

DATED DECEMBER 31, 2017

CORPORATE GOVERNANCE CODE

CHOKHANI SECURITIES LIMITED

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GLOSSARY

Act	the Companies Act, 2013 (as may be notified from time to time) and the Companies Act, 1956 (to the extent not repealed/ replaced by the Companies Act, 2013), as applicable, and the rules prescribed thereunder, as amended, modified or supplemented from time to time
AGM	annual general meeting of the shareholders of the Company
Articles	the articles of association of the Company from time to time
Asset-Liability Committee	the asset liability committee of the Board, constituted in accordance with this Code
Audit Committee	the audit committee of the Board, constituted in accordance with this Code
Big Four Accounting Firms	one of the big four audit firms (being, PriceWaterhouse Coopers, Deloitte and Haskins, Ernst & Young and KPMG)
Board	the board of directors of the Company from time to time comprising each person appointed as a Director
Board Committees	each committee of the Board constituted from time to time, including but not limited to, the Audit Committee, the Nomination and Remuneration Committee, Risk Management Committee, Stakeholders Relationship Committee and Asset – Liability Committee and any other such committee as may be constituted from time to time.
Business Day	a day when the banks are open for business in Mumbai (India), but excluding Saturdays and Sundays
Business Plan	the latest business plan adopted by the Board in accordance with this Code from time to time
CEO	Chief Executive Officer of the Company
CFO	Chief Financial Officer of the Company
CRO	Chief Risk Officer of the Company
Chairman of the Board	a person appointed pursuant to Paragraph 4.8 from time to time whose responsibilities are to conduct meetings of the Board and to oversee the functioning of the Board
Code	this Corporate Governance Code dated December 31, 2017
Company	Chokhani Securities Limited

Company Secretary	the company secretary of the Company
Director	each member of the Board, appointed as a director and holding such office, from time to time
EGM	extraordinary general meeting of the shareholders of the Company
Employees	employees of the Company
Financial Year	period commencing from April 1 each year and ending on March 31 the next year or, subject to applicable law, such other period as may be determined by the Board to be the financial year for the Company
Fully Diluted Basis	the total number of Shares of the Company assuming that all options, warrants and other securities convertible into or exercisable or exchangeable for Shares (whether or not by their terms then currently convertible, exercisable or exchangeable) have been so converted, exercised or exchanged
General Meeting	an AGM or EGM held in accordance with this Code, the Act and the Listing Regulations
Independent Director	shall have the meaning ascribed to it under the Act
Internal Auditor	one of the Big Four Accounting Firms, appointed in accordance with this Code to conduct an internal audit on the functions and activities of the Company
Key Managerial Personnel	key managerial personnel of the Company appointed in accordance with Paragraph 6 of this Code
Large Shareholder	any shareholder of the Company holding at least 10% (ten percent) of the paid-up share capital of the Company on a Fully Diluted Basis, which securities were either subscribed by that shareholder consequent to an issuance of securities by way of a preferential allotment by the Company or were issued to such shareholder by the Company as consideration under a scheme of demerger approved by the National Company Law Tribunal directly involving the Company, (whether by itself or together with a “person acting in concert” with it as defined in the Takeover Regulations)
Listing Regulations	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
Management Team	the Managing Director and the Key Managerial Personnel collectively

Managing Director	managing director of the Company
Manual of Authority	the manual of authority to be adopted in accordance with Paragraph 19 of this Code
NBFC	non-banking financial company
Nomination and Remuneration Committee	nomination and remuneration committee of the Board, constituted in accordance with this Code
Promoters	promoters of the Company in accordance with the Act and the Listing Regulations
Related Party	shall have the meaning ascribed to it under the Act
Risk Management Committee	risk management committee of the Board, constituted in accordance with this Code and under the Non-Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2015 or any other direction which may be issued from time to time
SEBI	Securities and Exchange Board of India
Senior Employees	any Employee having an annual compensation exceeding Rs.1,00,00,000 (Rupees One Crore only)
Shares	equity shares of the Company having a face value of Rs.10 (Rupees Ten only) per equity share
Stakeholders Relationship Committee	stakeholder relationship committee of the Board, constituted in accordance with this Code
Statutory Auditor	the statutory auditor of the Company, appointed in accordance with Paragraph 8.1 of this Code and the Act.
Takeover Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
Votes	all of the votes which are exercisable (by any person) in connection with the Shares at a General Meeting
Whole-time Director	a Director, other than the Managing Director, in the whole-time employment of the Company

1. MISSION OF CHOKHANI SECURITIES LIMITED

- 1.1 Our mission is to become the most preferred NBFC for small and medium enterprises by providing them innovative products and process par excellence.
- 1.2 Our goal is to provide our patrons with ‘Customer First Approach’ keeping in mind their interest and objectives.
- 1.3 Our people will be our strength and we will strive for achieving new standards of excellence through work ethics, governance and professional integrity.
- 1.4 Our culture would be the heart of our success by maintaining transparency and meritocracy.

2. SCOPE

- 2.1 Strong corporate governance is vital to achieving the objective of making the Company most successful and fulfilling the mission that the Company has set for itself. This Code is adopted to put in place a strong corporate governance framework within which the Company will be directed and controlled. It has been developed to enshrine in writing, relationships based on trust between the Board, the Management Team, shareholders and all Employees.
- 2.2 This Code defines the extent of authority that can be delegated within the Company and the manner in which this process will take place. This Code outlines authority limits delegated by the Board to the Managing Director, the key members of the Management Team, and other officers of the Company to run the Company’s affairs and operations.
- 2.3 This Code sets forth the guiding principles on which the Board and the Management Team shall operate and conduct the Company’s day-to-day business with its various stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected.
- 2.4 Each department of the Company is authorized to develop and put into effect standard operating practices that will help the department govern its activities in more detail, in accordance with and in alignment to the content of this Code.

