



Corporate Governance Policy
Of
NeoGrowth Credit Private Limited

January 2019

Corporate Governance Policy

In compliance with the Master Direction of Reserve Bank of India applicable to all NBFC-ND-SI, the following Corporate Governance Policy has been proposed/approved and adopted by the Board of Directors of the Company in the Board Meeting held on 10th November, 2017.

A. NEOGROWTH'S PHILOSOPHY ON CORPORATE GOVERNANCE

NeoGrowth recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its Customers, Regulators and all other Stakeholders. The activities of NeoGrowth are carried out in accordance with good corporate practices and the Company is constantly striving to improve them and adopt the best practices. The philosophy of NeoGrowth on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices.

The Corporate Governance philosophy has been strengthened with the implementation by the Company of the Code of Conduct applicable to the Company and its employees.

These Guidelines are based on the NeoGrowth's deep belief in values, ethical conduct of business, commitment to social responsibility, respect for all stakeholders and sound corporate governance practices. The same are based on current and emerging best practices from within company and have been prepared keeping in view the provisions of the Companies Act, 2013 ("Act") and RBI Guidelines on Corporate Governance.

B. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI in their Master Direction DNBR. PD. 008/03.10.119/2016-17 September 01, 2016 (Updated as on July 06, 2017) issued Guidelines on Corporate Governance as applicable to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company (NBFC-ND-SI). In pursuance of the aforesaid Guidelines, the following internal Guidelines on Corporate Governance are framed.

The Code has been drafted bearing in mind the size of the Company's operations and the sector in which it operates.

C. BOARD OF DIRECTORS

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of two directors and a maximum of thirteen directors. The Board shall meet a minimum of four (4) times in a year, at least once in each quarter in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board].

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

Corporate Governance Policy

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board shall periodically review Compliance Reports of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

D. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

- (1) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (2) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (3) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (5) A director of a company shall not assign his office and any assignment so made shall be void.

E. MINIMUM INFORMATION TO BE PLACED BEFORE THE BOARD

- (1) Annual operating plans and budgets and any updates.
- (2) Capital budgets and any updates.
- (3) Quarterly / Half-yearly results for the listed entity and its operating divisions or business segments.
- (4) Minutes of meetings of Audit committee and other committees of the Board of Directors.
- (5) The information on recruitment and remuneration of senior officers just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- (6) Show cause, demand, prosecution notices and penalty notices, which are materially important.
- (7) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- (8) Any material default in financial obligations to and by the listed entity, or substantial nonpayment for services provided by the listed entity.
- (9) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity.
- (10) Details of any joint venture or collaboration agreement.
- (11) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- (12) Significant HR matters and proposed interventions and suggestions. Overall Remuneration policy / philosophy and significant changes and initiatives therein during the year.

Corporate Governance Policy

- (13) Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- (14) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- (15) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- (16) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- (17) Conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

F. COMMITTEES OF THE BOARD

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

RBI Guidelines on Corporate Governance mandated setting up of an Audit Committee, Risk Management Committee and Remuneration and Nominations Committee, as required under the Companies Act, 2013.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company constituted its Board committees.

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. NeoGrowth complies with the above requirements of Committee's constitution and have the following Committees of the Board:

A pictorial representation of Board Committees of NeoGrowth is given below:

Audit Committee	Risk Management Committee (renamed from Credit Committee)	Nomination & Remuneration Committee (renamed from Compensation Committee)
<ul style="list-style-type: none"> • Chairman • 3 Members 	<ul style="list-style-type: none"> • Chairman • 3 Members 	<ul style="list-style-type: none"> • Chairman • 3 Members

Corporate Governance Policy



1. AUDIT COMMITTEE:

The Company has in place the Audit Committee in accordance with the RBI guidelines on Corporate Governance.

Chairman	The Chairman of the Audit Committee shall be a Director and who is elected by the members of the Audit Committee.
Composition	<p>The Audit Committee shall consist of a minimum of three directors with majority members being non-executive directors.</p> <p>All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the CFO) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The CFO, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two non-executive members, namely one investor director and/or one independent director.</p>

<p>Terms of reference</p>	<p>The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include</p> <ol style="list-style-type: none"> 1. oversight of the entity’s financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; 2. recommendation for appointment, remuneration and terms of appointment of auditors of the entity; 3. approval of payment to statutory auditors for any other services rendered by the statutory auditors; 4. reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to: <ol style="list-style-type: none"> a) matters required to be included in the director’s responsibility statement to be included in the board’s report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013; 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 management; 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; g) modified opinion(s) in the draft audit report; 5. reviewing, with the management, the quarterly financial statements before submission to the board for approval; 6. reviewing, with the management, 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; 7. reviewing and monitoring the auditor’s independence and performance, and effectiveness of audit process; 8. approval or any subsequent modification of transactions of the listed entity with related parties; 9. scrutiny of inter-corporate loans and investments; 10. valuation of undertakings or assets of the listed entity, wherever it is necessary; 11. evaluation of internal financial controls and risk management systems;
---------------------------	---

