

IIFL SAMASTA FINANCE LIMITED
(Erstwhile Samasta Microfinance Limited)

CORPORATE GOVERNANCE POLICY

Policy Statement and Purpose:

IIFL Samasta Finance Limited understands the importance of good corporate governance and is committed towards adopting the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the committees of the members of the Board.

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

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

A. RBI Guidelines on Corporate Governance:

In order to enable NBFCs to adopt best practices and greater transparency in their operations, Reserve Bank of India has been issuing guidelines on Corporate Governance, from time to time. The guidelines for corporate governance have been specified by the Reserve Bank of India under Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time. In pursuance of the RBI Guidelines and to ensure proper Corporate Governance and transparency at all levels the Corporate Governance Policy of the company has been framed. The said Policy on Corporate Governance shall act as the framework for ensuring proper governance and any amendments in the relevant regulations shall have the overriding effect upon this policy.

B. Corporate Governance Regulators:

The company is incorporated under the provisions of the Companies Act, 1956/2013 and is registered with Reserve Bank of India (RBI) as Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI).

The company is regulated by Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI) and is also subject to regulations of the Securities & Exchange Board of India (SEBI) to the extent of Listing of Debt Instruments and other Debt related Compliances.

C. 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 Company's Articles of Association, the Board's strength is required to be a minimum of three directors and a maximum of fifteen directors. The Board shall meet a minimum of four (4) 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 Board of the Company is involved in strategy formulation, policy formulation, implementation and strategic issues which are crucial for the long term development of the organization and also approves the business plan on yearly basis. The Senior Management team updates the Board regularly on operations and key developments in each department. The Company Secretary Conducts the Board Meetings and maintains the records in a systematic manner. The Board along with its constituted Committees, provides direction and guidance to the Management Team and also directs, supervises and reviews the performance of the Company.

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.

D. Composition of the Board of Directors

As per provisions of the Act and Articles of Association, the Board of Company will have at all times a minimum of 2 (two) Directors.

The Company has a professional Board comprising independent directors, nominee directors and an executive director. However, the company is committed to follow all the norms, as may be prescribed by the Reserve Bank or the Ministry of Corporate Affairs in this regard. Further the company ensures that any person who is being appointed as the Director do give such declarations and covenants as may be specified by the Reserve Bank of India and the appointment shall be made in the manner as may be specified by the Companies Act, 2013, as amended from time to time.

E. Duties and Responsibilities of the 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 have the following duties: -

1. A director of a company shall act in good faith in order to promote the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
2. A director of a company shall exercise his duties with due and reasonable care, skill, diligence and shall exercise independent judgment.
3. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
4. A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

F. 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 Charter / terms of reference. 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. IIFL Samasta complies with the above requirements of committee and has the following committees.

1. Audit Committee:

The constitution of the Audit Committee is required in compliance with Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time and the Companies Act, 2013. The constitution and powers of the Audit Committee shall be governed by the provisions of Section 177 of the Companies Act, 2013. The Company has in place the Audit Committee in accordance with the provisions of section 177 of the Companies Act, 2013.

The Committee has been established by the Board of Directors of the Company with the view to assist the Board in fulfilling its responsibilities. The Audit Committee is constituted with the basic objective of reviewing and monitoring the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, and half yearly and annual financial statements prior to approval of the Board.

2. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee has been constituted pursuant to the provisions of Companies Act, 2013.

The Nomination and Remuneration Committee shall identify persons who are qualified to become directors, Key Managerial Person 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 carry out evaluation of every director's performance.

The Nomination and Remuneration Committee shall, while formulating the policy on determining qualifications, positive attributes and independence of a director 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.

3. Corporate Social Responsibility Committee:

As per the requirements of Section 135 of the Companies Act, 2013 the company has constituted a Corporate Social Responsibility Committee. The committee has been constituted for recommending the CSR Budget to the Board and to monitor the CSR activities of the company within the parameters of the CSR Policy.

