

LAKME INVESTMENT AND FINANCE LIMITED

CORPORATE GOVERNANCE POLICY

Version Control

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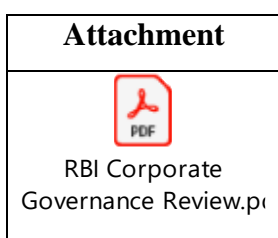
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1. Objective:

Lakme Investment and Finance Limited ('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.

2. RBI Guidelines on Corporate Governance:

The Reserve Bank of India ("RBI") has issued the Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve bank) Directions, 2015. (*Refer attachment*) to enable NBFCs to adopt the best practices and greater transparency in their operations. The Company has framed the following internal Guidelines on Corporate Governance.

**3. Board of Directors:**

The company believes that a well-functioning, informed Board of Directors is key to good corporate governance. The Board shall have a core group of excellent, professionally acclaimed non-executive directors who understand their dual role, of appreciating the issues put forward by management, and honestly discharging their fiduciary responsibilities towards the company's shareholders as well as creditors. The Company shall clearly define the roles, responsibilities, and qualifications for directors ensuring diversity and unbiased oversight from the independent directors. It shall also specify the frequency and structure of board meetings and the requirements for quorum.

Constitution of the Board:

The Board shall consist of a minimum of two (02) directors and a maximum of fifteen (15) directors as per the requirement of the Act and subject to the Articles of Association of the Company. The Board shall have an optimum combination of executive, non-executive and independent directors in line with the Applicable Laws and Articles of Association of the Company, as amended from time to time. All the directors shall make the necessary annual disclosures regarding their change in concern or interest in any company or bodies corporate, firms, or other association of individuals including shareholding, directorships and Committee positions and shall intimate changes as and when they take place.

The Board may have one or more Independent Directors as required under Applicable laws. Independent Director(s) shall have requisite qualification, skills, experience as required under the Companies Act, 2013 read with rules made thereunder and applicable RBI laws and there should not be any conflict of interest of the Company with Independent Director(s). The Company may have a policy for ascertaining the 'fit and proper' criteria at the time of appointment/ re-appointment of Directors or Senior Management. The Company shall carry out necessary due diligence on the eligibility of Directors or Senior Management considering their qualifications, expertise, track record, integrity, etc, as required under applicable laws. The Company shall have at least one director with experience of working in bank/NBFC. The Chairman of the Board may be appointed by the Board from time to time.

4. DUTIES, ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

- The Board shall exercise their judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board along with its committees provides direction and guidance to the Company's leadership team and further directs, supervises as well as reviews the performance of the Company.
- In accordance with the provisions of Section 166 of the Companies Act, 2013 and RBI Regulations and as a matter of corporate governance, the Directors of the Company have the following duties: -
- The Director shall disclose to the Board the nature of his/ her interest, direct or indirect, with a contract or arrangement or any whether proposed or entered between the company and any other person

- The Director shall disclose by general notice to the Board his / her other directorships, or memberships of bodies corporate, interest in other entities and interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
- The Director shall provide to the company a list of relatives as defined in the Companies Act, 2013
- The Director shall in carrying on his / her duties as director of the company:
 - a. use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience
 - b. in the performance of duties be reasonably and exercise any power vested in him / her in good faith and in the interests of the company
 - c. shall keep informed about the business, activities and financial status of the company to the extent disclosed
- Attend meetings of the Board and Committees thereof with fair regularity and conscientiously fulfil obligations as director of the Company
- Shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company
- Shall bring independent judgment to bear on all matters affecting the Company

5. Meetings of the Board:

At least four meetings of the Board shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days or as extended by the regulator under Applicable Laws from time to time. The meetings of the Board can be convened either in person or through audio-video means as permitted under Applicable Laws.

6. Board's responsibilities:

The Board will play a vital role in the policy formulation and its implementation and decision-making of strategic issues which are crucial for the long-term development of the organization. Apart from performing statutory obligations, the Board shall review the following matters, at regular intervals:

- Minutes of the proceedings of the Committees to evaluate the functioning of the respective Committees and adherence to their respective charter/policy.
- Compliance with applicable legal provisions and mandating submission of the certificate of

compliance from the respective functional heads.

