

CORPORATE GOVERNANCE POLICY

SINDHUJA MICROCREDIT PRIVATE LIMITED

Version 1.0

September 23

Document Control

Document Title	CORPORATE GOVERNANCE POLICY
Version	1.0
Approved by	Board of Directors
Approved on	05 Sept , 2023

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**SINDHUJA MICROCREDIT PRIVATE LIMITED – CORPORATE
GOVERNANCE POLICY**

1. INTRODUCTION

Corporate Governance is the commitment of an organization to follow ethics, fair practices and transparency in all its dealings with its various stakeholders such as Customers, Employees, Lenders, Investors, Government and the Community at large. Sound corporate governance is the result of external market place commitment and legislation plus a healthy Board culture which directs the policies and philosophy of the organization. The Company is committed to good Corporate Governance in all its activities and investment advisory processes.

2. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Sindhujā Microcredit Private Limited's philosophy on corporate governance envisages adherence to the highest levels of accountability, transparency and fairness, in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of qualified management and through on-going monitoring to assure the Company's activities are conducted in a responsible, ethical and transparent manner.

3. RBI GUIDELINES ON CORPORATE GOVERNANCE

The Company is a Non-Banking Financial Company - Non Deposit accepting - Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI). In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and has required all NBFC-ND-SI to frame internal guidelines on Corporate Governance. In pursuance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

As per Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Board shall constitute the following Committees.

A. Audit Committee

The Audit Committee constituted by the Company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and the Audit Committee thus constituted shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Audit Committee must ensure that an Information System (IS) Audit of the internal systems and processes is conducted at least once in a year to assess operational risks faced by the Company effective from 2023-24.

Nomination and Remuneration Committee

The Company shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors as contained in Annexure IX to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Nomination and Remuneration Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

B. Risk Management Committee

To manage the integrated risk, the Company shall form a Risk Management Committee, besides the Asset Liability Management Committee.

4. Fit and Proper Criteria for Directors

The Company shall ensure to:

ii. Obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annexure X to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

iii. Obtain a Deed of Covenant signed by the directors, which shall be in the format as given in Annexure XI to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

iv. Furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director/COO of the Company that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted by applicable NBFC for the quarter ending March 31, shall be certified by the auditors

THE 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.

As per the provision of Company's Act, the Board's strength is required to be a minimum of Two to a maximum of Fifteen Directors. The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines / Regulations applicable to the Company.

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10. None of the Directors on the Company's Board shall be a Member of more than 10 Board Committees and Chairman of more than 5 Board Committees (Committees being Audit Committee and Stakeholders Relationship Committee) across all companies in which they are Directors. All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and Committee positions and shall intimate changes as and when they take place.

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.

BOARD MEETINGS

Meetings of the Board of Directors shall be held at least four times a year, such that not more than one hundred and twenty days shall intervene between two consecutive meetings.

Details of the Committee

The Board has constituted various committees to support the Board in discharging its responsibilities. The Company has Six Committees of the Board, constituted in accordance with the provisions of the Act viz.

1. Audit Committee
2. Nomination and Remuneration Committee
3. Social Performance Management Committee
4. IT Strategy Committee
5. Credit & Risk Management Committee
6. Resourcing Committee

The Board at the time of constitution of each committee fixes the terms of reference and also delegates powers from time to time. Various recommendations of the committees are submitted to the Board for approval.

Any change in the terms of reference should be recommended by the respective Committee and should be placed before the Board for final approval.

The Composition of Committees as given below:

S.No	Name of the Committee	Date of Constitution	Date of reconstitution	Composition
1.	Audit Committee	22/06/2021	16/03/2023	<ul style="list-style-type: none"> • Two Independent Directors • One Nominee Director • One Promoter/ Executive Director
2.	Nomination and Remuneration Committee	22/06/2021	16/03/2023	<ul style="list-style-type: none"> • One Independent Director • One Nominee Director • One Promoter/ Executive Director
3.	Social Performance Management Committee	22/06/2021	16/03/2023	<ul style="list-style-type: none"> • One Independent Director • One Nominee Director • One Promoter/ Executive Director
4.	IT Strategy Committee	17/07/2023	-	<ul style="list-style-type: none"> • One Independent Director • Two Promoter / Executive Directors