	<ol style="list-style-type: none">12. reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;13. 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;14. discussion with internal auditors of any significant findings and follow up there on;15. 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;16. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;17. 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;18. to review the functioning of the whistle blower mechanism;19. approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;20. 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.21. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee. This includes Asset – Liability Management responsibility. ALCO is an internal management committee, but will be overseen by the Audit committee as per the role definition envisaged for Audit committee. <p>The audit committee shall mandatorily review the following information:</p> <ol style="list-style-type: none">(1) management discussion and analysis of financial condition and results of operations;(2) statement of significant related party transactions (as defined by the audit committee), submitted by management;(3) management letters / letters of internal control weaknesses issued by the statutory auditors;(4) internal audit reports relating to internal control weaknesses; and(5) the appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the audit committee.
--	---

Corporate Governance Policy



2. NOMINATION AND REMUNERATION COMMITTEE

The Company has in place the Governance, Nomination & Remuneration Committee in accordance with the RBI guidelines on Corporate Governance:

Chairman	<ol style="list-style-type: none"> 1. Chairman of the Committee shall be a Director. 2. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ol style="list-style-type: none"> 1. The Committee shall consist of a minimum 3 directors including two Investor Directors and one Founder Director appointed pursuant to the current Investor Agreement. 2. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
Meetings and Quorum	<ol style="list-style-type: none"> 1. The Committee shall meet at least once a quarter or as and when necessary. 2. The quorum shall be at least two members (other than Chairman). The quorum shall be either two members or one third of the members of the Committee whichever is greater, with the presence of at least one Investor Director and/or Independent Director.
Terms of reference	<ol style="list-style-type: none"> 1) To 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 and key managerial personnel. 2) To ensure 'fit and proper' status of proposed/ existing Directors 3) To formulate the policy as mentioned above in point no.1 and ensure that— <ol style="list-style-type: none"> (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) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and (c) remuneration to directors and key managerial personnel 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:

Corporate Governance Policy



3. CREDIT AND RISK MANAGEMENT COMMITTEE

The Company has in place the Credit and Risk Management Committee in accordance with RBI guidelines on Corporate Governance for the purpose of monitoring the risk and to make suitable strategies to control it.

Composition	The Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
Terms of reference	<ol style="list-style-type: none">1) To monitor and review the risk management plan;2) To review operational risk (including sub risk for operational risk), information technology risk and integrity risk;3) To take strategic actions to mitigate the risk associated with the nature of the business;4) To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy which includes formulation of Credit Policy, Provisioning Policy, Restructuring Policy and any other such policies pertaining to the Loan Assets and its performance and prescribing key parameters, ratios and analysis for monitoring the Asset Quality periodically5) To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and6) To lay down procedure to inform Board members about the risk assessment and minimization procedures.

Corporate Governance Policy

4. Assets and Liability Management Committee:

The Company has in place the Assets and Liability Management Committee in accordance with RBI guidelines on Corporate Governance.

Composition	The Committee may consist of the CFO, CEO, Head of Treasury.
Secretary	The Treasury Head of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet periodically as it may deem fit with at least one meeting in a quarter.
Terms of reference	<ol style="list-style-type: none"> 1) Review of current macro-economic environment in general and in particular about interest rate scenario and outlook, currency rates and outlook, etc 2) Liquidity position in market demonstrated by RBI LAF, GSec auction results, etc. 3) Review the current and prospective liquidity positions and monitor alternative funding Sources 4) Review the ALM reports and other reports in the context of various risks (e.g., liquidity, market, interest rate changes). 5) To review borrowing requirements and approve borrowing strategy, products and instruments which take into account changes in interest rates levels and trends, loan products and related markets, NBFC regulations, and monetary and fiscal policy. 6) To review foreign exchange and derivative exposures, MTM gain/loss, etc 7) To approve change in relevant policies 8) Monitor and discuss the status and results of implemented asset/liability management strategies 9) Review maturity/re-pricing schedules with particular attention to the maturity distribution of large amounts of assets and liabilities maturing 10) Decide on desired maturity profile and mix of the incremental assets and liabilities including decision on funding mix between fixed and floating rate funds, wholesale fund and retail funds, money market funds, foreign currency borrowings etc. 11) Analysis of the prevailing interest rates offered by peer companies for similar Services/product and develop a view on the future direction of interest rate movements 12) Review of the Minutes of previous meeting including the results of and progress in implementation of the decisions made in the previous meetings. 13) Regulatory changes and their impact 14) Any other item with the permission of the Chair / ALCO Member

5. Appointment of Statutory Auditor

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

6. Appointment of Internal Auditor

The Company shall appoint Internal Auditor to assist the Company in evaluating and testing the effectiveness of controls that are in place to mitigate the risk faced by the Company and thereby achieve the business objective.

The terms and conditions are as follows:

- i. Review the adequacy and effectiveness of transaction controls;
- ii. Review the operation of the Control Supervisory Mechanisms;
- iii. Recommend improvements in processes and procedures; and
- iv. Surface significant observations and recommendations for process improvements in a concise report for discussion with senior management.