3. APPROVAL

This Code has been approved by the Board in its meeting held on December 31, 2017, and shall come into effect pursuant to the approval from the Reserve Bank of India for change of control, management and shareholding of the Company. Any amendments to this Code will be done in a manner prescribed under the Code and the Articles. It is hereby clarified that the Articles will be amended and/ or restated to reflect the provisions of this Code.

4. BOARD OF DIRECTORS

- 4.1 Subject to the provisions of the Act, the Board shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorized to exercise and do. The property, business and affairs of the Company shall be

managed by the Board. The Board shall act in accordance with this Code, the Articles, provisions of the Act and applicable law.

- 4.2 The Board shall comprise of a maximum of 15 (fifteen) Directors, which would consist of majority of Independent Directors. All the Directors shall be appointed by the shareholders in a manner contemplated under Section 152 and other applicable provisions of the Act.
- 4.3 The Promoter shall have the right to appoint a nominee director on the Board.
- 4.4 Each Large Shareholder shall have the right to nominate a representative as non-executive director on the Board.
- 4.5 The CEO of the Company (if any) shall be appointed as a Whole-Time Director on a case by case basis.
- 4.6 There shall be at least 1 (one) woman Director on the Board.
- 4.7 At least 1 (one) of the Directors on the Board shall be an Indian national.
- 4.8 The Chairman of the Board shall be appointed on a case by case basis and shall not have a casting vote.
- 4.9 Each of the nominee directors appointed by the Large Shareholder shall have the right to be a member of any committees that may be constituted by the Board including but not limited to the Audit Committee, the Nomination and Remuneration Committee and the Asset-Liability Committee.

5. APPOINTMENT OF INDEPENDENT DIRECTORS

- 5.1 The Nomination and Remuneration Committee shall recommend 1 (one) candidate for each vacancy or anticipated vacancy for the position of an Independent Director on the Board. The Board shall resolve, subject to the procedures required under the Code, whether to approve an appointment pursuant to such recommendation.
- 5.2 Further, an Independent Director who resigns or is removed from the Board shall be replaced by a new Independent Director by the Company at the earliest but not later than the immediate next meeting of the Board or 3 (three) months from the date of such vacancy, whichever is later.
- 5.3 An Independent Director shall not hold office for more than 2 (two) consecutive 5 (five) year terms. However, an Independent Director shall be eligible for appointment after the expiration of 3 (three) years of ceasing to become an Independent Director.
- 5.4 The Independent Directors shall hold at least 1 (one) meeting in a year, without the presence of non-Independent Directors and the Management Team, and all the Independent Directors shall strive to be present at such meeting.
- 5.5 The Independent Directors in the meeting referred in Paragraph 5.4 above shall, *inter alia*:

- (a) review the performance of non-Independent Directors and the Board as a whole;
- (b) review the performance of the Chairman of the Board, taking into account the views of executive directors and non-executive Directors;
- (c) assess the quality, quantity and timeliness of flow of information between the Management Team and the Board that is necessary for the Board to effectively and reasonably perform their duties.

5.6 The Independent Directors shall not be entitled to any stock option.

6. APPOINTMENT OF KEY MANAGERIAL PERSONNEL

6.1 It shall be mandatory for the Company to have the following whole-time Key Managerial Personnel: (i) Managing Director; (ii) Company Secretary; (iii) CFO; and (iv) CRO, subject to the provisions of this Code and the approval of the Board.

6.2 The Company may appoint a CEO, subject to the provisions of this Code and approval of the Board, who shall also be a Key Managerial Personnel.

6.3 The Managing Director, CEO and the CFO shall provide a compliance certificate to the Board on a quarterly basis, certifying that:

- (a) They have reviewed financial statements and the cash flow statement for the year/ year till date and that to the best of their knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year/ year till date which are fraudulent, illegal or violative of the Company's code of conduct;
- (c) They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies;
- (d) They have indicated to the auditors and the Audit Committee:
 - (i) significant changes in internal control over financial reporting during the year/ year till date;

- (ii) significant changes in accounting policies during the year/ year till date and that the same have been disclosed in the notes to the financial statements;
- (iii) details pertaining to all related party transactions between Key Managerial Personnel and their Related Party(ies) on a periodic basis; and
- (iv) instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management Team or an Employee having a significant role in the Company's internal control system over financial reporting.

6.4 The Company shall not appoint or re-appoint any person as its Managing Director, Whole-time Director or CEO for a term exceeding 5 (five) years at a time. Additionally, no re-appointment shall be made earlier than 1 (one) year before the expiry of the term of such Managing Director, Whole-time Director or CEO.

6.5 The appointment and replacement of, the terms and conditions for the appointment of, and the remuneration payable to, the Managing Director and CEO shall be subject to approval by the Board and the shareholders at the next General Meeting in accordance with this Code.

6.6 The Company Secretary shall act as the secretary to all the Board Committees.

7. APPOINTMENT OF COMPLIANCE OFFICER

7.1 The Board shall appoint the Company Secretary or any other suitably qualified Employee as the Compliance Officer of the Company.

