



Internal Guidelines on Corporate Governance

## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

At Repco Micro Finance Limited (RMFL / 'the Company') we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value of its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The shareholder's philosophy has strong emphasis on transparency, accountability and integrity with the highest standards of compliance with all laws, morals and a transparent corporate culture. In order to adopt best practices and in compliance with the Guidelines on Corporate Governance issued by the Reserve Bank of India (RBI) vide its Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, by virtue of notification no. DNBR. PD. 008/03.10.119/2016-17, dated September 1, 2016, including any updation, amendment, revision in the directions made thereunder and issuance of any guidelines, notification and circulars by the RBI in this regard from time to time, the Company has framed these Internal Guidelines on Corporate Governance. These Guidelines are also the compilation of compliant practices adopted so far and to put in place compliant oversight through various Committees, Applicable Laws, audits, reporting, disclosures, policies, business processes etc. The Company has framed an internal guideline on Corporate Governance and also the same will be uploaded on the website of the Company.

### **Governance of Board**

a) The Board shall be responsible for exercising its objective 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 to the Company and shall further supervise and review the performance of the Company.

(b) As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, with fair regularity and conscientiously fulfill his/ her obligations as Director of the Company.

(c) The Board shall be responsible for overall compliance and monitoring the effectiveness of the Company's governance practices and making changes as needed and shall periodically review Compliance Reports of all laws applicable to the Company.

(d) The Board shall also ensure the integrity of Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular system of risk management, financial and operational control, and compliance with the Applicable Laws and relevant standards.

(e) Independent Directors are also expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

(f) Independent Directors appointed on the Board of the Company shall fulfil the criteria of independence as set out under the provisions of Act and other Applicable Laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

**Board Composition and Size:**

The Board shall have a suitable combination of Executive and Non-Executive Directors and at least one – third of the total number of Directors being Independent Directors. All the Directors shall meet the ‘fit and proper’ criteria as prescribed by the RBI. The Board’s strength shall be minimum 3 and maximum number of directors shall be as per the limit specified in the Act and the Articles of Association of the Company.

**Qualification of Director in other Companies:**

A Director shall not hold the office of Director in more than 20 (twenty) companies including 10 (ten) public companies. The Directors shall submit disclosures as required under the provisions of Act and Applicable Laws and the codes and policies adopted by the Company.

**Meetings of the Board and Quorum:**

The Board Meetings of the Company shall be held 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. The quorum shall be as per the requirements of the Act and other Applicable Laws. Moreover, urgent matters are transacted through resolution by circulation.

**Information to be placed before Board and its Committees Meeting:**

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 the Act 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.

**Minutes:**

The minutes of all meetings of the Board and the Committees shall be prepared and circulated to the Board and member of the Committees respectively. The Minutes of the previous Board and/or Committees Meetings shall be placed in subsequent Board and Committee meetings whereas Minutes of Committee meetings shall also be placed before the next meeting of the Board of Directors in accordance with the timelines mentioned in the Act and Applicable Laws.

**Committees of Board:**

The Board has constituted several Committees to deal with specific matters and for operational convenience, delegated in powers for different functional areas to different Committees in accordance with the Act and Applicable laws.

**Audit Committee**

The Board of Directors of the Company shall constitute an Audit Committee, consisting of not less than three members of its Board of Directors as per section 177 of the Companies Act.

All the Members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

The Chairperson of the Audit Committee shall be an Independent Director, provided that 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.

**Composition:**

The Audit Committee shall consist of a minimum three directors with Independent Directors forming majority.

**Frequency of Meetings**

A meeting of the Committee will be held at least 2 times in a year. The quorum shall be at least two directors.

**Terms of Reference**

The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013 including the following -

- i. the recommendation for appointment, remuneration and terms of appointment of auditors of the company;

- ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii. examination of the financial statement and the auditors' report thereon;
- iv. approval or any subsequent modification of transactions of the company with related parties;
- v. scrutiny of inter-corporate loans and investments;
- vi. valuation of undertakings or assets of the company, wherever it is necessary;
- vii. evaluation of internal financial controls and risk management systems;
- viii. monitoring the end use of funds raised through public offers and related matters, and
- ix. to oversee the vigil mechanism.
- x. The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the NBFCs.
- xi. To frame /review the scope of Internal Audit

#### **Nomination and Remuneration Committee (NRC)**

In accordance with the provisions of Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014 ("the Rules"), the Board shall constitute the Nomination and Remuneration Committee comprising minimum of 3 Non-Executive Directors with half of the members being Independent Directors.

Provided that 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.

#### **Composition:**

The Nomination & Remuneration committee shall consist of minimum three Non-Executive Directors with half of the members being Independent Directors.

#### **Frequency of Meetings**

A meeting of the Committee will be held at least once in a year and on ad hoc basis, as and

when required. The quorum shall be at least two directors.

#### Terms of Reference

- i. identify the persons who can become directors;
- ii. to ensure 'fit and proper' status and credentials of proposed/existing directors;
- iii. formulate the criteria for determining the qualifications, positive attributes etc. and independence of a director;
- iv. Recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel, for the approval of the Board.

The Nomination and Remuneration Committee shall determine the appointment and performance evaluation criteria for such other officers as it deemed fit that are required to be performed by the Committee, under the applicable laws, Guidelines as amended from time to time.

#### **Risk Management Committee**

In accordance with Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015” the Board shall constitute a Risk Management Committee to manage the integrated risk.

