

**AVENDUS FINANCE PRIVATE LIMITED**

**CORPORATE GOVERNANCE POLICY**

**SUMMARY OF POLICY**

<b>Policy Name</b>	Corporate Governance Policy
<b>Related Policies and Regulations</b>	Non-Banking Finance Companies – Corporate Governance (Reserve Bank) Directions, 2015.  Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016
<b>Issue Date</b>	30 <sup>th</sup> March, 2017
<b>Effective Date</b>	30 <sup>th</sup> March, 2017
<b>Review Cycle</b>	AN – OT  AN = Annually QT = Quarterly MO = Monthly OT = Other i.e. upon regulatory change, introduction of new products / line of business etc.
<b>Date of Last Review</b>	--
<b>Date of Next Review</b>	01 <sup>st</sup> April, 2018
<b>Company</b>	Avendus Finance Private Limited
<b>Approver</b>	Board of Directors of Avendus Finance Private Limited
<b>Annexures</b>	Annexure 1 Annexure 2 Annexure 3

## 1. PREAMBLE

- 1.1. Sound governance practices and responsible corporate behavior contribute to superior long-term performance of companies. A best practice on governance issues is an evolutionary and continuing process. Corporate governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board of directors and senior management of the company to oversee the affairs of a company, ensure accountability, inculcate integrity and promote long-term growth and profitability.
- 1.2. The Reserve Bank of India (“**RBI**”) has issued the Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015” dated July 1, 2015 and bearing reference number DNBR (PD) CC.No.053/03.10.119/2015-16 (“**Master Circular**”) which applies *inter alia* to every non-deposit accepting Non-Banking Financial Company with an asset size of INR 500 Crore and above (NBFC-ND-SI), as per its last audited balance sheet and the Master Direction– Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 (“**Master Direction**”). Avendus Finance Private Limited (the “**Company**”) is registered with the RBI as a non-deposit accepting Non-Banking Financial Company (“**NBFC**”). The Company has become a systemically important NBFC and accordingly the Master Circular is applicable to the Company. Further, in terms of the Master Circular and the Master Direction, the Company is required to frame internal guidelines on corporate governance with the approval of the board of directors of the Company and accordingly the Company has put in place this policy on Corporate Governance (“**Corporate Governance Policy**”).
- 1.3. The Company has framed this Corporate Governance Policy with the intent of following corporate governance in spirit as also the letter of law. The objective of this Corporate Governance Policy is to ensure compliance with legal requirements and set standards for corporate governance in relation to the Company so that concerned employees and executives of the Company act in accordance with the highest standards of corporate governance while working for and on behalf of the Company and further so that the affairs of the Company can be conducted with integrity, fairness, accountability and transparency. All the concerned employees and executives of the Company are expected to read and understand this Corporate Governance Policy in order to uphold the standards and to comply with all applicable policies and procedures stipulated herein in day to day operations and activities of the Company.

## 2. FIT AND PROPER CRITERIA FOR APPOINTMENT OF DIRECTORS

- 2.1. The Company shall ensure, at the time of appointment of any director on the board of directors of the Company (and thereafter on a continuous basis), that the person satisfies the ‘fit and proper’ criteria and that he is suitable for the post and for this purpose the Company shall ensure that the procedure mentioned below is followed:
  - 2.1.1. The Company will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the board of directors of the Company, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria.
  - 2.1.2. The Company will obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format set out in **Annexure 1** hereto.
  - 2.1.3. The Company will undertake the process of due diligence at the time of appointment of the director and at the time of renewal of appointment of any director.