7.2 Additionally, the Board shall appoint a suitably qualified Senior Employee of the Company as an Additional Compliance Officer of the Company.

7.3 The Compliance Officer of the Company shall be responsible for:

- (a) ensuring conformity with the regulatory provisions applicable to the Company in letter and spirit and periodically notifying the shareholders of the Company if any lapse is identified (whether internally or by the Statutory Auditor of the Company);
- (b) co-ordination with and reporting to SEBI, recognized stock exchange(s) and depositories with respect to compliance with rules, regulations and other directives of these authorities in a manner as specified from time to time;
- (c) ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the Company under applicable SEBI regulations; and

- (d) monitoring the email address of the grievance redressal division as designated by the Company for the purpose of registering complaints by investors.

7.4 The Additional Compliance Officer of the Company 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.

8. APPOINTMENT OF STATUTORY AUDITOR AND INTERNAL AUDITOR

8.1 The Board shall appoint a Statutory Auditor, who shall be one of the Big Four Accounting Firms in a manner contemplated under the Code. Pursuant to approval of the Board, the appointment of the Statutory Auditor will need to be approved by the shareholders in accordance with Section 139 of the Act.

8.2 An internal auditor (who shall be one of the Big Four Accounting Firms) will need to be appointed by the Company to conduct an internal audit on the functions and activities of the Company. The Audit Committee shall be responsible for the appointment of the internal auditor.

8.3 The Company shall not appoint an audit firm as the Statutory Auditor or the internal auditor for more than 2 (two) terms of 3 (three) consecutive years.

8.4 The Company shall procure the rotation of the partners of the audit firm appointed as the Statutory Auditor or the internal auditor every 3 (three) years so that the same partner shall not conduct the audit of the Company continuously for more than a period of 3 (three) years.

9. NOMINATION AND REMUNERATION COMMITTEE

9.1 Role of Nomination and Remuneration Committee

The role of the Nomination and Remuneration Committee shall include the following:

- (a) formulation and evaluation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to, the remuneration of the Directors, Key Managerial Personnel, Senior Employees and other Employees;
- (b) formulation of criteria for evaluation of the performance of Independent Directors and the Board;
- (c) devising a policy on diversity of the Board;
- (d) identifying persons who are qualified to become Directors and who may be appointed to the Management Team in accordance with the criteria laid down by the Nomination and Remuneration Committee, and recommending to the Board their appointment and removal;

- (e) whether to extend or continue the term of appointment of the Independent Directors, on the basis of the report of performance evaluation of Independent Directors; and
- (f) formulating any employee stock option plan or sweat equity plan.

Within 3 (three) months from the approval of this Code, the Nomination and Remuneration Committee shall formulate a policy for granting of variable and discretionary bonus/ incentives to the Key Managerial Personnel, Senior Employees and other Employees of the Company. The Managing Director shall be responsible for preparing the first draft of this policy for the review and approval of the Nomination and Remuneration Committee.

9.2 Constitution of the Nomination and Remuneration Committee

- 9.2.1 The Board shall constitute the Nomination and Remuneration Committee which shall comprise of at least 3 (three) non-executive Directors and at least 50% (fifty percent) of the members shall be Independent Directors. In addition to the requirements specified under the Act and the Code, matters relating to appointment of Independent Directors and remuneration of Key Managerial Personnel would require the positive vote of a majority of non-Independent Directors.
- 9.2.2 The chairman of the Nomination and Remuneration Committee shall be an Independent Director elected by the members of the Nomination and Remuneration Committee present at a duly convened committee meeting.
- 9.2.3 The quorum for a meeting of the Nomination and Remuneration Committee shall require the presence of three-fourths of the members of the Nomination and Remuneration Committee. Every resolution of this committee shall require the vote of at least three-fourths of the members of the Nomination and Remuneration Committee present and voting.
- 9.2.4 The Chairman of the Nomination and Remuneration Committee may be present at the AGM to answer any questions raised by the shareholders; however, it shall be up to the Chairman to decide who shall answer the questions raised by shareholders.

10. STAKEHOLDERS RELATIONSHIP COMMITTEE

10.1 Role of the Stakeholders Relationship Committee

The Stakeholders Relationship Committee shall consider and resolve the grievances of the security holders of the Company, including complaints related to the transfer of Shares, non-receipt of annual report and non-receipt of declared dividends.

10.2 Constitution of the Stakeholders Relationship Committee

- 10.2.1 The Board shall constitute a Stakeholders Relationship Committee to consider and resolve the matters specified in Paragraph 10.1 above.

10.2.2 The chairman of this Stakeholders Relationship Committee shall be a non-executive Director and will be elected by the members of the Stakeholders Relationship Committee present at the meeting; and

10.2.3 The Board shall decide other members of the Stakeholders Relationship Committee in a manner contemplated under the Code.

11. RISK MANAGEMENT COMMITTEE

11.1 Role of the Risk Management Committee

The Board shall define the role and responsibility of the Risk Management Committee, which shall include, but not be limited to, reviewing/ amending internal policies of the Company and monitoring compliance with such internal policies, and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

11.2 Constitution of the Risk Management Committee

11.2.1 The Board shall constitute a Risk Management Committee which shall comprise of at least 3 (three) non-executive Directors and at least 50% (fifty percent) of the members of such committee shall be Independent Directors. If a CEO and/ or any Whole-time Director has been appointed, then the Risk Management Committee may choose to include such CEO and/ or Whole-time Director as additional members of the Risk Management Committee, on a case by case basis.

