

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 lays 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 from the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by the Reserve Bank of India (“RBI”) dated October 19, 2023, (“**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. 1000 crore and above classified as an NBFC in the Middle Layer (“NBFCs-ML”), 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-ML, 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’), Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 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 personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

## **GUIDELINES ON CORPORATE GOVERNANCE**

In pursuance of the RBI Master Directions, the Company has framed the following internal guidelines (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.
7. All Directors shall make necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of persons including shareholding, directorships and committee positions and shall intimate changes to the Board, as and when they take place.
8. 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.
9. All other duties and responsibilities specified in Companies Act, 2013, RBI Directions, SEBI Listing Regulations or any other law/regulations in force, applicable to the Company.

#### **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.

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.

#### **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 Laws and the Articles of Association of the Company as amended from time to time.

The Directors shall possess the requisite qualifications and experience in general corporate management, risk management, banking, finance, economics, marketing, digitization, analytics and other allied fields which enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company. All the Directors shall meet the 'fit and proper' criteria as provided in this Policy and as prescribed under the RBI Master Directions read with the Policy on the Fit and Proper Criteria as adopted by the Board.

An Independent Director, if any, shall not be on the board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. Further, the Board shall ensure that there is no conflict arising out of their Independent Directors being on the board of another NBFC at the same time. It may be noted that there shall be no restriction to directorship on the boards of other NBFC-BLs, subject to limits under the Act. The Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act and obligations as provided in the SEBI Listing Regulations.

Any appointment of Directors which results in change in more than 30 per cent of the directors, excluding independent directors and directors reappointed by rotation shall require prior approval of RBI.

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

The Board Meetings of the Company shall be held as per the requirements prescribed under the Applicable Laws 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 Applicable Laws. Minutes of meetings of all Committees of Board shall be placed before the Board for its noting.

## **BOARD COMMITTEES**

The Board of Directors shall constitute various board level committees which will enable the Board to deal with specific areas/ activities that need a closer review and to have an appropriate structure to assist in the discharge of their duties and responsibilities.

The Board shall have at minimum the following Committees:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Risk Management Committee;
4. Asset Liability Management Committee;
5. Stakeholder Relationship Committee;
6. Corporate Social Responsibility Committee;
7. IT Strategy Committee;
8. Review Committee;
9. Customer Service Committee; and
10. Management Committee

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 as per Applicable Laws, to ensure smooth functioning of the Company.

The Board has also constituted Information Security Committee, IT Steering Committee, Committee of Executives as per the applicable RBI directions.

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

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 from time to time as desired necessary.

## **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 Board.

### **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 has 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 statements 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 of the Company.

## **CODE OF CONDUCT**

The Company has adopted a 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 Auditors (SA/SAs) of NBFCs dated April 27, 2021 The Company has in place and ensures/ shall ensure compliance with the Policy for Appointment of Statutory Auditors as adopted by the Board.

## **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.

## **CONFLICT OF INTEREST**

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policy(ies) and code(s) adopted by it. The Directors, Senior Management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company.

If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee members in any manner whatsoever. Officers and other employees must disclose the circumstances of any possible conflict of interest to his /her supervisor and the MD &CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

The Company may grant loans to its directors, senior officers and relatives of directors or to entities where directors or their relatives have major shareholding in line with the Credit Policy or Policy for Loan to Directors, Relatives of Director and Senior Officer framed in this regard.

## **INTERNAL AUDITORS**

The Board of the Company shall appoint Head of internal audit in accordance with the Risk-Based Internal Audit (RBIA) guidelines issued by RBI, Companies Act, 2013, read with the RBIA Policy as adopted by the Board and other applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

## **SECRETARIAL AUDITORS**

The Company shall appoint a company secretary in practice in terms of Section 204 of the Companies Act, 2013, SEBI Listing Regulations and as per the applicable rules made thereunder who shall be responsible to conduct secretarial audit of the Company as per the rules made thereunder to conduct a secretarial audit of the Company for every financial year.

The secretarial auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The secretarial audit report shall be placed before the Board for its noting and records and the same to be annexed to the board's report which shall be circulated to the members of the Company in accordance with the applicable laws / regulations.

## **CHIEF COMPLIANCE OFFICER**

The Company shall appoint a Chief Compliance Officer leading the compliance function with specified role and responsibilities in terms of the RBI circular on Compliance Function and Role of Chief Compliance Officer (CCO) - NBFCs under RBI Directions as amended from time to time, and ensure compliances as stated therein read with the Compliance Policy as adopted by the Board.

The Role, structure and operations of the Compliance Function shall be governed by the Compliance Policy of the Company.

## **GUIDELINES ON COMPENSATION OF KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT**

The Company has in place the Board approved Remuneration Policy which inter alia includes the guidelines on compensation as per the RBI Directions.

### **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 practices in compliance with the SEBI Listing Regulations read with Schedule V including Discretionary requirements to the extent agreed by the Company.

### **POLICIES ADOPTED BY THE COMPANY**

In accordance with the applicable provisions of the Companies Act, 2013, the directions/ guidelines issued by the RBI, under other applicable laws and for internal requirements and operational convenience, the Company shall frame and adopt various policies and shall modify/ update/ revise/ review as and when required under the applicable laws or due to change in the functioning or the structure of the Company.

The policies adopted shall be reviewed by the Board from time to time.

### **REVIEW OF POLICY**

The Board or its Committee may review the Policy from time to time as may be required in the context of changing regulations and emerging best practices with a view to enhancing the Company's governance. Changes, if any, shall be effective only upon approval by the Board.

### **SCOPE AND LIMITATION**

In the event of any conflict between the provisions of these Guidelines and RBI Notifications(s)/ RBI Circulars/ RBI Master Directions, the SEBI Listing Regulations, the Act and rules framed thereunder or any other applicable regulatory/statutory enactments including amendments thereto, RBI Notifications(s)/ RBI Circulars/ RBI Master Directions, the SEBI Listing Regulations, the Act and rules framed thereunder or any other regulatory/statutory enactments shall prevail over these Guidelines.