



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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Ownership	Compliance
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1. Introduction

Pursuant to the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time (“**Master Directions**”); a non-banking financial company in the middle layer (“**NBFC-ML**”), is required to *inter-alia* frame internal guidelines on corporate governance. Accordingly, Capital India Finance Limited, (“**Company**”) has framed these internal guidelines on corporate governance (“**Guidelines**”).

2. Definitions

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

“**Companies Act**” shall mean the Companies Act, 2013 and the rules made there under, as amended from time to time.

“**Corporate Governance Regulations**” shall mean the Companies Act, the Master Directions, 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.

“**Listing Regulations**” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**RBI**” shall mean the Reserve Bank of India.

3. Interpretation

Words and expressions used but not defined in these Guidelines shall have the same meaning assigned to them in the Master Directions, or the Companies Act read with the rules and regulations made thereunder, or the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 of putting 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.

The Board shall have a suitable combination of executive and non-executive Directors, with atleast one director having relevant experience in bank or NBFC and all the Directors shall meet the "fit and proper" criteria, as prescribed by the RBI and as per the Board approved policy.

The Board shall meet at least four (4) times in a year, with a maximum time-gap between any two consecutive meetings of the Board not exceeding 120 days. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the Meeting.

The remuneration, when payable to the Director(s) shall be determined by the Nomination and Remuneration Committee of the Board and shall be recommended to the Board for its consideration and approval.

6. Committees of the Board

The Board constitutes its Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their terms of reference.

The Companies Act, the Master Directions, the Listing Regulations and other applicable rules, regulations and RBI's master directions require the Company to constitute various statutory committees of the Board viz. Audit Committee, Asset-Liability Committee, Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, Investment Committee, IT Strategy Committee, Write-off and Settlement Committee, and Review Committee.

From a governance perspective, the Company has also constituted various non-statutory committee's details of which shall be uploaded on the website of the Company.

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/Committees. Minutes of the meetings of the Statutory Board Committees shall be placed before the Board for its perusal and noting.

7. Key Managerial Personnel

The Company shall appoint Key Managerial Personnel (“KMP”), as per the applicable provisions. The Company shall adhere to the Guidelines on Compensation of KMP and Senior Management in the Company.

Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL (Non-Banking Financial Company – Upper Layer).

8. Independent Director

Within the permissible limits in terms of the Companies Act, an Independent Director shall not be on the Board of more than 3 (three) NBFCs (NBFCs-ML or NBFCs-UL) at the same time.

9. 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 Compliance Officer & Company Secretary, 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 Master Directions.

10. 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.

11. Statutory Auditors

The Board and the Audit Committee shall be responsible for the appointment of the Statutory Auditors who demonstrate professional eligibility and independence as per the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) bearing reference no. RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021. Declaration to be obtained every year from the Statutory Auditors affirming their eligibility for being appointed as Statutory Auditors of the Company.

12. 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.

13. Disclosure of the Guidelines

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