

CREDILA'S CORPORATE GOVERNANCE CODE

Approving Authority

Board of Directors

Prepared by

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Version

3

Review cycle

The code shall be reviewed annually and as and when required.

Last Reviewed by the Board in Annual Review

April 17, 2023

1. CORPORATE GOVERNANCE

The need for good Corporate Governance has intensified due to growing competition and complex business environment. It is the application of best management practices and compliances in true letter and spirit, adherence to ethical standards for effective management and discharge of social responsibility for sustainable development of all stakeholders. This corporate governance code will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure.

2. OBJECTIVE

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 philosophy has strong emphasis on transparency, accountability and integrity.

3. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had issued Master Circular No. DNBS (PD) CC No.390/03.10.001/2014-15, on July 1, 2014, on Corporate Governance.

Reserve Bank of India (RBI) vide its master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 directed NBFCs to frame internal guidelines on corporate governance approved by the Board of Directors and repealed the earlier circulars related to corporate governance. Accordingly, this Corporate Governance Code of Credila Financial Services Limited (formerly known as HDFC Credila Financial Services Limited)“The Company” is framed in the spirit of the said Master Direction of RBI and is approved by the Board of Directors of Company

4. POLICIES FORMING PART OF THE CORPORATE GOVERNANCE FRAMEWORK

- Policy on Related Party Transactions
- Policy on prevention and redressal of sexual harassment of women at workplace in Credila
- Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
- Whistle blower Policy
- Corporate Social Responsibility Policy
- Fair Practices Code
- Know Your Customer (KYC) & Anti Money Laundering (AML) Policy

5. BOARD OF DIRECTORS

As per the Company's Articles of Association, until otherwise determined by the Company in General Meeting and subject to the provisions of Sections 149 and 151 of the Act and other Applicable Law, the total number of Directors shall neither be less than 3 (three) nor more than 15

(fifteen).

A Director shall not hold the office of Director in more than 20 companies including maximum of 10 public limited companies. Explanation - Private companies which are subsidiaries of a public limited company shall be counted as a public company. All the Directors shall make the necessary annual disclosure regarding their directorships and Committee positions and shall intimate changes as and when they take place. While reckoning the limit of directorships of twenty companies, the directorship in a dormant company shall not be included

Currently, the Board of the Company comprises of seven members, comprising of three Independent Directors, three Non-Executive Directors and one Managing Director. Three Non-Executive Directors include one Woman Director. The Non-Executive Director is the Chairman of the Board. The Board is thus duly constituted with proper balance of Executive Directors, Non-Executive Directors and more than 1/3rd Independent Directors of the total strength of the Board.

6. BOARD MEETINGS

At least 4 (four) Board Meetings shall be held in any calendar year and there should not be a gap of more than 120 (one hundred and twenty) days between two consecutive Board Meetings

7. CONSTITUTION OF COMMITTEES

The Company shall constitute such Committees as may be required under the Act and/or other Applicable Law. Subject to the provisions of Section 179 of the Act, the Board of Directors may appoint an executive or other committee or committees consisting of such members, of its body as it thinks fit to delegate any of their powers to such committee or committees and the Board may from time to time revoke and discharge any such committee or committees of the Board either wholly or in part and either as to persons or purposes, but every Committee of the Board so formed shall, in the exercise of the power so delegated, conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

Details of the various Committees are as under

i) Audit Committee.

The constitution of this Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 and RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 named Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Composition	<p>The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority in accordance with the provisions of the Companies Act, 2013.</p> <p>Majority of the members of the Audit Committee including its Chairperson shall be ‘financially literate’ (persons with ability to read and understand, the financial statement).</p>
Quorum	<p>The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.</p>
Meetings	<p>The Committee shall meet at least four times a year.</p> <p>The Chief Financial Officer, Senior management, Internal Auditor, Compliance Officer and a Representative of the External Auditor may be invited to be present as invitees for the meetings of the Audit Committee, wherever necessary.</p> <p>The Auditors of the Company and the Key Managerial Personnel shall have a right to be heard at the meetings of the Audit Committee when it considers the Auditor’s Report but shall not have the right to vote.</p>

The Audit Committee shall function as per the Terms of reference of the Audit Committee as approved by the Board of Directors of the Company (Annexure – A)

ii) Asset Liability Management Committee (ALCO)

This Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 named Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

Composition	<p>The ALCO shall consists of the Company’s top management and shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The CEO/MD or the Executive Director (ED) shall head the Committee. The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research may be members of the Committee</p>
Quorum	<p>The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.</p>
Meetings	<p>The Committee shall meet at least once in a quarter</p>

The Asset Liability Committee shall function as per the Terms of reference of the Committee as approved by the Board of Directors of the Company (Annexure – B)

iii) Nomination & Remuneration Committee (NRC)

This Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013 and RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 named Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Company has a Board approved Nomination and Remuneration Policy in place and required disclosures to that effect are made from time to time. The details of its terms of reference as approved by the Board of Directors of the Company are given below

Composition	The Nomination and Remuneration Committee (NRC) shall consist of three or more non-executive directors out of which not less than one-half are independent directors. The Chairperson of the Company (whether executive or nonexecutive) may be appointed as a member of the NRC but shall not chair the said Committee.
Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.
Meeting	The Committee will meet as and when required.

