

CD EQUIFINANCE PRIVATE LIMITED
CORPORATE GOVERNANCE POLICY

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I. Purpose / Objective:

CD Equifinance Private limited (the “Company”) 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 are mandated and regularly reviewed by the Board or the committees of the members of the Board.

The objective of this policy is to ensure compliance with all applicable laws in India and set standards for Business Governance/conduct 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 the guidelines contained herein, to uphold these standards in day-to-day activities and comply with this policy.

The purpose of this Policy is to provide internal guidelines on Corporate Governance and has been framed in accordance with the directions issued by the Reserve Bank of India (“RBI”) in this regard.

II. Board of Directors

The Board shall exercise its business judgment to act, in what they believe 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 to the company’s leadership team and further direct, supervises as well as reviews the performance of the company.

The Board is responsible for overall compliance with the Corporate Governance of the Company and oversees the business affairs. Further, 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.

All Board members and senior management personnel shall abide by all Compliance Policies of the Company.

Board Composition: The Company’s Board shall have an optimum combination of executive and non-executive directors in line with the requirements of the provisions of the Companies Act, 2013 or any other law for the time being in force, as amended from time to time.

The Board shall periodically review the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

Meetings of the Board of Directors shall be held at least four times a year in such manner that not more than 120 (one hundred and twenty) day shall intervene between two consecutive meetings. The detailed notes/information for agenda of the Board/Committee meetings shall be circulated to all the Directors, well in advance for fruitful discussions and making informed decisions. The minimum information to be statutorily made available to the Board/Committees, pursuant to the applicable guidelines, Sections/Regulations as per the Act, SEBI Regulations and RBI Master Directions shall be furnished to the Directors.

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfil the criteria of independence as set out under the provisions of the Act. They shall submit a declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

III. Committees of the Board

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board and meetings of the Board of Directors of the Company shall be placed before the Board for approval in subsequent meeting and be signed by the chairman within 30 days of the conclusion of the meeting.

In terms of the Act and RBI Master Directions, the Board has constituted several committees to deal with specific matters in compliance with the requirements of applicable laws and for operational convenience and delegated its power to function on its behalf. Presently the Board has, amongst others, constituted the following committees:

1. Audit Committee
2. Nomination & Remuneration Committee
3. Risk Management Committee
4. Corporate Social Responsibility Committee
5. IT Strategy Committee
6. Asset Liability Management Committee
7. Internal Complaints Committee

The composition and responsibilities of the Committees, as may be modified by the Board of Directors of the Company from time to time, shall be as follows:

1. Audit Committee:

The Company shall at all times have a Committee of Board known as 'Audit Committee', which shall be constituted and function as follows:

- a. Membership – The committee shall consist of not less than 3 members of its Board of Directors with independent Directors forming a majority.
- b. The Chairperson of the Audit Committee shall be an Independent Director, and the majority of members of the Audit Committee, including the Chairperson, shall have the ability to read and understand financial statements.
- c. Quorum - A quorum for the Audit Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher with at least two independent directors. and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- d. Frequency of meetings – The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- e. Role of Audit Committee – The Audit Committee plays a key role, standing at the intersection of management, independent auditors, internal auditors, and the Board of directors. The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter alia, include:
 - i. the recommendation for appointment, remuneration and terms of appointment of auditors of the Company.
 - ii. review and monitor the auditor's independence and performance, and effectiveness of audit process.
 - iii. examination of the financial statement and the auditors' report thereon.

- iv. approval or any subsequent modification of transactions of the Company with related parties.
 - v. scrutiny of inter-corporate loans and investments.
 - vi. valuation of undertakings or assets of the Company, wherever it is necessary.
 - vii. evaluation of internal financial controls and risk management systems.
 - viii. monitoring the end use of funds raised through public offers and related matters.
 - ix. supervising the vigil mechanism of the Company for addressing concerns raised by any employee.
 - x. Ensuring that Information Systems Audit of the internal systems and processes of the Company is conducted at least once in two years to assess operational risks faced by the Company.
- f. Powers of the Audit Committee: The Audit Committee shall have the same powers, functions, and duties as laid down in Section 177 of the Companies Act, 2013 and Reg. 18 of SEBI (LODR) Regulations, 2015 as amended from time to time.

