

CANBANK FACTORS LIMITED.
CORPORATE GOVERNANCE POLICY

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Revision History

Issue	Version	Date	Description of Revision
1.0	1.0	14-10-2022	Initial Document
2.0	2.0	17-12-2022	Reviewed & Modified Document
3.0	3.0	30-12-2023	Reviewed & Modified Document
4.0	4.0	03-01-2025	Reviewed Document
5.0	5.0	07-03-2026	Reviewed Document

Preamble:

Canbank Factors Limited (hereinafter 'the Company' or 'CBFL') believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of various effective policies and procedures, which is mandated and reviewed by the Board or the Committees of the members of the Board at regular intervals.

The objective of the Corporate Governance Policy ('Policy') is to ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company and to elaborate on the provisions of applicable law governing information for shareholders. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy shall lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the RBI in this regard.

2. Context and Purpose:

This Policy on Corporate Governance ("Policy") draws reference to the para 100 of Master Direction dated October 19, 2023 (Updated as on 10.10.2024) issued by RBI.

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has on May 8 2007, issued guidelines on corporate Governance.

As per the RBI Directions, all NBFCs shall frame internal guidelines on corporate governance with the approval of the Board. This Policy is to be read in conjunction with applicable laws; accordingly, this Policy enhances the provisions of applicable laws.

3. Definitions:

Refers to terms as mentioned in this Policy, unless the context otherwise requires:

- a) "Applicable Laws" means the Companies Act, 2013 and the rules made thereunder, RBI Master Directions, 2023 issued by Reserve Bank of India issued by RBI, applicable Secretarial Standards issued by the Institute of Company Secretaries of India from time to time and includes any other statute, law, standards, regulations or other governmental instruction relating to Corporate Governance Direction;
- b) "Audit Committee" means the Audit Committee formed under Section 177 of the Companies Act, 2013;
- c) "Board of Directors" or "Board" means the collective body of the directors of the Company;
- d) "Chief Financial Officer" means chief financial officer as defined in Section 2(18) of Companies Act, 2013 or any modification or re-enactment made thereunder;
- e) "Company" means Canbank Factors Limited;
- f) "Committee" means committee of Board of Directors constituted by virtue of RBI Directions or other Applicable Laws;

g) "Companies Act, 2013" includes any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;

h) "Company Secretary" means a Company Secretary as defined in Section 2(24) of Companies Act, 2013 or any modification or re-enactment made thereunder.

i) "Corporate Governance" means a set of relationships between the Company's management, its Board, its shareholders and other stakeholders which provide the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance. It helps to define the way authority is allocated and the way corporate decisions are arrived at and executed;

j) "Directions" means Non-Banking Financial Companies - Corporate Governance of Master Direction dated October 19, 2023 (Updated as on 10.10.2024) issued by RBI and shall include any amendment thereto

k) "Director" means a director appointed to the Board of the Company;

l) "Independent Director" means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;

m) "Nomination Committee" means the Nomination & Remuneration Committee ("NRC") formed under Section 178 of the Companies Act, 2013;

n) "Risk Management" means the process established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis;

o) "Risk Management Committee" means the committee constituted as per the RBI Directions set forth for the Non-Banking Financial Companies in this regard;

p) "Senior Management" shall mean personnel of the Company have been defined in Section 178 of the Companies Act, 2013 as personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

4. Guidelines on Corporate Governance:

In pursuance of the direction issued by the RBI, the Company has framed the following internal guidelines on Corporate Governance.

5. Board of Directors:

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company. CBFL has got a pool of very dynamic and effective Board members who not only have apt qualifications but also have in store a good experience in the sphere of microfinance, technology, finance, credit, risk and CSR performance management.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly, discharge their responsibilities. Board of Directors focuses its activity on the determination, supervision, and monitoring of the strategies and general guidelines that must be followed by the Company, and entrusts to the representative management decision making bodies and to the senior officers the dissemination, coordination, and acting in furtherance of the interests of each and every one.

Board shall ensure that the Company's organisational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision-making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions. The Board shall review this Policy periodically so that it remains appropriate in the light of material changes in regulatory requirement with respect to the Company's size, complexity, geographic reach, business strategy, market and best governance practices. In addition to above, the Board periodically reviews the compliances of all applicable laws in the company as well as steps taken by the company to rectify instances of non-compliance, if any.

A. Corporate Culture and values

In order to promote a sound corporate culture and values, the Board shall ensure the following:

1. Setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
2. Promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
3. Ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
4. Employees and Directors should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through Breach of Integrity and Whistle Blower/Vigil Mechanism policy including any modification(s) revision(s) thereto.

