

PHL FININVEST PRIVATE LIMITED

Policy: Internal guidelines on Corporate Governance

Approving Authority: Board of Directors

Approved Date: January 22nd 2019

Internal Guidelines on Corporate Governance

I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Being part of the Piramal Group, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others.

Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance. The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world.

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company would constantly endeavour to improve on these aspects.

The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the Board and the Committees of the Members of the Board.

II. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the Guidelines on the Corporate Governance issued by the Reserve Bank of India (RBI) vide Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, as amended from time to time, the Company has framed the following internal Guidelines on Corporate Governance.

III. BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through supervision and strategic inputs. The Board of Directors along with the Committee of Directors shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The Board shall have a suitable combination of executive and non-executive Directors and all the Directors shall meet the "fit and proper" criteria as prescribed by the RBI. The Directors bring to the Board a wide range of experience and skills, and 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.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of not less than 2 directors and a maximum of 15 directors and all directors are liable to retire by rotation except Independent Director. At present, the Board comprises of 2 (two) Independent Directors, 2 (two) Non- Executive Directors.

Independent Directors are expected to play key role in the decision making process of the Board by participating in the process of framing the overall strategy of the Company. Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of the Companies Act, 2013 and other applicable provisions in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

The Board shall meet at least four (4) times in a year, with a maximum time-gap between any two consecutive meetings of the Board does not exceed 120 days. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the Meeting.

The Company, in consultation with the directors, prepares and circulates a tentative annual calendar for meetings of the committees / board in order to assist the directors for planning their schedules well in advance to participate in the meetings.

The remuneration, when payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval.

IV. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their terms of reference.

While the RBI Guidelines require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, IT Strategy Committee whereas the Companies Act, 2013 requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

In compliance with the applicable provisions of the Companies Act, 2013, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted the aforementioned Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Minutes of the meetings of the Board Committees shall be placed before the Board for its perusal and noting.

The Company complies with the above requirements of committee constitution and has the following committees of the Board:

i. Audit & Risk Committee

Constitution:

Audit & Risk Committee shall comprise of at least 3 Directors with Independent Directors forming majority. All members of Audit Committee shall be financially literate and at least one member shall have accounting or relevant financial management expertise. Chairman shall be appointed by the Board. Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee may meet as often as it may decide/desire.

The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role & Responsibilities:

The terms of reference of Audit and Risk Committee are as follows:

- a. Recommendation for appointment, remuneration and terms of appointment of Auditors of the Company;
- b. Review and monitoring of the Auditor's independence and performance and effectiveness of the audit process;
- c. Examination of financial statement and the Auditors' report thereon;
- d. Approval or any subsequent modification of transactions of the Company with related parties;
- e. Scrutiny of inter-corporate loans and investments;
- f. Valuation of undertakings or assets of the Company, wherever it is necessary;
- g. Evaluation of internal financial controls and risk management systems;
- h. Ensure Information System Audit of Internal System and processes at least once in two years, to access operation risk faced by the Company;
- i. Risk Management which includes identifying, assessing and prioritising the major risks faced by the Company and developing strategies to minimize, monitor, and control the probable and/or impact of unfortunate events;
- j. Progressive Risk Management System and Risk Management Policy and Strategy followed by the Company;

- k. Such other matters as may be delegated to the Committee by the Board of Directors from time or as may be prescribed under any law for the time being in force to be decided by the Audit and Risk Committee.

ii. Financial Services Advisory Committee

Constitution:

FSAC shall comprise of Directors, as may be identified by the Board from time to time.

Meetings:

The Committee may meet as often as may be required.

The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Role & Responsibilities:

The terms of reference of FSAC shall include consideration, evaluation and sanction of credit proposals pertaining to real estate, infrastructure funding, loan against shares, senior debt and other sectors as per NBFC Norms.

iii. Asset Liability Management Committee (ALCO)

Constitution:

The Asset Liability Management Committee (ALCO) shall comprise of members as may be identified by the Board from time to time.

Meetings:

The Committee may meet as often as may be required.

Role & Responsibilities:

The terms of reference of ALCO are as below:

- a. Monitor implementation of Asset Liability Management Policy and review of the same from time to time
- b. Monitor the Liquidity and Funding Risk
- c. Monitor the Interest Rate Risk
- d. Review and advise on issues relating to Pricing of lending and borrowing rates
- e. Review and advise on issues relating to Pricing Risk in relation to interest rate fluctuations
- f. Review and advise on issues relating to Allocation of resources

iv. Nomination & Remuneration Committee (NRC)

Constitution:

Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be Independent Director.

Meetings:

The Committee may meet as often as may be required.

Role & Responsibilities:

The terms of reference of NRC are as below:

- a. To formulate the criteria for determining qualifications, positive attributes and Independence of a director.
- b. To recommend to the board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- c. To identify persons who may be appointed in senior management in accordance with the criteria laid down.
- d. To carry out evaluation of every director's performance and recommend to the board his/her appointment and removal based on the performance.

The NRC shall further determine the Fit & Proper Criteria for the appointment of the Directors in accordance with the RBI regulations and other applicable laws.

v. Corporate Social Responsibility (CSR) Committee

Constitution:

Corporate Social Responsibility Committee of the Board shall consist of three or more directors, out of which one director shall be independent Director.

Meetings:

The Committee may meet as often as may be required.

Role & Responsibilities:

- a. formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company;
- b. recommend the amount of expenditure spent on CSR activities; and

- c. monitor the CSR Policy of the Company from time to time

vii. IT Strategy Committee :

Constitution:

IT Strategy Committee of the Board shall consist of Director who would be the Chairman and other officials of the company as member and CIO.

Meetings:

The Committee may meet as often as may be required but a period of six months should not elapse between two meetings

Role & Responsibilities:

- a. Approve IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- b. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- c. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- d. 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;
- e. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls;

V. PERFORMANCE EVALUATION

The Nomination and Remuneration Committee of the Company shall evaluate the performance of every director in accordance with the applicable law.

VI. STATUTORY AUDITORS

The Board and the Audit & Risk Committee shall be responsible for the appointment of the Statutory Auditors who demonstrate professional ability and independence. Declaration to be obtained every year from the Statutory Auditors affirming their eligibility for being appointed as Statutory Auditors of the Company.

The Company shall rotate the partner(s) of the Chartered Accountant Firm conducting the statutory audit of the Company every three years so that the partner does not conduct audit of the Company continuously for more than a period of three years as per the requirements of Reserve Bank of India, Internal guidelines on Corporate Governance. However the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years.

VII. INTERNAL AUDITORS

The Board and the Audit & Risk Committee shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of internal controls, processes and procedures instituted by the Company.

VIII. SECRETARIAL AUDITORS

The Board shall appoint independent Company Secretary in Practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct the Secretarial Audit of the Company.

IX. DISCLOSURES AND TRANSPARENCY

The Company is committed to make adequate disclosures based on the principals of transparency, timeliness, fairness and continuity. The Board of Directors and employees shall ensure and make necessary disclosures to the Company, Regulators, Statutory Authorities, Shareholders or other stakeholders as may be required by the applicable laws/ Policies of the Company.

The following information shall be put to the Board of Directors at regular intervals:

- 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.
- iii. Updates of the various committees meetings.

X. REVIEW OF THE POLICY

The Policy shall be reviewed by the Board as and when required.
