

**BELSTAR INVESTMENT AND FINANCE
PRIVATE LIMITED**

CORPORATE GOVERNANCE

@V2 Placed to Board for approval 30th October 2018

1. PREAMBLE AND COMPANY’S PHILOSOPHY ON CORPORATE GOVERNANCE

Belstar Investment and Finance Private Ltd (the “Company” / “BIFPL”) is a NBFC-NDSI (Non-Banking Financial Company- Non-Deposit Taking- Systemically Important) categorized as an Micro Finance Institution registered with Reserve Bank of India and is a financial conglomerate of immense repute and of high regard.

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.

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates. These corporate governance guidelines will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the committees of the members of the Board.

2. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance. The Code has been drafted bearing in mind the size of the Company’s operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs, as last summarized by RBI in its Master Circular **RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17** Dated September 01, 2016 and any amendment there to.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention.

This is also in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”).

3. CORPORATE GOVERNANCE STRUCTURE

A. REGULATORS

BIFPL, being a company incorporated under the provisions of the Companies Act, 1956 and exist within the purview of the Companies Act, 2013 and registered with Reserve Bank of India (RBI) as Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI) is regulated by two regulators, i.e. Ministry of Corporate Affairs (MCA) and RBI.

The Non-Convertible Debentures of BIFPL are listed on Bombay Stock Exchange of India Limited (BSE) Limited. In view of this, the affairs of BIFPL are also regulated by regulation prescribed by Securities and Exchange Board of India (SEBI) and BSE.

B. BOARD OF DIRECTORS

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly discharge their responsibilities.

The Board shall be responsible for overall compliance with the Corporate Governance of the Company and oversee the business affairs including responsibility for the Company's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, Risk Management and compliance obligations and in doing so the Board must act honestly, in good faith and in the best interests of the Company.

The Board should ensure that the Company's organisational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions.

The Board should actively engage in the major matters of the Company and keep up with material changes in the Company's business and the external environment as well as act in a timely manner to protect the long-term interests of the Company.

The Board should ensure that transactions with related parties are reviewed to assess risk and are subject to appropriate resolutions/approval, as required under various applicable laws and that corporate or business resources of the Company are not misappropriated or misapplied.

The Board should review this Policy periodically so that it remains appropriate in the light of material changes in regulatory requirement with respect to the Company's size, complexity, geographic reach, business strategy, market and best governance practices.

The MD & CEO/VP are responsible for the execution of strategy and the day-to-day management of BIFPL, and is supported by a team of senior executives.

I. Size & Composition of the Board of Directors

The Board shall have an optimum combination of Executive, Non-executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 and other Applicable Laws and the Articles of Association of the Company.

The current Board of BIFPL comprises of 9(Nine) directors, including 3 (Independent Director) independent directors, 1 (one) Executive Managing Director and 5 (Five) Non-Executive directors. The Chairman of the Board is an Independent Director.

II. Duties and Responsibilities of of Board of Directors

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

- (1) A director of a company shall 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) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (3) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (5) A director of a company shall not assign his office and any assignment so made shall be void.

III. Minimum Information to be placed before the Board

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties: -

- (1) Annual operating plans and budgets and any updates;
- (2) Yearly Business Plan;
- (3) Quarterly results for the listed entity and its operating divisions or business segments.;
- (4) Minutes of meetings of Audit Committee and other committees of the Board of Directors;
- (5) The information on recruitment and remuneration of Key Managerial Personal;
- (6) Show cause, demand, prosecution notices and penalty notices, which are materially important;
- (7) Any material default in financial obligations to and by the Company;
- (8) Any issue which involves possible public or product liability claims of substantial nature;
- (9) Details of any joint venture or collaboration agreement;
- (10) Any Significant HR matters and proposed interventions and suggestions. Overall Remuneration policy /philosophy and significant changes and initiatives therein during the year.
- (11) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.
- (12) 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.

C. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While As per the RBI Guidelines mentioned Company require the setting up of an Audit Committee, Nominations Committee, Risk Management Committee, Asset Liability Management Committee (ALCO), Information Technology Strategy Committee, and the Companies Act, 2013 and SEBI LODR Regulations requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted its Board committees

A pictorial representation of Board Committees of BIFPL is given below:



I. Audit Committee

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and RBI guidelines on Corporate Governance. The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act, applicable SEBI Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time

Terms of reference of the Audit Committee include:

- Review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/financial reporting systems and reviewing the adequacy of the financial policies and practice s followed by the Company.
- Reviewing, with the management, the annual financial statements and Auditors Report thereon before submission to the board for approval.
- The Audit Committee reviews the compliance with legal and statutory requirements, the quarterly and annual financial statements and related party transactions and reports its findings to the Board.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees or any payment to statutory auditors for any other services
- Reviewing, with the performance of statutory and internal auditors, evaluation of the internal control systems including internal financial controls and Risk Management
- Reviewing the findings of any internal investigations 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.
- The audit committee takes note of any default in the payments to creditors and shareholders.
- The committee also looks into those matters specifically referred to it by the Board.
- The Audit Committee shall be convened Minimum Four times in year

The Audit Committee comprise of Five (5) Director including three (3) Independent Director

II. Nomination and Remuneration Committee

The Company has constituted a 'Nomination and Remuneration Committee' in compliance with the provisions of Section 178 of the Companies Act, 2013 and the same is in conformity with the RBI guidelines issued in this regard from time to time.