Chairman	The chairman of the Board is a non-executive Director who shall be appointed for a term of three years at a time and may re-elected or rotated as may be decided by the Board.
Composition	The Board's strength shall be minimum 3 (three) and not more than 15 (fifteen) However, the Company may appoint more than 15 Directors after passing a Special Resolution.
Meetings & quorum	The Board shall meet quarterly once and gap between two meetings shall not be more than 120 days as defined in section of the Companies Act, 2013. Further the quorum of a Board shall be 1/3 rd of total members of the Board.

Secretary	The Company secretary of the company shall act as the secretary to the Board.
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Board and noted and confirmed by the Board at their next meeting.
Present Composition	<ol style="list-style-type: none"> 1. Executive Director, Canara Bank, Chairman 2. Managing Director of Canbank Factors Ltd. 3. Sri. Basant Seth, Independent Director 4. Sri. Ravi Chatterjee, Independent Director 5. Sri. Ravi Varma, Nominee Director 6. Sri. Gyanaranjan Sarangi, Nominee Director, Union Bank of India 7. Sri. Subbarao Sreepathy, Nominee Director, SIDBI Permanent invitee, Head, Canara bank, AS & RRB Vertical.

Duties of Board of Directors:

In accordance with the provisions of section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the company will have following duties.

1. A director must act in accordance with the Articles of Association of the company
2. A director must pursue the best interests of the stake holders of the company, in good faith and to promote the objects of the company.
3. A director shall use independent judgement to exercise his duties with due and reasonable care, skill and diligence.
4. A director should always be aware of conflict of interest situations and should try and avoid such conflicts for the interest of the company.

B. Information to be placed before Board and its Committees

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Companies Act, 2013 and other Applicable Laws. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

C. Agenda for the Meeting

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period prior to the Meeting as per Companies Act, 2013 and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Each Board member and Committee member as the case may be is free to suggest inclusion of items in the agenda. With the permission of the Chair, each Board member and Committee member is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions.

However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting.

D. Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee before the scheduled meeting and the same shall be taken note of at the meeting and noted in the subsequent minutes of the meeting.

6. Board Sub-committees:

In order to focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. The Board shall have the following Committees mandatorily:

- Audit Committee;
- Nomination and Remuneration Committee;
- Corporate Social Responsibility
- Risk Management Committee
- Committee of Directors
- IT Strategy Committee, and
- Asset Liability Management Committee.

The terms of reference of the above-mentioned Committees shall be determined by the Board from time to time as per Companies Act, 2013 and other Applicable Laws. Details of the various Board Committees are as under:

A. Audit Committee

Chairman	The chairman of the Audit Committee will be an Independent Director and who is elected by the Board.
Composition	The Audit Committee of the Company shall have minimum of three Directors with Independent Directors forming a majority. Further, majority of members of the Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statement. The chairman of the Committee shall attend the Annual General Meeting to answer shareholder queries.
Meetings & quorum	The Audit Committee should meet as and when required and at least quarterly once. The quorum for the meeting shall comprise of two members or one third of the total members of the Audit Committee whichever is higher.
Secretary	The Company secretary of the company shall act as the secretary to the committee.
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.

Present Composition	Sri. Ravi Chatterjee, Independent Director, Chairman Sri. Basant Seth, Independent Director Sri. Gyanaranjan Sarangi, Nominee Director, Union Bank of India Sri. P Ravi Varma, Nominee Director Statutory Auditors - For Annual Statutory audit and Limited Review Audit Adoption.
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The Audit Committee constitution and functioning shall follow the provisions of the Companies Act, 2013 and other Applicable laws. The powers, functions, duties and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013. The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Terms of Reference of the Committee:

The Audit Committee shall undertake such duties as per the Charter/Terms of Reference approved by the Board and any such duties as may be delegated to it from time to time.

1. Appointment and fixation of the remuneration of the Auditor.
2. Valuation of the undertakings or assets of the company.
3. Evaluation of any Related Party Transaction (also for omnibus approval under Rule 6A)
4. Evaluation of the internal financial control and risk management.
5. Examination of the Financial Statements.
6. Scrutiny of Inter Corporate Loans and Investments.
7. Evaluation of the use of the funds rose through public offers
8. To oversee the financial reporting process and disclosure to such financial information to ensure that the financial statements are correct, sufficient & credible.
9. Reviewing the adequacy of inter audit function, company's financial and information system audit periodically and such notices which evolve from time to time for guidance as may be received from regulator amendments in Companies Act, 2013.

