“Internal Guidelines on Corporate Governance”

Introduction:

Sound governance practices and responsible corporate behaviour contribute to superior long-term performance of companies. A best practice on governance issues is an evolutionary and continuing process. There is no single template to define good governance. Broadly, however, corporate governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board and senior management to oversee the affairs of a company, ensure accountability, inculcate integrity and promote long-term growth and profitability.

A number of financial irregularities across the globe have made regulators think of new ways to ensure transparency, integrity and accountability. Corporate governance codes are constantly being revised. Today, more than any time in our history, boardroom discussion is focused on issues of governance, accountability and disclosure. The voice of shareholder activism has never been louder and the focus of regulators perhaps never so intense. In India, corporate governance codes are now being amended through consensus and dialogue between practitioners and regulators.

The spirit of good corporate governance cannot be codified. Regulatory compliance only ensures a minimum threshold limit for accountability. The ethical role of directors is crucial. The ‘tone at the top’ that directors set by action and example is the pivot of the overall ethical environment of their companies.

However, the Company has framed the following “Internal Guidelines on Corporate Governance”:

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A) Constitution of Audit Committee:

To provide assurance to the Board on the adequacy of internal control systems and financial disclosures, the Company has constituted an Audit Committee with the following members who has financial exposure and analyzing skills of the internal control systems:

1) Mrs. Padmaja Gangireddy.
2) Mr. Harinder Singh Sawhney
3) Mr. Rajiv Behari Lall

B) Constitution of Nomination Committee:

Since the Company is a Non-banking Financial Company, the general character of the management shall not be prejudicial to the interest of its present and future

stakeholders. Hence, the Company has constituted a Nomination Committee with the following members to nominate for appointment directors and oversee succession for the senior level of management below the Executive Directors with "fit and proper" credentials:

1) Mrs. Padmaja Gangireddy.
2) Mr. Harinder Singh Sawhney
3) Mr. Rajiv Behari Lall

C) <u>Constitution of Asset Liability Management Committee (ALCO)</u>

The Asset Liability Management Committee of the company was constituted with the following members to monitor the asset liability gap and strategize action to mitigate the risk associated:

1) Mrs. Padmaja Gangireddy – Managing Director
2) Mr. Harinder Singh Sawhney - Director
3) Mr. Rajiv Behari Lall - Director
4) Mr. Kolluri Karthik –VP-Treasury

D) <u>Constitution of Risk Management Committee</u>:

To manage the integrated risk, a Risk Management Committee was reconstituted in addition to the ALCO Committee with the following members:

1) Mrs. Padmaja Gangireddy – Managing Director
2) Mr. Harinder Singh Sawhney - Director
3) Mr. Rajiv Behari Lall - Director

E) <u>Connected Lending Relationships</u>:

Our company has been collecting information from the Directors with respect to their interest in other companies, firms etc. once in a year. In order to obviate conflict of interest in the lending operations of our Company, it is decided not to grant any loan, advance or non-fund based facility or any other financial accommodation / facility to:

a) its directors or their relatives
b) to any firm in which any of its Directors is interested as Partner, Manager, Employee or Guarantor
c) any individual in respect of whom any of its Directors is a Guarantor
d) any company of which, or the subsidiary or the holding company of which, any of the Directors of the NBFC is a Director, Managing Agent, Manager, Employee, or Guarantor or any firm in which the holds substantial interest

e) any entity, whether incorporated or not which uses as a part of its name or in connection with its business, the name of the NBFC or any such word as would show its association with the NBFC

In addition to the above, the Company has framed the following guidelines for due compliance:

1) The Directors both executive and non-executive, Senior Management team comprising of members of Management one level below the Executive Directors, including all functional heads are obliged to carry out their duties in an honest, fair, diligent and ethical manner, within the scope of the authority conferred upon them and in accordance with the laws, rules, regulations, agreements, guidelines, standards and internal policies and procedures. The Board of Directors of the Company is entrusted with the fiduciary responsibility of oversight of the affairs of the Company. As Directors of the Company, they have a duty to make decisions and implement policies in the best interest of the Company and its Stakeholders.

2) The Directors & Senior Management personnel are required to act in accordance with the highest standards of personal and professional integrity, honesty, ethical and legal conduct, when acting on behalf of the Company or in connection with the Company's business or operations and at social events. An honest conduct is considered as such when a conduct is free from fraud or deception. We consider ethical conduct to be confirming to the accepted professional standards of conduct and include ethical handling of actual or apparent conflicts of interests between personal and professional relationships.