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, applicable SEBI Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

Terms of reference of the Nomination and Remuneration Committee include:

- The NRC is responsible for ensuring that the directors appointed would have appropriate skills to support the functioning of the company.

- The NRC would review the candidature of the Directors and ensure they are fit and proper as per the guidelines of RBI and companies act. The NRC would also take declarations from each director appointed that no prosecution is pending against the said director, a declaration that he is not disqualified to be appointed and a declaration on list of entities in which he is interested.
- Review and carry out every Director's performance, the structure, size and composition including skills, knowledge and experience required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- Fixation of the remuneration of the directors and key managerial personnel.
- The Nomination Remuneration Committee shall be convened Minimum One times in year

The Nomination Remuneration Committee comprise of three (3) Director including Two (2) Independent Director

III. Asset-Liability Management Committee

The Company has in place the Asset-Liability Management Committee ("**ALCO**") constituted in accordance with the RBI guidelines. The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

The terms of reference of the Asset Liability Committee include the following:

- Addressing concerns regarding asset liability mismatches
- Addressing concerns regarding interest rate exposures
- Funding and capital planning
- Review of cash flows in comparison to the Liquidity metrics
- Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity
- Present statement of short term dynamic liquidity, structural liquidity and Interest rate sensitivity
- Profit planning and growth projection
- Forecasting and analyzing 'What if scenario' and preparation of contingency plans
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.
- The ALCO shall be convened every Monthly basis

The ALCO comprise of Management staff like Managing Director – Chair Person , Vice President ,Chief Risk Officer ,Chief Financial Officer & Deputy Chief Financial Officer

IV. Risk Management Committee

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines in this regard. The Risk Management Committee is responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk, currency risk and such other functions as may be assigned to it by the Board of the Company. Further, the Risk Management Committee shall ensure that progressive risk management system and risk management policy and strategy followed by the Company are put in place.

The Terms of reference of the RMC include:

- To monitor and review the risk management plan
- To review the Risk Management policies and processes such as identification, evaluation and mitigation of operational, strategic, environmental risks and information technology risk and integrity risk, and ensure that proper risk assessment and risk mitigation plans are in place.
- To take strategic actions to mitigate the risks associated with the nature of business.
- To appraise the Board on the Company's overall risk appetite, tolerance and strategy taking account of the current and prospective sector, macroeconomic and financial environment and drawing on financial stability assessments such as those published by the Reserve Bank of India and the Self-Regulatory Organization (SRO) and lay down procedures to inform Board members about the risk assessment and mitigation procedures.
- To review reports on any material breaches of risk limits and the adequacy of proposed actions.
- To review the company's capability to identify and manage new types of risk.
- To address concerns regarding Asset Liability mismatches and interest rate exposures.
- To achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity.
- To address concerns regarding interest rate risk exposure, and
- The Risk Committee shall be convened Minimum two times in year

The RMC comprise of three (3) Director including one independent Director

V. Corporate Social Responsibility (CSR) Committee

Corporate Social Responsibility Committee is constituted as per Section 135 of the Companies Act 2013. The CSR Committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out.

The CSR Committee shall be convened Minimum one times in year

The Committee comprise of three (3) Director including one independent Director

VI. Finance Committee

The main terms of reference of the Finance Committee are as below:

- To review and approve the loan facilities (on-balance sheet and off-balance sheet) and borrowings from various Banks and Financial Institutions including NBFC's within the overall limit fixed by the shareholders from time to time.
- To Avail Financial Assistance by Way of assignment/ securitization of receivables from Banks and Financial Institutions including NBFC's.

