

SF3-IN Internal Guidelines on Corporate Governance

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1 Objective

The objective of the Corporate Governance Policy (Policy) is to ensure that the structure, responsibilities and functions of Board of Directors and the senior management of the Company, fully recognize the expectations of all stakeholders as well as those of the regulator. The structure should be such that it adopts sound and prudent principles and practices for the governance of the company and should have the ability to quickly address issues of non-compliance or weak oversight and controls.

2 Company's Philosophy on Corporate Governance

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. As part of the BMW Group, the Company's philosophy on Corporate Governance is embedded with rich legacy of fair, ethical and transparent governance practices.

3 RBI Guidelines on Corporate Governance

In order to enable NBFCs to adopt best practices and greater transparency in their operations, Reserve Bank of India (RBI) has, on May 8, 2007, November 10, 2014 and on April 10, 2015 issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following Internal Guidelines on Corporate Governance.

4 Board of Directors

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The role of the Board is to determine the overall strategic direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is determined by various provisions of the laws and the Articles of Association of the Company. In performing its duties, the Board meets regularly and act in the best interests of the Company including its shareholders, employees, customers and creditors.

The Board is constituted as per the provisions of the Companies Act, 1956 and Companies Act, 2013.

The Company's Board consists of executive and non executive directors, including independent professionals. Non-executive and Independent directors are expected to play a critical role in imparting balance to the Board processes by bringing an independent approach on matters of strategy, performance, resources, standards of Company conduct, etc.

Minimum One third of total number of directors will be designated as Independent Directors as per statutory requirements.

The Board of Directors at present comprises of the following members:

Particulars
Managing Director & CEO
Wholetime Director and CFO
Non Executive Director
Independent Directors
Woman Director

The Managing Director & CEO alongwith the Independent Directors have been appointed in the Company for a period of five years in 2015. In addition the Company has a Company Secretary appointed pursuant to Section 203 of the Companies Act, 2013 as Key Managerial Personnel who also acts as the Compliance Officer under the RBI regulations.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of two to a maximum of twelve directors. 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.

5 Fit and Proper Criteria

The Company has formulated the Fit and Proper Criteria Policy and carries out a due diligence exercise before the appointment of any candidate as director in the Company or for the continuance of the existing directors.

The Company obtains a declaration of being "Fit and Proper" from the proposed/existing Directors at the time of their appointment/ re-appointment and also on continuing basis.

The Company shall not appoint a person as the Director, if he/she does not fulfill the criteria mentioned below:

- a. A person who is professionally qualified to be a Director or occupy any key position in the Company as per internal guidelines and policies of the Company.
- b. A person who is having the relevant experience and track record to occupy the position of a Director or any key position in the Company.
- c. A person who is competent, capable, honest, fair and ethical in the conduct of day to day affairs of the Company. In determining these criteria, skills like satisfactory past performance, range of skill set, technical knowledge and understanding and management of the affairs of the Company shall be taken into account.
- d. A person who is eligible and suitable as per the conditions stipulated in the Declaration, the Deed of Covenant and the Declaration for Integrity.
- e. A person who is qualified to be appointed as a Director under Sections 149, 152, 164 and 165 of the Companies Act, 2013.

6 Board Meetings

The Meetings of the Board of Directors shall be held atleast four times a year in such a manner that not more than one hundred and twenty days (120) shall intervene between two consecutive meetings of the Board.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The Board shall constitute a set of Committees with specific Terms of Reference / scope to focus effectively on the issues and ensure expedient resolution of diverse matters. 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 discussions / noting. The draft minutes shall be circulated to the Board of Directors within Fifteen (15) days after completion of the Board meeting or within such other time as may be prescribed under the Companies Act, 2013.

7 Board Committees

The Board in exercise of its powers has set out clear roles and responsibilities, including those powers, which the Board wishes to exercise by itself or through a formally constituted committee of the Board to ensure the good governance.

