



Corporate Governance Policy

Laxmi India Finance Private Limited
(Formerly known as Laxmi India Finleasecap Private Limited)

(Sapne Dekho, Bade Dekho, Hamare Saath Unhe Pura Hote Dekho)



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1. PURPOSE /OBJECTIVE:

Laxmi India Finance Private Limited (Formerly known as Laxmi India Finleasecap Private Limited) (hereinafter referred as “**the Company**” or “**LIFPL**” or “**Laxmi India**”) is a Non-Banking Financial Company - Non Deposit accepting – Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI). 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 are mandated and regularly reviewed by the Board or the Committees of the Board of Directors of the Company.

The objective of this Policy is to ensure compliance with all applicable laws in India and set standards for Business Governance/Conduct so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates. This corporate governance policy will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

2. GUIDELINES ON CORPORATE GOVERNANCE

The Reserve Bank of India (“RBI”) has issued the Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015” dated July 1, 2015 and bearing reference number DNBR (PD) CC.No.053/03.10.119/2015-16 (“Master Circular”) which applies inter alia to every non-deposit accepting Non-Banking Financial Company with an asset size of INR 500 Crore and above (NBFC-ND-SI), as per its last audited balance sheet and the Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 (“Master Direction”). The Company is registered with the RBI as a non-deposit accepting Non-Banking Financial Company (“NBFC”). The Company has become a systemically important NBFC and accordingly the Master Circular is applicable to the Company. Further, in terms of the Master Circular and the Master Direction, the Company is required to frame internal guidelines on corporate governance with the approval of the board of directors of the Company and accordingly the Company has put in place this policy on Corporate Governance (“Corporate Governance Policy”).

3. GOVERNANCE STRUCTURE

The Company is a distinct legal entity registered under the erstwhile Companies Act, 1956 (now amended to Companies Act, 2013). The Corporate affairs of the Company are governed in the manner as described in this Guideline.

4. BOARD OF DIRECTORS

The Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the Company. The Board shall be responsible for overall compliance with the corporate governance of the Company and oversee the business affairs, in doing so the Board must act honestly, in good faith and in the best interests of the Company. Further the Board will have a vital role to play in the matters relating to Policy Formulation, implementation and strategic issues which are crucial for the long term development of the organization.



a) **Size of the Board:** Pursuant to Section 149 of the Companies Act, 2013, the company shall have a minimum of two directors and maximum 15 Directors or as may be provided in the Article of Association of the Company as amended from time to time.

b) **Board Composition:** The Company's Board shall have an optimum combination of executive and non-executive directors in line with the requirements of the provisions of the Companies Act, 2013 and Articles of Association of the Company, as amended from time to time.

The Board shall periodically review the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

c) **Quorum and Meetings:** The quorum and meetings of the Company shall be held as per the requirements of the Companies Act, 2013 and as prescribed in the Articles of Association of the Company. The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

d) Responsibilities:

i. The Board of Directors shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

ii. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.

iii. Monitoring the effectiveness of the entity's governance practices and making changes as needed.

iv. Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the entity and its shareholders.

v. Ensuring the integrity of the entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

vi. Monitoring and reviewing board of director's evaluation framework.

vii. The Board of Directors shall provide strategic guidance to the entity, ensure effective monitoring of the management and shall be accountable to the entity and the shareholders }

viii. The Board of Directors shall maintain high ethical standards and shall take into account the interests of stakeholders.

ix. The Board of Directors shall exercise objective independent judgment on corporate affairs.

5. BOARD INDEPENDENCE AND INDEPENDENT DIRECTOR

The company shall also have an Independent Director on its Board in consonance with the requirements of the applicable acts, rules, regulations and Articles of Association of the company to bring objectivity and independence of view to the Board's discussions and to help provide the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance.

The Board shall review annually the relationship that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company shall be considered Independent Directors.

The Independent Director shall be responsible to perform all the duties and shall be abide by the code/guidelines provided in Schedule IV of the Companies Act, 2013 read with the applicable rules made



thereunder (as amended from time to time).

6. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific Terms of Reference. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board and meetings of the Board of Directors of the Company shall be placed before the Board for noting.