4. Risk Management Committee:

The Corporate Governance requirements as specified by the Reserve Bank of India requires the constitution of the Risk Management Committee to manage the integrated risks associated with the business. The Company has in place a Risk Management Committee in accordance with RBI guidelines.

5. Asset Liability Management Committee

In compliance with the RBI requirements on Corporate Governance and as provided in the Companies Act, 2013, the company has constituted a “Financial Advisory & Asset Liability Management Committee” by merger of two different committees viz. Asset Liability Management Committee and Financial Advisory Committee

Through the constitution of the “Financial Advisory & Asset Liability Management Committee” the Board evaluates, monitors and approves the flow of funds through borrowings from various available sources and ensures the balance of capital structure to that of debt is maintained

6. IT Strategy Committee

This Committee has been formed by the Board to take care of all Information Technology related matters of the company such as Board policy reviews, cyber security arrangements and matters related to IT governance, Information Security updates and such other functions as may be decided by the Board.

7. Stakeholders Relationship Committee.

As per the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 Companies comprising of more than 1000 shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute Stakeholders Relationship Committee. The company has complied with the provisions by constituting a Stakeholder Relationship Committee as per the guidelines issued.

8. Resourcing and Business Committee

This Committee has been formed by the Board to take care of the day to day affairs of the Company. It may meet on any day, time or place as the Committee may deem fit.

It shall have the authority to transact those items to which the Board has delegated its powers to.

9. Issue and Allotment Committee

This committee has been formed for matters relating to approval of Issuance and Allotment of Securities and related documents required for issue and allotment of securities and such other powers as may be delegated by the Board from time to time.

Other Corporate Governance Practices

Statutory Auditors

The Statutory Auditors of the Company shall be appointed/ re-appointed or rotated as per the provisions of Companies Act, 2013, and the RBI guidelines on Appointment of Statutory Auditors as prescribed in Circular No. **DoS.CO.ARG/SEC.01/08.91.001/2021-22** dated 27th April 2021 upon the recommendations of Audit Committee.

Compliance Officer

The duly appointed Company Secretary shall act as the Compliance officer of the Company for all the regulatory purposes.

Fair Practices Code

The Master Directions Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 mandates every NBFC's having customer interface to adopt the guidelines on Fair Practices Code as given in Chapter VI of the Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by Reserve Bank of India. The Company has adopted and implemented a policy on Fair Practices Code and the same is reviewed by the Board from time to time.

Code of Conduct

The Company has adopted a code of conduct for employees of the Company and due care is taken that the employees adhere to it. The copy of Code of Conduct of the Company is published on the website both in English and Vernacular language.

BOARD EVALUATION

The evaluation of Board and its members shall be carried out by the Board members as indicated in the Companies Act.

Separate Meeting of the Independent Directors

Independent Directors are required to evaluate the performance of Non Independent Directors, Chairman and Board as a whole. The Independent Directors of IIFL Samasta shall hold at least one meeting in a financial year or on any other frequency as Board may decide or prescribed under the applicable laws, to review the performance of Non-Independent Directors, performance of the Chairperson of IIFL Samasta and Board & Committees of the Board, as a whole, taking into account the views of Executive Directors and Non-Executive Directors.

The Independent Directors at their separate meetings shall:

- a) review the performance of Non-Independent Directors and the Board as a whole;
- b) review the performance of the Chairperson of MUDRA, taking into account the views of Executive and Non-Executive Directors;
- a) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

POLICIES ADOPTED BY THE COMPANY:

The Company, in line with the requirement of the Companies Act, 2013, the guidelines issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the Company, shall frame and adopt following policies or any other policies as required from time to time which shall form part and parcel of the overall corporate governance framework of the Company.

Disclosure and Transparency

As directed by the Corporate Governance guidelines of RBI, the Company duly discloses the following in their Annual Financial Statements:

- (i) ratings assigned by credit rating agencies and migration of ratings during the year;
- (ii) penalties, if any, levied by any regulator; and
- (iii) Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures and other disclosures.

The policies will be reviewed as and when required, to ensure compliance and also reflects the changes in the regulations/ corporate governance environment.

Approved by Board 17.03.2022

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