- 2.1.4. The board of directors of the Company will constitute a Nomination Committee to scrutinize the declarations provided by the director (as stipulated in Paragraph 4.1.2(a) below).
  - 2.1.5. The Nomination Committee of the board of directors of the Company will decide on the acceptance or otherwise of the director, based on the information provided in the signed declaration (as stipulated in Paragraph 4.1.2 below), where considered necessary.
  - 2.1.6. The Company will obtain annually (as on 31<sup>st</sup> March) a simple declaration from each director that the information already provided by the director (as stipulated in Paragraph 4.1.2(b)(iii) below) has not undergone change and where there is any change, the Company shall require such director to furnish the requisite details forthwith.
  - 2.1.7. The board of directors of the Company will ensure in public interest that each of the nominated / elected directors executes a deed of covenants in the format set out in **Annexure 2** hereto.
- 2.2. The Company will furnish to the RBI a quarterly statement on change of directors, and a certificate from the managing director of the Company that ‘fit and proper’ criteria in selection of the directors has been followed. The Company will ensure that such statement reaches the Regional Office of the RBI within 15 (fifteen) days of the close of the respective quarter. The Company shall ensure that such statement submitted by the Company for the quarter ending March 31, is certified by the auditors of the Company.

### **3. DISCLOSURE AND TRANSPARENCY**

- 3.1. The Company shall put up to the board of directors of the Company, at half-yearly intervals, the following:
  - 3.1.1. Review of risk management system and risk management policy and strategy followed by the Company; and
  - 3.1.2. 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.
- 3.2. The Company shall also disclose the following in their Annual Financial Statements, with effect from March 31, 2017:
  - 3.2.1. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
  - 3.2.2. ratings assigned by credit rating agencies and migration of ratings during the year;
  - 3.2.3. penalties, if any, levied by any regulator;
  - 3.2.4. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
  - 3.2.5. asset-liability profile, extent of financing of [parent company products], non-performing assets (“**NPA**s”) 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 stipulated in **Annexure 3** hereto.

#### **4. CONSTITUTION OF COMMITTEES OF THE BOARD OF DIRECTORS**

4.1. The board of directors of the Company shall constitute the following committees:

##### 4.1.1. The Audit Committee And Vigil Mechanism

- (a) The Company will constitute an audit committee (“**Audit Committee**”) which will consist of a minimum of 3 (three) directors of the board of directors of the Company.
- (b) The Company will ensure that a majority of the members of the Audit Committee (including its Chairperson) will be persons with the ability to read and understand financial statements.
- (c) The Audit Committee shall undertake the following functions in relation to the Company:
  - (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
  - (ii) review and monitor the auditor’s independence and performance, and effectiveness of audit process;
  - (iii) examination of the financial statement of the Company and the auditors’ report thereon;
  - (iv) approval or any subsequent modification of transactions of the Company with related parties;
  - (v) scrutiny of inter-corporate loans and investments;
  - (vi) valuation of undertakings or assets of the Company, wherever it is necessary;
  - (vii) evaluation of internal financial controls and risk management systems;
  - (viii) undertaking such other functions as may be referred to the Audit Committee by the board of directors of the Company in writing (in its terms of reference).
- (d) The Audit Committee may call for the comments of the auditors of the Company about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the board of directors and may also discuss any related issues with the internal and statutory auditors and the management of the Company.
- (e) The Audit Committee shall have authority to investigate into any matter in relation to the matters stipulated in Paragraph 4.1.1(c) above or referred to it by the board of directors of the Company and for this purpose the Audit Committee shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company.

- (f) The auditors of the Company and the key managerial personnel of the Company shall have a right to be heard in the meetings of the Audit Committee when the Audit Committee considers the auditor's report, however the auditors and the key managerial personnel of the Company shall not have the right to vote at such meeting.
- (g) The report of the board of directors of the Company (under Section 134(3) of the Companies Act, 2013 will disclose the composition of the Audit Committee and where the board of directors of the Company has not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.
- (h) The Audit Committee shall meet at least 4 (four) times a year and not more than four months shall elapse between two meetings of the Audit Committee. The quorum for a meeting of the Audit Committee shall be one third of its total strength or 2 (two) directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.
- (i) The Audit Committee will ensure that an information system audit of the internal systems and processes is conducted at least once in 2 (two) years to assess operational risks faced by the Company.
- (j) The Company shall also establish a vigil mechanism for directors and employees to report genuine concerns or grievances. The vigil mechanism shall provide for adequate safeguards against victimisation of employees and directors who avail of / use such mechanism and shall make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases. In case of repeated frivolous complaints being filed by a director or an employee, the Audit Committee may take suitable action against the concerned director or employee including reprimand. The Audit Committee shall oversee the vigil mechanism and if any of the members of the Audit Committee have a conflict of interest in a given case, they will recuse themselves and the others on the Audit Committee will deal with the matter on hand.
- (k) The Company shall disclose the details of establishment of such vigil mechanism on its website (if any) and in the report of the board of directors.

