



CORPORATE GOVERNANCE POLICY

Corporate Governance Policy approved by the Board at the on 19th April 2021

INTRODUCTION

Dhanalakshmi Hire Purchase & Leasing Ltd, hereinafter referred to as “The Company” recognizes the role of corporate citizen and envisages to adopt the best practices of Governance and Higher standards of operations through transparency, ethics and to be accountable to the shareholders, customers, government and others, as per the legal and obligatory provisions and policies of the company.

RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines and Master Circular- “Non-Banking Financial Companies- Corporate Governance (Reserve Bank) Directions, 2015, the Company has framed the following internal Guidelines on Corporate Governance.

The Company is in compliance with guidelines issued on Corporate Governance with regard to constitution of Committees of the Board, fit and proper criteria in selection of Directors, disclosure and transparency requirements and rotation of the partners of statutory audit firm. The Company has framed various policies encompassing corporate governance framework of the Company.

However, as a good governance practice, the company summarizes the various internal policies in this consolidated policy on corporate governance for the information of all the stakeholders.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention.

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 Companies Act,2013 , the Board’s strength is required to be a minimum of three directors and a maximum of fifteen directors.

The Board shall ensure that the Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria. The Company should obtain necessary information and declaration from the proposed / existing directors as per the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015.

The Company shall hold a minimum of four (4) meetings of its Board of Directors every year 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.

The board of directors shall periodically review compliance reports pertaining to all laws applicable to the company, prepared by the Company Secretary/Compliance Officer/Managing Director as well as steps taken to rectify instances of non-compliances. The board shall satisfy itself that plans are in place for orderly succession for appointment to the board of directors and senior management and it shall lay down a Code of Conduct for all directors and senior management which shall suitably include the duties of independent directors as per the Companies Act, 2013.

The Board shall ensure that the Auditors of the Company shall rotate the Partners / of the Chartered Account firms to conduct audits for every three years so that the partner does not conduct audit continuously for more than three (3) years. The Company shall appoint the auditor by incorporating the formal Audit Engagement Letter by including the terms of references accordingly.

DUTIES AND RESPONSIBILITIES OF THE BOARD

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, and 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.

BOARD COMMITTEES

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.

While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, the Companies Act, 2013 requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

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

The Roles and responsibilities and Functional terms of references of the Board & the various committees have been categorically defined and further aligned as per the requirements of the company's operations with the approval of the Board.

The Company complies with all the required committees as per the Statutory / Regulatory requirements and has the following Board committees.

- 1) Audit, Compliance & Corporate Governance Committee:
- 2) Remuneration and Nomination Committee:
- 3) Risk & Fraud Control and Monitoring Committee:
- 4) Asset Liability Management & Credit Policy Committee:
- 5) Grievance Redressal Committee:
- 6) Asset Sale Committee:
- 7) Finance Committee

As of now, the Company does not have any Committee for Corporate Social Responsibility. However, based on the status of Net Owned Funds, Surplus Reserves & the Profitability, the Company may constitute the Corporate Social Responsibility Committee.

1. AUDIT, COMPLIANCE & CORPORATE GOVERNANCE COMMITTEE:

The Company has in place the Audit, Compliance & Corporate Governance Committee in accordance with the provisions of Companies Act, 2013 and RBI guidelines on Corporate Governance.

The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The company secretary acts as the Secretary of the Audit Committee.

The committee meets at least 4 times in a year for the review of quarterly / annual financial results and at such other occasions as may be decided by it. The committee regularly invites such executives as it considers appropriate including the head of finance, head of internal audit and the representative of the statutory auditors to be present at the meetings of the committee

The Audit Committee shall consist of

The Composition of Audit Committee consists of

Sr. No	Member
1	Managing Director and CFO
2	Independent Director
3	Independent Director

The Committee may invite such other executives to the Meetings of the Audit, Compliance & Corporate Governance Committee as they deemed fit and appropriate such as the Department heads of the Company or it may also meet without the presence of any such executives as well.

