



IKF Finance Limited

Corporate Governance Policy

Version 3.0

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OBJECTIVE

The objective of the Corporate Governance Policy is to ensure that the structure, responsibilities and functions of Board of Directors and the senior management personnel of IKF Finance Limited (“the Company”) fully recognize the expectations of all stakeholders as well as those of the Regulator(s). The Corporate Governance practices shall ensure that the interest of various stakeholders are considered in a balanced and transparent manner

THE COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE

Our Corporate Governance policy recognises the accountability of the Board and the importance of its decisions to all our constituents, including Customers, Investors and the Regulatory Authorities. The strong foundation of the Company is supported by the pillars of Customer faith, Debenture holders Confidence, Bankers Trust, Investor Steadfastness and Employee Loyalty. The Company has been growing over the past three decades on the principles of dedicated customer service, fair business practices, efficient and trusted financial policies. It continues to maintain high standards of integrity through excellence in service to all its stakeholders.

The Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to shareholders and other stakeholders to uphold the highest standards in economic, social and ethical matters by ensuring that the company conducts its activities in accordance with corporate governance best practices.

The Company’s Philosophy aims at:

- (a) Enhancing long term Shareholder value through:
 - (i) Assisting the top management in taking sound business decisions; and
 - (ii) Prudent financial management.
- (b) Achieving transparency and professionalism in all decisions and activities of the Company.
- (c) Achieving excellence in Corporate Governance by
 - (i) Conforming to the prevalent guidelines on Corporate Governance, and excelling in, wherever possible.
 - (ii) Reviewing periodically the existing systems and controls for further improvements.

RBI GUIDELINES

The Company has framed the following internal Guidelines on Corporate Governance as per the requirements of Reserve Bank (RBI) vide its Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 (Updated as on February 23, 2018) and also as per Clause 49 of the listing agreement to the extent applicable to the company.

BOARD OF DIRECTORS

The Company has put in place an internal governance structure. The Board of Directors of the Company consists of professionals from varied disciplines. The day to day management of the affairs of the Company is entrusted with the senior management personnel, headed by the Chairman, Managing Director and CEO, who functions under the overall supervision, direction and control of the Board of Directors of the Company. The Board of Directors of the Company shall have an optimum combination of Executive and Nonexecutive Directors, with at least one woman director and not less than fifty percent of them being Non-Executive Directors.

The rights, roles, responsibilities, liabilities, obligations, functions and duties of the directors shall be as per the provisions of the Companies Act, 2013 (“the Act”) as amended from time to time. The Independent Director shall abide by the Code of Conduct for Independent Director as mentioned in Schedule IV of the Act. The other Directors shall abide by the Company’s Code of Conduct for Directors and Senior Management Personnel / Key Management Personnel and Company’s Code for prohibition of Insider Trading. The Senior Management and employees of the Company shall also abide by all HR and other policies and Code of Conduct applicable to them. The Senior Management shall submit periodical declaration to the Company for adherence to the Code of Conduct.

A Director shall not hold the office of Director in more than 20 companies provided; he / she shall not be Director of more than 10 public companies. For reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included. A person shall not serve as an independent director in more than seven listed companies. Further, any person who is serving as a whole time director in any listed company shall serve as an independent director in not more than three listed companies. A director shall not be a member in more than ten committees or act as Chairman of more than five committees being Audit Committee and the Stakeholders' Relationship Committee across all companies in which he is a director. Furthermore, every director shall inform the Company about the committee positions he occupies in all other companies promptly and notify the changes to the Company.

All the Directors shall make the necessary annual disclosure regarding their directorships, shareholding and Committee positions and shall intimate changes as and when they take place.

The Board shall inter-alia review the annual business plan and budget, approve and adopt quarterly/half yearly/annual financial results and major legal issues.

The Company shall obtain annual declaration from Directors with respect to fit & proper criteria for directors of Non-banking financial companies as prescribed by RBI. In case there is no change in the information already furnished by Director in his/her last declaration a confirmation in this regard shall be sufficient.

The Board shall satisfy itself that plans are in place for orderly succession planning of Directors and Key Managerial Personnel for continuity and smooth functioning of the Company.

CODE OF CONDUCT

The Company has already formulated Code(s) of Conduct for Board of Directors, Senior Management Personnel and Independent Directors.

BOARD MEETINGS

Meetings of the Board of Directors shall be held at least four times a year, with a maximum time gap shall not be more than one hundred and twenty days between any two consecutive meetings. The minimum information to be statutorily made available to the Board, pursuant to the applicable guidelines, Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) shall be furnished to the Directors.

