

LAKME INVESTMENT AND FINANCE LIMITED

Regd Office: No. 1, Anna Pillai Street, Chennai – 600 001.

Corporate Office: No.1, Padiyur Road, Pudupatti, Dindigul – 624 005.

CIN: U65993TN1995PLC033288 | Email ID: compliance@lakmefinance.com | Mobile No: 8925975497

CORPORATE GOVERNANCE POLICY

Board Approved Date: 20-03-2026

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1. PREAMBLE

Lakme Investment and Finance Limited (“Company”) is a Non-Banking Financial Company classified as **NBFC – Base Layer (NBFC-BL)** by the Reserve Bank of India (“RBI”).

The Company believes that sound Corporate Governance is fundamental to sustainable growth, prudent risk management, regulatory compliance, protection of stakeholder interests and long-term value creation.

This Policy establishes the governance framework, roles, responsibilities and oversight mechanisms necessary to ensure transparency, accountability, ethical conduct and compliance with applicable laws and regulations.

This Policy is framed in accordance with:

- a. Reserve Bank of India Act, 1934;
- b. RBI Master Directions and Circulars applicable to NBFCs;
- c. Companies Act, 2013;
- d. Secretarial Standards issued by ICSI;
- e. Applicable Accounting Standards;
- f. Other applicable statutory and regulatory requirements.

2. OBJECTIVE

The objectives of this Policy are to:

- a. Promote high standards of governance and ethical conduct;
- b. Ensure accountability of the Board and Management;
- c. Strengthen risk oversight and internal controls;
- d. Ensure compliance with RBI regulations and applicable laws;
- e. Protect the interests of customers, lenders, investors and other stakeholders;
- f. Promote transparency in decision making and disclosures;
- g. Foster a culture of integrity, responsibility and sustainable business practices.

3. APPLICABILITY

This Policy shall apply to:

- a. Board of Directors;
- b. Independent Directors (where applicable);
- c. Key Managerial Personnel;
- d. Senior Management Personnel;
- e. Employees;
- f. Committee Members;
- g. Outsourced service providers to the extent applicable.

4. CORPORATE GOVERNANCE PRINCIPLES

The Company shall adhere to the following principles:

4.1 Transparency

Ensuring accurate, timely and complete disclosures.

4.2 Accountability

Clearly defined responsibilities and decision-making authority.

4.3 Fairness

Fair treatment of customers, employees, lenders and stakeholders.

4.4 Integrity

Conducting business honestly, ethically and responsibly.

4.5 Compliance

Adherence to applicable laws, regulations and internal policies.

4.6 Risk Governance

Identification, monitoring and mitigation of risks on an ongoing basis.

4.7 Customer Protection

Ensuring responsible lending practices and fair customer treatment.

5. GOVERNANCE STRUCTURE

The governance framework of the Company shall comprise:

- a. Board of Directors;
- b. Key Managerial Personnel;
- c. Compliance Function;
- d. Internal Audit Function;
- e. Risk Oversight Mechanism;
- f. Statutory Auditors;
- g. External Advisors, where required.

The governance structure shall ensure segregation of duties, effective supervision and accountability.

6. BOARD OF DIRECTORS

The Board shall have overall responsibility for governance and strategic direction.

The Board shall:

- a. Approve policies;
- b. Monitor business performance;
- c. Ensure regulatory compliance;
- d. Oversee risk management;
- e. Approve budgets and business plans;
- f. Review asset quality and recovery performance;
- g. Monitor frauds and complaints;

- h. Review cybersecurity and IT risks;
- i. Ensure customer protection mechanisms.
- j. Oversee succession planning.

The Board composition shall comply with:

- a. Companies Act, 2013;
- b. RBI Fit & Proper criteria;
- c. Articles of Association.
- d. Applicable governance requirements.

At least one Director should possess experience in:

- a. Banking;
- b. NBFC operations;
- c. Finance;
- d. Risk management;
- e. Compliance.

7. FIT & PROPER CRITERIA FOR DIRECTORS

The Company shall assess the fitness and propriety of Directors before appointment and reappointment.

Assessment shall include:

- a. Integrity and honesty;
- b. Financial soundness;
- c. Reputation and character;
- d. Educational qualifications;
- e. Professional competence;
- f. Regulatory history;
- g. Criminal proceedings, if any;
- h. Experience and expertise.

The Board shall periodically review compliance with Fit and Proper requirements.

8. DUTIES OF DIRECTORS

Directors shall:

- a. Act in good faith;
- b. Exercise independent judgment;
- c. Avoid conflicts of interest;
- d. Protect Company assets;
- e. Maintain confidentiality;
- f. Comply with Section 166 of Companies Act;
- g. Make statutory disclosures.

9. BOARD MEETINGS

The Board shall meet at least four times in a financial year.

The gap between two meetings shall not exceed one hundred and twenty days.

Meetings may be conducted through:

- a. Physical meetings;
- b. Video conferencing;
- c. Hybrid mode.

Proper minutes shall be maintained in accordance with applicable law.

10. BOARD EVALUATION

The Board shall periodically evaluate its effectiveness.

Evaluation may include:

- a. Board composition;
- b. Participation and attendance;
- c. Quality of discussions;
- d. Strategic oversight;
- e. Risk oversight;
- f. Governance effectiveness;
- g. Regulatory compliance oversight.