The NRC Committee shall function as per the Terms of reference of the NRC Committee as approved by the Board of Directors of the Company (Annexure – C)

iv) Risk Management Committee

This Committee is constituted in compliance with the provisions of the Companies Act, 2013 and RBI Master Direction No. RBI/DNBR/2016- 17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 named Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Company has a Board approved Risk Management Policy in place and required disclosures to the effect are made from time to time.

Composition	The Risk Management Committee shall consist of such number of members as the Board may decide from time to time to manage the integrated risks of the Company, as a good corporate governance practice. The Committee may also appoint members which may be ratified by the Board
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Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.
Meetings	This Committee shall meet on quarterly basis

The RMC Committee shall function as per the Terms of reference of the Committee as approved by the Board of Directors of the Company (Annexure – D)

v) Corporate Social Responsibility Committee (CSR Committee)

This Committee is constituted in compliance with the provisions of Section 135 of the Companies Act, 2013. The Company has a Board approved CSR Policy in place and required disclosures to the effect are made from time to time.

Composition	In terms of Section 135 of the Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee shall consist of a minimum of three directors out of at least one director shall be an independent director in accordance with the provisions of the Companies Act, 2013.
Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.
Meetings	The Committee will meet as and when required.

The CSR Committee shall function as per the Terms of reference of the Committee as approved by the Board of Directors of the Company (Annexure – E)

vi) Information Technology Strategy Committee

This Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBS/2016- 17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 named Master Direction - Information Technology Framework for the NBFC Sector. The Company has a Board approved Information Technology and Information Security Policy in place and required disclosures to the effect are made from time to time.

Composition	The IT Strategy Committee shall consist of such number of members as the Board may decide from time to time considering the requirements of RBI Guidelines and Companies Act. As per the current RBI Guidelines, an Independent Director would be the chairman of the Committee and Chief Information Officer & Chief Technology Officer shall be members of the Committee. The Committee may also appoint members which may be ratified by the Board.
Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher
Meetings	The Committee will meet as and when required, subject to minimum number of meetings as specified in the RBI Guidelines. As per the current RBI Guidelines, not more than six months should elapse between two meetings of the Committee

The IT Strategy Committee shall function as per the Terms of reference of the Committee as approved by the Board of Directors of the Company (Annexure – F)

In addition to the aforesaid Committees, the Company has constituted following Committees

vii) Allotment Committee

The Allotment Committee shall consist of such number of members as the Board may decide from time to time. The Committee may also appoint members which may be ratified by the Board. The Committee shall meet as and when required. The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher

The Allotment Committee shall function as per the Terms of reference of the Committee as approved by the Board of Directors of the Company (Annexure – G)

8. COMPLIANCE OFFICER

The Board of Directors shall designate a Compliance Officer to ensure compliance with applicable laws.

9. FIT & PROPER CRITERIA

The Company has a Board approved Fit & Proper Policy in place and required disclosures to the effect are made from time to time.

- 9.1 In terms of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 named Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Nomination and Remuneration Committee of the Company shall ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis.

- 9.2 The NRC Committee shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annex XIV of the Master Direction
- 9.3 The NRC Committee shall obtain a Deed of Covenant signed by the directors, which shall be in the format as given in Annex XV of the Master Direction
- 9.4 The Company shall ensure to 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 by the Company for the quarter ending March 31, should be certified by the auditors.

10. PERFORMANCE EVALUATION

- 10.1 The Company recognizes the benefits of a Board that possesses a balance of skill, experience and expertise appropriate to the requirements of the business of the Company.
- 10.2 The Nomination & Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- 10.3 In terms of the requirements of Schedule IV of the Act, the independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting. The meeting shall:
 - (a) Review the performance of non-independent directors and the Board as a whole;
 - (b) Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - (c) 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.
- 10.4 Similarly, the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.
- 10.5 Pursuant to the provisions of Companies Act, 2013, the Company shall include in the report of its Board of Directors, a statement indicating the manner in which formal annual performance evaluation was carried by the Board of its own performance, its Committees and Individual Directors.

11. Transparency & Disclosures

The Company shall put up to the Board of Directors or its Committee, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. 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.
- iii. Details of all material transactions with related parties shall be disclosed in the annual report. The company shall disclose the policy on dealing with Related Party Transactions, as approved by the Board on its website and a web link shall be provided in the Annual Report.

12. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides.

13. CHIEF RISK OFFICER (CRO)

- a) The Company shall appoint a CRO who shall be a senior official in the hierarchy of the Company and he shall possess adequate professional qualification/ experience in the area of risk management.
- b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision, RBI.
- c) The CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets. Further the CRO shall not be given any other responsibility.
- d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
- e) The Company, while following committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.