11.2.2 The chairman of the Risk Management Committee shall be an Independent Director who will be elected by the members of the Risk Management Committee present at a duly convened committee meeting. The Risk Management Committee may invite the CRO to its meetings and otherwise consult with the CRO as it sees appropriate. The Risk Management Committee may invite other members of the Management Team of the Company, and shall invite each of the Directors appointed by the Large Shareholders, to participate in discussions of the Risk Management Committee.

11.2.3 The quorum for a meeting of the Risk Management Committee shall require the presence of three-fourths of the members of the Risk Management Committee. Every resolution of this committee shall be passed with a vote of at least three-fourths of the members of the Risk Management Committee present and voting.

12. ASSET – LIABILITY COMMITTEE

12.1 Role of the Asset – Liability Committee

12.1.1 The Asset – Liability Committee shall be a decision making unit responsible for balance sheet planning from a risk-return perspective including the strategic management of interest rate and liquidity risks. The Board shall have to decide on the role of the Asset – Liability Committee, its responsibilities as also the decisions to be taken by it. The business and risk management strategy of the Company shall ensure that the Company operates within the limits/ parameters prescribed by SEBI and the Reserve Bank of India.

- 12.1.2 Successful implementation of the risk management process shall require strong commitment on the part of the senior management in the Company, to integrate basic operations and strategic decision making with risk management. The Board shall have overall responsibility for management of risks and shall decide the risk management policy of the Company and set limits for liquidity, interest rate and equity price risks.
- 12.1.3 The Asset – Liability Committee shall be responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives.
- 12.1.4 Within 3 (three) months from the approval of this Code, the Asset – Liability Committee shall formulate a policy for disbursement of loans including clear and identified guidelines and thresholds for granting of loans, disbursement of such loans (single asset, group exposure, guidelines for acceptance and rejection of proposals), and/or granting of commission to direct sales agents of the Company.
- 12.1.5 The business issues that the Asset – Liability Committee shall consider, *inter alia*, shall include product pricing for both deposits and advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services/ products, etc.
- 12.1.6 Any loan disbursed by the Company (i) exceeding 1% (one percent) of the net worth of the Company (or such enhanced threshold as may be approved by the Board in its annual review, with at least two-thirds of the Directors present voting in favour of such enhancement); or (ii) to a Related Party of the Company or any of the Key Managerial Personnel, shall require the unanimous approval of the Asset – Liability Committee and be subject to the approval of the Board.
- 12.1.7 In addition to monitoring the risk levels of the Company, the Asset – Liability Committee shall review the results of and progress in implementation of the decisions made in the previous meetings of the committee.
- 12.1.8 The Asset – Liability Committee shall also articulate the current interest rate view of the Company and base its decisions for future business strategy on this view.
- 12.1.9 In respect of the funding policy, for instance, its responsibility shall be to decide on source and mix of liabilities or sale of assets. Towards this end, it will have to develop a view on future direction of interest rate movements and decide on funding mixes between fixed v/s floating rate funds, wholesale v/s retail deposits, money market v/s capital market funding, domestic v/s foreign currency funding, etc.

12.2 Constitution of the Asset – Liability Committee

- 12.2.1 The Board shall constitute the Asset-Liability Committee which shall comprise of at least 3 (three) non-executive Directors and at least 50% (fifty percent) of the members shall be Independent Directors. To ensure commitment of the Management Team and timely response to market dynamics, the Managing

Director shall be the chairman of the Asset – Liability Committee and the CRO shall be a permanent invitee to the meetings of the Asset-Liability Committee.

12.2.2 The Asset-Liability Committee may invite other members of the Management Team to attend and participate in discussions of the Asset-Liability Committee.

12.2.3 The number of members of the Asset – Liability Committee shall depend on the size of the Company, the business mix and the organizational complexity.

12.2.4 The Asset-Liability Committee may have sub-committees and support groups which shall be constituted by the Asset-Liability Committee.

12.3 Meetings of the Asset – Liability Committee

The Board shall have to decide the frequency of holding meetings of the Asset – Liability Committee. The quorum for a meeting of the Asset – Liability Committee shall require the presence of three-fourths of the members of the Asset – Liability Committee. Every resolution of this committee shall be passed with a vote of at least three-fourths of the members of the Asset – Liability Committee in attendance. The chairman of the Asset – Liability Committee will be elected by the members of the Asset – Liability Committee present at a duly convened committee meeting.

13. AUDIT COMMITTEE

13.1 Role of the Audit Committee

13.1.1 to ensure that an information system audit of the internal systems and processes of the Company is conducted at least once in 2 (two) years to assess the operational risks faced by the Company;

13.1.2 oversight of the Company’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

13.1.3 recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

13.1.4 approval of payment to Statutory Auditor and Internal Auditor for any other services rendered by the Statutory Auditor and Internal Auditor, respectively;

13.1.5 reviewing, with the Management Team, the annual financial statements and auditor’s report thereon before submission to the Board for approval, with particular reference to:

(a) matters required to be included in the director’s responsibility statement to be included in the Board’s report;

(b) changes, if any, in accounting policies and practices and reasons for the same;

