

Shapoorji Pallonji Finance Private Limited



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Internal guidelines on Corporate Governance

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PREAMBLE

Shapoorji Pallonji Finance Private Limited (“The Company” or “SP Finance”) is registered with the Reserve Bank of India (‘RBI’) as a Non – Banking Financial Company not accepting or holding deposits. As stipulated by RBI, the Board of Directors of SPFPL has laid down the following Internal Guidelines on Corporate Governance.

SPFPL is committed in conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct. Corporate Governance is about maximizing shareholders’ value on a sustainable basis and ensuring fairness to all other stakeholders of the Company.

The Company ensures good governance through the implementation of effective Policies and Procedures, which in turn are regularly reviewed by the Board / its Committees/ Senior Management of the Company.

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. The Company functions under the direction and supervision of the Board of Directors and in accordance with the system, process, policies, etc; as approved by the Board from time to time.

The Board is primarily responsible for:

1. laying down the Vision & Mission of the Company from time to time.
2. devising and formulating the Strategy
3. oversight of the Risk Management Framework
4. delegation of powers and authority to various Committees of the Board and / or Senior Management, Functional Heads, Senior Management, Functional Heads, Executives and Officers of the Company for day to day operations of the Company within the framework as approved by the Board from time to time.

Number of Directorships –

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. The Directors shall act in accordance with the duties as provided under the Companies Act, 2013 and Rules framed thereunder.

Fees & Compensation-

Fees/compensation, if any paid to Non-Executive/Independent Directors shall be fixed by the Board of Directors and may require previous approval of Shareholders in General Meeting in accordance with the laws applicable to the Company.

Frequency of Board Meeting-

At least 4 Board Meetings should be held in a financial year, with a maximum time gap of 120 days between 2 (two) meetings.

The Board based on their views shall periodically review the overall operations and business of the Company *inter alia* Loan book, Treasury deployments, Liquidity profile, Risk Mechanism, MIS Reports, Compliance Reports; etc in respect of the laws applicable to the Company, prepared by the Company as well as steps taken by the Company in aforesaid areas.

Conflict of Interest-

The Company expects its Directors, Functional Heads, Senior Management, Officers and other employees to act ethically at all times and to affirm compliance with the policy(ies), process(es) and Code(s) adopted by the Company from time to time. The Directors, Functional Heads, Senior Management and other employees of the Company shall endeavor to avoid any conflict of interest in their dealing with / on behalf of the Company. The Directors, Functional Heads, Senior Management, Officers and other employees of the Company shall ensure adequate disclosure relating to all material, financial and commercial transactions entered / proposed to be entered in to by the Company where they have personal interest that may have a potential conflict with the interest of the Company at large, in terms of the Companies Act, 2013 and Rules framed thereunder and RBI Guidelines applicable to the Company. Conflict of interest exists when benefits or interests of one person or entity conflict with the benefit or interests of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director / Member shall disclose his / her interest in accordance with the provisions of the applicable laws and abstain from deliberations and voting on such matter as may be required in terms of the Companies Act, 2013 and Rules framed thereunder. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the Senior Management, for determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Senior Management may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

Committees-

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference / scope in accordance with the applicable laws, regulations and in view of internal requirements and operational convenience. For effective management & control, the Board has constituted the following Committees as under:

- Audit Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Risk Management Committee
- Asset -Liability Management Committee
- IT Strategy Committee
- Credit Committee
- Securities Committee
- Operating Committee

The composition, terms of reference and functioning of the aforesaid Committee(s) shall be decided by the Board in accordance with various applicable laws and internal Policies / Processes of the Company. The Minutes of the aforesaid Committees of the Board shall be placed before the Board at regular intervals for perusal, discussion and noting.

The details and terms of reference of various Committees of the Board are as under:-

Audit Committee-

The Audit Committee is *inter alia* responsible for ensuring correctness, accuracy and creditability of the financial statement and the auditors' report thereon, approval or any subsequent modification of transactions of the Company with Related Parties; evaluation of Internal Financial Controls and Risk Management Systems, to ensure and oversee Internal Financial Control and Reporting System; to ensure that an Information System

Audit as well as internal audit of the internal systems and processes is conducted to assess operational risks faced by the Company; to oversee vigil mechanism / whistle blower; to recommend appointment, remuneration and terms of appointment / re-appointment of the Auditors of the Company; to review and monitor the Auditor's independence and performance, and effectiveness of audit process; etc.

The Audit Committee of the Board shall meet atleast once in a year and on an ad hoc basis such many times, as may be required.

Nomination and Remuneration Committee-

The Nomination and Remuneration Committee is *inter alia* responsible to ensure 'fit and proper' status of proposed/ existing directors, to identify persons who are qualified to become directors and recommend to the Board their appointment and removal, to recommend to the Board the Fit and Proper Criteria Policy; to recommend to the Board the appointment / re-appointment of Managing Director / Whole-time Director/ Executive Director including terms of appointment; etc.

The Nomination & Remuneration Committee of the Board shall meet atleast once in a year and on an ad hoc basis as many times, as may be required.