2. Nomination and Remuneration Committee:

The Company shall at all times have a Committee of Board known as 'Nomination and Remuneration Committee', which shall be constituted and function as follows:

- a. Membership – The committee shall consist of not less than three or more non-executive Directors out of which not less than one-half shall be independent directors.
- b. The Chairperson of the Nomination and Remuneration Committee shall be an Independent Director.
- c. Quorum - A quorum for the Nomination and Remuneration Committee shall be one-third of its total strength or 2 members of its Board of Directors including at least one independent director in attendance, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- d. Frequency of Meeting: The nomination and remuneration committee shall meet at least once in a year and shall meet as and when a new Director is proposed to be appointed or as may be required for ascertaining the "fit & proper" criteria of the directors. The Committee shall also meet from time to time as necessary to accomplish its purpose and duties.
- e. Role of Nomination and Remuneration Committee: The Nomination and Remuneration Committee shall, inter alia, carry the following functions:
 - i. Ensure that all the proposed and existing Directors of the Company fulfil the "fit and proper" criteria as specified under the applicable laws.
 - ii. Formulate and review from time to time the policy for selection and appointment of Directors and analysing criteria for fit and proper status of the Directors.
 - iii. Decide on remuneration of Directors, and senior management employees.
 - iv. Review the performance of the Board of Directors and Senior Management Employees.
- f. Powers of the Nomination and Remuneration Committee: The Committee shall have the same powers, functions, and duties as laid down in Section 178 of the Companies Act, 2013 and Reg. 19 of SEBI (LODR) Regulations, 2015, as amended from time to time.

3. Risk Management Committee

The Company shall at all times have a Committee of Board known as 'Risk Management Committee', which shall be constituted and function as follows:

- a. Membership: The committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.
- b. Chairperson: The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.
- c. Quorum: A quorum for the Risk Management Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- d. Periodicity: The risk management committee shall meet every quarter and from time to time as necessary to accomplish its purpose and duties.
- e. Role of the Risk Management Committee: The Risk Management Committee shall, inter alia, carry the following functions:
 - i. Evaluate the overall risks faced by the NBFC including liquidity risk and shall report to the Board.
 - ii. Formulate overall Integrated Risk Management Policy for the Company.
 - iii. Constantly monitor the prevailing and forthcoming risks and framing policy for mitigating the same.
- f. Powers of the Risk Management Committee: The Committee shall have the same powers, functions, and duties as Reg. 21 of SEBI (LODR) Regulations, 2015 and RBI (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended from time to time.

4. Corporate Social Responsibility Committee

The Company has in place the Corporate Social Responsibility Committee (CSR Committee) in accordance with the provisions of the Section 135 of the Act. The Committee is responsible to review the existing CSR Policy indicating activities to be undertaken as specified in Schedule VII.

- a. Membership: The committee shall consist of three or more Directors, out of which at least one director shall be an independent director.
- b. Quorum: A quorum for the CSR Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c. Frequency of meetings: The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d. Role of CSR Committee: The CSR Committee shall, inter alia, carry the following functions:
 - i. Formulate and amend, time to time, this CSR Policy and recommend the same to the Board of Directors of the Company for approval and adoption.
 - ii. To recommend and undertake such CSR activities as approved by the Board of Directors of the Company.
 - iii. To prepare and recommend the amount required for CSR activities.
 - iv. To monitor the implementation of CSR activities in terms if this CSR Policy.
 - v. To prepare and submit reports on the progress of CSR activities undertaken by the Company.

- e. Powers of the CSR Committee: The CSR Committee shall have the same powers, functions, and duties as laid down in Section 135 of the Companies Act, 2013, as amended from time to time.

5. IT Strategy Committee

The Company shall at all times have a Committee of Board known as 'IT Strategy Committee', which shall be constituted and function as follows:

- a. Membership: Minimum of three directors as members who are technically competent.
- b. Chairperson: The chairperson of this committee shall be an independent director and have substantial IT expertise in managing/ guiding information technology initiatives.
- c. Quorum: The quorum for IT Strategy Committee meeting shall either be two members or one third of the members of the Committee, whichever is greater and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- d. Periodicity: The IT Strategy Committee shall meet at least on a quarterly basis.
- e. Role of the IT Strategy Committee:
 - i. Ensure that the RE has put an effective IT strategic planning process in place.
 - ii. Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the RE towards accomplishment of its business objectives.
 - iii. Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives, and unambiguous responsibilities for each level in the organisation.
 - iv. Ensure that the RE has put in place processes for assessing and managing IT and cybersecurity risks.
 - v. Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the RE's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives; and
 - vi. Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the RE.
- f. Powers of the IT Strategy Committee: The IT Strategy Committee shall have the same powers, functions, and duties as laid down in RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices, as amended from time to time.

