



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

With reference to Agenda No. 32 / 116th Board dt 19.01.2021

1. Preamble

1.1 NABFINS Limited (NABFINS), a Company incorporated under the Companies Act, 1956 and being a Non-Banking Financial Company – Non-Deposit taking – Systemically Important (NBFC-ND-SI), registered with Reserve Bank of India as a Micro Finance Institution (mFI), shall function with a commitment to run its business in a legal, ethical and transparent manner and shall be responsible for promoting high quality corporate governance essentially balancing the interests of various stake holders viz. investors, management, customers, suppliers, financiers, government and the community.

1.2 The Company shall adopt the best practices to protect the interests of all the stake-holders and shall strive constantly to better them and adopt the best possible practices.

1.3 The Company shall ensure good governance practices and the same shall be reviewed regularly by the Board of Directors of the Company.

2. RBI Guidelines on Corporate Governance

2.1 In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI vide its circular dated July 11, 2007, issued guidelines on Corporate Governance. The Company in pursuance of the aforesaid guidelines and also keeping in view the extant norms by Reserve Bank of India vide its Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016, updated as on February 17, 2020 have, framed the internal guidelines on Corporate Governance.

3. Shareholders

3.1 Company being a public limited Company under the provisions of the Companies Act, shall have prescribed minimum number of shareholders at all the times. Company shall abide by the provisions of all applicable statutes with regard to issue, subscription and allotment of shares, meeting of the shareholders etc.

4. Board of Directors

4.1 Fit & Proper Criteria for Directors

4.1.1 NABFINS shall ascertain the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The steps followed to ensure fit and proper criteria shall be in line with the guidelines prescribed by RBI;

4.1.2 NABFINS shall obtain a declaration and undertaking from the directors seeking additional information and a deed of covenant as prescribed by RBI in this regard;

4.1.3 Company Secretary of the Company shall submit to Reserve Bank of India all such returns/reports as may be required on corporate governance tune with policy prescribed by RBI.



4.2 Composition of Board of Directors

4.2.1 Composition of the Board shall be in conformity with the Articles of Association of the Company read with provisions of the Companies Act, 2013.

4.2.2 Identification of the individuals for appointment as Independent Directors shall be made by the Company, in consultation with the holding entity and shall be appointed by the shareholders on the recommendation of the Board through Nomination and Remuneration Committee.

4.2.3 Identification of Nominee Directors shall be the responsibility of the concerned shareholders generally with larger shareholding, as decided by the Board/shareholders from time to time. The Nominee Directors shall be appointed by the Board of Directors of the Company.

4.2.3 Appointment and terms and conditions of such appointment of Managing Director and remuneration payable to him shall be approved by the Board of Directors at a meeting which shall be subject to approval by the shareholders at the next general meeting of the Company. The Managing Director is responsible for execution of strategy set by the Board and day-to-day management of affairs of the Company.

4.3 Duties of Directors

4.3.1 Duties of Directors are guided by the provisions of section 166 of the Companies Act, 2013.

4.3.2 A director of the Company shall,

1. Act in good faith in order to promote the objects of the Company for 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. Exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
3. Not involve in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company;
4. Not achieve or attempt to achieve any undue gain or advantage either to himself/herself or to their relatives, partners, or associates and if such director is found guilty of making any such undue gain, he/she shall be liable to pay an amount equal to that gain to the Company and may face other penalties as may be decided by the Board.

4.4 Board Process

4.4.1 Matters related to operations of the Company, issues requiring guidance, directions and/or decisions are presented as agenda before the Board for direction/advice/decision.

4.4.2 Periodic Reporting To Board

4.4.2.1 Illustrative list of matters placed for consideration of the Board are summarized below -

- a. Annual Business Plan and its review;
- b. Annual capital and revenue budget, business target and its review;



- c. Review of business operations of the Company including NPA management, risks mitigating measures etc.;
- d. Quarterly results of the Company;
- e. Approval of the CSR Budget;
- f. Minutes of the meeting of the Board level sub-committees;
- g. Information on appointment / resignation / removal of the Board of Directors, Key Managerial Personnel, senior management personnel who are deputed by NABARD on placement basis with NABFINS and the remuneration payable thereon;
- h. Status of legal actions initiated by the Company against employees/partners/borrowing entities, if any, on fraud / misappropriation / wilfull default / embezzlement / breach of trust etc.
- i. Compliance status of regulatory and statutory requirements as per extant guidelines;
- j. Any material default in financial obligations to and by the Company;
- k. Change in general character or nature of business including major expansion plans or execution of new projects;
- l. Disruption of operations due to natural calamity etc.
- m. Any other matter referred by the Board sub-committees / regulators.