Corporate Social Responsibility Committee-

The Corporate Social Responsibility Committee is *inter alia* responsible to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and as amended from time to time; to recommend the amount of expenditure to be incurred on the CSR Activities; and to monitor the Corporate Social Responsibility Policy of the Company, and institute a transparent monitoring mechanism for implementation of the CSR Projects or Programs or Activities undertaken by the Company from time to time.

The Corporate Social Responsibility Committee of the Board shall meet atleast once in a year and on an ad hoc basis as many times, as may be required.

Risk Management Committee-

The Risk Management Committee is *inter alia* responsible to evaluate the Internal Financial Control and Risk Management Systems; to implement, monitor and review the Risk Management Plan for the Company and other such functions as it may deem fit; to manage the integrated risk at an entity level; to put in place a progressive Risk Management System, Policy and Strategy; to introduce effective Risk Management Systems that address the issues relating to credit risk, interest rate risk, equity / commodity price risk, liquidity risk and operational risk; to review reports relating to Capital Adequacy, Asset Classification, etc; to manage business after assessing the risks involved by laying down Risk Parameters i.e. Risk identification, Risk measurement, Risk management and Risk policies and tolerance levels; etc.

The Risk Management Committee shall meet atleast twice a year and on an ad hoc basis such many times, as may be required.

Asset -Liability Management Committee-

The Asset – Liability Management Committee is *inter alia* responsible to formulate ALM Guidelines and review of ALM Reports and the mismatches / gaps, if any; to implement Strong and Robust MIS for Balance Sheet Planning from risk-return perspective including the strategic management of interest rate and liquidity risks on Asset and Liability; to consider product pricing for advances basis desired maturity profile and mix of the incremental assets and liabilities; to ensure liquidity and interest risk management in accordance with the Regulatory Framework; etc.

The Asset – Liability Management Committee shall meet atleast twice a year and on an ad hoc basis such many times, as may be required.

IT Strategy Committee-

The IT Strategy Committee is *inter alia* responsible to approve IT Strategy and IT Policy and related documents and ensure that the management has put an effective strategic planning process in place; to ascertain that management has implemented processes and practices that ensure that the IT delivers value to the business; to ensure IT Investments represent a balance of risks and benefits and that budgets are acceptable; to monitor 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; to ensure proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls, to carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.

The IT Strategy Committee shall meet at least two times in a financial year and not more than 6 months should elapse between 2 meetings.

Credit Committee-

The Credit Committee is *inter alia* responsible to approve credit and investment proposals under various financial products as per the limit laid down by the Board of Directors and specified in the Credit Policy, Investment Policy from time to time and in accordance with the limits as specified in RBI Master Directions in this regard and ESG Policy / Guidelines adopted by the Board; to authorise various persons from time to time to sanction loans under various financial products and other matters pertaining to credit including but not limiting to release of collateral, sale of collateral, signing and execution of loan document, etc; to approve the financial products and manuals, processes, policies, etc; relating thereto, to amend / modify and implement the same from time to time; to appoint Direct Selling Agent (DSA) and other referral arrangements for sourcing the business, fix criteria for selecting them, adopt code of conduct and laying down broad guidelines; etc.

The Credit Committee of the Board may meet at such intervals as may be required.

Securities Committee-

The Securities Committee is *inter alia* responsible to facilitate, approve and register transfer, transmission, sub-divisions, consolidation of shares, debentures and other Securities of the Company; to facilitate issue of duplicate share certificates in accordance with the provisions of the Companies Act, 2013 and Rules framed thereunder; to make allotment of shares, debentures and other securities, the issue of which has been previously authorised by the Board; etc.

The Securities Committee of the Board shall meet at such intervals as may be required.

Operating Committee-

The Operating Committee is responsible to oversee operational requirements of the Company *inter alia* to authorise various persons from time to time to open, operate and close Bank Accounts, Demat Accounts and Trading Account in the name of the Company; Addition / Substitution / Withdrawal of the Signatories from time to time to operate the Bank Accounts, Demat Accounts and Trading Accounts, necessitated on account of change in, relocation or separation of employees; to avail various value added services from the Banks for operation of account(s) held with the Banks including but not limited to cash management services, internet banking, operation of the accounts by fax or such other mode, as may be feasible from time to time; to obtain registration under Professional Tax laws, VAT laws, Service Tax, Income Tax, Shops and Establishment Act and other Statute, Law, Regulatory framework, as may be required from time to time and to authorise persons to give effect to this matter; to avail financial assistance in form of short term / long term borrowings from Banks, Financial Institutions, Companies, Body Corporates and any person from time to time in connection with a loan, financial assistance, etc within the borrowing limit approved / delegated by the Board from time to time and authorize Executives, etc to do all the necessary acts, deeds and things in connection with the availment of Financial Assistance; etc.

The Operating Committee of the Board shall meet at such intervals as may be required.

In addition to above the Board has constituted the Grievance Redressal Committee, IT Steering Committee, etc; consisting of Director(s) and / or Senior Management Personnel of the Company and may constitute such other Committees, as may be required for effective functioning of the Company.

Shareholders-

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

Disclosures-

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.

Policies adopted by the Company-

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

The Policies, Code, Guidelines, etc so adopted may be reviewed by the Board / its Committee from time to time.

Review of the Policy-

This Policy shall be reviewed by the Board / its Committee at regular intervals and atleast once in a financial year.