The Finance Committee comprise of two (2) Director

VII. Securities Allotment and Transfer Committee(SATC)

The main terms of reference of Securities Allotment and Transfer Committee (SATC) is as below:

- Issue and Allotment of Equity and/or Preference Shares/ Debentures/ Bonds or any Debt instrument
- Issue of new Certificate on Allotment Equity and/or Preference Shares/ Debentures/ Bonds or any Debt instrument
- Issue of duplicate/split/consolidated certificates.
- To settle any question, difficulty or doubts of the Securities holder that may arise in regard to the issue and allotment of various Securities
- Redressal of complaints like non receipt of Securities certificates, loss of certificates, transfer of Securities, non-receipt of balance sheet, non-receipt of declared dividends, non-payment of Interest on debenture / Bond etc.
- Reference to Board of Directors in case of any question, doubts or difficulty in respect of issue, allotment, transfer of any type Securities and any Securities holder's grievances, if necessary.

The Securities Allotment and Transfer Committee comprise of Four (4) Director including one independent director

VIII. Information Technology Strategy Committee

The Information Technology Strategy Committee was reconstituted on July 31, 2017 as per Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017

The terms of reference of the Information Technology Strategy Committee include the following:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that the management has implemented processes and practices which ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

- 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;
- Ensuring proper balance of IT investments for sustaining the Company's growth and becoming aware about exposure towards IT risks and controls.
- The Committee shall be convened Minimum two times in year

The Information Technology Strategy Committee comprise of One Independent Director- Chair person , Managing Director, Vice President , Chief Technology Officer Deputy and Chief Technology Officer

D. FAIR PRACTICES CODE

Pursuant to the guidelines on Fair Practices Code issued by Reserve Bank of India, the Company has adopted a policy on Fair Practices Code which is posted on the website of the Company and also a summary of the same is displayed on vernacular language in each branch premises of the Company and regular review on the implementation of the same is conducted by operating committee members.

E. CODE OF CONDUCT

The Company has adopted a code of conduct for employees of the Company and due care is taken that the employees adhere to it. The copy of Code of Conduct of the Company is published on the website both in English and Vernacular language.

F. FIT & PROPER CRITERIA:

In terms of RBI **Master Direction DNBR. PD. 008/03.10.119/2016-17 dated Sept 01,2016 and as amendment to there from time to time** the Company shall have a policy put in place for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The Nomination and remuneration Committee(NRC) shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy for determining Fit and Proper Criteria in line with the Guidelines issued by the RBI for the time being in force.

Further as required under the above referred RBI circulars, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate by Managing Director 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.

G. VIGIL MECHANISM

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company has framed and adopted Vigil Mechanism Framework ("the framework")

to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct.

Under the framework, the Company has set up 'Whistle Blower Investigation Committee', which is in compliance with the requirements of the Companies Act, 2013. The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

H. DISCLOSURE IN THE FINANCIAL STATEMENTS

In additional disclosures shall be made in the annual financial statements in terms of the RBI Directions:

1. Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
2. ratings assigned by credit rating agencies and migration of ratings during the year;
3. penalties, if any, levied by any regulator;
4. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
5. asset-liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures as may be prescribed by RBI from time to time.
6. And any other Requisite disclosures as may be required under any applicable Laws from time to time shall also be made in the Financial Statements.

I. APPOINTMENT AND ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

Subject to the provisions contained in the Companies Act, 2013, the Auditors of the Company shall be appointed with the approval of the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company. The Auditors can be appointed for a period of 5 years and such appointment shall be ratified by the shareholders every year at the Annual General Meeting. Auditors can be appointed for a two-consecutive term of 5 years.

The Company shall also comply with the RBI guidelines and provisions of the Companies Act, 2013 regarding rotation of partners of the Firm conducting Statutory Audit from time to time. As contained in the Directions, presently the Company is required to rotate the partner 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, subject to approval of the shareholders and recommendations of the Board and Audit Committee of the Company. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

J. POLICIES ADOPTED BY THE COMPANY

The following policies have also been framed and adopted by the Board of the Company, and which forms part and parcel of the overall corporate governance framework of the Company:

- Fair Practices Code
- Know Your Customer (KYC) & Prevention of Money Laundering Activity (PMLA) Policy
- Credit & Lending Policy
- Interest Rate Pricing Policy

- Investment Policy
- Securitization policy
- Debt Restructuring Policy
- Customer Grievance Redressal Policy
- Risk Assessment and Management Policy
- Fraud prevention and detection policy
- Whistle Blower Policy
- Anti-Sexual Harassment Policy
- Nomination and Remuneration Policy
- Related part transaction Policy
- Corporate Social Responsibility (CSR) Policy
- Asset Liability Management (ALM) Policy
- Policy on Code of conduct of Director & Senior Management
- Policy on code of conduct of employees

4. INTERACTION WITH THE REGULATOR

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator.

In order to ensure effective management of those relationships, contact between business units and regulators should only be made through lines of communication agreed by line management of the Company.

5. POLICIES ADOPTED BY THE COMPANY

These guidelines shall be reviewed by the Board of Directors at such intervals as and when deemed necessary, in order to align the same with the prevalent regulatory and business requirements.