



**MIDLAND MICROFIN LIMITED**

**CORPORATE GOVERNANCE POLICY**

## Revision History

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<b>Versio n</b>	<b>Author</b>	<b>Description of Changes</b>	<b>Release Date</b>
1	Company Secretary	First version	2016
2	Company Secretary	Second Version	12-11-2024 (Board Approved Date)

<b>Versio n</b>	<b>Author</b>	<b>Reviewed by</b>	<b>Approved by</b>
1	Company Secretary	MD & CEO	Board of Directors
2	Compliance Officer	MD & CEO	Board of Directors



## **CORPORATE GOVERNANCE POLICY**

### **1. Policy Statement and Purpose**

Midland Microfin Ltd., (“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.

The purpose of Corporate Governance is to constitute strategic objectives and a set of corporate values that are communicated throughout the organization.

- Establishing clear lines of responsibility and accountability across the organization, ensuring enforcement of these boundaries
- Ensuring that board members are selected based on qualifications and understanding of their governance roles and free from any kind of influence from management and outsiders.
- Ensuring that compensation practices are aligned with the organization’s ethical values, objectives, strategy and control environment.

The company maintains good governance by implementing and regularly reviewing effective policies and procedures, overseen by the Board or committees

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

Pursuant to RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (“RBI Directions”), the Company has framed this internal Guidelines on Corporate Governance. The Company’s securities being Listed on Stock Exchanges in India, the Company is also required to comply with the applicable Regulations of Securities & Exchange Board of India (SEBI Regulations) relating to Corporate Governance and related matters as may be made applicable to the Company from time to time. The Company shall ensure that it complies with both RBI Directions and SEBI Regulations, and in case of an overlap, whichever is more stringent.

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

The Company shall ensure that it always has the minimum number of Directors on its Board 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”) and SEBI Regulations, from time to time.

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, SEBI Regulations and RBI Directions.

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 noncompliance, if any.

### **4. Board Meetings and Quorum**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013 and as decided by the Board of Directors. The dates of the meetings shall be fixed well in advance and notice convening the board meeting shall be circulated seven (7) days prior to the date of the board meeting except in the case of convening meeting at shorter notice. The quorum shall be as per the requirements of the Companies Act, 2013.

The board shall meet a minimum of four times in a year, at least once in each quarter (in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the board).

### **5. Attendance at Board Meetings**

The Directors shall strive to attend all meetings of the Board and its Committees in person or through video

conferencing. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

## 6. Minutes

The minutes of all meetings of the Board shall be circulated to the Board and shall be approved in the consequent Board Meeting.

## 7. Duties and Responsibilities of Directors

The Board shall meet the expectations of shareholders by adhering to the requirements specified in the directions issued by Reserve Bank of India (“RBI”) apart from the statutory duties and responsibilities prescribed under the Companies Act 2013, RBI Directions and SEBI Regulations 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 shareholders and the community in general.

## 8. 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, SEBI Regulations and the Act, the Company shall constitute the following Committees of the Board:

1. Audit Committee
2. Asset Liability Management Committee
3. Risk Management Committee
4. Nomination and Remuneration Committee
5. Corporate social responsibility Committee
6. Stakeholder Relationship Committee
7. Information Technology Strategy Committee
8. Information Technology Steering Committee
9. Information Security Committee
10. HO Executive Committee
11. Special Committee for Monitoring of Fraud
12. Board Management Committee

### a) Audit Committee

Pursuant to the provisions of the Companies Act, 2013, and other applicable laws, the Company has a duly constituted Audit Committee and its composition is in conformity with the requirements of the Act, with minimum of three directors with independent directors forming a majority.

Chairperson	The Chairman of the Audit Committee shall be an Independent Director or such other person as per the applicable laws, The Board shall appoint the Chairman of the Committee, in the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman of the Committee.
Composition	<ol style="list-style-type: none"> <li>1. The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority</li> <li>2. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise</li> </ol>

Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Quorum and Meetings	The quorum shall be two members or one third of the members of the Audit Committee whichever is greater, and the Committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings.

### **Brief description of Terms of Reference**

- The Audit Committee charter shall be in line with the Act, read with SEBI LODR and RBI guidelines, as amended from time to time.
- Oversight of the Company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommend appointment, remuneration and terms of appointment of auditors of the Company;
- Approval of payment to statutory auditors, including cost auditors (if any), for any other services rendered by them;
- Review with the management, the annual financial statements and auditor's report thereon before submission to the Board for its approval,
- Review with the management, the quarterly financial statements before submission to the Board for approval;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions with related parties of the Company;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Review the functioning of the Whistle Blower mechanism / oversee the vigil mechanism;
- 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;
- Discuss with 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.
- monitoring the end use of funds raised through public offers and related matters;
- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.