The composition and responsibilities of the Committees, as may be modified by the Board of Directors of the Company from time to time, shall be as follows:

i. Audit Committee:

The Company shall at all times have a Committee of Board known as 'Audit Committee', which shall be in conformity with Section 177 of the Companies Act read with relevant RBI guidelines issued in this regard from time to time. The constituents and function of the Committee are as follows:

a) Membership – The committee shall consist of not less than three directors with independent director forming majority.

b) Quorum - A quorum for the Audit Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.

c) Frequency of meetings – The Committee shall meet from time to time as necessary to accomplish its purpose and duties.

d) Powers and Duties of Audit Committee – The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Companies Act, 2013 applicable RBI Guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The Audit Committee plays a key role, standing at the intersection of management, independent auditors, internal auditors, and the Board of directors. The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter alia, include:

- i. the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. examination of the financial statement and the auditors' report thereon;
- iv. approval or any subsequent modification of transactions of the Company with related parties;
- v. scrutiny of inter-corporate loans and investments;
- vi. valuation of undertakings or assets of the Company, wherever it is necessary;
- vii. evaluation of internal financial controls and risk management systems;
- viii. examining all frauds and suspicious transactions that are reported by the customers or employees or any internal reports/analysis or through a Whistle blower.
- ix. monitoring the end use of funds raised through public offers and related matters;
- x. supervising the vigil mechanism of the Company for addressing concerns raised by any employee; ensuring that Information Systems Audit of the internal systems and processes of the Company is conducted at least once in two years to assess operational risks faced by the Company.



ii. Nomination and Remuneration Committee:

The Company shall at all times have a Committee of Board known as 'Nomination and Remuneration Committee', which shall be constituted in conformity with Section 178 of the Companies Act read with relevant RBI guidelines issued in this regard from time to time. The constituents and functions of the Committee are as follows:

- a. Membership – The committee shall consist of not less than three non-executive directors out of which two shall be the independent directors.
- b. Quorum - A quorum for the Nomination and Remuneration Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c. Frequency of Meeting: The Committee shall meet as and when a new Director is proposed to be appointed or as may be required for ascertaining the “fit & proper” criteria of the directors. The Committee shall also meet from time to time as necessary to accomplish its purpose and duties.
- d. Role and Power of Nomination and Remuneration Committee: The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, read with applicable RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The Nomination and Remuneration Committee shall, inter alia, carry the following functions:
 - i. Ensure that all the proposed and existing Directors of the Company fulfil the “fit and proper” criteria as specified under the applicable laws.
 - ii. To review and implement Fit and Proper Criteria for directors Policy.

iii. Risk Management Committee:

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines. The constituents and functions of the Committee are as follows:

- a. Membership: The Risk Management Committee should have such members as approved by the Board.
- b. Quorum - A quorum for the Risk Management Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c. Periodicity: The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d. Role of the Risk Management Committee: The Risk Management Committee shall, inter alia, formulate overall Integrated Risk Management Policy for the Company in order to ensure that the risks associated with the business/functioning of the Company are identified, controlled and mitigated and shall also lay down procedures regarding managing and mitigating the risks through integrated risk management systems, strategies and mechanisms.



iv. Corporate Social Responsibility Committee:

Pursuant to Section 135 (9) where the amount to be spent by a Company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee is not currently applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

The Company as and when required under the Companies Act, 2013, shall constitute Committee of Board known as 'Corporate Social Responsibility Committee' ("CSR Committee"). The constituents and function of the CSR Committee shall be as follows:

- a) Membership – The committee shall consist of not less than 3 directors out of which atleast one should be an independent director.
- b) Quorum - A quorum for the CSR Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c) Frequency of meetings – The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d) Role of CSR Committee – The CSR Committee shall, inter alia, carry the following functions:
 - i. Formulate and amend, time to time, this CSR Policy and recommend the same to the Board of Directors of the Company for approval and adoption.
 - ii. To recommend and undertake such CSR activities as approved by the Board of Directors of the Company.
 - iii. To prepare and recommend the amount required for CSR activities.
 - iv. To monitor the implementation of CSR activities in terms if this CSR Policy.
 - v. To prepare and submit reports on the progress of CSR activities undertaken by the Company.
- e) Powers of the CSR Committee: The CSR Committee shall have the same powers, functions and duties as laid down in Section 135 of the Companies Act, 2013, as amended.