4.4.2.2 In addition to the above, event based reporting as laid down in the Companies Act (section 179 of the Companies Act, 2013 read with Article 152 of the Articles of Association of the Company) shall be undertaken periodically which inter alia, include the following:

- a. to make calls on shareholders in respect of money unpaid on their shares;
- b. to authorize buy-back of securities under section 68 of the Act;
- c. to issue securities, including debentures, whether in or outside India;
- d. to borrow monies;
- e. to invest the funds of the Company;
- f. to grant loans or give guarantee or provide security in respect of loans;
- g. to approve financial statement and the Board's report;
- h. to diversify the business of the company;
- i. to approve amalgamation, merger or reconstruction;
- j. to take over a Company or acquire a controlling or substantial stake in another company;
- k. to make political contributions;
- l. to appoint or remove Key Managerial Personnel (KMP);
- m. to take note of appointments(s) or removal(s) of one level below the Key Managerial Level;
- n. to appoint internal auditors and secretarial auditor;
- o. to take note of the disclosures of the Directors' interest and shareholding;
- p. to buy, sell investments held by the Company (other than trade investments), constituting five per cent or more of the paid-up share capital and free reserves of the investee Company;
- q. to approve quarterly, half yearly and annual financial statements or financial results as the case may be;
- r. any other matter as deemed necessary



4.5 Committees of the Board

4.5.1 In compliance with the applicable provisions of the Companies Act, 2013 and the RBI guidelines on Corporate Governance and in order to meet the business exigencies, the Company shall constitute various Board level sub-committees such as:

- a. Audit Committee
- b. Risk Management Committee
- c. Nomination & Remuneration Committee
- d. CSR Committee
- e. Loan Committee
- f. IT Strategy Committee
- g. Any other Committee, as may be required

4.5.2 The details related to the conduct of the Committees are given in the following paragraphs.

4.5.2.1 AUDIT COMMITTEE:

Company's Audit Committee, constituted under the provisions of the Companies Act and RBI guidelines on Corporate Governance shall overview and monitor the financial reporting processes, accounting compliances, review of audit plans, approval of periodical financial statements before placing the same before the Board for approval.

Chairman	The Chairperson of the Audit Committee shall be a Non-Executive Director. Chairperson of the Board shall not be the Chairperson of the Audit Committee. The Chairperson of the Audit Committee is responsible for planning and conducting meetings.
Composition	The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority. The members shall be complying with the requirements prescribed under the Companies Act, 2013, RBI guidelines and any other regulatory guidelines applicable in this regard. The auditors of the Company and Key Managerial Personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the Auditor's report but shall not have the right to vote. The Audit Committee may invite such of the officials of the Company, as it may be deemed appropriate and/or representatives of Statutory, Secretarial and internal auditors to be present at the meeting.
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	Meeting of the Audit Committee shall be convened as and when necessary but it shall meet at least twice in a financial year and at such other times as the Chairman of the Committee or the external auditors or internal auditors shall require.



	Quorum for the meeting shall be two
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and noted by the Board in its next meeting
Terms of Reference	<ul style="list-style-type: none"> A. To recommend to the Board for fixing remuneration of the Company's auditors; B. To review the financial reporting; C. To review external audit reports D. To approve, modify and review related party transactions; E. To monitor and review of Company's risk management and internal control practices; F. To monitor and review vigil mechanism of the Company; G. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws

4.5.2.2 NOMINATION AND REMUNERATION COMMITTEE

The Nomination & Remuneration Committee shall be constituted in compliance with the Companies Act, 2013 and guidelines issued by RBI in this regard.

Chairman	The Board shall appoint the Chairman of the Committee who should not be the Chairman of the Board.
Composition	The Committee shall consist of three or more non-executive members of which not less than one-half shall be independent Directors.
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	<p>The Nomination & Remuneration Committee shall meet at least once in a financial year and at such other times as the circumstances warrant.</p> <p>Only members of the Committee have the right to attend Committee meetings. Other directors (and the Chairman of the Board if not a member of the Committee), employees or external advisors may be invited to attend all or part of Committee meetings, as and when required with the approval of the Chairman of the Committee.</p> <p>Quorum for the meeting shall be two</p>
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and noted by the Board in its next meeting.
Terms of Reference	<ul style="list-style-type: none"> A. To identify individuals who are qualified to become directors and Key Managerial Personnel(s) and recommend to the Board for their appointment; B. To fix and review the remuneration payable to Directors and Key Managerial Personnel of the Company; C. To recommend to the Board for membership of the Audit Committee; D. To review / record the outcome of the annual performance evaluation of the Board, Board Committees, Chairperson etc.;



	E. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws
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4.5.2.3 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to provisions of the Companies Act, 2013, the Company shall put in place 'Corporate Social Responsibility (CSR)' Committee.

