



MUTHOOTTU MINI FINANCIERS LIMITED

CORPORATE GOVERNANCE POLICY

Reviewed in the Meeting of the Board of Directors held on 20-07-2020

1. PREAMBLE

Muthoottu Mini Financiers Limited believes that a good corporate governance system is necessary to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the Committees of the members of the Board.

The objective of the policy is to ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy shall lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India in this regard.

2. CONTEXT AND PURPOSE

This Policy on Corporate Governance ("Policy") draws reference to the Master Circular - Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 ("Directions") issued by the Reserve Bank of India ("RBI") RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 and including any amendment, revision in the directions made there under and issuance of any guidelines, notification, circular by the RBI in this regard from time to time.

As per the Directions, inter alia non-deposit accepting Non-Banking Financial Company with asset size of Rs.500 crore and above (NBFCs-ND-SI), as per its last audited balance sheet should frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the Directions and it shall be published on the company's website, if any, for the information of various stakeholders Muthoottu Mini Financiers Limited ("Company") being an NBFC–ND-SI, is accordingly covered by the Directions.

This Policy is to be read in conjunction with Applicable Laws; accordingly, this Policy enhances the provisions of Applicable Laws.

3. DEFINITIONS

In this Policy, unless the context otherwise requires:

- a) "Applicable Laws" means the Companies Act, 2013 and the rules made there under, Master Circular -Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015, Listing Agreement for Debt Securities, applicable Secretarial Standards issued by The Institute of Company Secretaries of India from time to time and includes any other statute, law, standards, regulations or other governmental instruction relating to Corporate Governance Guidelines.
- b) "Audit Committee" means the Audit Committee formed under Section 177 of the Companies Act, 2013, as well as such Committee of the Board formed for the purpose of adherence to this Policy in accordance with the Directions.
- c) "Board of Directors" or "Board" means the collective body of the directors of the Company;
- d) "Chief Financial Officer" means chief financial officer as defined in Section 2(18) of Companies Act, 2013 or any modification or re-enactment made there under for the time being in force.
- e) "Company" means Muthoottu Mini Financiers Limited
- f) "Committees" means Committees of Board of Directors constituted by virtue of Directions 2016 or other Applicable Laws;
- g) "Companies Act, 2013" includes any statutory modification(s), enactment(s) or reenactment(s) thereof for the time being in force;
- h) "Company Secretary" means a Company Secretary as defined in Section 2(24) of Companies Act, 2013 or any modification or re-enactment made there under for the time being in force;
- i) "Corporate Governance" means a set of relationships between the Company's management, its Board, its shareholders and other stakeholders which provide the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance. It helps to define the way authority is allocated and the way corporate decisions are arrived at and executed;
- j) "Directions" means Master Circular - Non-Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2016 and shall include any amendment thereto;
- k) "Director" means a director appointed to the Board of the Company;
- l) "Independent Director" means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made there under for the time being in force;
- m) "Nomination Committee" means the Nomination & Remuneration Committee ("NRC") formed under Section 178 of the Companies Act, 2013, as well as such Committee of the Board formed for the purpose of adherence to this Policy in accordance with the Directions;

n) “Risk management” means the process established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis;

o) “Risk Management Committee” means the Risk Committee or any such Committee of the Board formed for the purpose of adherence to this Policy in accordance with the Directions;

p) “Senior Management” shall mean personnel of the Company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads and Key Managerial Personnel (KMPs) as defined under the Companies Act, 2013.

4. GUIDELINES ON CORPORATE GOVERNANCE

In pursuance of the guidelines issued by the Reserve Bank of India, the Company has framed the following internal guidelines on Corporate Governance.

5. BOARD OF DIRECTORS

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company.

As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly, discharge their responsibilities.

The Board shall be responsible for overall compliance with the Corporate Governance of the Company and oversee the business affairs including responsibility for the Company’s business strategy and financial soundness, key personnel decisions, internal organization and governance structure and practices, Risk Management and compliance obligations and in doing so the Board must act honestly, in good faith and in the best interests of the Company.

The Board should ensure that the Company’s organizational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions.

The Board should actively engage in the major matters of the Company and keep up with material changes in the Company’s business and the external environment as well as act in a timely manner to protect the long-term interests of the Company.

The Board should ensure that transactions with related parties are reviewed to assess risk and are subject to appropriate resolutions/approval, as required under various applicable laws and that corporate or business resources of the Company are not misappropriated or misapplied. The Board should review this Policy periodically so that it remains appropriate in the light of material changes in regulatory requirement with respect to the Company’s size, complexity, geographic reach, business strategy, market and best governance practices.

Corporate Culture and values

In order to promote sound corporate culture and values, the Board should ensure the following:

1. setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
2. promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
3. ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
4. employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the existing Whistle Blower Policy including any modification(s) or revision(s) thereto.

Oversight of senior management

The Board should delegate proper authority to the Executive Directors who are responsible for the day to day affairs of the Company to oversee the Senior Management who should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations.

This includes adhering to the Company's values, risk appetite and risk culture, regardless of financial gain or loss to the Company. In doing so, the Board should through the Executive Directors:

1. Monitor that Senior Management's actions are consistent with the strategies and policies approved by the Board;
2. Meet regularly with Senior Management;
3. Interrogate and critically review reply and information provided by Senior Management;
4. Ensure that Senior Management's knowledge and expertise remain appropriate given the nature of the business and the Company's risk profile;
5. Ensure that appropriate succession plans are in place for Senior Management positions.

