



BELSTAR MICROFINANCE LIMITED

CORPORATE GOVERNANCE

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1. PREAMBLE AND COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Belstar Microfinance Ltd (the "Company" / "BML") is a NBFC-NDSI (Non-Banking Financial Company- Non-Deposit Taking- Systemically Important) categorized as an Microfinance 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

BML, 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 BML are listed on Bombay Stock Exchange of India Limited (BSE). In view of this, the affairs of BML are also regulated by regulations 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 are responsible for the execution of strategy and the day-to-day management of BML and is supported by a team of senior executives.

The company shall hold at least four Meetings of its Board in each Calendar Year with a maximum interval of one hundred and twenty days between any two consecutive Meetings.

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 BML comprises of 11 (Eleven) Directors, including 4 (Four) Independent Directors, Two Executive Directors and 5 (Five) Non-Executive Directors. The Chairman of the Board is an Non executive Independent Director.

ii. Duties and Responsibilities 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: -

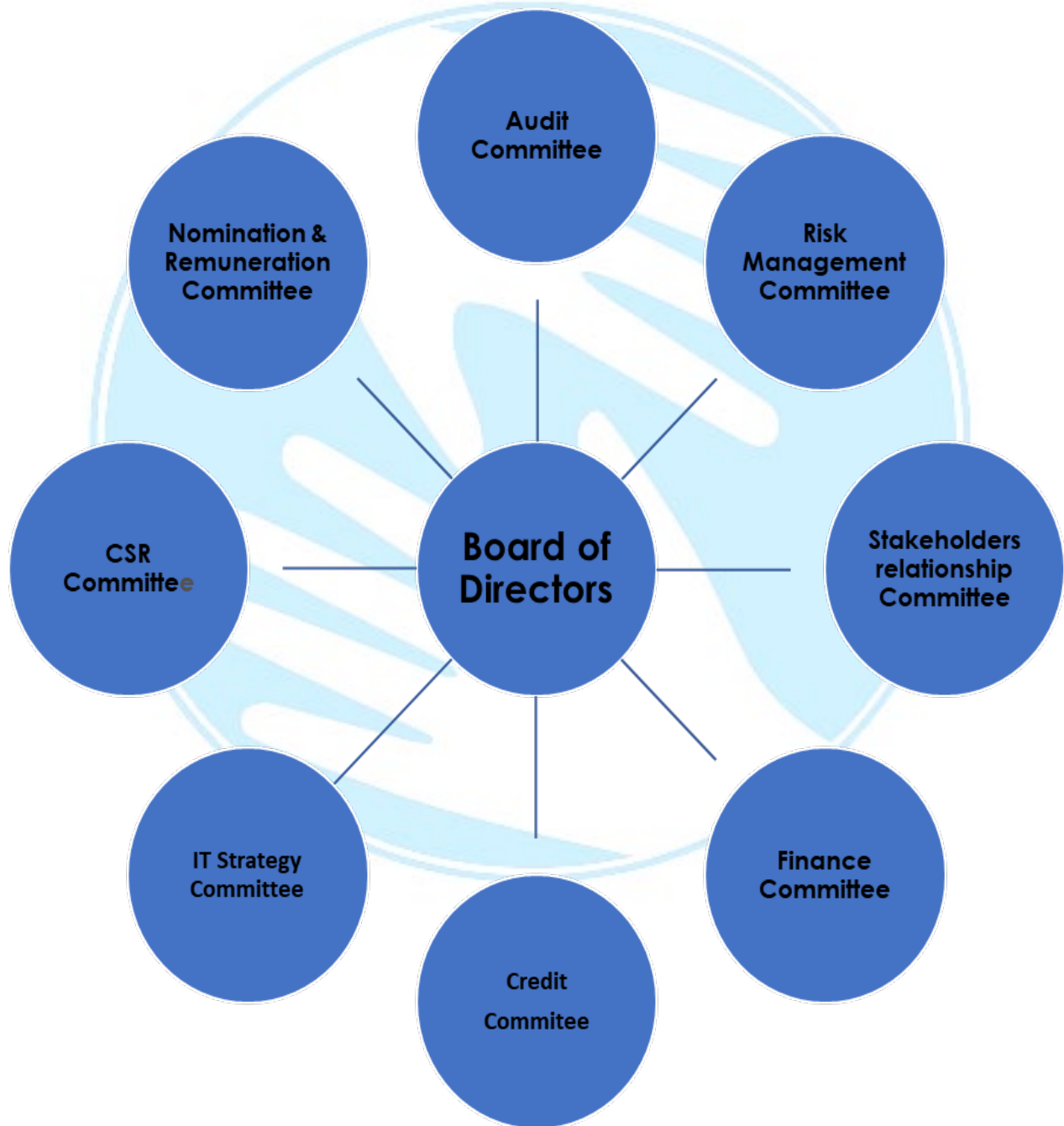
- (1) Annual operating plans and budgets and any updates;
- (2) Yearly Business Plan;
- (3) Quarterly results for the listed entity and its operating divisions or business segments.;
- (4) Minutes of meetings of Audit Committee and other committees of the Board of Directors;
- (5) The information on 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 BML 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, Reg 18 of SEBI LODR 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 Companies Act 2013, and Regulation 18 of SEBI LODR and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