### **b) Asset Liability Management Committee (ALCO)**

Pursuant to RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (“RBI Directions”), The Company has a duly constituted an Asset Liability Management Committee (ALCO) for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company.

Chairperson	The CEO/ MD or the Executive Director (ED) shall act as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
Composition	The Composition of Asset Liability Management Committee of the Board shall be decided by the Board from time to time and The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research may be members of the Committee
Secretary	The Company Secretary of the Company shall act as the

	Secretary of the Committee.
Quorum and Meetings	The quorum shall be two members or one third of the members of the Committee whichever is greater, and the Committee shall meet at least four times in a year and as and when required.

### Brief description of Terms of Reference

- The role of the ALCO with respect to liquidity risk should include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches
- manages and controls the structure of assets and liabilities and interest rate sensitivities with a view of optimizing profits besides maintaining capital adequacy and sufficient liquidity.
- To review the Interest Rate on the applicable products.
- to assure Structured Liquidity, Liquidity Coverage and Interest Rate Sensitivity of company is being prepared in line with the RBI guidelines to actively manage the liquidity and interest rate risks.
- Such other matter as per the applicable laws.

### c) Risk Management committee

Pursuant to the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, the Company has a duly constituted Risk Management Committee to manage the integrated risk of the Company. The Company has established effective risk assessment and minimization procedures, which are reviewed by the Risk Management Committee periodically.

Chairperson	The Chairperson of the Risk management committee shall be a member of the board of directors in his absence the members of the Committee present at the Meeting shall choose any Senior Management Personnel amongst them to act as Chairman.
Composition	The Risk Management Committee shall have minimum three members with majority of them being Directors, including at least one Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Meetings and Quorum	The quorum shall be two members or one third of the members of the Committee whichever is greater.  The Risk Management Committee shall meet at least twice a year. The meetings of the Risk Management Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

### Brief description of Terms of Reference

- Frame Risk Management Plan and Policy.
- Oversee implementation / Monitoring of Risk Management Plan and Policy.
- Validate the process of Risk Management.
- Validate the procedure for Risk Minimization.
- Periodically review and evaluate the Risk Management Policy and Practices with respect to risk assessment and risk management processes.

- Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed.
- Review of development and implementation of a Risk Management Policy including identification therein of element of risk;
- Review of cyber security and related risks.
- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.
- The Risk Management Policies adopted and reviewed periodically articulate, codify the strategy, structure, processes and systems.
- Expanding business arenas, deregulation and globalization of financial activities, emergence of new financial products and increased level of competition has necessitated the need for an effective and structured risk management practice in financial institution.
- The Risk Management Committee charter shall be in line with the Companies Act, read with SEBI LODR and RBI guidelines, as amended from time to time.

**d) Nomination & Remuneration Committee**

Pursuant to the provisions of the section 178 of the Companies Act, 2013 and other applicable laws, The Company has a duly constituted Nomination and Remuneration Committee with its composition in conformity with the requirements of the Act.

Chairperson & Members	<p>The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director, and the Committee shall comprise of minimum three non-executive directors as members and not less than one-half of members of the Nomination and Remuneration Committee shall be independent directors.</p> <p>The chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.</p>
Composition	The Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent director.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Meetings and Quorum	The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance and shall meet at least once in a year and as and when necessary.

**Brief description of Terms of Reference**

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;
- Formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors;
- Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and / or removal;
- Consider extension or continue the term of appointment of the Independent Directors on the basis of the report of performance evaluation of Independent Directors;
- Specify the manner for effective evaluation of performance of Board, its Committees and Individual



#### Directors

- Recommend / review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria;
- Review information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Recommend to the Board, all remuneration, in whatever form, payable to senior management;
- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.
- The NRC charter shall be in line with the Act, read with SEBI LODR and RBI guidelines, as amended from time to time.

#### e) Corporate Social Responsibility Committee

Pursuant to the provisions of the section 135 of the Companies Act, 2013 and the rules made thereunder, the Company has a duly constituted Corporate Social Responsibility Committee. The Committee has formulated the CSR Policy of the Company indicating CSR activities proposed to be undertaken by the Company pursuant to the provisions of Schedule VII of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time

Chairperson & Members	The Chairperson of the Committee shall be appointed by the Board in his absence members present in the meeting shall elect one of them to act as a Chairman.
Composition	The Committee shall consist of three or more directors , out of which at least one director shall be an independent director.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Meetings and Quorum	The quorum shall be two members present in person or one-third of the members of the CSR Committee whichever is greater.  The CSR Committee shall meet at least twice in a financial year to approve the CSR budget, allocation and monitoring

#### Terms of Reference

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial Personnel and other employees;
- Formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors;
- Identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and / or removal;
- Consider extension or continue the term of appointment of the Independent Directors on the basis of the report of performance evaluation of Independent Directors;
- Specify the manner for effective evaluation of performance of Board, its Committees and Individual Directors
- Recommend / review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria;
- Review information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Recommend to the Board, all remuneration, in whatever form, payable to senior management;
- Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification as may be applicable.
- The CSR Committee charter shall be in line with the Act, read with SEBI LODR and RBI guidelines, as amended from time to time.