- Portfolio risk performance and special mention accounts.
- Adherence to the policies on customer due diligence and fair practices.
- Functioning of the business contingency plan and undertake a comprehensive risk assessment of IT systems to identify the gap and steps to mitigate it.
- Status of fraud cases identified and reported from time to time.
- New laws/regulations as well as important amendments therein having an impact on the business operations of the Company
- the applicable accounting standards had been followed along with proper explanation relating to material departures, in the preparation of the annual accounts.
- Prepared the annual accounts on a going-concern basis.
- Devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- Selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period.
- Taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities
- Related party transactions shall be approved by the Board of Directors in the best interest of the Company and in accordance with the applicable regulations
- The Board shall appoint the Compliance officer to ensure that the Company is in line with the compliance / regulatory requirements
- The Board and the Audit Committee shall be responsible for the appointment/reappointment of Statutory Auditors of the Company and to fix their remuneration pursuant to the provisions of the Companies Act 2013, RBI Master Directions- Mortgage Guarantee Companies (Reserve Bank) Directions, 2016 and other rules and regulations specified by RBI from time to time.
- **Business Transfer/ Changes in Management Controls:** The Company shall apply, obtain prior approval from RBI, along with the below mentioned documents to transfer control of the Company or for the acquisition, as proposed:
 - a. Information about the proposed directors/shareholders

- b. Sources of funds of the proposed shareholders acquiring the shares in the company.
 - c. Declaration by the proposed directors/shareholders that they are not associated with any unincorporated body that is accepting public deposits;
 - d. Declaration by the proposed directors/shareholders that they are not associated with any company, the application for CoR of which has been rejected by the Reserve Bank;
 - e. Declaration by the proposed directors/shareholders that there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against them; and
 - f. Bankers' report on the proposed directors/ shareholders
- Public notice of at least 30 days shall be given before effecting the transfer. Such notice shall be given by both parties, after obtaining the prior permission of RBI
 - It shall indicate the intention, particulars of transferee and the reasons for such sale or transfer of ownership/ control. It is published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.
 - The Company shall ensure compliance to the instructions mentioned in Paragraph 8 of the Master Directions with regards to Investment from FATF non-compliant jurisdictions. It shall not be treated at par with those from the compliant jurisdictions. Fresh investors (directly or indirectly) from such jurisdictions in aggregate should be less than the threshold of 20 percent of the voting power (including potential voting power) of the NBFC.
 - Investors in existing company holding their investments prior to the classification of the source or intermediate jurisdiction/s as FATF non-compliant, may continue with the investments or bring in additional investments as per extant regulations so as to support continuity of business in India
 - **Public notice before closure of office:** The company shall give at least three months public notice prior to the date of closure of its offices in, at least, one leading national newspaper and a leading local (covering the place of branch/ office) vernacular newspaper indicating therein the purpose and arrangements being made to service the depositors, etc.
 - The Board shall submit information with respect to change of address, directors, auditors etc. not later than one month from the occurrence of any change therein.

In addition to the Role and Responsibilities of a Director as enumerated above, an Independent Director shall have the following roles and responsibilities for the effective governance of the Company:

- To comply with the Code of Independent Directors provided under Schedule IV of the Companies Act, 2013 consisting of the following major role and responsibilities:-

- a. To help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- b. safeguard the interests of all stakeholders, particularly the minority shareholders;
- c. brings an objective view in the evaluation of the performance of board and management;
- d. balance the conflicting interest of the stakeholders;

7. Code of Conduct:

For this Code, the “senior management” shall mean all executives directly reporting to the Chief Executive Officer. In performing their functions, the directors, senior management and all the employees of the Company shall:

- Act honestly, diligently and in good faith and maintain integrity in all their dealings with and for the Company
- Not use any confidential information obtained by them in the course of their official duty, whether from the Company or otherwise, for personal gain, or use/ allow the use of such information for the financial benefit for any other person
- Not engage in any business, relationship or activity, which might detrimentally conflict with the interest of the Company
- Maintain the principle of “need to know” and also confidentiality of all material non-public information about the Company, its business and affairs.
- Not to use their status to seek or accept any personal gains or favors from those doing or seeking to do business with the Company or from other employees of the Company.
- Not accept, any gifts/ donations/ comparable benefits in cash or kind, if it is likely to lead to a business relationship with the Company. However, the above exemption can be granted in terms of accepting gifts when there is a need to manage business relationship with a threshold of INR 5,000/-.
- Not share any information regarding the Company, its business and/ or affairs with media without the prior approval of the CEO.

8. Committees Constituted under Corporate Governance

a. Audit Committee:

Composition:

- The Audit Committee shall consist of a minimum of three directors with not less than 2/3rd members being independent directors. The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
- All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee.
- The AC may be reconstituted by the Board, as and when required.

Meetings and Quorum:

The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. The quorum for audit committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater.

Roles and responsibilities:

- Oversee auditing and accounting policies
- Review of financial controls, and systems and processes
- Reviews and examine financial statements
- Monitors the end use of funds
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company
- Approval or any subsequent modification of transactions of the Company with related parties
- 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 Company.

b. Risk Management Committee:**Constitution:**

RMC shall be constituted either at Board or executive level and shall report to the Board. Any reconstitution of RMC shall be done with the prior approval of the Board.

Meetings: At least two meetings of RMC shall be held in the financial year or any frequency of meeting as decided by the Board from time to time. The Chief Risk Officer shall report to the RMC.

Meetings and Quorum:

The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.