#### 4.1.2. Nomination and Remuneration Committee

- (a) The Company will constitute a nomination and remuneration committee ("**Nomination and Remuneration Committee**") consisting of 3 (three) or more directors, provided that the chairperson of the Company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair the Nomination and Remuneration Committee.
- (b) The Nomination and Remuneration Committee shall perform the following functions:
  - (i) formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy, relating to the remuneration for the

directors, key managerial personnel and other employees of the Company.

- (ii) identifying persons who are qualified to become directors and who may be appointed in Senior Management in accordance with the criteria laid down by the Nomination and Remuneration Committee, recommend to the board of directors of the Company their appointment and removal and shall carry out evaluation of every director's performance.
- (iii) ensure 'fit and proper' status of proposed / existing directors of the board of directors of the Company.
- (iv) while formulating the policy pursuant to Paragraph 4.1.2(b)(i) above, the Nomination and Remuneration 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) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and (c) remuneration to directors, key managerial personnel and Senior Management 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.
- (v) The policy formulated by the Nomination and Remuneration Committee pursuant to Paragraph 4.1.2(b)(i) above shall be disclosed in the report of the board of directors of the Company.
- (vi) The chairperson of the Nomination and Remuneration Committee or, in his absence, any other member of the Nomination and Remuneration Committee authorised by him in this behalf shall attend the general meetings of the Company.
- (vii) The Nomination and Remuneration Committee shall meet as and when required by the board of directors of the Company or as determined by the Nomination and Remuneration Committee itself. The quorum for a meeting of the Nomination and Remuneration Committee shall be one third of its total strength or 2 (two) directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.
- (viii) For the purpose of this Paragraph 2, "Senior Management" means personnel of the Company who are members of its core management team excluding the board of directors comprising all members of management one level below the executive directors, including the functional heads.

#### 4.1.3. Risk Management Committee

- (a) The Company shall form a risk management committee ("**Risk Management Committee**") which will be responsible for reviewing the risk management process of the Company in the areas of portfolio, credit, off balance sheet and operational risk.

- (b) The Risk Management Committee shall have minimum of 3 members. The members of the Risk Management Committee will be appointed by the board of directors of the Company.
- (c) The Risk Management Committee shall meet as and when required by the board of directors of the Company or as determined by the Risk Management Committee itself. The quorum for a meeting of the Risk Management Committee shall be one third of its total strength or 2 (two) directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.

#### 4.1.4. Asset Liability Management Committee

- (a) The Company shall form an asset liability management committee (“**ALM Committee**”) which will The ALM Committee will consist of the Company’s senior management including the Chief Executive Officer and will be responsible for ensuring adherence to the limits set by the Board of Directors as well as for deciding the business strategy of the Company (on the asset and liabilities side) in line with the Company’s budget and decided risk management objectives.
- (b) The ALM Committee shall have a minimum of 3 members. The members of the ALM Committee will be appointed by the board of directors of the Company.
- (c) The ALM Committee shall have the role and responsibility as set out in the Guidelines for Asset Liability Management (ALM) system in NBFCs, as contained in Annexure XXI of the Master Direction.
- (d) The ALM Committee shall meet as and when required by the board of directors of the Company or as determined by the ALM Committee itself. The quorum for a meeting of the ALM Committee shall be one third of its total strength or 2 (two) directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum.