v. Asset Liability Management Committee:

The Company has in place the Asset-Liability Management Committee ("ALCO") constituted in accordance with the RBI guidelines. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time. The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The constituents and functions of the Committee are as follows:

- a. Membership: The Committee has such members as approved by the Board.
- b. Quorum and Meetings: The quorum shall comprise of at least two members. The Committee shall meet as and when required.
- c. Role of the Committee: The role of the Asset Liability Management Committee, inter-alia, shall include the following:
 - i) Management of the balance sheet of the Company;



- ii) Review of the asset-liability profile of the Company with a view to manage the market exposure assumed by the Company and report any mismatch;
- iii) Safeguarding the recovery positions at any point of time;
- iv) Review of risk monitoring system, ensure payment of liability on its due dates, liquidity risk management, funding and capital planning, profit planning and growth projections, forecasting and analyzing different scenarios and preparation of contingency plans; and
- v) Perform such other allied functions as may be required from time to time.

vi. IT Strategy Committee:

Pursuant to Master Direction, dated 8th June, 2017, Information Technology Framework for the NBFC Sector the Company has constituted an IT Strategy Committee. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance. The constituted and functions of the Committee are as follows:

- a. Membership: The Committee has such members as approved by the Board. The chairman of the committee shall be an independent director and CIO & CTO should be a part of the Committee.
- b. Quorum and Meetings: The quorum shall comprise of at least two members. The Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.
- c. Role of the Committee: The role of the IT Strategy Committee, inter-alia, shall include the following:
 - 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 NBFC's growth and becoming aware about exposure towards IT risks and controls
 - vi) Such other functions that may be entrusted by the Board from time to time.

vii. Business Operations Committee:

The Board of Directors of Laxmi India Finance Private Limited (Formerly known as Laxmi India Finleaseap Private Limited) has constituted Business Operation Committee (" the BOCM") of the Board of Directors of the Company to enter into, make, sign and do all such contracts, agreements, receipts, payments, assignments, transfer, conveyance, mortgages, insurance, settle insurance claims, instruments and things as may in his opinion be and to avail credit facility or borrow from time to time such sums or money and upon such terms as he may think fit upon the security of any of property of the company or its undertaking in or their assets of the company whether movable or immovable and for such purpose to execute such mortgages, charges, pledges other securities or debentures upon such terms and conditions as he may think proper and authorizing the person for execution of the loan agreement or any other matters as may be necessary of the company.

- a. Membership: The Committee has such members as approved by the Board.
- b. Quorum and Meetings: The quorum shall comprise of at least two members.



c. Role of the Committee: The role of the Business Operations Committee, inter-alia, shall include the following:

i) to enter into, make, sign and do all such contracts, agreements, receipts, payments, selling, assignment of its receivables/ book debts, transfer, conveyance, mortgages, insurance, settle insurance claims, instruments and things as may in his opinion be, for the business of the company necessary or convenient or expedient for carrying on the business of the company and for such purpose to affix seal of the company if so required in accordance with the Articles of the company.

ii) to demand, receive, accept, exercise or utilize any claim, thing, privilege, license or any object of which the company is entitled and to make and give receipts, release and other discharges for moneys payable to the company, and for any claims demand of the company.

iii) to draw, accept, endorse, negotiate, retire, pay or satisfy any bills of exchange, promissory notes, cheques, drafts, order for payment or delivery or moneys, securities, goods, or effects, bills of lading other negotiable or mercantile instruments or securities which may be deemed necessary or proper in relation to the business of affairs of the company.

iv) to avail credit facility or borrow from time to time such sums or money and upon such terms as he may think fit upon the security of any of property of the company or its undertaking in or their assets of the company whether movable or immovable and for such purpose to execute such mortgages, charges, pledges other securities or debentures upon such terms and conditions as he may think proper and authorizing/delegation to such other person for execution of the loan agreement and other documents.

v) to furnish necessary information and documents required by the financial institutions, to negotiate with them and to seek all scheduled events of principal loan installment, to seek deferment of interest installment, to seek conversion of interest due in to term loan and to do all such negotiations and deliberations which are felt expedient in the interest of the business of the company.