The results shall be used to strengthen governance practices.

11. KEY RESPONSIBILITIES OF BOARD

The Board shall periodically review:

A. Regulatory Compliance

- a. RBI compliance status
- b. Statutory returns
- c. Audit observations
- d. Regulatory correspondence.

B. Credit & Portfolio Monitoring

- a. Asset Quality
- b. GNPA Levels
- c. Recovery performance
- d. SMA accounts
- e. Concentration risks

C. Customer Protection

- a. Customer grievances;
- b. Fair Practices Code compliance;
- c. Recovery practices;
- d. Customer service standards.

D. Fraud Monitoring

- a. Fraud incidents
- b. Operational losses
- c. Corrective actions

E. Technology and Cybersecurity

- a. Cybersecurity incidents;
- b. Data privacy compliance;
- c. Digital lending controls;
- d. Information security framework.

F. Risk Oversight

- a. Credit risk;
- b. Operational risk;
- c. Compliance risk;
- d. Liquidity risk;
- e. Reputational risk.

12. BOARD COMMITTEES

The Board may constitute committees as required by law or business needs.

For an NBFC-BL, risk oversight may be undertaken directly by the Board or through a designated committee.

The Board may also constitute:

- a. Audit Committee (where applicable);
- b. Nomination and Remuneration Committee (where applicable);
- c. Stakeholder Relationship Committee (where applicable);
- d. POSH Internal Committee.

13. CONFLICT OF INTEREST

Directors and employees shall avoid actual, potential or perceived conflicts of interest.

Any conflict shall be promptly disclosed.

Interested Directors shall abstain from discussion and voting on related matters.

14. RELATED PARTY TRANSACTIONS

All Related Party Transactions shall:

- a. Comply with Companies Act, 2013;
- b. Be conducted on an arm's length basis;
- c. Be in the ordinary course of business where applicable;
- d. Receive necessary approvals.

Interested Directors shall not participate in approval processes.

15. CUSTOMER PROTECTION GOVERNANCE

The Board shall ensure maintenance of:

- a. Fair Practices Code;
- b. Grievance Redressal Mechanism;
- c. Responsible lending framework;
- d. Customer communication standards;
- e. Data privacy safeguards;
- f. Recovery conduct standards.

Material customer complaints shall be reviewed periodically.

16. FRAUD RISK GOVERNANCE

The Company shall maintain adequate systems to prevent, detect and investigate fraud.

The Board shall periodically review:

- a. Fraud incidents;
- b. Root cause analyses;
- c. Corrective actions;
- d. Control weaknesses;
- e. Regulatory reporting.

17. CYBER SECURITY AND INFORMATION SECURITY

The Company should maintain appropriate cybersecurity and information security controls.

Management shall periodically report on:

- a. Cyber incidents;
- b. Vulnerability assessments;
- c. Security controls;
- d. Data protection measures;
- e. Business continuity preparedness.

18. BUSINESS CONTINUITY MANAGEMENT

The Company shall maintain a Business Continuity Plan (BCP).

The Board shall periodically review:

- a. Operational resilience;
- b. Disaster recovery arrangements;
- c. Continuity preparedness.

19. WHISTLE BLOWER MECHANISM

The Company shall maintain mechanisms enabling employees and stakeholders to report:

- a. Fraud;
- b. Misconduct;
- c. Regulatory breaches;
- d. Unethical behaviour.

Whistleblowers shall be protected against retaliation.

20. INTERNAL CONTROLS AND AUDIT

The Company shall maintain:

- a. Internal financial controls;
- b. Compliance monitoring systems;
- c. Internal audit framework;
- d. Updated Operational controls including IT systems customer facing as also internal house keeping;
- e. Risk monitoring mechanisms.

Internal audit observations shall be periodically placed before the Board.

21. DISCLOSURE AND TRANSPARENCY

The Company shall ensure timely disclosure of:

- a. Financial statements;
- b. Regulatory filings;
- c. Material changes;
- d. Governance disclosures.
- e. Statutory disclosures

22. SUCCESSION PLANNING

The Board shall ensure succession planning for:

- a. Directors;
- b. Key Managerial Personnel;
- c. Compliance Officer;
- d. Principal Officer;
- e. Senior Management Personnel.

Succession planning shall ensure continuity of operations and governance.

23. COMPLIANCE FUNCTION

The Board shall designate a Compliance Officer responsible for:

- a. RBI compliance;
- b. Regulatory returns;
- c. Policy monitoring;
- d. Governance reporting.
- e. Regulatory liaison

The Compliance Officer shall have access to the Board for reporting material compliance issues.

24. RESPONSIBLE BUSINESS CONDUCT

The Company shall conduct business responsibly and ethically.

The Company shall endeavor to:

- a. Maintain high standards of integrity;
- b. Ensure fair treatment of customers;
- c. Promote transparency;
- d. Comply with applicable laws;
- e. Consider environmental and social factors where relevant.

25. POLICY REVIEW:

This Policy shall be reviewed at least annually or earlier upon:

- a. Regulatory changes;
- b. RBI directions;
- c. Material governance developments;
- d. Business model changes.

Any amendment shall require Board approval.

26. BOARD APPROVAL:

This Corporate Governance Policy was approved by the Board of Directors on 20-03-2026