- (c) major accounting entries involving estimates based on the exercise of judgment by the Management Team;
 - (d) significant adjustments made in the financial statements arising out of audit findings;
 - (e) compliance with listing and other legal requirements relating to financial statements;
 - (f) disclosure of any Related Party transactions; and
 - (g) modified opinion(s) in the draft audit report.
- 13.1.6 reviewing, with the Management Team, the quarterly financial statements before submission to the Board for approval;
- 13.1.7 reviewing, with the Management Team, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- 13.1.8 reviewing and monitoring the auditor's independence and performance, and effectiveness of the audit process;
- 13.1.9 approval or any subsequent modification of transactions of the Company with Related Parties;
- 13.1.10 scrutiny of inter-corporate loans and investments;
- 13.1.11 valuation of undertakings or assets of the Company, wherever it is necessary;
- 13.1.12 evaluation of internal financial controls and risk management systems;
- 13.1.13 reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 13.1.14 reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- 13.1.15 discussion with internal auditors of any significant findings and following up there on;
- 13.1.16 reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- 13.1.17 discussion with the Statutory Auditor before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

- 13.1.18 to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- 13.1.19 to review the functioning of the whistle blower mechanism;
- 13.1.20 approval of appointment of CFO after assessing the qualifications, experience and background, etc. of the candidate;
- 13.1.21 to review the IT security/ data integrity/ data security policies and processes of the Company;
- 13.1.22 carrying out any other function as is mentioned in the terms of reference of the Audit Committee; and
- 13.1.23 the Audit Committee shall mandatorily review the following information:
- (a) management discussion and analysis of financial condition and results of operations;
 - (b) statement of significant Related Party transactions (as defined by the Audit Committee), submitted by the Management Team;
 - (c) management letters/ letters of internal control weaknesses issued by the Statutory Auditor;
 - (d) internal audit reports relating to internal control weaknesses;
 - (e) the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the Audit Committee;
 - (f) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s); and
 - (g) annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice.
- 13.1.24 The Company shall establish a vigil mechanism for Directors and Employees to report genuine concerns. If any of the members of the Audit Committee have a conflict of interest in a given case, they shall recuse themselves and the other members on the Audit Committee shall deal with the matter in hand.
- 13.1.25 The vigil mechanism shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairman of the Audit Committee in appropriate or exceptional cases. The details of establishment of such mechanism shall be disclosed by the Company on its website, if any, and in the Board's report.

13.2 Constitution of the Audit Committee

- 13.2.1 The Board shall constitute a qualified and independent Audit Committee which shall have a minimum of 3 (three) Directors with at least two-thirds of the members of the Audit Committee being Independent Directors.
- 13.2.2 All members of the Audit Committee shall be financially literate¹ and at least 2 (two) members shall have accounting or related financial management expertise.
- 13.2.3 The chairman of the Audit Committee shall be an Independent Director who will be elected by the members of the Audit Committee present at the committee meeting. The chairman of the Audit Committee shall be present at the AGM to answer queries from the shareholders of the Company.

13.3 Powers of the Audit Committee

- 13.3.1 The Audit Committee shall have powers to investigate any activity within its terms of reference, seek information from any Employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- 13.3.2 The Statutory Auditor and the Key Managerial Personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

13.4 Meetings of the Audit Committee

- 13.4.1 The Audit Committee shall meet at least 4 (four) times in a year and not more than 120 (one hundred and twenty) days shall elapse between 2 (two) meetings.
- 13.4.2 The quorum for an Audit Committee meeting shall either be 3 (three) members or three-fourths of the members of the Audit Committee, whichever is greater, with at least 2 (two) Independent Directors. Every resolution of the Audit Committee shall be passed with a vote of at least three-fourths of the members of the Audit Committee in attendance.
- 13.4.3 A member shall not participate in discussions through electronic mode in an Audit Committee meeting, for consideration of financial statements of the Company to be approved by the Board, unless expressly permitted by the chairman of the Audit Committee.

14. GRIEVANCE REDRESSAL MECHANISM

- 14.1 The Company shall ensure that adequate steps are taken for expeditious redressal of investor complaints.
- 14.2 The Company shall ensure that it is registered on the SCORES platform or such other electronic platform or system of SEBI as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by SEBI.

¹ **financially literate** shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

14.3 The Company shall file with the recognized stock exchange(s) on a quarterly basis, within 21 (twenty one) days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter. The said statement shall be placed, on a quarterly basis, before the Board.

15. MEETINGS OF THE BOARD

15.1 The Board shall hold regular meetings at the registered office of the Company, or such other location as is agreed by a majority of the Board, at least once in every 3 (three) months, and at least 4 (four) such meetings shall be held in every calendar year. The date of the next Board meeting shall be confirmed at the previous Board meeting. A meeting of the Board may be called by any Director, and the Company Secretary shall, upon requisition by a Director convene the same in accordance with this Paragraph 15.

15.2 The notice for any Board meeting and meeting of any Board Committees shall be sent to the Directors at least 15 (fifteen) Business Days prior to the meeting together with the agenda; provided however, that any Board meeting may be held by providing shorter notice if consent to such Board Meeting is given in writing or by electronic mode by all the Directors entitled to vote at such meeting. Such notice shall also contain all the relevant documents and supporting information for the same.

15.3 A Board meeting may be called at shorter notice to transact urgent business subject to the condition that at least 1 (one) Independent Director shall be present at the meeting and that the decisions taken at such a meeting shall be circulated to all the Directors and shall be final only upon ratification by at least by 2 (two) Large Shareholder nominee Directors. Further, no business shall be transacted at any Board meeting duly convened and held other than that specified in the agenda.