B. Nomination and Remuneration Committee

Chairman	The chairman of the NRC Committee will be an Independent Director and who is elected by the Board.
Composition	The Nomination and Remuneration Committee of the Board shall have at least three non-executive Directors out of which not less than one half shall be Independent Directors. The Chairperson of the company shall be elected by the members of the Nomination & Remuneration Committee. The chairman of the NRC if required shall attend the Annual General Meeting of the Company to answer the shareholders' queries.
Meetings & quorum	The NRC shall meet on need basis. Quorum shall comprise of two members or one third of the total members of the NRC, whichever is higher.
Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.
Present Composition	Sri. Basant Seth, Independent Director, Chairman Executive Director, Canara Bank , Chairman of the Board Sri. Ravi Chatterjee, Independent Director

The Nomination and Remuneration Committee ('NRC') constitution and functioning shall follow the provisions of the Companies Act, 2013 and other Applicable laws. The powers, functions, duties and terms of reference of the Nomination and Remuneration Committee shall be comprehensive and include the requirements as set out by Section 178 of the Companies Act, 2013. The Nomination and Remuneration Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Terms of Reference of Committee:

The NRC shall undertake the duties as per the Terms of Reference approved by the Board and any other duties as may be delegated to it from time to time. The NRC shall also ensure fit and proper criteria as required by the RBI Directions.

1. The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

2. The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

3. The Nomination and Remuneration Committee shall, ensure that

- (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

C. Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee ('CSR') constitution and functioning shall follow the provisions of the Companies Act, 2013 and other Applicable Laws. The powers, functions, duties, and terms of reference of the CSR Committee shall be comprehensive and include the requirements as set out by Section 135 of the Companies Act, 2013. The CSR Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

Chairman	The chairman of the CSR Committee will be an independent director elected by the members of the committee.
Composition	The Corporate social responsibility Committee of the Board shall have at least three Directors out of which there shall be One Independent Directors.
Meetings & quorum	The CSR shall meet on a need basis. A quorum shall comprise two members or one-third of the total members of the CSR, whichever is higher.

Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.
Present Composition	Sri. Ravi Chatterjee, Independent Director, Chairman Sri. Gyanaranjan Sarangi, Nominee Director, Sri. P Ravi Varma, Nominee Director Managing Director, Canbank Factors Ltd.

Terms of Reference of Committee:

The CSR shall undertake the duties as per the Terms of Reference approved by the Board and any other duties as may be delegated to it from time to time and as stated under section 135 of the Companies Act, 2013 and schedule VII of the CSR Rules provided.

D. Risk Management Committee

The Risk Management Committee shall be constituted by the Board of Directors to manage the integrated risks of the Company. The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The Risk Management Committee shall review and monitor viz; credit risk, market risk, liquidity risk, operational risk, regulatory risk and reputational risks. The Risk Management Committee shall be vested with necessary powers, as defined in its charter/Terms of Reference to achieve its objectives.

Chairman	The chairman of the Risk Management Committee will be an Independent Director.
Permanent invitee	Group Chief Risk Officer, Risk Management Wing of Parent Bank.
Composition	The Risk Management Committee shall have minimum of three Members. The members of the Committee will be appointed by the Board of Directors.
Meetings & quorum	The Risk Management Committee shall meet on need basis and shall meet at least twice in a year. The quorum of Risk Management Committee shall comprise any two members of the Committee.
Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.
Present Composition	Sri. Ravi Chatterjee, Independent Director, Chairman Managing Director, Canbank Factors Ltd. Senior Vice president, Canbank Factors Ltd. Assistant vice president, Department of IT, Canbank Factors Ltd. CFO & Company Secretary, Canbank Factors Ltd.

Terms of Reference of the Committee:

The Risk Management Committee shall undertake all such duties as decided and delegated by the Board of Directors to it from time to time illustrated as per below:

1. To assess the Company's risk profile and key areas of risk in particular.
2. To recommend the Board and adoption of risk assessment and rating procedures. To articulate the Company's policy for the oversight and management of business risks.
3. To examine and determine the sufficiency of the Company's internal processes for reporting on and managing key risk areas.
4. To assess and recommend the Board acceptable levels of risk.
5. To develop and implement a risk management framework and internal control system.
6. To review the nature and level of insurance coverage.
7. To have special investigations into areas of corporate risk and break-downs in internal control. To review management's response to the Company's auditors' recommendations those are adopted.
8. To report the trends on the Company's risk profile, reports on specific risks and the status of the risk management process.
9. The progress made in putting in place a progressive risk management system, and risk management policy and strategy followed shall be apprised to the Board by the committee half-yearly.