COMMITTEES OF THE BOARD

The Board shall constitute Committees to oversee specific areas, operational issues and for other diverse matters. The composition of the Committees will be decided by the Board depending upon the terms of reference, role and functions of the Committee periodicity of meetings and the provisions of

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the Act, Listing Regulations and other regulatory requirements. The minutes of the meetings of committees of the Board shall be placed before the Board. The important committees constituted by the Board are as follows:

1. Audit Committee

The terms of reference of the Audit Committee, inter alia includes:

- (a) Overseeing the financial reporting process.
- (b) Ensuring proper disclosure in the Quarterly, Half yearly and Annual Financial Statements. Recommending appointment, re-appointment of auditors, fixing of their remuneration and approval of payment to auditors for any other services rendered by them.
- (c) Reviewing, with the management, the quarterly financial statements before submission to the Board.
- (d) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - (i) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - (ii) changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) major accounting entries involving estimates based on the exercise of judgment by management;
 - (iv) significant adjustments made in the financial statements arising out of audit findings;
 - (v) compliance with listing and other legal requirements relating to financial statements;
 - (vi) disclosure of any related party transactions;
 - (vii) modified opinion(s) in the draft audit report;
- (e) Reviewing the adequacy of internal audit function.
- (f) Reviewing the findings of any internal examinations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (g) Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (h) Discussing with the management, the senior internal audit executives and the auditors the Company's major risk exposures, guidelines and policies.
- (i) Reviewing the functioning of the Whistle Blower Mechanism.
- (j) Approval of appointment of CFO (i.e., the Whole Time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background etc. of the candidate.
- (k) Reviewing and monitoring the Auditor's independence, performance and effectiveness of audit process.
- (l) Approval or any subsequent modification of transactions of the Company with related parties and granting omnibus approval to related party transactions which are in the ordinary course of business and on an arm's length basis and reviewing and approving such transactions.
- (m) Scrutiny of inter-corporate loans and investments.
- (n) Valuation of undertakings or assets of the Company, wherever it is necessary.
- (o) Reviewing, the financial statements, in particular, the investments made by the unlisted subsidiary Company.

- (p) Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and making appropriate recommendations to the board to take up steps in this matter;
- (q) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (r) Evaluating of internal financial controls and risk management systems;
- (s) Discussing with internal auditors of any significant findings and follow up there on;
- (t) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

B. The audit committee shall mandatorily review the following information:

- (i) Management discussion and analysis of financial condition and results of operations;
- (ii) Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- (iii) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- (iv) Internal audit reports relating to internal control weaknesses; and

2. Nomination and Remuneration Committee

The terms of reference of the Nomination and Remuneration Committee, inter alia includes:

- (i) Formulation of the criteria for determining qualifications, positive attributes, and independence of a Director and recommend to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees. The Committee shall 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 remuneration to directors, Key Managerial Personnel and Senior Management Personnel 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;
- (ii) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down by the Committee, recommend to the Board their appointment and removal.
- (iii) Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors
- (iv) To carry out evaluation of every director’s performance.
- (v) To determine 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. The tenure of extension or continuity of Independent Director shall be computed as the provisions of sub-section (10) and (11) of Section 149 of the Companies Act, 2013 read with Explanation thereto.
- (vi) Devising a policy on Board diversity
- (vii) Formulation of Succession policy for Managing Director and CEO, Key Managerial personnel and Senior Management Personnel.

- (viii) To recommend to the Board, all remuneration, in whatever form, payable to Senior Management.

3. Stakeholders' Relationship Committee

The terms of reference of the Stakeholders' Relationship Committee, inter alia includes:

- 1) To oversee and review redressal of shareholder and investor grievances, on matters relating to transfer/transmission of securities, non-receipt of annual report, non-receipt of declared dividends/interests.
- 2) To issue duplicate share/debenture certificate(s) reported lost, defaced or destroyed as per the laid down procedure and to resolve the grievances of security holders of the Company.
- 3) Attending to complaints of security holders routed by SEBI (SCORES)/Stock Exchanges/RBI or any other Regulatory Authorities.
- 4) Taking decision on waiver of requirement of obtaining the Succession Certificate/Probate of Will on case to case basis within the parameters set out by the Board of Directors.
- 5) To monitor transfer of the amounts/shares transferable to Investor Education and Protection Fund.
- 6) To list the securities of the Company on Stock Exchanges.
- 7) Review of measures taken for effective exercise of voting rights by shareholders
- 8) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent.
- 9) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholder of the Company.
- 10) Any other matters that can facilitate better investor services and relations

4. Corporate Social Responsibility Committee (CSR)

The terms of reference of the CSR Committee broadly comprises of:

- 1) Formulating and recommending to the Board of Directors the CSR Policy and monitoring the same from time to time.
- 2) The Committee will review and evaluate the sustainability agenda, suggest modifications, discuss and recommend action plan to take the CSR activities forward.
- 3) The Committee will monitor the amount spend on CSR activities by the Company as well as ensure that the Company spends atleast the minimum sum as may be prescribed from time to time pursuant to the Act and Companies (Corporate Social

Responsibility Policy) Rules, 2014 or such higher sum as may be decided by the Board of Directors of the Company.

5. Risk Management Committee

The terms of reference of the Risk Management Committee shall be as follows:

- 1) Reviewing Risk Management Policy.
- 2) Approval of Risk Management Plan, implementing and monitoring the Risk Management Plan.
- 3) Roll out and implementation of the Risk Management System.
- 4) The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit such function shall specifically cover cyber security.
- 5) Such other matters as may be delegated by Board from time to time.