15.4 The quorum for a meeting of the Board shall require the presence of at least 9 (nine) Directors, or a higher number of Directors, as prescribed under the Act, including the presence of at least half of the total nominee directors appointed by the Large Shareholders.

15.5 Each Director (an “**Original Director**”) shall be entitled to nominate an alternate director (“**Alternate Director**”) in his/ her place and such Alternate Director shall serve in the absence of the Original Director in accordance with the provisions of the Act. No person shall be appointed as an Alternate Director for an Independent Director unless such a person is qualified to be appointed as an Independent Director.

15.6 Any appointment of an individual as an Alternate Director shall be done in accordance with Section 161 of the Act and shall take place as the first item of business at the Board meeting following receipt by the Company of such nomination. Upon the appointment of an Alternate Director, the Company shall ensure compliance with the provisions of the Act, including by filing necessary forms with the Registrar of Companies. The Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of

the Original Director (including in relation to meetings of Board Committees) and generally to perform all functions of the Original Director in his absence.

15.7 Subject to the provisions of Paragraph 15.10 below and provisions of the Act, a decision made and/ or a resolution passed at a meeting of the Board shall be valid, only if passed at a validly constituted meeting, and such decisions/ resolutions are approved of by the majority of the Directors present and voting at such meeting of the Board.

15.8 A Director may attend a Board meeting through video conferencing or other audio visual means in accordance with the provisions under the Act. However, a Director shall not participate in a Board meeting *via* video conferencing or other audio visual means in relation to the following restricted items: (i) approval of annual accounts; (ii) Board's report; (iii) prospectus; (iv) Audit Committee meeting; and (v) matters relating to amalgamation/ merger/ demerger/ acquisition/ take over, unless expressly permitted by the Chairman of the Board.

Further, a Director participating through electronic mode in respect of the restricted items set out at this Paragraph 15.8 with the express permission of the Chairman of the Board, shall neither be entitled to vote nor be counted for the purposes of quorum in respect of such restricted items.

15.9 A written resolution circulated in draft along with the necessary papers to all the Directors by email who are then members of the Board or a Board Committee shall be valid and effective only if approved by the requisite majority as prescribed for such matters under the Code, as if decision on such matters were taken at a duly convened meeting of the Board or Board Committee.

15.10 Notwithstanding anything to the contrary in this Code, the Board shall not make decisions or undertake any actions in relation to the following matters, unless at least three-fourths of the Directors (present and voting at a duly convened Board meeting) vote in favour of such matter:

- (a) authorize or make any change in the issued, subscribed or paid-up share capital of the Company;
- (b) issue any Shares or other securities having structural or legal or preference over or ranking senior to (or *pari passu* with) the Shares with respect to any matter, including without limitation, dividend rights, voting rights or liquidation preference, either as a public offering or private sale or issue of any Shares or other securities of the Company;
- (c) reorganize the share capital of the Company, by way of fresh issuance of Shares or any securities or by redemption, retirement or repurchase/ buyback of any shares or securities;
- (d) issue of employee stock options or granting of similar benefits;
- (e) issue convertible debentures or warrants or grant any options over its shares or any stock splits or consolidation of its share capital;

- (f) make any changes (directly or indirectly) in class rights for Shares or share equivalents;
- (g) directly or indirectly declare, authorize or pay any dividend or make any distribution in relation to any Shares or share equivalents of the Company;
- (h) adopt, approve any new business plan in relation to the Company or any part of it or amend the Business Plan, in any material manner;
- (i) adopt or approve the annual budget in relation to the Company or any part of it or amend the annual budget of the Company;
- (j) adopt, amend or repeal any provision in the Company's constitutional documents;
- (k) amend or repeal or authorize any amendment or other action in respect of this Code and/ or the Manual of Authority;
- (l) amend or repeal or authorize any amendment or other action in relation to the powers of the members of the Management Team, the terms of the appointment letter of the members of the Management Team, or the appointment or removal of members of the Management Team;
- (m) enter into derivative contracts of any kind;
- (n) mergers, demergers, spin-offs, amalgamations, consolidations or any other similar form of corporate restructuring of the Company and/or its subsidiary;
- (o) authorize or incur any financial indebtedness of the Company which is in excess of the limits set from time to time by the Asset Liability Committee with the approval of the Board;
- (p) authorize or incur any financial indebtedness of the Company which results in the debt/ equity of the Company exceeding 5x levels or such other limit as may be approved by the Board in its review every 2 (two) years, with at least two-thirds of the Directors present voting in favour of such enhancement;
- (q) incur any single item of capital or revenue expenditure by the Company (including acquiring a business or asset) greater than Rs.10,00,00,000 (Rupees Ten Crores only);
- (r) authorize or undertake any arrangement for the disposal by the Company of any assets not in the ordinary course of business;
- (s) approve the agenda for the General Meeting;
- (t) give or renew security for, or the guaranteeing of financial indebtedness of the Company or any third parties, or creating any encumbrance on the assets of the Company and/ or the subsidiary;