#### Composition :

The Committee shall consist of minimum three directors of board.

#### Frequency of Meetings

A meeting of the Committee will be held at least once in six months and on ad hoc basis, as required.

#### Terms of Reference

- i. to ensures that all the risk associated with the functioning of the Company are identified, controlled and mitigated;
- ii. to lay down procedures regarding managing and mitigating the risk through Integrated Risk Management Systems, Strategies and Mechanisms ;
- iii. to deal with issues relating to credit policies and procedure and manage the credit risk, operational risk, management of policies and process ;

- iv. identifying, measuring and monitoring the various risk faced by the Company, assist in developing the Policies and verifying the Models that are used for risk measurement from time to time;
- v. to monitor the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
- vi. to have oversight over implementation of risk and other policies including Anti Money Laundering and KYC (Know your Customer) Policies

#### **Asset Liability and Risk Management Committee**

The Board shall constitute the Asset Liability Management Committee (ALCO) to monitor the asset liability gap and strategize action to mitigate the risk associated.

#### **Composition :**

The Committee shall consist of minimum three directors of board.

#### **Frequency of Meetings**

The Committee shall meet at least once in six months. The quorum shall be at least two directors.

#### **Terms of Reference**

- i. monitoring the asset liability gap
- ii. strategizing action to mitigate risk associated with the asset liability gap
- iii. Developing risk policies and procedures and verifying adherence to various risk parameters and prudential limits
- iv. reviewing the risk monitoring system
- v. ensure that credit exposure to any one group does not exceed the internally set limits as well as statutory limits set by RBI.

#### **Corporate Social Responsibility Committee**

Board shall constitute Corporate Social Responsibility Committee in compliance with the provisions of section 135 of Companies Act, 2013.

#### **Composition :**

The Committee shall consist of minimum three directors of board out of which at least one director shall be Independent Director.

### Frequency of Meetings

The Committee shall meet at least once in a year and as and when required. The quorum shall be at least two directors.

### Terms of Reference

- i. 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 make any revisions therein as and when decided by the Board.
- ii. To recommend the amount of expenditure to be incurred on the activities
- iii. To implement a transparent monitoring mechanism for implementation of the CSR Projects or programs or activities undertaken by the Company

### **Information Technology Strategy Committee**

Board has constituted Information Technology Strategy Committee in accordance with the RBI Master Direction DNBS.PPD.No.04/66.15.001/2016-1.

### Composition :

The Committee shall consist of Chief Information officer, Chief Technology Officer and Independent Director as the Chairman of the Committee.

### Frequency of Meetings

The Committee shall meet twice in a year but not more than six months shall elapse between two meetings. The quorum shall be at least two members.

### Terms of Reference

- i. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- ii. Ascertaining that the management has implemented processes and practices which ensure that the IT delivers value to the business;
- iii. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- iv. 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;
- v. Ensuring proper balance of IT investments for sustaining the company's growth and becoming aware about exposure towards IT risks and controls



### **Fit and Proper Criteria**

The company shall put in place policy on Fit and Proper Criteria based on the guidelines issued by the Reserve bank of India. The company shall obtain declaration, deed of covenants and undertaking from the proposed/existing directors.

### **Submission of Statement and Certificate to RBI:**

The company shall furnish to the Reserve Bank a quarterly statement on change of Directors, and a certificate from the Managing Director of the NBFC 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 for the quarter ending March 31, should be certified by the auditors.

### **Disclosure and transparency:**

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

The Board of Directors of the Company or such other person authorized by the Board or under any law/ regulations, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as may be required under applicable laws/ regulations.

The Company as per the requirement of the Companies Act, 2013, and the Guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs places before the Board of Directors, at regular intervals, the following:

- The progress made in putting in place a progressive risk management system and risk management policy and strategy to be followed by the NBFC;
- 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.
- The Company shall also disclose such information in the Annual Financial Statements as prescribed under DNBR (PD) CC.No. 053/03.10.119/2015-16 dated July 01, 2016 and subsequent amendment from time to time.

### **Rotation of partners of the Statutory Auditors Audit Firm**

### **Statutory Auditors**

As per the Section 141 of the Companies Act, 2013, the Company shall have Statutory Auditors. The appointment of Auditor shall be as recommended by the Audit Committee to the Board for its consideration, and thereafter Board recommend the same to the members in the Annual General Meeting for appointment.

### **Rotation of Statutory Auditors/Audit Partner(S)**

The Company shall rotate the firms of statutory auditors and the audit partner(s) as per the provisions of the Companies Act, 2013 and RBI guidelines, as may be applicable.

### **Website**

The Company has in place a website addressed as [www.repcomicrofin.co.in](http://www.repcomicrofin.co.in). This website contains the basic information about the Company, e.g. details of its business, products offered, compliance with RBI guidelines, corporate governance, contact information of the designated officials of the Company, who are responsible for assisting and handling customers.

The Company ensures that the contents of this website are periodically updated. In addition, the Company makes use of this website for publishing official news.

### **Review:**

- The Board of Directors of the Company, and officials authorized by the Board (for the purpose of aligning these Guidelines with statutory amendments), as the case may be, are authorized to amend these Guidelines as may be required from time to time.
- Any amendment(s) in the statutory/regulatory requirements relating to Corporate Governance/ Compliances, enhancement/ amendment(s) in Role of Board and / or its Committees shall be deemed to be included in these Guidelines and binding on the Company, even if such statutory amendments are not specifically incorporated in these Guidelines.

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