Reference Terms for the Committee:

The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include

1. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. Examination of the financial statement and the auditor's report there on
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters.
9. Conduct of the Information System Audit of the Internal Controls, Systems & Processes at least once in two years to assess operational risks faced by the Company.

2. REMUNERATION AND NOMINATION COMMITTEE

The Company has in place the Governance, Remuneration and Nomination Committee in accordance With the provisions of Section 178 of the Companies Act, 2013 and the rules made there under and in Compliance with RBI guidelines on Corporate Governance.

Chairman of the Committee shall be an Independent Director.

In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

The Company Secretary of the Company acts as a Secretary to this Committee as well.

The Committee shall meet as and when necessary.

The quorum shall be at least two Directors.

Reference Terms for the Committee

1. To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
2. To ensure 'fit and proper' status of proposed/ existing Directors
3. To recommend to the Board the appointment and removal of Senior Management
4. To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
5. To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
6. To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
7. Ensure that the level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks, to devise a

policy on Board diversity;

8. To develop a succession plan for the Board and to regularly review the plan;
9. Review regularly and approve the Company's program for executive and employee development.
10. Develop, review and approve the principles guiding the Company's executive compensation philosophies.
11. Review annually and approve the Company's compensation policy

Assure that the bonus plan is administered in a manner consistent with Company's compensation principles and strategies including Compensation areas such as ESOP & Human Resources Policy Administration & Review & Performance Management etc.

3. RISK & FRAUD CONTROL AND MONITORING COMMITTEE

The Company has in place the Risk & Fraud Control and Monitoring Committee in accordance with RBI guidelines on Corporate Governance for the purpose of monitoring the risk and to make suitable strategies to control.

The Committee consists of such members as may be defined by the Board

The Company Secretary of the Company shall act as a Secretary to this Committee.

The Committee shall meet once in a quarter and also as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be atleast two members.

Reference Terms for the Committee

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;
5. To do such other acts, deeds and things as may be directed by the Board and that are required to comply with the applicable laws; and
6. To lay down procedure to inform Board members about the risk assessment and minimization procedures

4. ASSET LIABILITY MANAGEMENT & CREDIT POLICY COMMITTEE

The Company has in place the Asset Liability Management & Credit Policy Committee in accordance with RBI guidelines. The Committee's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure.

The Committee comprises of the members as determined by the Board.

The Company Secretary of the Company acts as a Secretary to this Committee as well.

The Committee shall meet once in a quarter and also as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two members.

Reference Terms for the Committee

1. Addressing concerns regarding asset liability mismatches;
2. Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
3. Addressing concerns regarding interest rate risk exposure; and
4. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

5. GRIEVANCE REDRESSAL COMMITTEE

The Company has in place the Grievance Redressal Committee to meet the compliance requirements of Reserve Bank of India. The GRC's primary goal is to collect, gather and identify the grievances of all the clients and the staff and other associates, general public in relation to the services, products of the company and to address such Grievances in a timely manner by resolving satisfactory.

The Committee also addresses such other issues and grievances that are escalated to the SRO & the Reserve Bank of India either directly or through the Company and provide the responses in a satisfactory manner and work-on to resolve such matters satisfactory.

The Committee comprises of the members as determined by the Board.

The Company Secretary of the Company acts as a Secretary to this Committee as well.

The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two members.

Reference Terms for the Committee

1. The Committee collects the data of the Grievance(s) recorded and identified on a regular frequency and evaluate such data based on the reason for such grievance, complaint, query (or) any other demand / request / issue raised with the Company.
2. The Committee evaluates and reviews the process mechanism for the Grievance Redressal and resolution on a frequent basis and considers the modifications on a timely basis as required.
3. The Committee appoints the Grievance Redressal Compliance officer on behalf of the Company in order to oversee the Process of Grievance Redressal Mechanism

6. ASSETS SALE COMMITTEE

Asset Sale committee is an Internal Operational Committee with the Primary Goal is to Observe and Identify the Fixed Assets scrap & un used assets in the Company based on the Assets Maintenance Register and to valuate such Asset(s) durability and pricing based on the service taken from such assets after put/ use in the Company.

