.

## **C. Size of the Board**

The Board's strength shall be minimum six directors and maximum number of directors shall be as per the limit specified in the Articles of Association of the Company as amended from time to time and in line with the requirements of Applicable Laws.

## **D. Board Composition**

The Board shall have an optimum combination of executive, non-executive and Independent Directors and at least one woman Independent director in line with the requirements of Applicable Legislations and the Articles of Association of the Company as amended from time to time.

## **E. Board Meetings and Quorum**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Applicable Legislations and as decided by the Board of Directors.

The quorum shall be as per the requirements of the Applicable Laws and as per the provisions of the Articles of Association of the Company.

## **F. Information to be placed before Board and its Committees**

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Applicable Laws. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

## **G. Agenda for the Meeting**

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period of time prior to the Meeting as per the Applicable Laws. With the permission of the Chair, each Board member and Committee member, as the case may be, is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions. However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting as the case may be.

## H. Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee as the case may be.

## I. Minutes

The minutes of all meetings of the Board and the Committees shall be circulated to the Board and the Committee respectively and shall be noted in the consequent Board Meeting and Committee meeting respectively as per the Act and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Minutes of meetings of all Committees of Board shall be placed before the Board for its noting.

## BOARD COMMITTEES

. The Board shall have the following Committees mandatorily besides other Committees:

- Audit Committee;
- Nomination and Remuneration Committee;
- Risk Management Committee; and
- Asset Liability and Management Committee.
- Stakeholder Relationship Committee
- Corporate Social Responsibility Committee
- IT Strategy Committee
- IT Steering Committee
- Management Committee
- Review Committee

The terms of reference of the above-mentioned Committees shall be determined by the Board from time to time as per Applicable Laws.

Other than the Committees that are mandatorily required to be constituted, the Board may at its discretion, constitute such other Committees, as and when required, to ensure smooth functioning of the Company.

Details of the various Board Committees shall, be as per the Charter/Terms of reference approved by the Board of Directors of the Company from time to time.

## CHIEF RISK OFFICER

### Appointment:

The Board shall appoint and/ or designate a senior official with adequate expertise in the area of risk management, as the Chief Risk Officer (CRO), in accordance with the RBI Master Directions. The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Non-Banking

Supervision of the regional office of the Bank under whose jurisdiction the NBFC is registered. Since, the Company is a listed company, any change in incumbency of the CRO shall also be reported to the stock exchanges. Pursuant to SEBI Listing Regulations the appointment of CRO should be reviewed and recommended by the Risk Management Committee of the Company.

#### **Role of the CRO:**

The CRO shall undertake such duties or perform such roles or exercise such powers as entrusted to it by the Board, in accordance with the Applicable Laws. The CRO is required to function independently so as to ensure highest standards of risk management. The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products shall be vetted by the CRO from the angle of inherent and control risks. The CRO shall not have any reporting relationship with the business verticals of the NBFC and shall not be given any business targets. Further, there shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility.

#### **Reporting:**

The CRO shall directly report to the Managing Director or the Risk Management Committee (RMC) of the Board. However, if the CRO reports to the Managing Director then the RMC/ Board shall meet the CRO at least on a quarterly basis without the presence of the Managing Director.

### **FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company have in place a policy for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The NRC shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy on Fit and Proper Criteria for Directors in line with the RBI Master Directions.

The Company shall ensure that a quarterly statement is submitted within 15 days from the end of the respective quarter to RBI on change of directors along with a certificate from the Managing Director certifying that the fit and proper criteria is adhered while selecting directors. The statement for the quarter ending March 31, shall be certified by the statutory auditors.

### **CODE OF CONDUCT**

The Company has adopted code of conduct approved by the Board of Directors which is binding on employees and directors of the Company and the same shall be complied with.

### **DISCLOSURE TO THE BOARD**

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:



1. Progress made in putting in place a progressive risk management system and risk management policy and strategy followed;
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.
3. The Key Managerial Personnel shall except for directorship in a subsidiary, not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. The disclosure of which shall be placed on quarterly basis to the Board of Directors.
4. The Independent Directors on an annual basis and as and when changes occur shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.

The following disclosures shall be made in the annual financial statements:

1. Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
2. Ratings assigned by credit rating agencies and migration of ratings during the year;
3. Penalties, if any, levied by any regulator;
4. Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
5. Asset-Liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures;
6. Any other information which requires disclosure under the Applicable Laws.

## **ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

The Company shall appoint/re-appoint/rotate the firms/partner(s) of the Chartered Accountant firm conducting statutory audit as per Applicable Laws and in accordance with Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).

## **CORPORATE GOVERNANCE IN SUBSIDIARY COMPANIES**

The Board shall ensure good corporate governance practices in the subsidiaries of the Company by way of monitoring of periodic reports/details furnished to the Board.

## **REVIEW OF POLICY**

The Board or its Committee may review the policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.