Size of the Board

The Board's strength shall be as per the limits specified in the Companies Act, 2013 and the Articles of Association of the Company

Board Composition

The Board shall have an optimum combination of Executive, Non-executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 and other Applicable Laws and the Articles of Association of the Company.

Board Meetings and Quorum

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013, other Applicable Laws, Articles of Association and as decided by the Board of Directors. The meetings of the Board shall generally be held at the Company's Head office unless otherwise decided by the Board of Directors. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013, other Applicable Laws and Articles of Association of the Company.

Important decisions of the Board may also be taken through Circular Resolution in compliance with the provisions of the Companies Act, 2013.

Information to be placed before Board and its Committees

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Companies Act, 2013, other Applicable Laws and Articles of Association of the Company. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

Agenda for the Meeting

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period of time prior to the Meeting as per Companies Act, 2013 and other Applicable Laws. Each Board member and Committee member as the case may be is free to suggest inclusion of items in the agenda. With the permission of the Chair, each Board member and Committee member as the case may be is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions. However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting as the case may be.

Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee as the case may be.

Minutes

The minutes of all meetings of the Board and the Committees shall be circulated to the Board and the Committee respectively and shall be noted in the consequent Board Meeting and Committee meeting respectively as per Companies Act, 2013 and other Applicable Laws

6. BOARD COMMITTEES

In order to focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. The Board shall have the following Committees mandatorily: -

Audit Committee:

The Audit Committee is constituted by the Company as required under Section 177 of the Companies Act, 2013 and shall also be the Audit Committee for the purposes of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 .

The Audit Committee shall ensure that an Information System (IS) Audit of the internal systems and processes is conducted at least once in a year to assess operational risks faced by the Company.

Risk Management Committee :

To manage the integrated risk, the Company has constituted a Risk Management Committee, comprising of three Directors. This Committee is besides the Risk Management Committee at the senior Management level, which reports to the Board consisting of Managing Director and heads of various risk verticals and the same shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk Asset Liability Management Committee.

Nomination and Remuneration Committee :

The Nomination Committee is constituted as per provisions laid down in Section 178 of the Companies Act, 2013. Nomination Committee shall also ensure 'fit and proper' status of proposed/ existing directors as contained in Annexure IX to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) 3 Directions, 2016.

Debenture Committee:

The Debenture Committee, shall be a sub -committee of the Board with 3 Directors and one of them shall be an independent Director. The Committee shall meet to decide on issue of the offer letters /allotment of debentures for public and private placements and for all matters in connection with issue and listing of Non- convertible Debentures

Corporate Social Responsibility (CSR) Committee:

The CSR committee is constituted as per provisions of Section 135 of companies Act and at the first meeting of each financial year shall identify the activities in which the Company proposes to spend its CSR

Stakeholder's Relationship Committee :

The Stakeholders relationship Committee is constituted as per the provisions of section 178(5) of the Companies act 2013, which shall redress grievance of the security holders not resolved at the Management/RTA level

Details of the various Board Committees:

The Terms of Reference, Composition, Meetings, Quorum, Minutes and Role of the Audit Committee, Nomination and Remuneration Committee, Risk Committee, ALM Committee, Corporate Social Responsibility Committee and Stakeholders Relationship Committee shall be as decided by the Board of Directors from time to time subject to provisions contained in the Direction, relevant provisions of the Companies Act, 2013 and other Applicable Laws applicable to the Company. The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company. The Audit Committee also oversees the Vigil Mechanism of the Company

Apart from the above Committees, the Board shall constitute such other Committees as may be deemed fit by it and, if required by any applicable law.

7. FIT AND PROPER CRITERIA FOR DIRECTORS

The Company shall determine the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The Nomination and Remuneration Committee should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy for determining Fit and Proper Criteria in line with the Guidelines issued by the RBI for the time being in force.

A quarterly statement on change of Directors (certified by the Auditors of the Company wherever required) and a certificate by the Managing Director of the Company certifying that 'fit and proper' criteria in selection of Directors has been followed by the Company should be furnished to the Regional Office of the RBI in terms of the Guidelines issued by the RBI for the time being in force.

8. DISCLOSURE IN THE FINANCIAL STATEMENTS

In addition to the disclosures required to be made as per the Applicable Laws, the Company shall make additional disclosures mandated under Annexure XIV of the RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 September 01, 2016 and all amendments thereto as notes in the annual financial statements in terms of the RBI Directions.

9. APPOINTMENT AND ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

Subject to the provisions contained in the Companies Act, 2013, the Auditors of the Company shall be appointed with the approval of the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company.

The Auditors can be appointed for two terms with a maximum period of 3 years for each term.

The Company shall also comply with the RBI guidelines and provisions of the Companies Act, 2013 regarding rotation of partners of the Firm conducting Statutory Audit from time to time. As contained in the Directions, presently the Company is required to rotate the partner of the Chartered Accountant

firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years.

12. REVIEW OF POLICY

The Board or its Committee may review the policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.

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