S.No	Name of the Committee	Date of Constitution	Date of reconstitution	Composition
5.	Credit & Risk Management Committee	22/06/2021	16/03/2023	<ul style="list-style-type: none"> • Two Independent Directors • One Nominee Director • One Promoter/ Executive Director
6.	Resourcing Committee	11/09/2019		<ul style="list-style-type: none"> • One Nominee Director • Two Promoter / Executive Directors

The guidelines for minimum number of members for the Committee are as below:

S. No	Name of the Committees	Minimum number of members for the Committee
1.	Audit Committee	3
2.	Nomination and Remuneration Committee	3
3.	Social performance Management Committee	3
4.	IT Strategy Committee	3
5.	Risk Management Committee	3

The guidelines for Chairperson of the committee are as below:

S. No	Name of the Committees	Chairperson of the Committee
1.	Audit Committee	Chairperson of the Committee will be Independent Director
2.	Nomination and Remuneration Committee	Chairperson of the Committee will be Independent Director
3.	Social Performance Management Committee	SPM Director will be the Chairperson of the Committee
4.	IT Strategy Committee	Chairperson of the Committee shall be an Independent director
5.	Risk Management Committee	Chairperson of the Committee shall be a non-executive director
6.	Resourcing Committee	Chairperson of the Committee shall be a member of the Board

FREQUENCY OF MEETINGS

Board Meeting: Quarterly and then as and when required

1. Audit Committee: Half yearly and then as and when required
2. Nomination and Remuneration Committee: As and when required
3. Social performance Management Committee: Half yearly and then as and when required
4. IT Strategy Committee: Half yearly
5. Credit & Risk Management Committee: Half yearly and then as and when required
6. Resourcing Committee: As and when required

The minutes of the meetings of the Board and the Committees shall be duly recorded and maintained properly. The Board and the Committees may invite non-members and such other persons as it may deem appropriate to be present at its meetings.

SHAREHOLDERS

Shareholders shall be informed of details regarding the appointment or re-appointment of a Director.

Statutory Auditors

Upon the recommendations of Audit Committee, the Statutory Auditors of the Company shall be appointed/ re-appointed or rotated as per the provisions of Companies Act, 2013. ➤ Rotation of partners of the Statutory Auditors Audit Firm.

In every three years, the Company shall rotate the partner/s of its Statutory Auditors Audit firm conducting the audit, so that same partner does not conduct audit of the company continuously, for more than the specified period. However, the partner so rotated shall be eligible for conducting the audit 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.

Related Party Transactions

All related party transactions shall be entered in accordance with the provisions of Companies Act, 2013, Regulations and accounting standards

Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013. They shall be eligible for sitting fees for attending the meetings of the Board, Committees', etc. The sitting fees and commissions payable, if any, shall be within the prescribed limits of the Companies Act, 2013 and as approved by the Board and Shareholders. Apart from sitting fees and commission, the Independent Directors shall also be eligible for reimbursement of expenses incurred for attending

the Board and other meetings. Other Non-Executive Directors of the Company shall be eligible for compensation as may be approved by the Board.

Criteria for selection of Independent Director

- Subject matter expert in the field of Banking & Finance, Technology, Credit & Risk, Compliance & General Administration
- Keen to devote time by participating in Board/Committee meetings, engaging with stakeholders as and when required.
- Should have no other expectation from the Company, For e.g. Consultancy

Management Committees

The Company has constituted various committees at operational levels with greater participation of Executives and Staff, to harvest their collective knowledge, skills and expertise and to sharpen the process towards qualitatively better performance.

DISCLOSURES & TRANSPARENCY

The Company shall make the disclosures required to be made under the Companies Act, 2013 and the Rules framed there under, the RBI Guidelines and such other laws and regulations as may be applicable to the Company.

The Company shall disclose the following in their Annual Financial Statements:

- i. Registration/ licence/ 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 namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries.
- 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.

COMPLIANCE OFFICER

The Board of Directors shall designate a Compliance Officer to ensure adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities

POLICIES ADOPTED BY THE COMPANY

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the RBI Guidelines applicable to the company, and such other laws and regulations as may be applicable.

The following policies are prevailing as on date:

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

POLICY CHANGES AND EXCEPTIONS

The policy requirements may be modified at the discretion of the Management.

Exceptions to provisions not requiring Board approval in this policy will require approval from Managing Director/Chief Operating Officer.