6. Banking and Finance Committee (Management Committee)

The terms of reference of the Banking and Finance Committee (**Management Committee**) Comprises of:

- 1) Opening, operating and closing of Bank Accounts.
- 2) Issuance of Non-Convertible Debentures/Subordinated Debentures on Private Placement basis.
- 3) Issuance of Commercial Paper.
- 4) Borrowing of money from Bank, Financial Institutions etc. and providing Bank Guarantee.
- 5) Securitization of receivables by way of sell down through PTC/ Direct Assignment.
- 6) Availing and giving Inter Corporate Deposit.
- 7) Availing Foreign Currency Term Loan, FCNR (B).
- 8) Investment of Surplus funds in Fixed Deposit for Short Term/ Mutual Funds etc.
- 9) Monitoring asset coverage of the loan and issuance of NOC and release of security.
- 10) Give confirmation to Bank in respect of loans availed through Acknowledgement of Debt.
- 11) Apply for any license/Affiliation for business purpose.

- 12) Entering into Service Provider Agreement for Electronic Toll collection programme.
- 13) Authorising official of the Company to appear on behalf of the Company before various regulatory and law enforcing authorities/government department/local administration or authority/market intermediaries under applicable laws, rules and regulations and submit documents undertaking, affidavits, papers etc.
- 14) Authorising official of the Company to sign various agreements in connection with purchase/sale registration of property etc.
- 15) Availing „Corporate Internet Banking“, Payment & Collection Services, online viewing facility, E-commerce –payment gateway Merchant Account from Banks.
- 16) Authorization to procure Digital Signature Certificates from e Mudhra Limited/NSEIT Limited.
- 17) Authorization to create the Login ID with CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India). 20) To give approval/authorization for the matters required for day to day management of the affairs of the Company.

7. IT Strategy Committee

The terms of reference of the IT Strategy Committee shall include:

- 1) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- 2) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- 3) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- 4) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- 5) Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls,
- 6) Any other role and responsibility as per the directions of RBI issued from time to time.

8. Asset Liability Management Committee

The terms of reference of Asset Liability Management Committee (ALM) are as follows:

The ALM Committee is responsible for assisting the Board of Directors in Balance Sheet planning from risk return perspective including the strategic management of interest and liquidity risk. Its function includes –

- 1) Liquidity risk management.
- 2) Management of market risks.
- 3) Funding and capital planning.
- 4) Profit planning and growth projection.
- 5) Forecasting and analysing “What if scenario” and preparation of contingency plans

FIT & PROPER CRITERIA

The Company has in place a Board approved policy for ascertaining the “Fit and Proper Criteria of directors” at the time of appointment and on continuing basis Pursuant to the Policy, the Company obtains necessary disclosures from Directors from time to time. The Company ensures compliance with the provisions laid down in the said Policy. The Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. The same should be submitted to the Regional Office of RBI within 15 days of the close of the respective quarter and the statement for the quarter ending March 31, should be certified by the auditors. The Board shall evaluate performance of its own, performance of Chairperson and other directors individually and performance evaluation of various committees of the Board on an annual basis. The Board shall assess the quality, quantity and timeliness of flow of information between the Company management and the Board. All the Directors shall meet the fit and proper criteria as prescribed by the RBI

ADOPTION OF POLICIES

The Company shall adopt policies forming part of its corporate governance framework, namely the following policies: -

- 1) Interest Rate Policy
- 2) Employee code of conduct & ethics
- 3) Nomination and Remuneration Policy
- 4) Dividend Distribution Policy
- 5) Policy on Material Subsidiaries
- 6) Policy on Materiality of Related Party Transactions
- 7) Corporate Social Responsibility Policy
- 8) Whistle blower policy / vigil mechanism
- 9) Policy on Disclosure of Material Events
- 10) Policy for Preservation of document(s) and archival policy
- 11) Fair Practice Code
- 12) Risk management policy
- 13) Procedure & policy on appointment of statutory auditors

- 14) Preservation of documents policy
- 15) Policy on significant accounting policies

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- 16) "Policy on prevention of sexual harassment at workplace
- 17) Policy on familiarization program for independent directors
- 18) "Policy for dealing with leak or suspected leak of unpublished price sensitive information"
- 19) "Policy for ascertaining the 'fit and proper' status of directors"
- 20) KYC & AML Policy
- 21) Investment policy
- 22) Compliance Policy
- 23) Code of conduct for recovery team

The policies shall be hosted on website of the Company. The Company shall review the same from time to time, amend and adopt new policies as per the requirements of the Act, Listing Regulations, RBI guidelines and such other regulatory laws as may be applicable to the Company.

DISCLOSURES

The Company shall make necessary disclosures to the Stock Exchanges, Regulatory Authorities as may be required under the applicable laws and policies of the Company. The disclosures shall be made through various methods i.e.by hosting the same on the website of the Company/Stock Exchanges, individual communication to the security holders, annual financial statements, press release and any other permitted methods etc.