The Company has following Board Committees with terms of reference determined by the Board:

- i. **Audit Committee (AC):** The Committee will be responsible for review of internal financial controls and audit finding, review of financial statements, approval of audit plan and appointment of auditors amongst other responsibilities as stated in its Terms of Reference.
- ii. **Assets Liability Management Committee (ALCO):** The Committee will be responsible for setting the risk/reward objectives, formulating, implementing and monitoring ALM strategies, setting the risk tolerance limits, reviewing/ monitoring of mismatch between assets and liabilities and reviewing the solvency position of the Company on a regular basis amongst other responsibilities as stated in its Terms of Reference.
- iii. **Risk Management Committee (RMC):** The Committee shall identify risks associated with business of the Company and to devise mitigation plans. The Committee shall frame and implement policies and procedures and ensure adherence to the same in accordance to the Terms of Reference.
- iv. **Nomination and Remuneration Committee (NRC):** The Committee shall determine the criteria for appointment of Key Managerial Personnel, Directors and Senior Management. The Committee shall formulate policy for determining criteria for appointments and removals, conduct evaluation of performance and recommend remuneration for the Directors, Key Managerial Personnel and other employees in accordance to the Terms of Reference.
- v. **Corporate Social Responsibility Committee (CSR):** The Committee will be responsible for undertaking activities for contribution towards social and economic development of the community at large and frame policies for execution of the objective.

The Committee shall recommend CSR activities/projects and the amount to be expended and monitor the implementation thereof in accordance to the Terms of Reference.

The terms of reference outlines the responsibilities of the above mentioned committees and in particular, includes the following:

- Constitution
- Composition
- Frequency of meeting / quorum requirements
- Objectives
- Responsibilities/Duties

8 Associate Committees

In addition to the aforesaid Board level Committee, the Company has the following associate level committees:

- a. Executive Committee
- b. National Risk Committee
- c. Internal Complaint Committee (POSH)

9 Policies adopted by the Company

The following policies have been framed and adopted by the Company, viz.

POLICIES
Corporate Governance Policy
Fit and Proper Criteria Policy
Remuneration Policy
Corporate Social Responsibility Policy
Data Privacy Policy
Fraud Monitoring Policy
Guidelines on KYC and AML
Interest Rate Policy
Related Party Policy
Fair Practice Code
Risk Strategy
Vigil Mechanism Policy
Bad Debt Provision Policy
Policy for Resource planning
Restructuring Policy
Policy for Prevention of Sexual Harassment at work place

The policies will be reviewed, from time to time, to ensure compliance and also reflects the changes in the regulations/ corporate governance environment.

10 Disclosures and transparency

The RBI Regulatory Framework for Non Banking Financial Companies (NBFC) and other applicable regulations imposes certain compliance requirements on the Company to apprise and inform the Directors about all the relevant information about the NBFC.

In order to facilitate easy reference of these compliances it has been thought fit to put together a ready reckoner of information in the form of a handbook so that Directors are well informed and updated about the policies and strategies followed by the Company and general information about various committees, their roles and functions, periodicity of the meetings and general conformity with corporate governance standards.

The Company shall disclose in their Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time.

11 Rotation of Statutory Auditors

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partners of Statutory Auditors firm shall be subject to rotation. The partners of the Statutory Auditors firm shall rotate in every 3 years. Further as per the Companies Act, 2013 the Board shall appoint an individual as auditor for not more than five consecutive years. In case of an audit firm the appointment shall not be made for more than ten consecutive years. The matter relating to such appointment shall be ratified by the members at every annual general meeting.

12 Shareholders

The Board is responsible for effective management of relationship with the shareholders. The Company will comply with various reporting requirements towards the shareholders as stipulated in the Act and its Articles. The Company will seek approval of the shareholders on matters as stipulated under the regulations and Company's governance requirements. The Managing Director shall be the primary person responsible for interaction with the shareholders. The Managing Director may authorize other senior officials of the Company for interaction and reporting to the shareholders.

13 Interaction with the Regulator

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator.

In order to ensure effective management of those relationships, contact between business units and regulators should only be made through lines of communication agreed by line management of the Company.