E. Committee of Directors.

The company shall internally constitute a Committee of the Directors (COD) as a subcommittee of the Board to take care of the credit affairs of the company. The Committee inter alia, shall monitor the Mid-term review of parties, credit exposures and breaches if any and shall report to the Board.

Chairman	The chairman shall be an independent Director elected by the members of the committee.
Composition	The Committee of Directors shall have minimum of three members and one of them shall be an Independent director.
Meetings & quorum	The COD shall meet at least twice in a year and the quorum shall be at least three members of which one shall be and Independent Director
Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.
Present Composition	Sri. P Ravi Varma, Nominee Director, Chairman Sri. Ravi Chatterjee, Independent Director Sri. Gyanaranjan Sarangi, Nominee Director, Union Bank of India Sri. Subbarao Sreepathy, Nominee Director, SIDBI Managing Director, Canbank Factors Ltd.

Terms of Reference of the Committee:

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time including the roles as per below:-

1. To sanction Board power credit/ Loan Proposals.
2. To review the credit sanction & other credit affairs of the company.
3. To review the SMA accounts.
4. To evaluate the Midterm review of parties within MD CAC powers.
5. To review and ratify the MD CAC actions.
6. To report to the Board or its subcommittee about the findings as per above.

F. IT Strategy Committee

The IT Strategy Committee shall be constituted of independent director to manage the IT strategies of the Company. 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.

Chairman	The chairman of the IT Strategy Committee will be an Independent Director.
Permanent invitee	The CISO of the Canara bank head Office shall be the permanent invitee of our IT Strategy committee meetings.
Meetings & quorum	The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.
Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and its deliberations to be placed before the Board at their next meeting.
Present Composition	The IT Strategy Committee shall have minimum of three Members. (Chairman, CIO & CTO) Sri. Ravi Chatterjee, Independent Director, Chairman Sri. Ravi Varma, Nominee Director Managing Director, Canbank Factors Ltd. Senior Vice President, Canbank Factors Ltd., CIO Assistant vice president, CISO, CTO, Canbank Factors Ltd., Assistant vice president, CISO, Canbank Factors Ltd., CISO of Canara Bank, permanent invitee

Terms of Reference of the Committee:

The Committee shall undertake such duties as per the terms of reference:-

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.

3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
4. 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.
5. Ensuring proper balance of IT investments for sustaining growth and becoming aware about exposure towards IT risks and controls.

Apart from the above committees, the Board shall constitute such other Committees as may be deemed fit by it, if required.

G. Asset Liability Management Committee

The company shall internally shall constitute an Asset Liability Management Committee (ALCO) as required by the Directions 2016 issued by the RBI. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

Chairman	The members of the committee may elect a chairman for the committee in the respective meeting held.
Composition	The ALCO Committee shall have minimum of three members.
Meetings & quorum	The ALCO shall meet as and when required. Quorum of ALCO meetings shall comprise of at least two members of the Committee.
Secretary	The Company secretary of the company shall act as the secretary to the committee
Meeting Minutes	Minutes of the Meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board at their next meeting.
Present Composition	Managing Director, Canbank Factors Ltd., Chairman Senior Vice president, Canbank Factors Ltd. Assistant vice president, Department of IT, Canbank Factors Ltd. CFO & Company Secretary, Canbank Factors Ltd.

Terms of Reference of the Committee:

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time including the roles as per below:-

1. To review the fund requirement of the company in line with the ongoing business activities of the company
2. To review liquidity position of the company
3. To evaluate the stress ratios/liquidity ratios of the company
4. To review the fund position in each prescribed ALM buckets.
5. To report to the Board or its subcommittee about the findings as per above.

7. Fit and Proper Criteria & Appointment of Independent Directors:

The Company hereby under the Corporate governance policy has put in place for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis as contained under Para 96 of the Master Direction - Reserve Bank of India (Non-Banking Financial Company -Scale Based Regulation) Directions, 2023 (Updated as on November 10, 2023).