Roles and Responsibilities:

The Risk Management Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:

- To periodically assess risks to the execution of business strategy and review leading indicators in this regard
- To review and approve the Risk Management Framework of the Company
- To periodically review the risk management processes and practices of the Company and ensure that the Company achieves prudent balance between risk and reward in both ongoing and new business activities.
- To review operational risk, information technology risk and integrity risk
- To review credit risk management processes

c. Internal Committees (“IC”)**Constitution:**

The Company shall have IC in accordance with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules framed thereunder (“POSH Act”). The Board shall constitute IC subject to meeting the criteria for membership of the Committee as defined under the POSH Act. The Board shall also be authorized to change the constitution of IC on a need basis from time to time.

Meeting:

IC shall meet on a half-yearly/annual basis and initiate the necessary proceedings as may be required to resolve the complaints received under POSH Act.

Roles & Responsibilities:

The Board shall approve and implement the 'Policy on Prevention of Sexual Harassment at Workplace' defining the roles & responsibilities of IC as well as the procedure for addressing the complaints against sexual harassment. IC shall recommend appropriate action to the employer on the complaints received by IC. The role of IC shall be as follows:

- To formulate the Prevention of Sexual Harassment Policy to ensure the prevention of sexual harassment and the safety of women employees in the workplace.
- To conduct the meeting in case of any complaint received in writing from any women employees, to settle the grievances and to ensure the proper action is being taken in case of any misconduct, or harassment with the women employees either physically or mentally.
- Provide a safe working environment at the workplace.
- Organize workshops and awareness programs at regular intervals.

d. Information Technology Committee ("ITSC") & ("STC")**Constitution:**

The IT Steering Committee shall consist of an IT In-charge, Chief Risk Officer, Compliance & Operations Officer, MD and CEO of the company. Any reconstitution of the committee shall be done with the prior approval of the Board. The Committee shall report to the Board of Directors.

Meetings: The committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The chairman of the committee shall be an Independent Director.

Roles & Responsibilities:

- The Board shall adopt a suitable framework for IT Governance that shall include the roles, functions, responsibilities and the powers the committee. It shall approve the IT strategy and policy documents and ensure that the management has put an effective strategic planning process in place.

- It will also carry out the review and amend the IT strategies in line with the corporate strategies, Board's policy reviews, cyber security arrangements and any other matter related to IT Governance.
- It shall also ascertain that management has implemented processes and practices that ensure that IT delivers value to the business, IT investments represent a balance of risks and benefits and that budgets are acceptable.
- The committee shall also monitor the IT resources needed to achieve strategic goals are available and provide high-level direction for sourcing and use of IT resources.

e. Credit & Investment Committee:

- Develop, review, and update the company's credit policies, including credit risk management strategies and procedures. Develop, review, and update the company's investment policy, ensuring alignment with overall business objectives and risk appetite.
- Review if credit policies are following RBI regulations
- Review the selection, evaluation, and approval of investment opportunities, ensuring prudent and profitable investments.

Meeting Frequency: Monthly meeting and ad hoc meetings as and when needed.

f. Nomination and Remuneration Committee:

Composition:

The Committee shall consist of two or more non-executive directors out of which not less than one-half shall be independent directors. The chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

Meetings and Quorum:

- The committee shall meet as and when necessary.
- The quorum shall be at least two Directors. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.

Roles and responsibilities:

- The Nomination and Remuneration Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include
- To formulate a criteria for determining qualifications, positive attributes and independence of a Director
- To ensure 'fit and proper' status of proposed/ existing Directors
- Identifying persons who are qualified to become directors
- Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- To recommend to the Board the appointment and removal of Senior Management.
- To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance
- To recommend to the Board on policy relating to remuneration for Directors including Executive Directors, Key Managerial Personnel and Senior Management.
- To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- To devise a policy on Board diversity

The Company shall ensure disclosure and transparency through:

- Ensuring adherence to all applicable laws, regulations, and guidelines issued by regulatory authorities.
- Implement accurate and transparent financial reporting practices according to regulatory requirements.
- Disclose financial information in a timely manner to stakeholders, including investors, regulators, and the public.
- Establish robust internal control mechanisms to safeguard assets and ensure operational efficiency.

- Conduct regular internal audits to assess the effectiveness of controls and compliance with policies.

Policies and Procedures: The Company shall adopt such policies and procedures, as may be required to adopt under the Companies Act, 2013, RBI Directions/ circulars issued from time to time and applicable to the company, and such other laws and regulations as may be applicable. The policies and procedures adopted can be reviewed by the Board from time to time.

Website: The internal guidelines on corporate governance shall be published on the Company's website, if any, for the information of various stakeholders, as required by RBI from time to time.

Review/Amendment: The Policy will be amended from time to time by the Board of Directors of the Company. The Policy shall be automatically amended with the changes in any applicable law. The Policy shall also be reviewed annually by the Board of Directors of the Company.