- (u) divest or sell capital assets (including but not limited to a transfer, surrender, lease or exchange) by the Company, other than inter-se transfers between the Company and its subsidiary, acquisition of assets under business transfer/ slump sale agreements or businesses, creation of joint ventures/ partnerships/ subsidiaries, or any other investments or entering into any such combination with any Person;
- (v) appoint, remove or replace any Statutory Auditor;
- (w) amend, extend or add to any Key Management Personnel and Senior Employees incentive arrangements;
- (x) enter into an agreement or arrangement between the Company and (i) any member of the Company, (ii) Key Managerial Personnel and (iii) any Related Party to any such member or Key Managerial Personnel;
- (y) incorporate any subsidiary or close down, wind up or liquidate the Company or any subsidiary of the Company;
- (z) acquire the whole or any part of any other business or undertaking (other than the purchase of supplies and stock in the ordinary course of business) or acquire any shares or any option over shares in the capital of any company;
- (aa) constitute a Board Committee and finalizing the role and responsibilities of such Board Committee including the committees constituted under this Code;
- (bb) formulate, adopt or amend the terms of the Manual of Authority or any policy constituted under this Code including, but not limited to, the policies referred to in Paragraphs 20.8 and 20.9;
- (cc) approve any expense (i) of Key Managerial Personnel and Senior Employees (above an agreed threshold); (ii) of an amount exceeding Rs.10,00,00,000 (Rupees Ten Crores Only); (iii) resulting in a deviation from the annual budget of the Company by more than 10% (ten percent) (or such enhanced deviation as may be approved by the Board in its annual review, with at least two-thirds of the Directors present voting in favour of such enhancement);
- (dd) make any treasury or other investments by the Company;
- (ee) withdrawal of authority to members of the Management Team;
- (ff) make any material change in the nature of the Company's business;
- (gg) disposal of all or substantially all of the assets of the Company; and
- (hh) any change to the listing status of the Company's Shares.

However, no Director shall vote on matters specified above, in which such a Director is interested. An interested Director shall mean a Director who in any

way, whether by himself or through any of his relatives or any firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, is interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company.

16. SHAREHOLDER MEETINGS

16.1 The Company shall hold at least 1 (one) General Meeting in any given calendar year. The AGM shall be held in each calendar year within 6 (six) months following the end of the previous Financial Year of the Company. All General Meetings other than the AGM shall be EGMs. All General Meetings shall be governed by the Act and the Articles.

16.2 The prior written notice of at least 21 (twenty one) Business Days for a General Meeting shall be given to all shareholders of the Company either in writing or through electronic mode; provided however, that any General Meeting may be held on shorter notice if consent is given in writing or by electronic mode by not less than 95% (ninety five percent) of the members entitled to vote at such meeting. All notices shall be accompanied by an agenda setting out the particular business proposed to be transacted at such General Meeting. Every notice shall specify the place, date and hour of the General Meeting and shall contain an agenda and accompanying materials with a statement of the business to be transacted thereat and where any such business consists of special business, as defined under the Act, there shall be annexed to the notice an explanatory statement in accordance with Section 102 (statement to be annexed to notice) of the Act. No business shall be transacted at any General Meeting duly convened and held other than that specified in the notice.

16.3 The following matters shall require the approval of two-thirds of the Votes cast in a General Meeting:

- (a) all matters in relation to a takeover of a company or acquiring a controlling or substantial stake in another company or purchase of the whole or substantially the whole of the undertaking of another company;
- (b) appointment or removal of Independent Directors; and
- (c) any matter referred to in Paragraph 15.10 and such other matters as the Board may resolve from time to time that requires the approval of two-thirds of the Votes cast at a General Meeting.

16.4 All special resolution items as per the Act shall require the approval of three-fourths of the Votes cast in a General Meeting.

17. FLOW OF AUTHORITY AND MANAGEMENT TEAM

17.1 In accordance with the Articles and this Code, the Board may delegate certain powers of management to the Management Team led by the Managing Director.

- 17.2** The members of the Management Team (other than the Managing Director) shall be appointed and removed by the Managing Director, provided always that the Managing Director shall not appoint any candidate to the role of CFO unless such candidate shall have been approved by the Audit Committee.
- 17.3** The Nomination and Remuneration Committee shall have oversight over the Management Team.
- 17.4** The flow of authority with respect to the operations of the Company is set out in Paragraph 18 below.
- 17.5** The Managing Director shall report to the Board, and all officers of the Company including the other members of the Management Team shall report to the Managing Director.
- 17.6** The powers of the Managing Director shall be as set out in this Code (approved by the Board in accordance with the Articles). The Managing Director shall also be held accountable for due compliance of the provisions of this Code. He shall be held responsible and accountable for any deviations from the provisions of this Code and the Manual of Authority and any such breaches shall result in the termination of his appointment as Managing Director.

18. ROLES AND RESPONSIBILITY OF THE MANAGEMENT TEAM

18.1 Managing Director

The Managing Director will have primary responsibility for day to day operation of the Company's business and shall report to the Board.

18.2 The CEO (if appointed) shall be responsible for running the day to day functioning of the Company, under the supervision of the Managing Director and the Board.

18.3 The CFO is responsible for all financial functions of the Company including:

- (a) treasury, which includes banking, investment, hedging activity, cash management etc. within the limits defined by the Manual of Authority (once adopted);
- (b) financial accounting and reporting;
- (c) financial planning and control;
- (d) property (i.e. fixed assets of the Company); and
- (e) investor relations.

18.4 The CRO is responsible for the following functions in relation to the Company and shall report to the Board:

- (a) manage the implementation of all aspects of the risk function, including implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks;
- (b) provide an annual compliance certificate to the Board regarding the risk management practices, write off policies, credit disbursal mechanisms of the Company;
- (c) assist in the development of and manage processes to identify and evaluate business areas' risks and risk and control self-assessments;
- (d) manage the process for developing risk policies and procedures, risk limits and approval authorities;
- (e) monitor major and critical risk issues;
- (f) manage the process for elevating control risks to more senior levels when appropriate;
- (g) manage the corporate risk and control assessment reporting process as well as manage and maintain infrastructure elements (e.g. management reporting, including reporting to senior management); and
- (h) Conduct compliance & risk assessments.