## **5. ROTATION OF PARTNERS OF STATUTORY AUDITORS / AUDIT FIRM**

- 5.1. The Company will ensure that it rotates the partner(s) of the Chartered Accountant firm conducting the audit in relation to the Company, every 3 (three) years so that same partner does not conduct audit of the Company continuously for more than a period of 3 (three) years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of 3 (three) years, if the Company, so decides. The Company will incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

## **6. ANNUAL FINANCIAL STATEMENTS / BALANCE SHEET**

- 6.1. The Company will, after taking into account the degree of well-defined credit weaknesses and extend of dependence on collateral security for realisation, classify its assets, loans and advances (including any other forms of credit) into the following classes, namely:

- 6.1.1. standard assets;



- 6.1.2. sub-standard assets;
  - 6.1.3. doubtful assets; and
  - 6.1.4. loss assets.
- 6.2. The Company will modify the classification of assets, loans and advances of the Company in compliance with the directions and guidelines stipulated by the RBI for this purpose.
- 6.3. Further, the Company will disclose the following particulars on its balance sheet:
- 6.3.1. Capital to risk assets ratio (“**CRA Ratio**”);
  - 6.3.2. Exposure to real estate sector, both direct and indirect; and
  - 6.3.3. Maturity pattern of assets and liabilities.
- 6.4. The Company will make such other disclosures in its annual financial statements, in relation to the asset liability management of the Company, as set out in Annexure 3 to the Corporate Governance Policy of the Company.

## **7. REVIEW OF CORPORATE GOVERNANCE POLICY**

- 7.1. The board of directors of the Company may review this Corporate Governance Policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the board of directors of the Company.

## **8. COMPANY WEBSITE**

- 8.1. The Company will publish this Corporate Governance Policy on its website for the information of various stakeholders.

The Company will abide by this Corporate Governance Policy following the spirit of the Corporate Governance Policy and in the manner it may be applicable to its business.

**ANNEXURE 1**

**FORMAT OF DECLARATION AND UNDERTAKING BY THE DIRECTOR**

Name of the Company: [●]

<b>I.</b>	<b>Personal details of director</b>	
a.	Full name	
b.	Date of Birth	
c.	Educational Qualifications	
d.	Relevant Background and Experience	
e.	Permanent Address	
f.	Present Address	
g.	E-mail Address / Telephone Number	
h.	Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i.	Relevant knowledge and experience	
j.	Any other information relevant to Directorship of the Company	
<b>II.</b>	<b>Relevant Relationships of director</b>	
a.	List of 'relatives' if any who are connected with the Company (Refer to Section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014)	
b.	List of entities if any in which he/she is considered as being interested (Refer to Section 2 (49) and Section 184 of the Companies Act 2013)	
c.	List of entities in which he/she is considered as holding substantial interest within the meaning of the NBFC Prudential Norms Directions, 2007	
d.	Name of any other NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held).	
e.	Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the Company.	
f.	Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the Company or any other NBFC / bank.	
<b>III.</b>	<b>Records of professional achievements</b>	
a.	Relevant professional achievements	
<b>IV.</b>	<b>Proceedings, if any, against the director</b> <i>[Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit. If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.]</i>	
a.	If the director is a member of a professional association/body, details of disciplinary action, if any,	

	pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/occupation at any time.	
b.	Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations.	
c.	Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director.	
d.	Whether the director attracts any of the disqualifications envisaged under Section 164 of the Companies Act, 2013?	
e.	Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f.	Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars.	
g.	Whether the director has at any time come to the adverse notice of a regulator such as the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority, Ministry of Corporate Affairs.	
<b>V.</b>	<b>Any other explanation / information in regard to items I to III and other information considered relevant for judging 'fit and proper' criteria</b>	

**Undertaking:**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

**Place:** [●]

**Date:** [●]

**Signature:**\_\_\_\_\_

**VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC**

**Place:** [●]

**Date:** [●]

**Signature:**\_\_\_\_\_

**ANNEXURE 2**

**FORM OF DEED OF COVENANTS WITH THE DIRECTOR**

**THIS DEED OF COVENANTS** is made this [●] day of [●] Two thousand [●] **BETWEEN**

[Avendus Finance Private Limited], having its registered office at [●] (hereinafter called the “**Company**”) of the one part; and

Mr. / Ms. [●] of [●] (hereinafter called the “**Director**”) of the other part.