Chairman	The Board shall appoint the Chairman of the Committee
Composition	The CSR Committee shall consist of three or more directors, of which at least one shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	The CSR Committee shall meet as and when required and the quorum for the meeting shall be two.
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and noted by the Board in its next meeting.
Terms of Reference	<ul style="list-style-type: none">A. To formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act, 2013;B. To recommend for approval of the Board the amount of expenditure to be incurred under the Company's CSR;C. To monitor implementation of the activities under the CSR Policy of the Company from time to time;D. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

4.5.2.4 RISK MANAGEMENT COMMITTEE

With a view to complying with the requirements under the Code of Corporate Governance specified by the RBI, the Board shall set up the Risk Management Committee to guide and advise on various aspects related to risk being faced by the Company.

Chairman	The Board shall appoint the Chairman of the Committee
Composition	The Committee shall consist of such number of members as may be determined by the Board from time to time and shall include the Managing Director as a member.
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	The Risk Management Committee shall meet as and when required and the quorum for the meeting shall be two.
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of Reference	<ul style="list-style-type: none">1. To formulate and advise the Company to design , develop and implement risk management strategy and review of its implementation;

	<ol style="list-style-type: none"> 2. Monitoring the risk in business operations; 3. To strategize and formulate appropriate risk mitigating measures and policies 4. To monitor and review periodically, various risks associated with Company's business operations
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4.5.2.5 LOAN COMMITTEE

Loan Committee shall be constituted/reconstituted by the Board of Directors of the Company to sanction high value loans.

Chairman	The Board shall appoint the Chairman of the Committee
Composition	The Committee shall consist of such number of members as may be decided by the Board from time to time including the Managing Director as member
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	The Loan Committee shall meet as and when required and the quorum for the meeting shall be two.
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and noted by the Board in its next meeting.
Terms of Reference	To ensure sanction of high value credit which falls beyond the sanctioning powers of management officials either jointly or severally.

4.5.2.6 IT STRATEGY COMMITTEE

NABFINS shall constitute '*IT Strategy Committee*' as envisaged under RBI guidelines on IT Framework for NBFC Sector, 2017 to guide the IT Policies of the Company

Chairman	The Chairman of the committee shall be an independent director preferably with technology background
Composition	<p>IT Strategy Committee shall comprise of members nominated by the Board from time to time including <i>Chief Technology Officer & Chief Information Officer</i> of the Company as part of the Committee.</p> <p>The Committee can opt expert member(s) for guidance.</p>
Secretary	The Company Secretary of the Company shall act as Secretary of the Committee
Meetings & Quorum	The Committee would meet at an appropriate frequency but not more than six months should elapse between two meetings.
Minutes of the Meeting	Minutes of the meeting shall be approved by the Chairman of the Committee and the Committee deliberations and recommendations shall be placed before the Board.
Terms of Reference	A. The IT Strategy Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance



	<ul style="list-style-type: none">B. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.C. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.D. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.E. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals, provide high-level direction for sourcing, and use of IT resources.F. Ensuring proper balance of IT investments for sustaining growth and becoming aware about exposure towards IT risks and controls
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4.5.3 In addition to the above, the Company shall have following Management Committees to address and ensure smooth functioning of the Company on a continuous basis, such as:

1. Internal ALM Committee
2. Investment Committee
3. Internal Fraud Review Committee
4. NPA Management Committee
5. Any other Committee as decided by the Board

4.6 Evaluation of the Board, Board Committees etc.

4.6.1 Review of the performance of the Board as a whole, the Committees of the Board and performance of Non-independent Directors shall be done by the Independent Directors in their separate meeting which shall be held on or before March 31st of every financial year and the performance evaluation of the Chairman shall be done by all the Directors.

4.6.2 Performance evaluation of the Independent Directors shall be done by non-Independent Directors;

4.6.3 Review of performance evaluation of the Managing Director shall be carried out by the Chairman based on the target set under Board approved 'Statement of Intent'.

5. Audit

5.1 Financial Audit: The Statutory/Independent Auditors of the Company shall be appointed by the shareholders on the nomination by the Comptroller & Auditor General (C&AG) of India for conducting the financial audit of the Company.

5.2 Secretarial Audit: The Secretarial Auditors of the Company shall be appointed by the Board as per the policy approved by it to conduct the secretarial audit of the Company.

5.3 Internal Audit: The Company shall identify and recommend to the Board one of its employee, who possess requisite qualification and experience to carry out the Internal Audit of the Company. He along with a team of auditors shall do the Internal Audit of the Company regularly.



6. Right to Information Act, 2005

6.1 Company shall abide by all applicable provisions of the Right to Information Act, 2005 and shall also make necessary disclosure at the Company's webpage at www.nabfins.org.

7. Disclosure and Transparency

7.1 The Company shall disclose all relevant information as required under the governing statutes and/or applicable regulatory/statutory bodies from time to time in its financial statements, being part of the annual report and the same shall be displayed in its website.

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