19. AUTHORITY LIMITS OF THE MEMBERS OF THE MANAGEMENT TEAM

The Board will, within 3 (three) months of first adoption of this Code, seek to finalize and adopt a Manual of Authority which will specify in detail the matters in relation to which relevant categories of Employees may be authorized to approve routine decisions in connection with the Company's business. Until such policy and other required policies are approved by the Board, funds of the Company can only be invested with the approval of the Board and into government securities or AAA rated instruments. Until such policy is formulated and approved by the Board, the Company shall only use existing cash in its books for meeting expenses of the Company.

20. GENERAL GUIDELINES AND PRINCIPLES

20.1 The overall financial limits in this Code and the Manual of Authority will apply in respect to the powers delegated to the Management Team.

20.2 In the event of a contradiction between this Code and various other internal policies/ manuals/ standard operating procedures, this Code shall prevail.

20.3 A position holder delegated with authority shall not approve any expenditure or disbursement of loan for his own personal benefit or for the benefit of any Related Party of the Company. If there is any requirement to approve expenses for personal expenditure in connection with the Company's business, such approval should be obtained from higher authority only.

- 20.4** Authority limits contained in the Manual of Authority are determined in Indian Rupees. Expenditures in any other currency should be converted into Indian Rupees at the appropriate exchange rate as published by the Reserve Bank of India (“**RBI**”) on its official website to ensure that the correct level of authority is applied to each transaction.
- 20.5** Any deviation from the approval requirements as set out in this Code and the Manual of Authority is considered abuse of this Code and is prohibited. Only the Managing Director can approve deviations up to his authority limit and deviations in excess of such authority limit will have to be approved by the Board.
- 20.6** A series of transactions that should be reasonably connected with each other because of the nature of the transactions shall be considered as a single transaction for the purpose of determining the approval and authority limits envisaged in this Code. It is prohibited to split a commitment or transaction into 2 (two) or more parts to fit within the authority limit.
- 20.7** It is also prohibited to receive services or goods from a supplier, direct selling agents, recruitment agencies or advisors on behalf of the Company or provide such services or goods to a person on behalf of the Company without having the proper authority to do so or complying with the applicable procedures.
- 20.8** The Board will, within 3 (three) months of first adoption of this Code, seek to finalize and adopt a Gift and Entertainment Policy which will specify in detail the gifts and entertainment that are prohibited and those that can be given or received, and other record keeping requirements for the Company.
- 20.9** The Board will, within 1 (one) month of first adoption of this Code, seek to finalize and adopt a Treasury Operations and Surplus Cash Deployment Policy which will specify in detail the guidelines and policies for the treasury operations and surplus cash deployment of the Company.
- 20.10** Notwithstanding anything to the contrary in this Code, the Code shall be subject to applicable law; and in the event any provision, clause or Paragraph of this Code is inconsistent with or contravenes applicable law (from time to time), the Board shall take necessary steps to modify or amend the Code in order to make such provision, clause or Paragraph consistent with applicable law.

21. TEMPORARY DELEGATION OF AUTHORITY

Temporary delegation of authority shall be allowed in circumstances where the delegator is not physically present to sign documentation due to an extended period of absence (for instance duty travel or leave). Notwithstanding the delegation of authority, the delegator will not be absolved from his responsibility. Each delegation of authority must be evidenced in writing. The signatory signing on behalf of others must sign "pp" (post of original signatory). The delegate shall not have the authority to further delegate to a third person (e.g. signatories to whom powers have been delegated cannot delegate such powers to their subordinate staff). In the absence of such signatories, these powers move upward to the superiors of the original signatory.

22. WITHDRAWAL OF AUTHORITY

The Board may withdraw the authority granted to the Managing Director and other members of the Management Team only with the approval of the three-fourth majority of the Board in accordance with this Code and the Articles.

23. COMPLIANCE MONITORING

23.1 The Audit Committee shall verify the compliance of this Code as a part of its regular compliance audits.

23.2 In the event of any occurrence or arising of any matter which is likely to have a material impact on the business or the financial position of the Company, or the Company's ability to perform its obligations under this Code, such information shall be communicated to all Directors without delay in writing, and no later than 48 (forty eight) hours of the Company becoming aware of its occurrence. Any Director or the Large Shareholders have the right to appoint an advisor to conduct an audit of the Company thereafter, at the cost of the Company. The Company shall support such advisor in its audit.

24. CHANGE MANAGEMENT PROCESS

24.1 This Code may be updated from time to time in line with the Company's requirements. The Board will be responsible for the maintenance of this Code. Any request for a change of a particular paragraph of this Code shall be submitted to the Board and no amendment shall be effective unless approved by the Board in accordance with this Code.

24.2 The Managing Director will approve any change to the authority matrix set out in this Code, as long as it is within the authorized limits of the Managing Director to do so. Any further deviations and/ or amendments will require the approval of the Board in the manner set out in this Code.

24.3 Subject to Paragraph 15.10(cc), changes that do not affect the Managing Director's authority but impacts Employees below the level of the Managing Director are effective once approved by the Managing Director. However, such changes need to be notified to the Board. Changes to the authority of the Managing Director, Board and Board Committees will require the approval of the Board in the manner set out in the Articles and this Code.