1. The NRC shall review the appointment/reappointment of Independent Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.
2. The NRC should obtain such declarations/undertakings (Annexure I), deed of covenant (Annexure II) from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy on Fit and Proper Criteria for Directors in line with the RBI Master Direction issued by the RBI for the time being in force.
3. The process of due diligence shall be carried out at the time of appointment of an Independent Director and ensured that he is not disqualified under any act for being appointed as a Director.
4. The NRC shall scrutinize of the declaration received from the Director.
5. Based on the information provided in the signed declaration, Nomination & Remuneration Committees should decide on the acceptance or otherwise of the directors wherever considered necessary.
6. The company shall annually obtain from all its directors declaration to the effect that the information already provided by them has not undergone any change or otherwise in form DIR-8, DIR-2 and MBP-1 under section 164/184 of the Companies Act, 2013 in this regard.
7. The Board and NRC shall ensure that the nominated or elected Independent Director executed the deed of covenants in the format proved by RBI under its Fit & proper criteria of Master Directions 2015, issued by RBI.

8. Disclosure to the Board:

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

1. The progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
2. 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.
3. The company shall periodically apprise to the Board / subcommittee about the applicability and compliance to the Scale Based regulations (SBR) issued by RBI from time to time.
4. The company shall also state its compliance to all statutory acts and also compliance to the guidelines provided in the RBI master Direction for Systematically Important Non-Deposit Taking NBFC, 2015 as amended from time to time.

5. The following disclosures shall be made in the annual financial statements:

- Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
- Ratings assigned by credit rating agencies and migration of ratings during the year;
- Penalties, if any, levied by any regulator;
- Information namely, area, country of operation and joint venture partners about joint ventures and overseas subsidiaries; and
- Related Party Transactions even if at arm's length at quarterly intervals company shall Related Party Disclosure in the format given by parent bank.
- Asset-liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) 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 mandated by the regulator and other statutory bodies from time to time.
- The company shall also state its compliance to all statutory acts and also compliance to the guidelines provided in the RBI master Direction for Systematically Important Non-Deposit Taking NBFC, 2015 as amended from time to time or if any breach to the same shall be separately disclosed.
- Further in case where the company is raising short term/Long- debt through NCDs or Commercial paper the same along with compliances carried out in its issuance, the rate at which it was issued, the maturity date, subscriber details and such other information as may be considered as material shall be disclosed to the Board/ regulator and any other statutory bodies as may be required in its review of performance note.

9. Declaration of Dividends:

Company shall comply with the following guidelines to declare dividends as per Para 33 of Master Direction - Reserve Bank of India (Non-Banking Financial Company -Scale Based Regulation) Directions, 2023 dated October 19, 2023 (Updated as on October 10, 2024).

The Board of Directors, while considering the proposals for dividend, shall take into account each of the following aspects:

- i) Supervisory findings of the Reserve Bank on divergence in classification and Provisioning for Non-Performing Assets (NPAs).
- ii) Qualifications in the Auditors Report to the financial statements.
- iii) Long term growth plans of the NBFC.

Only when Company meets the following minimum prudential requirements shall declare dividend:

- i) Company shall have met the minimum capital requirements (including leverage ratio wherever applicable) prescribed under these Directions in each of the last three financial years including the financial year for which the dividend is proposed.
- ii) The net NPA ratio shall be less than six percent in each of the last three years, Including as at the close of the financial year for which dividend is proposed to be declared.

- iii) Company shall comply with the provisions of section 45-IC of the RBI Act, 1934.
- iv) Company shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank shall not have placed any explicit restrictions on declaration of dividend.

Company that meet the eligibility criteria specified in paragraph above can declare dividend up to a dividend pay-out ratio of 50 percent. There will be no ceiling on dividend pay-out ratio for eligible NBFCs that do not accept public funds and have no customer interface.

A Company which does not meet the applicable capital ratio requirements and/ or the net NPA ratio requirement as above, for each of the last three financial years, shall be eligible to declare dividend, subject to a cap of 10 percent on the dividend pay-out ratio, provided the NBFC complies with both the following conditions:

- i) Meets the applicable minimum capital requirement (including leverage ratio wherever applicable), as per these Directions, in the financial year for which it proposes to pay dividend, and
- ii) Has net NPA of less than four percent as at the close of the said financial year. The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines. The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend.

NBFCs, other than NBFCs-BL, declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in Annex III. The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank.

10. Review of Policy:

As per corporate governance practice, the policy requires annual review and periodical updating. All updating and annual reviews may be performed by RMC and the Board of Directors.

The Regulatory guidelines / Regulatory examination findings issued subsequent to approval of this Policy which necessitates modifications in the Policy are to be placed before the Risk Management Committee (RMC) of the Company & placed to Board for final approval.

The Board or its Committee may review the Policy on an annual frequency and any modification/alteration shall be carried out at the time of annual review and the same shall be effective only upon approval by RMC and the Board.

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