#### **h) Stakeholders' Relationship Committee.**

Pursuant to the provisions of the section 178 of the Companies Act, 2013, SEBI Regulation and RBI, the Company has a duly constituted Stakeholder's Relationship Committee for ensuring various aspects of interest of shareholders, debenture holders and other security holders.

Chairman	The chairperson of this committee shall be a non-executive director
Composition	At least three directors, with at least one being an independent director, shall be members of the Committee and in case of any outstanding SR equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors.
Meetings	The stakeholders relationship committee shall meet at least once in a year
Quorum	At least two or one-third of the members of the Committee, whichever is higher

#### **Terms of Reference**

- Oversee and review all matters connected with transfer of Company's securities
- Oversee the performance of the Company's Registrars and Transfer Agents
- Consider, resolve and monitor various aspects of interest of shareholders, debenture holders and other security holders including the redressal of investors' / shareholders' / security holders' grievances related to transfer / transmission of securities, non-receipt of annual reports, non-receipt of declared dividend, issue new / duplicate certificates, general meetings and so on.
- Review measures taken for effective exercise of voting rights by shareholders.
- Review adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent and recommend methods to upgrade the service standards adopted by the Company.
- To look into matters that can facilitate better security-holder's services and relations
- The SRC charter shall be in line with the Act, read with SEBI Regulations as amended from time to time.

#### **f) Information Technology Strategy Committee**

Pursuant to RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023, the Company has constituted an IT Strategy Committee on May 16, 2019 to review the IT strategies in line with the corporate strategies, board policy reviews, cyber security arrangements and any other matter related to IT governance as per the applicable laws.

Chairperson & Members	<p>The Chairperson of the ITSC shall be an independent director and have substantial IT expertise in managing/ guiding information technology initiatives; and</p> <p>The ITSC Committee shall consist of Minimum of three directors as members and who are technically competent.</p> <p>“Substantial IT expertise” means the person has a minimum of seven years of experience in managing information systems and/or leading/ guiding technology/ cybersecurity initiatives/ projects. Such a member should also understand the business processes at a broader level and the impact of IT on such processes.</p>
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Composition	The ITSC Committee shall consist of Minimum of three directors as members and who are technically competent and shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Meetings and Quorum	The quorum shall be two members or one-third of the members of the Committee whichever is greater.  The ITSC shall meet at least on a quarterly basis.

**Terms of Reference**

- Ensure that the Company has put an effective IT strategic planning process in place;
- Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Company towards accomplishment of its business objectives;
- Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;
- Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;
- Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company’s IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives; and
- Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.
- Approving IT strategy and policy documents and ensuring effective strategic planning process
- Ascertaining that implemented processes and practices delivers value to the business
- Ensuring IT investments represent a balance of risks and benefits & that budgets are acceptable
- Monitoring the method to determine the IT resources which are needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
- Ensuring proper balance of IT investments for sustaining Company’s growth and becoming aware about exposure towards IT risks and controls.

**i) Information Technology Steering Committee**

Pursuant to RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023, the Company has duly constituted an IT Steering Committee which provides oversight and monitoring of the progress of the project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable. Also, NBFCs are required to realign their IT systems on a regular basis in line with the changing needs of its customers and business. The changes need to be done in such a way that adverse incidents and disruption to services are minimized while maximizing value for the customers.

Chairperson & Members	One of the members of Committee shall be appointed as the Chairman of the IT Steering Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.  IT Steering Committee shall consist of Senior Management level employees IT and business functions and such other members.
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Composition	IT Steering Committee shall consist of Senior Management level employees IT and business functions and such other members.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee.
Meetings and Quorum	The quorum shall be two members or one-third of the members of the Committee whichever is greater.  The IT Steering Committee shall meet at least on a quarterly basis.

#### **Brief Details of Terms of Reference**

- Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- Oversee the processes put in place for business continuity and disaster recovery;
- Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
- Update ITSC and MD/CEO periodically on the activities of IT Steering Committee.

#### **j) Board Management Committee**

The Company has constituted the Board Management Committee to regulate the operations and processes of the Company in the most effective manner.

Chairman	One of the members of Committee shall be appointed as the Chairman of the Board Management Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
Composition	At least three directors, with at least one being an independent director, shall be members of the Committee
Meetings	The Board Management committee shall meet as and when required.
Quorum	At least two or one-third of the members of the Committee, whichever is higher shall be the quorum of the committee.