vi) to establish, maintain and promote any agency or branch offices of the company in India or elsewhere and to regulate the same or discontinue the same.

vii) to open a banking account with any bank on behalf of the company and to operate on the same and to close the same if necessary, availing of E-Net facility and creation of Fixed deposit account.

viii) to allot the securities, subject to provisions of applicable laws and such other conditions, as may be necessary.

ix) to invest any money of the company upon such investments or securities, with power to carry the same from time to time as he may think fit.

x) to commence and prosecute and to defend, compound and abandon all actions, proceedings, suits, claims, demands, in relation to the business and property of the company or otherwise in relation to the affairs of the company and for such purposes to sign, verify and present any documents, pleadings or other instruments in writing and to appear on oath or otherwise in relation to the affairs of the company and to appoint any pleader, agent, solicitor or advocate for the said purposes and to obtain legal advice in any matter affecting the company.

xi) To decide and take necessary action, decision for the matters falling before any local authority, state governments, central government, judicial or quasi-judicial authorities or any other authorities.



xii) such any other authorities as the Board of Directors may delegate from time to time and/or enforced by any statutory notification, amendment or modification as may be applicable;

xiii) delegate authorities from time to time to the executives / authorised persons / employees / officers of the company to implement the Committee's decisions;

xiv) delegate the authorities to Chief Financial Officer (CFO), Company Secretary (CS) and other person as authorised by CFO/CS to deal with credit rating agency, appointment of advisors in respect of all matters,

xv) to take decision in the matters related to acquisition and dispose of asset of the company i.e. movable and immovable properties and authorising the person on behalf of the company to perform all the acts.

7. FIT & PROPER CRITERIA:

In terms of RBI circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 and RBI Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015, the Company has in place a Board approved policy on 'Fit and Proper Criteria for Directors' ("the Policy"). Pursuant to the Policy, the Company obtains necessary disclosures from Directors from time to time. Further, the Company ensures compliance with the provisions laid down in the said Policy. Further as required under the above referred RBI circulars, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. The same should be submitted to the Regional Office of RBI within 15 days of the close of the respective quarter and the statement for the quarter ending March 31, should be certified by the auditors.

8. VIGIL MECHANISM:

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company has framed and adopted Vigil Mechanism Framework ("the framework") to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct.

The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

9. PERFORMANCE EVALUATION:

Performance evaluation is becoming increasingly important for Board and Directors, and has benefits for individual Directors, Board and the Companies for which they work to continuously assess how effectively they are performing their roles against the objectives and the goals they have set for themselves.

Pursuant to the provisions of the Companies Act, 2013 read with the rules made thereunder, the Nomination & Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board or by the NRC and review its implementation and compliance.

The performance evaluation of the Board as a whole, individual director and its Committees shall be conducted after seeking inputs from all the Directors on the basis of various criteria such as structure, composition and diversity of the Board and committees, effectiveness of board processes, competency of Directors, experience, qualification and knowledge of Director, independence of the management from the



Board etc.

The performance of the Committees shall be evaluated on the basis of criteria such as mandate and composition, effectiveness of the committee, structure of the committee and meetings, independence of the committee from the Board and contribution to decisions of the Board.

The Independent Director shall be additionally evaluated on the basis of independence, independent views and judgment etc.

10. DISCLOSURE AND TRANSPARENCY:

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

- i) progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
- ii) 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.

B) **Disclosures:** The Company shall disclose the following in its Annual Financial Statements:

- i) registration/ license/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii) ratings assigned by credit rating agencies and migration of ratings during the year;
- iii) penalties, if any, levied by any regulator;
- iv) information regarding name, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries; and
- v) 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 under applicable regulations.

11. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT 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.

12. POLICIES AS PER THE STATUTORY REQUIREMENT

The Company, in line with the requirement of the Applicable Laws has framed and adopted various policies. Further, the Board/various Committees of the Company shall review and update the policies at regular intervals based on statutory requirement or on modification or amendments in various acts, rules, regulations, statutes, as applicable to the Company.

13. REVIEW AND AMENDMENTS TO THE POLICY

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation / information between the policy and any regulations, rules,



guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.