

**CORPORATE GOVERNANCE CODE  
OF  
CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED**



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Policy owner	Board of Directors
Approved by	Board of Directors
Signature	S. K. Saha

**Reference:** RBI Circular No. DNBR (PD) CC.No.002/03.10.001/2014-15 dated 10<sup>th</sup> November 2014

## **A. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Chaitanya India Fin Credit Private Limited ('the Company' / Chaitanya) recognizes its role as a corporate citizen and endeavours 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.

In pursuing its Mission of "Improve lives of low income families through financial services ensuring sustainable shareholder returns", Chaitanya has been balancing its dual objectives of "social" and "financial goals, since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and investors.

## **B. RBI GUIDELINES ON CORPORATE GOVERNANCE**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, 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 (MFI), as last summarized by RBI in its Master Circular dated July 1, 2014.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention. In this connection and in continuation to its earlier circulars, RBI has made further amendments to the corporate governance guidelines by its circular dated November 10, 2014.

## **C. BOARD OF DIRECTORS**

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of two directors and a maximum of fifteen directors. The Board shall meet a minimum of four (4) times in a year, at least once in each quarter in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The current Board of Chaitanya comprises of 6 (Six) directors, including 2 (Two) Independent Directors, 2(Two) Executive Directors, and 2 (Two) Nominee Director. The Chairman of the Board is Independent Director.

#### **D. DUTIES AND RESPONSIBILITIES OF THE 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 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, 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.

#### **E. 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.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Chaitanya complies with the above requirements of committee and have the following committees.

##### **1. AUDIT COMMITTEE**

The Company has in place the Audit Committee with the following features:

Composition	The Audit Committee shall consist of a minimum of three directors. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be at least two directors
Terms of reference	The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include <ol style="list-style-type: none"><li>i. evaluation of internal financial controls and risk management systems;</li><li>ii. the recommendation for appointment, remuneration and terms of appointment of auditors of the company;</li><li>iii. review and monitor the auditors independence and</li><li>iv. performance, and effectiveness of audit process;</li><li>v. examination of the financial statement and the auditor's report thereon;</li></ol>

	<ul style="list-style-type: none"> <li>vi. approval or any subsequent modification of transactions of the company with related parties;</li> <li>vii. scrutiny of inter-corporate loans and investments;</li> <li>viii. valuation of undertakings or assets of the company, wherever it is necessary;</li> </ul>
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## 2. RISK MANAGEMENT COMMITTEE

The Company has in place the Risk Management Committee for the purpose of monitoring the risk and to make suitable strategies to control it.

Composition	The Risk Management Committee shall consist of a minimum of three directors.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
Terms of reference	<ul style="list-style-type: none"> <li>i. To monitor and review the risk management plan;</li> <li>ii. To review operational risk, information technology risk and integrity risk;</li> <li>iii. To take strategic actions to mitigate the risk associated with the nature of the business;</li> <li>iv. To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;</li> <li>v. To lay down procedure to inform Board members about the risk assessment and minimization procedures.</li> </ul>

## 3. NOMINATION AND REMUNERATION COMMITTEE

The features of the nomination committee are given below:

Composition	The Committee shall consist of three directors, majority of them being non-executive
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The committee shall meet as and when necessary. The quorum shall be at least two Directors.
Terms of reference	<ul style="list-style-type: none"> <li>i. To formulate a criteria for determining qualifications, positive attributes and independence of a Director.</li> <li>ii. To ensure 'fit and proper' status of proposed/ existing Directors</li> <li>iii. To recommend to the Board the appointment and removal of Senior Management.</li> <li>iv. To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.</li> <li>v. To recommend to the Board on policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management</li> </ul>

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