   The Directors and the Senior Management personnel shall

   - Act honestly, fairly, ethically, with integrity and loyalty and conduct themselves in a professional, courteous and respectful manner;
   - Act in the best interests of the Company and in a manner to enhance and maintain the reputation of the Company, and fulfill their fiduciary duties to the stakeholders of the Company.
   - Act in good faith, with responsibility, due care, competence, diligence and independence.
   - Treat their colleagues and other associates of the Company with dignity.

3) The Directors and Senior Management personnel are expected to avoid and disclose any activity or association that creates or appears to create a conflict between the personal interest and the Company's business interest. A conflict of interest exists where the interest or benefits of one person or entity conflict with the interests or benefits of the Company. Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect the independent and sound judgment on behalf of the Company. Directors & the Senior Management personnel are required to disclose to the Board any situation that may be, or appear to be, a conflict of interest. When in doubt, disclose.

4) Executive Directors and Senior Management personnel shall not work for or receive payments for services from any competitor, customer, distributor or supplier of the Company without approval of the Board. Any outside activity must be strictly separated from the Company's employment and should not harm job performance at the company. The Executive Directors and the Senior Management personnel shall devote themselves exclusively to the business of the Company and shall not accept any other work or assignment (part-time or otherwise).

5) Directors and Senior Management personnel shall not use personal influence to make the Company do business with a company/institution in which his or her relatives are interested. As a general rule, Directors and Senior Management personnel shall avoid conducting Company's business with a relative or with an entity in which a relative is associated in any significant role. In case of conflicts, disclosure shall be made to the Board of Directors and a prior approval shall be obtained.

6) The Directors and Senior Management personnel shall not accept lavish gifts or gratuities or any offer, payment, promise to pay, or authorization to pay any money, or anything of value that could be interpreted to adversely affect business decisions or likely to compromise their personal or professional integrity. Gift items of nominal value, such as small promotional items bearing another company's name, business meals, gifts received because of personal relationships and not because of official position, mementos received because of attending a widely held gatherings as panelist/speaker and other customary gifts are allowed. (Gifts are not always physical objects - they might also be services, favors or other items of value).

7) Directors and Senior Management personnel shall not divert business opportunities of the Company, by exploiting for their own personal gain, business opportunities that are discovered through the use of corporate propriety information or position. However the Directors and Senior Management personnel can pursue such business opportunities once they are fully disclosed to the company and the company declined to pursue such opportunities.

8) The assets of the Company shall be used for legitimate business purposes and shall not be used for personal purposes. Incidental personal use, if reasonable does not amount to violation of these guidelines.

9) It is the general obligation of the Directors to conduct the business and operations of the Company in accordance with the laws, rules, regulations, agreements, guidelines, standards including accounting standards governing its operations. The Directors and Senior Management personnel shall acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to perform their obligations diligently. The Directors and Senior Management personnel shall also comply with the internal policies and procedures of the Company to the extent applicable to them.

10) It is the Company's policy to ensure continuous, timely and adequate disclosure of Company's information. The Company is committed to full, fair, accurate, timely and understandable disclosure in reports and documents, it files with or submits to the regulatory authorities and in other public communications. The Directors and Senior Management personnel shall provide only public information to the analyst/research person/large investors like institutions. The Directors and Senior Management personnel must maintain the confidentiality of information relating to the affairs of the Company until and unless authorized or legally required to disclose such information; and shall not use confidential information for their personal advantage.

11) The Directors and Senior Management personnel are obligated to deal fairly and honestly with each other, the Company's associates and with the Company's customers, suppliers, competitors and other third parties. Directors and Senior Management personnel shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing or practice. The Company is committed to free and open competition in the marketplace. Directors and Senior Management personnel shall avoid actions that could reasonably be construed as being anti-competitive, monopolistic or otherwise contrary to laws governing competitive practices in the marketplace, including antitrust laws. Such actions include misappropriation and/or misuse of a competitor's confidential information or making false statements about the competitor's business and business practices.

12) It is the duty and obligation of every Director and Senior Management personnel to comply with these internal guidelines on corporate governance. Any violation of these internal guidelines on corporate governance shall be reported to the Managing Director of the Company. These internal guidelines on corporate governance shall be posted on the website of the Company.