**WHEREAS:**

- A. The Director has been appointed as a director on the board of directors of the Company (hereinafter called the “**Board**”) and is required as a term of his / her appointment to enter into this Deed of Covenants with the Company.
- B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:**

- 1. The Director acknowledges that his / her appointment as a director on the Board of the Company is subject to applicable laws and regulations including the Memorandum of Association and the Articles of Association of the Company and the provisions of this Deed of Covenants.
- 2. The Director covenants with the Company that:
  - (a) The Director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Company and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
  - (b) The Director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
  - (c) The Director shall provide to the Company a list of his / her ‘relatives’ as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 and to the extent the Director is aware of the directorships and interests of such ‘relatives’ in other bodies corporate, firms and other entities.

- (d) The Director shall in carrying on his / her duties as a director of the Company:
- (i) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
  - (ii) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the Company;
  - (iii) shall keep himself / herself informed about the business, activities and financial status of the Company to the extent disclosed to him / her;
  - (iv) attend meetings of the Board and committees thereof (collectively for the sake of brevity hereinafter referred to as “**Board**”) with fair regularity and conscientiously fulfill his / her obligations as a director of the Company;
  - (v) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;
  - (vi) shall bring independent judgment to bear on all matters affecting the Company brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
  - (vii) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and
  - (viii) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;
- (e) The Director shall have:
- (i) fiduciary duty to act in good faith and in the interests of the Company and not for any collateral purpose;
  - (ii) duty to act only within the powers as laid down by the Company’s Memorandum of Association and Articles of Association and by applicable laws and regulations; and
  - (iii) duty to acquire proper understanding of the business of the Company.
- (f) The Director shall:
- (i) not evade responsibility in regard to matters entrusted to him / her by the Board;
  - (ii) not interfere in the performance of their duties by the whole-time directors and other officers of the Company and wherever the Director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

- (iii) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the Company in his / her capacity as a director of the Company only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The Company covenants with the Director that:

- (a) the Company shall apprise the Director about:
  - (i) Board procedures including identification of legal and other duties of the Director and required compliances with statutory obligations;
  - (ii) control systems and procedures;
  - (iii) voting rights at Board meetings including matters in which the Director should not participate because of his / her interest, direct or indirect therein;
  - (iv) qualification requirements and provide copies of Memorandum of Association and Articles of Association;
  - (v) corporate policies and procedures;
  - (vi) insider dealing restrictions;
  - (vii) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
  - (viii) appointments of Senior Executives and their authority;
  - (ix) remuneration policy,
  - (x) deliberations of committees of the Board, and
  - (xi) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum of Association and Articles of Association of the Company, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- (b) the Company shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a director of the Company and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof;
- (c) the disclosures to be made by the Company to the directors shall include but not be limited to the following:
  - (i) all relevant information for taking informed decisions in respect of matters brought before the Board;
  - (ii) the Company's strategic and business plans and forecasts;
  - (iii) organisational structure of the Company and delegation of authority;

- (iv) corporate and management controls and systems including procedures;
  - (v) economic features and marketing environment;
  - (vi) information and updates as appropriate on the Company's products;
  - (vii) information and updates on major expenditure;
  - (viii) periodic reviews of performance of the Company; and
  - (ix) report periodically about implementation of strategic initiatives and plans;
- (d) the Company shall communicate the outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (e) advise the Director about the levels of authority delegated in matters placed before the Board.
4. The Company shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The Company shall appoint a compliance officer who shall be a Senior executive reporting to the Board and shall be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of the Reserve Bank of India and other concerned statutory and governmental authorities.
6. The Director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as a director of the Company to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including the Memorandum of Association and the Articles of Association of the Company.
7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorised representative of the Company.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

**IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.**

**For the Company**

By \_\_\_\_\_

Name: [●]  
Title: [●]

**By the Director**

\_\_\_\_\_

Name: [●]

**In the presence of:**

1. \_\_\_\_\_
2. \_\_\_\_\_



**ANNEXURE 3**

**INDICATIVE LIST OF BALANCE SHEET DISCLOSURE FOR THE COMPANY**

**1. Minimum Disclosures**

The Company will ensure that at a minimum, the items listed in this **Annexure 3** will be disclosed in its NTA. The disclosures listed in this **Annexure 3** are intended only to supplement, and not to replace, other disclosure requirements as applicable to the Company.

**2. Summary of Significant Accounting Policies**

The Company will disclose the accounting policies regarding key areas of operations at one place along with NTA in their financial statements, which may include, Basis of Accounting, Transactions involving Foreign Exchange, Investments - Classification, Valuation, etc., Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

**3.1 Capital**

		(Amount in Rs. crore)	
Particulars		Current Year	Previous Year
(i)	CRAR (%)		
(ii)	CRAR - Tier I Capital (%)		
(iii)	CRAR - Tier II Capital (%)		
(iv)	Amount of subordinated debt raised as Tier-II capital		
(v)	Amount raised by issue of Perpetual Debt Instruments		

**3.2 Investments**

		(Amount in Rs. crore)	
Particulars		Current Year	Previous Year
(1)	Value of Investments		
(i)	Gross Value of Investments		
(a)	In India		
(b)	Outside India		
(ii)	Provisions for Depreciation		
(a)	In India		
(b)	Outside India		
(iii)	Net Value of Investments		
(a)	In India		
(b)	Outside India		
(2)	Movement of provisions held towards depreciation on investments		
(i)	Opening balance		
(ii)	Add: Provisions made during the year		
(iii)	Less: Write-off / write-back of excess provisions during the year		
(iv)	Closing balance		

### 3.3 Derivatives

#### 3.3.1 Forward Rate Agreement / Interest Rate Swap

<b>Particulars</b>		<b>(Amount in Rs. crore)</b>	
		<b>Current Year</b>	<b>Previous Year</b>
(i)	The notional principal of swap agreements		
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
(iii)	Collateral required by the Company upon entering into swaps		
(iv)	Concentration of credit risk arising from the swaps \$		
(v)	The fair value of the swap book @		
<p><b>Note:</b> Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.</p>			
<p>\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.</p>			
<p>@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the Company would receive or pay to terminate the swap agreements as on the balance sheet date.</p>			

#### 3.3.2 Exchange Traded Interest Rate (IR) Derivatives

<b>(Amount in Rs. crore)</b>		
<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount</b>
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	
	(a)	
	(b)	
	(c)	
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March ..... (instrument-wise)	
	(a)	
	(b)	
	(c)	
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
	(a)	
	(b)	
	(c)	
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
	(a)	
	(b)	
	(c)	

#### 3.3.3 Disclosures on Risk Exposure in Derivatives

### Qualitative Disclosure

The Company will describe its risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

- (a) the structure and organization for management of risk in derivatives trading;
- (b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- (c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- (d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

### Quantitative Disclosures

(Amount in Rs. crore)			
Sr. No.	Particular	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	For hedging		
(ii)	Marked to Market Positions [1]		
	(a) Asset (+)		
	(b) Liability (-)		
(iii)	Credit Exposure [2]		
(iv)	Unhedged Exposures		

### 3.4 Disclosures relating to Securitisation

3.4.1 Where the Company is the originator, the Company will ensure that the NTA of the Company indicates the outstanding amount of securitised assets as per books of the special purpose vehicles (“SPVs”) which is sponsored by the Company and the total amount of exposures retained by the Company as on the date of balance sheet to comply with the Minimum Retention Requirements (“MRR”). The Company will ensure that these figures are based on the information duly certified by the SPV's auditors obtained by the Company from the SPV. The Company will ensure that these disclosures are made in the format given below:

Sr. No.	Particulars	No. / Amount in crore
1.	No of SPVs sponsored by the Company for securitisation transactions*	
2.	Total amount of securitised assets as per books of the SPVs sponsored	
3.	Total amount of exposures retained by the Company to comply with MRR as on the date of balance sheet	
	(a) Off-balance sheet exposures	

		First loss	
		Others	
	(b)	On-balance sheet exposures	
		First loss	
		Others	
4.	Amount of exposures to securitisation transactions other than MRR		
	(a)	Off-balance sheet exposures	
	(i)	Exposure to own securitizations	
		First loss	
		Loss	
	(ii)	Exposure to third party securitisations	
		First loss	
		Others	
	(b)	On-balance sheet exposures	
	(i)	Exposure to own securitisations	
		First loss	
		Others	
	(ii)	Exposure to third party securitisations	
		First loss	
		Others	
*Only the SPVs relating to outstanding securitisation transactions may be reported here			

**3.4.2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction**

(Amount in Rs. crore)			
Particulars		Current Year	Previous Year
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

**3.4.3 Details of Assignment transactions undertaken by the Company**

(Amount in Rs. crore)			
Particulars		Current Year	Previous Year
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

**3.4.4 Details of non-performing financial assets purchased / sold**

Where the Company purchases non-performing financial assets from other NBFCs, the Company will make the following disclosures in the NTA to its Balance sheets:

**A. Details of non-performing financial assets purchased:**

			<b>(Amount in Rs. crore)</b>	
<b>Particulars</b>			<b>Current Year</b>	<b>Previous Year</b>
1.	(a)	No. of accounts purchased during the year		
	(b)	Aggregate outstanding		
2.	(a)	Of these, number of accounts restructured during the year		
	(b)	Aggregate outstanding		

**B. Details of Non-performing Financial Assets sold:**

		<b>(Amount in Rs. crore)</b>	
<b>Particulars</b>		<b>Current Year</b>	<b>Previous Year</b>
1.	No. of accounts sold		
2.	Aggregate outstanding		
3.	Aggregate consideration received		

**3.5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities**

	Up to 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits									
Advances									
Investments									
Borrowings									
Foreign Currency assets									
Foreign Currency liabilities									

**3.6 Exposures**

**3.6.1 Exposure to Real Estate Sector**

			<b>(Amount in Rs. crore)</b>	
<b>Category</b>			<b>Current Year</b>	<b>Previous Year</b>
(a)	<b>Direct Exposure</b>			
	(i)	<b>Residential Mortgages -</b> Lending fully secured by mortgages on		

		residential property that is or will be occupied by the borrower or that is rented		
	(ii)	<b>Commercial Real Estate -</b>		
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits		
	(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a.	Residential		
	b.	Commercial Real Estate		
<b>Total Exposure to Real Estate Sector</b>				

### 3.6.2 Exposure to Capital Market

Particulars		(Amount in Rs. crore)	
		Current Year	Previous Year
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;		
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;		
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		

(vii)	bridge loans to companies against expected equity flows / issues;		
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)		
<b>Total Exposure to Capital Market</b>			

**3.6.3 Details of financing of parent company products**

**3.6.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company**

The Company will make appropriate disclosure in the NTA to its annual financial statements in respect of the exposures where the Company has exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for exposure limit.

**3.6.5 Unsecured Advances**

- (a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the Company as collateral in respect of projects (including infrastructure projects) financed by the Company, will not be reckoned as tangible security. Hence such advances will be reckoned as unsecured.
- (b) The Company will also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure will be made under a separate head in NTA. This will differentiate such loans from other entirely unsecured loans.

**4. Miscellaneous**

**4.1 Registration obtained from other financial sector regulators**

**4.2 Disclosure of Penalties imposed by RBI and other regulators**

Consistent with the international best practices in disclosure of penalties imposed by the regulators, placing the details of the levy of penalty on the Company in public domain will be in the interests of the investors. Further, strictures or directions on the basis of inspection reports or other adverse findings will also be placed in the public domain by the Company. The penalties will also be disclosed in the NTA by the Company.