The Committee is an Internal Operations Committee on a time-to-time basis.

One of the members of the Committee acts is responsible for maintaining the Minutes & the Proceedings of the Committee by acting as a secretary to the Committee.

7. FINANCE COMMITTEE

The Company has in place the Finance Committee to meet the compliance requirements of Reserve Bank of India. The Committee's primary goal is to review the periodic balance sheet(s) and financial statements of the company and to assess the financial situation / funding & liquidity positions and to work on the strategies as required for financial fulfillment for the operations need on a time-to-time basis.

Reference Terms for the Committee

1. Gathers the Financial Data & Information of periodic financial statements / returns filed with the RBI & reviews the financial position by observing various financial parameters such as Debt: Equity / Current Ratio / Quick Ratio / Asset-Liability Position /Leverage Ratio, CRAR etc.
2. The Finance Committee also reviews the Financial Work-flow(s) and mechanism on a periodic basis in order to improve such process and record-keeping and maintenance patterns in the Company.
3. To negotiate and finalize various sanctions from Banks and Financial institutions and also Review and approve the loan facilities (On-Balance Sheet and/or Off-Balance Sheet) within the limits specified.
4. Nominate and designate representatives to carry out the required documentation for all facilities approved by the committee.
5. Review and make specific recommendations to the Board on the adoption of the Annual Budget.
6. Frequency of the Meetings: The meeting(s) of the Committee shall be convened to review and approve the facilities as and when the need arises.
7. Quorum for the Meetings: There will be a minimum of three members of which one member shall be the Board member.
8. Report of the Meetings: The report of the meeting(s) of the Committee shall be placed before the Board at the subsequent Board meeting.

8. POLICIES ADOPTED BY THE COMPANY

The Board of Directors of the Company has adopted the following Policies of the Organization. The Policies of the organization are periodically reviewed by the Board of Directors to consider and approve the modifications subject to majority of acceptance for each policy item. The brief notes about the policies are given below;

1. FINANCIAL POLICY

The Policy includes the Company's accounting & financial procedures, recognition and realization of Income and various expenditure accounts, Assets & Liabilities & policy points on NPA Recognition, classification & provisioning, write-off etc

2. OPERATIONAL POLICY & MANUAL

The policy includes the Company's Operational Methodology, Hierarchy, Model, Survey(s) and Set-up of Branches, Credit Policy and Procedure(s), Credit Products & features, Client Eligibility Parameters, Operational measurements and procedures for the Client Identification, Training, Evaluation, Disbursements, Loan Utilization Checks & Loan Recoveries, Documentation & Preservation, and Record Keeping parameters. KYCs Policy, Code of Conduct & Fair

Practices Codes of the Company, Grievance and Redressal System for the Clients and resolution mechanism. Job KRAs of each of the operations hierarchy professional & forms & format(s) of the Company as applicable as of that date that are in use for the Credit and other processes. Credit Product-wise security and Guarantee requirements & compliances to be made as per the regulatory and legal guidelines etc.

3. HUMAN RESOURCES POLICY

The policy includes the Company's Human Resource Department Hierarchy, Job responsibilities & KRA & KPAs of each of the designation in the Company, descriptions of Employee IDs, Code of Conduct, and Grievance for staff and clients, Procedure(s) for staffing requirement, Job Postings, Job Qualifications and requirements and Interviewing, Selection and Placement etc.

The Policy also described in detail about the Employee placement, Transfer, Promotion, Termination & Cessation procedure(s) and described various parameters and disciplinary action(s) and Code of Conduct violations and respective Punishment procedures & also described the procedures of Show causes, Arbitration, Conciliation and Grievance handling through legal procedure(s) etc.

