



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Version	1.0
Owned By	Head Legal
Approved By	Board of Directors
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1. Introduction

Pursuant to the: (a) Master Direction - Non-Banking Financial Company - Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016, as amended from time to time ("**Master Directions**"); and (b) Master Circular – Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015, dated July 1, 2015, as amended from time to time ("**Master Circular**"); every systemically important non deposit taking non-banking financial company ("**SI-ND-NBFC**"), is required to *inter-alia* frame internal guidelines on corporate governance. Accordingly, Capital India Finance Limited, *formerly known as Bhilwara Tex - Fin Limited* ("**Company**") has framed these internal guidelines on corporate governance ("**Guidelines**").

2. Definitions

"**Audit Committee**" shall mean the audit committee of the Board.

"**Board of Directors**" or "**Board**" shall mean the board of directors of the Company.

"**Companies Act**" shall mean: (i) the Companies Act, 2013 and the rules made (to the extent in force on the relevant date); and (ii) the Companies Act, 1956 and the rules made (to the extent in force on the relevant date), there under, each, as amended from time to time.

"**Corporate Governance Regulations**" shall mean the Companies Act, the RBI Regulations, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other applicable laws relating to corporate governance requirements, as may be applicable to the Company, from time to time.

"**NRC**" shall mean the nomination and remuneration committee of the Board.

"**RBI**" shall mean the Reserve Bank of India.

"**RBI Regulations**" shall mean collectively the Master Direction and the Master Circular, each as amended or modified from time to time.

3. Interpretation

Words and expressions used but not defined in these Guidelines shall have the same meaning assigned to them in the RBI Regulations, or the Companies Act and the rules and regulations made thereunder, as the case may be or in any amendment thereto.

4. Company Philosophy on Corporate Governance

The Company has framed these Guidelines with the objective to put in place a system of rules, practices and processes relating to corporate governance requirements within which the Company shall be administered and controlled, so as to balance the interests of the various stakeholders of the Company and also the community within which it operates. The Guidelines shall ensure that the Company acts in accordance with the highest standards of corporate governance in all its activities and that the affairs of the Company are conducted with integrity, fairness, accountability and transparency.

5. The Board

The Board of Directors of the Company shall function as a full Board and also through various Committees constituted to oversee specific areas of operational issues assigned to them by the Board.

6. Disclosure and transparency

- a) The Risk Management Committee shall place before the Board, on annual basis or such other frequency as may be prescribed by the Board, the progress made in putting in place a risk management system and risk management policy and strategy followed by the Company.
- b) The Chief Executive Officer and / or the Chief Financial Officer, shall place before the Board, on annual basis or such other frequency as may be prescribed by the Board, the conformity with corporate governance standards, namely in relation to, in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- c) The Company shall also disclose the following in its Annual Financial Statements (as may be relevant / applicable):
 - i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
 - ii. ratings assigned by credit rating agencies and migration of ratings during the year;
 - iii. penalties, if any, levied by any regulator;
 - iv. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
 - v. asset-liability profile, extent of financing of parent company products, non-performing assets and movement of non-performing assets, details of all off-balance sheet exposures, structured products issued by them as also securitization/assignment transactions and other disclosures, as stipulated in the RBI Regulations.

7. Constitution of Audit Committee

- a) The Company has constituted an Audit Committee, which shall consist of a minimum of 3 (Three) directors of the Board with independent directors forming a majority.
- b) The Audit Committee shall have the same powers, functions and duties as provided in Section 177 of the Companies Act, 2013 and other the Corporate Governance Regulations.
- c) The Audit Committee shall 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.

8. Constitution of the Nomination and Remuneration Committee

- a) The Company has constituted the NRC, which shall consist of 3 (Three) or more directors, provided that the Chairman of the Board of the Company may be appointed as a member of the NRC but shall not chair the NRC.

- b) The NRC shall have such powers, functions and duties as may be delegated to it by the Board from time to time as well as such same powers, functions and duties as provided in Section 178 of the Companies Act, 2013 and other Corporate Governance Regulations.
- c) The Company shall ensure (through the NRC), at the time of appointment of any director on the Board (and thereafter on a continuous basis), that such person satisfies the 'fit and proper' criteria, as specified under the Fit and Proper Criteria Policy of the Company.
- d) The NRC shall *inter alia* formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees of the Company ("**Remuneration Policy**").
- e) while formulating the Remuneration Policy, the NRC 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 the 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.

9. Constitution of the Risk Management Committee

- a) The Company has formed a risk management committee ("**Risk Management Committee**") which is responsible for reviewing the risk management process of the Company in the areas of portfolio, credit, off balance sheet and operational risk. The Risk Management Committee is *inter alia* required to manage the integrated risk and inform the Board from time to time the progress made in putting in place a progressive risk management system, risk management policy and strategy followed by the Company.
- b) The Risk Management Committee shall have such powers, functions and duties as may be delegated to it by the Board from time to time as well as such powers, functions and duties as prescribed in the relevant Corporate Governance Regulations.

10. Constitution of the Asset Liability Management Committee

- a) The Company has formed an asset liability management committee ("**ALM Committee**") which shall consist of the Company's senior management including the Chief Executive Officer and is responsible for ensuring adherence to the limits set by the Board 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 such powers, functions and duties as may be delegated to it by the Board from time to time as well as such powers, functions and duties as prescribed in the relevant Corporate Governance Regulations.

11. Establishment of vigil mechanism

- a) The Company shall also establish a vigil mechanism for directors and employees to report genuine concerns or grievances, in accordance with the relevant Corporate Governance Regulations. The vigil mechanism shall provide for adequate safeguards against victimization 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 any circumstance whatsoever, they shall excuse themselves from vigil of such circumstance and the others on the Audit Committee shall deal with the matter on hand.
- b) The Company shall disclose the details of establishment of such vigil mechanism on its website and in the report of the Board.

12. Rotation of partners of statutory auditors / audit firm

The Company shall 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 shall be eligible for conducting the audit of the Company after an interval of 3 (Three) years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors to ensure compliance of the above.

13. Conflict

The Guidelines shall stand amended in the event of any conflict / repugnancy between the provisions of the Guidelines and the directions/rules/regulations/circulars framed by the RBI and directions/rules/regulations/circulars framed by the RBI shall prevail over the Guidelines, to the extent of conflict / repugnancy. The part(s) so conflicting / repugnant shall be deemed to be severed from the Guidelines and the rest of the Guidelines shall remain in force.

14. Disclosure of the Guidelines

The Guidelines shall be posted on the Company's website.