**4.3 Related Party Transactions**

- (a) The Company will disclose in its annual report, details of all material transactions with related parties.
- (b) The Company will also disclose its policy on dealing with ‘related party transactions’ on its website and also in its annual report.

**4.4 Ratings assigned by credit rating agencies and migration of ratings during the year**

**4.5 Remuneration of Directors**

The Company will disclose in its annual report, all pecuniary relationship or transactions of the non-executive directors *vis-à-vis* the Company.

#### 4.6 **Management**

The Company will ensure that as part of the directors' report or as an addition thereto, a Management Discussion and Analysis report will form part of the annual report to the shareholders. The Company will ensure that this Management Discussion and Analysis will include discussion on the following matters within the limits set by the Company's competitive position:

- (a) Industry structure and developments.
- (b) Opportunities and Threats.
- (c) Segment-wise or product-wise performance.
- (d) Outlook
- (e) Risks and concerns.
- (f) Internal control systems and their adequacy.
- (g) Discussion on financial performance with respect to operational performance.
- (h) Material developments in Human Resources / Industrial Relations front, including number of people employed.

#### 4.7 **Net Profit or Loss for the period, prior period items and changes in accounting policies**

Since the format of the profit and loss account of NBFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, will be made by the Company in the NTA.

#### 4.8 **Revenue Recognition**

The Company will also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

#### 4.9 **Accounting Standard 21 - Consolidated Financial Statements ("CFS")**

The Company will be guided by general clarifications issued by the Institute of Chartered Accountants of India ("ICAI") from time to time. The parent company, presenting the CFS, will consolidate the financial statements of all subsidiaries - domestic as well as foreign. The reasons for not consolidating a subsidiary will be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the management of the parent entity. In case, the statutory auditors of the parent company are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

### 5. **Additional Disclosures**

#### 5.1 **Provisions and Contingencies**



The Company will disclose in the NTA, the following information for the purpose of facilitating easy reading of the financial statements of the Company and to make the information on all Provisions and Contingencies available at one place:

(Amount in Rs. crore)		
	Current Year	Previous Year
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account		
Provisions for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		
Provision for Standard Assets		

## 5.2 Draw Down from Reserves

The Company will make suitable disclosures in the NTA regarding any draw down of reserves.

## 5.3 Concentration of Advances, Exposures and NPAs

### 5.3.1 Concentration of Advances

(Amount in Rs. crore)	
Total Advances to twenty largest borrowers	
Percentage of Advances to twenty largest borrowers to Total Advances of the Company	

### 5.3.2 Concentration of Exposures

(Amount in Rs. crore)	
Total Exposure to twenty largest borrowers / customers	
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the Company on borrowers / customers	

### 5.3.3 Concentration of NPAs

(Amount in Rs. crore)	
Total Exposure to top four NPA accounts	

### 5.3.4 Sector-wise NPAs

Sr. No.	Sector	Percentage of NPAs to Total Advances in that sector
1.	Agriculture & allied activities	
2.	MSME	
3.	Corporate borrowers	
4.	Services	
5.	Unsecured personal loans	

6.	Auto loans	
7.	Other personal loans	

#### 5.4 Movement of NPAs

			(Amount in Rs. crore)	
Particulars		Current Year	Previous Year	
(i)	Net NPAs to Net Advances (%)			
(ii)	Movement of NPAs (Gross)			
	(a) Opening balance			
	(b) Additions during the year			
	(c) Reductions during the year			
	(d) Closing balance			
(iii)	Movement of Net NPAs			
	(a) Opening balance			
	(b) Additions during the year			
	(c) Reductions during the year			
	(d) Closing balance			
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)			
	(a) Opening balance			
	(b) Provisions made during the year			
	(c) Write-off / write-back of excess provisions			
	(d) Closing balance			

#### 5.5 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Total Assets

#### 5.6 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas

### 6. Disclosure of Complaints

#### 6.1 Customer Complaints

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	