6. Asset Liability Management Committee:

The Company shall at all times have a Committee of Board known as 'Asset Liability Management Committee', which shall be constituted and function as follows:

- a. Membership: The Chiefs of Investment/Credit/Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research may be members of the Committee.
- b. Chairperson: The CEO/ MD or the Executive Director (ED) should head the Committee.
- c. Quorum: The quorum for Asset Liability Management committee meeting shall either be two members or one third of the members of the Committee, whichever is greater and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- d. Periodicity: The Company shall conduct ALCO meetings on quarterly basis.
- e. Role of the Asset Liability Management Committee:

- i. Adherence to the risk tolerance/ limits set by the Board,
 - ii. Implementing the liquidity risk management strategy of the NBFC,
 - iii. Decision on desired maturity profile and mix of incremental assets and liabilities,
 - iv. Sale of assets as a source of funding,
 - v. The structure, responsibilities, and controls for managing liquidity risk, and
 - vi. Overseeing the liquidity positions of all branches,
 - vii. Trading risk management.
- f. Powers of the Asset Liability Management Committee: The IT Strategy Committee shall have the same powers, functions, and duties as laid down in Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023, as amended from time to time.

7. Internal Complaints Committee:

The Company shall at all times have a Committee of Board known as 'Internal Complaints Committee' (if company takes woman on its payroll). The constitution of Internal Complaints committee is made as per below guidelines and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, which shall be constituted and function as follows:

- a. Membership:
 - i. Presiding Officer who shall be a woman employed at a senior level at workplace from amongst the employees.
 - ii. Not less than two Members from amongst employees preferably committed to the cause of women or who have had experience in social work or have legal knowledge.
 - iii. One member from amongst non-governmental organisations or associations committed to the cause of women or a person familiar with the issues relating to sexual harassment.
 - iv. Provided that at least one-half of the total Members so nominated shall be women.
- b. Quorum: The quorum for Meetings of the Internal Complaints Committee shall be one third of the members of the Committee or two members, whichever is higher.
- c. Frequency: This committee will meet as and when required to fulfil its duties.
- d. Role of the Internal Complaints Committee:
 - i. Adopt zero tolerance attitude against any kind of Sexual Harassment.
 - ii. Ensure a place where women employees could seek redressal.
 - iii. Sent a clear message to the workplace that such complaints would be enquired into by a specially designated committee with external expertise - prevented a series of litigation that followed.
- e. Powers of the Internal Complaints Committee: The Internal Complaints Committee shall have the same powers, functions, and duties as laid down in The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, as amended from time to time.

iv. Disclosure and Transparency:

The Company, in line with the requirement of the Companies Act, 2013, the guidelines issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the Company, shall frame and adopt following policies or any other policies as required from time to time which shall form part and parcel of the overall corporate governance framework of the Company.

- a. Disclosures: As directed by the Corporate Governance guidelines of RBI, the Company duly discloses the following in their Annual Financial Statements:

- i Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators.
- ii Ratings assigned by credit rating agencies and migration of ratings during the year.
- iii Penalties, if any, levied by any regulator.
- iv Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries; and
- v Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as by RBI from time to time.

The Company shall make necessary disclosures to the Regulatory Authorities as may be required under the applicable laws and policies of the Company.

v. Annual Report

The Annual Report of the Company shall contain a separate section on Corporate Governance stating the measures / activities undertaken by the Company as a part of its efforts towards good corporate governance.

vi. Fair Practice Code

Pursuant to the guidelines on Fair Practices Code issued by RBI, the Company has adopted a policy on Fair Practices Code which is reviewed annually or as and when any amendments pursuant to change in the RBI guidelines required.

vii. Internal Control

The Company's internal audit is conducted as per the Annual Audit Plan approved by the Audit Committee. The scope of internal audit covers all aspects of business including regular front-end and back-end operations and internal compliances. It lays emphasis to check on process controls, measures undertaken by the Company to monitor risk and to check on leakages or frauds. The Company has invested in ensuring that its internal audit and control systems are adequate and commensurate with the nature of business, regulatory prescriptions and the size of its operations.

viii. Rotation of Partners of The Statutory Auditors Audit Firm

The Board and the Audit Committee of the Company shall be responsible for the appointment of Statutory auditors who have professional ability and are independent. Further the Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit every three years so that same partner shall not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years, if the Company decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

As per RBI guidelines, NBFC shall appoint the Statutory Auditors for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of the Board.

ix. Amendments to the Policy

The Board may review the Corporate Governance framework from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board. Any other regulatory changes shall stand updated in the policy from time to time.