The Policy also described about the Employee Pay-roll Administration process, Women Employment Safety and Security Policy, Sexual Harassment Policy & Disciplinary Code, Employee Benefits and Eligibility and Benefit Parameters and treatment of Benefit(s) & Performance Management & Evaluation Process and measurement tools etc.

4. TRAINING & DEVELOPMENT POLICY

The Policy includes various types of Training Materials, Training Schedule(s), Agenda(s), establishment and maintenance of Training Centers, Training Coordinators & Training Content and security etc.

5. INFORMATION TECHNOLOGY POLICY

The Policy describes about the IT Tools, Configurations, IT Assets & Maintenance & Annual Contracts and treatment, Data Security & Back-up, Software & Hardware(s) Applicability, Negotiations, Vendor Management, Maintenance Contractual obligations of the Third-party Vendor(s), Software Maintenance & Installations, User & Password rights etc. Software Modifications and change requests and related review and approval procedures.

6. ADMINISTRATION POLICY

The Policy includes and describes about the General Administration rules of the office, Office timings and decorum to be maintained, availability of facilities, Dos & Don'ts in the office premises, Office Travel & Employee Travel & Reimbursements policy, Hotel & Lodging Facilities for the Employees on Tour & Employee ID Cards & Other Issuance of records policy, Maintenance of Employee Personal Files and Management policy, Meeting decorum(s) & Conveyance and Facilities etc.

7. INTERNAL AUDIT POLICY

The Policy describes about the Internal Audit Practice, Hierarchy & Roles & Responsibilities of the Audit Team(s), KRAs & KPAs of the Audit designations, Audit Procedure(s) & Methods of Sampling & Interviewing, Selection of Sample(s) etc. Audit Privacy & Confidentiality & related Agreement(s) and Oath(s), Audit Plan(s), Schedule(s), Audit Checklists & Follow-up Documents. Audit Process Performance Evaluation Forms & various other Forms & Format(s) of the Internal

Audit.

8. ASSET LIABILITY MANAGEMENT POLICY

The Policy includes the ALCO Committee and its responsibilities and duties, frequency and quorum of the Committee and discussion points and agenda and procedure(s) of the ALCO Analysis and review and various parameters of the ALCO analysis and review.

9. INVESTMENT POLICY

The policy discusses about the Company's Investment strategy, Fund Management & Investment authorizations and Investment sources and method of choosing the Investments etc.in the policy

10. RISK MANAGEMENT POLICY

The policy discusses about the various types of risks in the Company such as Credit Risk / Operations Risk / Interest rate Risk / Financial Risk & discusses the procedures of Risk identification, mitigation, resolving process & legal / Lokadalath processes.

COMPLIANCE

The Board of Directors are responsible for overseeing the Management of the Company's Compliance approach and is responsible, among other things, for promoting and monitoring that the organization operates with integrity and in compliance with applicable, laws, regulations and internal policies.

The Company's senior management is responsible for establishing a written compliance approach and policies that contain the basic principles to be followed by the board, management and staff, and explains the main processes by which compliance risks are to be identified and managed through all levels of the organization.

Senior management advises staff on compliance laws, rules and standards, including keeping them informed of developments in the area. They help to educate staff about compliance issues, act as a contact point with organization for compliance queries from staff members, and provide guidance to staff on the appropriate implementation of compliance laws, rules and standards in the form of policies and procedures.

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DISCLOSURE AND TRANSPERANCY

The governance of the Company shall be adequately transparent to its shareholders, creditors, regulators and other relevant stakeholders. All disclosures should be accurate, clear and presented in its annual and periodic financial reports, or by other appropriate means. All material developments that arise between regular reports should be disclosed to the regulators and relevant stakeholders as required by law without undue delay.

The Company shall disclose required information inconsonance with the circulars issued by Reserve Bank of India on Corporate Governance from in the Audited Financial Statements.

The objective of transparency in the area of corporate governance is therefore to provide these parties with the information necessary to enable them to assess the effectiveness of the board and senior management in governing the organization