#### **Brief Details of Terms of Reference**

- To approve Transfer and Transmission of shares.
- To review and approve the Branch Opening and Closure
- To Raise Funds - Borrowing of funds/ loans by the Company in form of Term Loan, Overdraft Facility, Cash Credit Facility, External Commercial Borrowings (ECB), Direct Assignments (DA), Pass Through Certificates (PTC) or any other instrument(s) which the committee may deem fit from all the eligible lenders Including Banks, Financial institutions, NBFCs, Foreign Lenders, Foreign Investors, Institutional Investors, FPIs, Mutual Funds and such other category of lenders
- To transact all the matters relating to allotment of Securities including debentures and settle any matter which may arise in relation to the allotment of securities anti to flip the necessary forms, agreements, returns and such other documents pertaining to the securities with the Registrar of the Companies and SEBI as may be required from time to time.
- To create, modify and satisfy the charge created on the assets of the Company.
- To invest the funds of the company.
- To grant loans or give guarantee or provide security in respect of loans.

- To enter hedging transactions. To act as Business Correspondent.
- To approve opening/closure of bank account on the name of the company
- To apply for the internet banking facility for the existing bank accounts of the company
- To consider and approve the terms and conditions of the sanction letters received by the Company from the financial Institutions and Banks, etc. with respect to borrowings of the Company. To execute all agreements, documents, etc. and to enter into borrowing arrangements for the Company.
- To enter into any rent, lease or license agreement for taking any building for its Business operation including establishment of Branch office/Guest House or any other type of property.
- To avail requisite Insurance, but not limited to cash-in- transit insurance, fidelity insurance, health & accidental insurance, and other insurance as may be necessary during the business operation.
- To authorize for obtaining, activation, deactivation, portability of Sim cards, data cards, mobile connections, voice lines, lease lines, internet connections and other telecommunication services on ‘As and when required basis’ for the routine work.
- To Consider any other matter specifically refer red to the Board Management Committee by the full Board.
- To consider any other matters of day to day management of the Company.

**k) Information Security Committee (ISC)**

According to RBI Master Directions on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023. To comply with these directives, the Company has established a Information Security Committee of the Board for managing cyber/ information security.

Chairman	The head of the ISC shall be from risk management vertical.
Composition	The constitution of the ISC, with Chief Information Security Officer (CISO) and other representatives from business and IT functions, etc., shall be decided by the ITSC. The head of the ISC shall be from risk management vertical.
Meetings	The Information Security committee shall meet at least once in a quarter
Quorum	At least two or one-third of the total strength of the Committee, whichever is higher shall be the quorum of the committee.

**Brief Details of Terms of Reference**

- Development of information/ cyber security policies, implementation of policies, standards and procedures to ensure that all identified risks are managed within the Company’s risk appetite;
- Approving and monitoring information security projects and security awareness initiatives;
- Reviewing cyber incidents, information systems audit observations, monitoring and mitigation activities; and
- Updating ITSC and MD/CEO periodically on the activities of ISC.

**l) Special Committee for Monitoring of Frauds**

According to RBI Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs), including Housing Finance Companies (HFCs), dated July 15, 2024. To comply with these directives, the Company has established a Special Committee of the Board for Monitoring and Follow-up of Cases of Frauds (SCBMF).

**Constitution of SCBMF:**

Chairman	The Committee will be chaired by an Independent Director
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Composition	The SCBMF will comprise a minimum of three Board members including the Chief Executive Officer/Managing Director and two Independent Directors
Meetings	The committee shall meet at least once in a quarter
Quorum	At least two or one-third of the total strength of the Committee, whichever is higher shall be the quorum of the committee.

**Brief Details of Terms of Reference:**

- Oversee the effectiveness of the fraud risk management framework within the Company.
- Review and monitor fraud cases, including root cause analysis, and recommend measures to strengthen internal controls and risk management.
- Determine the frequency and scope of fraud-related reviews.

**Review of Fraud Risk Management Framework:**

The Board may also take note of the existing committees of the Board and Senior Management responsible for overseeing fraud risk management. The effectiveness of these committees in light of the new RBI guidelines will be discussed.

**9. 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:

- a) 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.
- b) 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.

Company has in place a Board approved policy for ascertaining the ‘Fit and Proper Criteria of directors’ at the time of appointment and on continuing basis. Pursuant to the Policy, the Company obtains necessary disclosures from Directors from time to time.

The Company ensures compliance with the provisions laid down in the said Policy. 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 should be certified by the Statutory Auditors.

The Board shall evaluate performance of its own, performance of Chairperson and other directors individually and performance evaluation of various committees of the Board on an annual basis.

The Board shall assess the quality, quantity and timeliness of flow of information between the Company management and the Board. All the Directors shall meet the fit and proper criteria as prescribed by the

RBI.

#### **10. 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.

#### **11. 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 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.

#### **12. 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.

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