The Audit Committee comprise of Six (6) (Director including Four (4) Independent Directors and Chairman of the Committee is an Independent Director

The Audit Committee should meet at least Four times in Financial Year with a maximum interval of one hundred and twenty days between any two consecutive Meetings.

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 Reg 19 of SEBI LODR 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, Regulation 19 of SEBI LODR, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

The Nomination Remuneration Committee comprise of three (3) Directors including Two (2) Independent Directors and the Chairman of the Committee is an Independent Director.

The Nomination and Remuneration Committee should meet t least once in a Financial Year

iii. 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 Committee comprise of three (3) Directors including one Independent Director.

The CSR Committee should meet at least once in a Financial Year

iv. Risk Management Committee

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines and as per regulation 21 of SEBI LODR. 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 RMC comprise of Four (6) Directors including Two Independent Director and Chairman of the Committee is an Independent Director.

The Risk Management Committee should meet at least four times in a Financial Year with a maximum interval of one hundred and twenty days between any two consecutive Meetings.

v. Finance Committee

The Finance Committee responsible for overseeing the borrowing strategies and comprises of two (2) Directors.

The Finance Committee should meet as and when required

vi. Stakeholders Relationship Committee

The Company has constituted a 'Stakeholders Relationship Committee' in compliance with the provisions of Section 178 of the Companies Act, 2013 and Reg 21 of SEBI LODR. The Stakeholders Relationship Committee have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, Regulation 21 of SEBI LODR and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

The Stakeholders Relationship Committee comprise of three (4) Directors including an Independent Director and the Chairman of the Committee is Non-executive Director.

The Stakeholders Relationship Committee should meet at least once in a Financial Year .

vii. Information Technology (IT) Strategy Committee

In terms the RBI IT Directions, 2017, the Company has constituted an IT Strategy Committee. Such Committee shall be constituted and shall have the same powers, functions and duties as laid down under the said RBI master Directions.

The IT Strategy Committee comprise of Four (5) Director including one independent Director and Chairman of the Committee is an Independent Director.

IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings

viii. Credit Committee

The Company has constituted a Credit committee which is in charge

- To approve the Wholesale lending of the Company
- To fix the individual, interest rate and payment cycles for the wholesale lending strategies
- To approve the buyout out portfolio from the Microfinance industry

Chairman of the Committee is an Independent Director.

The Credit Committee should meet as and when required

ix. Asset Liability Management Committee

In terms of RBI Directions, 2016, the Company has constituted an Asset-Liability Management Committee 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 constitution, powers, functions and duties of the Committee shall be in line with the RBI Master Direction. Managing Director is the Chairperson of the committee.

The company shall hold at least one Asset Liability Management committee in every month

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 September 01, 2016 and as amended 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 follows 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. AUDITORS

- **STATUTORY AUDITORS**

The Statutory Auditors of the Company shall be appointed in accordance with the provisions of the Companies Act, 2013 and as per the RBI Guidelines for Appointment of Statutory Auditors.

Declaration shall be obtained from the Auditors every year affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Audit Committee shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.

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. Auditors can be appointed for a term 3 years.

- **SECRETARIAL AUDITORS**

The Company shall appoint an Independent Company Secretary or a firm of Company Secretaries in Practice, in accordance with the provisions of the Companies Act, 2013 and rules made thereunder, to conduct a Secretarial Audit of the Company for every Financial Year. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the Shareholders of the Company in accordance with the applicable laws / regulations.

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.

