

Internal Guidelines on Corporate Governance

NORTHERN ARC CAPITAL LIMITED	
Charter Name	Internal Guidelines on Corporate Governance
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1. Preamble

Northern Arc Capital Limited (the “Company”) mission is to enable access to finance for the underbanked in an efficient, scalable and reliable manner. To carry on our journey towards our mission, the company endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others.

Reserve Bank of India (RBI) in order to enable NBFCs to adopt best practices and greater transparency in their operations, has vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and in terms of the same, the Company has framed Internal Guidelines on Corporate Governance (“Policy”).

2. Governance Structure

A. Board of Directors

The Company believes that a well-functioning and informed Board of Directors are the key to good corporate governance. The Board shall have a core group of excellent, professionally acclaimed non-executive directors who understand their dual role of appreciating the issues put forward by management, and honestly discharging their fiduciary responsibilities towards the Company’s shareholders as well as creditors. The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors, as per the Guidelines/ Regulations applicable to the Company.

Company’s Board of Directors (BoD) shall provide the leadership and strategic guidance to the Company's management and the Company’s management shall act in accordance with the supervision, control and direction by the BoD.

The BoD shall play a vital role in matters relating to formulation of various policies, its implementation and strategic issues which are crucial for the long-term development of the Company.

Structure of the Board

The Composition of the BoD shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 and the rules framed thereunder. The Directors shall act in accordance with the responsibilities and duties as provided under the Companies Act and the Rules framed therein. Meetings of the BoD shall be held atleast four times

a year, such that not more than one hundred and twenty days shall intervene between two consecutive BoD meetings. The Company is professionally managed through the BoD and through the Committees of the BoD.

Code of Conduct:

This code embodies the belief that acting always with the company's legitimate interest in mind and being aware of the Company's responsibility towards its stakeholders is an essential element of the company's progress towards long term excellence.

For the purpose of this Code, the "senior management" shall mean all executives directly reporting to the Chief Executive Officer.

In performing their functions, the directors, senior management and all the employees of the Company shall:

- Act honestly, diligently and in good faith and integrity in all their dealings with and for the Company;
- Not use any confidential information obtained by them in the course of their official duty, whether from the Company or otherwise, for personal gain, or use/ allow the use of such information for the financial benefit for any other person;
- Not engage in any business, relationship or activity, which might detrimentally conflict with the interest of the Company;
- Maintain the principle of "need to know" and also confidentiality of all material non-public information about the Company, its business and affairs;
- Not to use their status to seek or accept any personal gains or favors from those doing or seeking to do business with the Company or from other employees of the Company;
- Not accept, any gifts/ donations/ comparable benefits in cash or kind, if it is likely to lead to a business relationship with the Company, provided that non-cash gifts up to a value not exceeding INR2,000/- or things which can be reciprocated like tickets to events, business meals etc., can be accepted. If refusing a gift beyond this value, would affect a relationship with the Company, the gift may be accepted and handed over to the Company, subject to the approval of the CEO/Chief Legal Counsel;
- Not share any information regarding the Company, its business and/ or affairs with media without the prior approval of the CEO/Chief Legal Counsel;

In performing their Board and Committee functions, the BoD/Members shall:

- Not hold position of director/ advisor with a competitor Company;
- In case a Director/Member is on the board of a company engaged in a related business, the Board shall specifically take note and approve of these interests;

- Inform the Chairman of changes in their interests that may interfere with their ability to perform their duties, and in the case of “Independent directors”, impact their independence as a Board Member.

B. Committees of the Board

The Board has the power to constitute Committees with specific reference to its scope and functions. The Committees shall act in terms of the scope laid down by the Board and the minutes of the meetings of all Committees shall be placed before the Board. The BoD of the Company may, from time to time, constitute such other committees as may be required under extant Company policies, local regulations or for the purpose of ease of governance.

In order to effectively focus on the issues and ensure expedient resolution of diverse issues, the BoD has constituted a set of Committees duly specifying their scope / terms of reference.

a. Audit Committee

In terms of RBI Directions, 2016 and Section 177 of the Companies Act, 2013, the Company has constituted an Audit Committee. Such Committee shall be constituted and shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Company has framed a detailed Board approved Audit Committee Charter which is placed before the BoD on an annual basis for review.

b. Nomination and Remuneration Committee

In terms of RBI Directions, 2016 and Section 178 of the Companies Act, 2013, the Company has constituted a Nomination and Remuneration Committee. Such Committee shall be constituted and shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

The Company has framed a detailed Board approved Nomination and Remuneration Committee Charter which is placed before the BoD on an annual basis for review.

c. Corporate Social Responsibility Committee

In terms Section 135 of the Companies Act, 2013, the Company has constituted a Corporate Social Responsibility Committee. Such Committee shall be constituted and shall have the same powers, functions and duties as laid down in Section 135 of the Companies Act, 2013.

The Company has framed a detailed Board approved Corporate Social Responsibility Committee Charter which is placed before the BoD on an annual basis for review.

d. IT Strategy Committee

In terms the RBI IT Directions, 2017, the Company has constituted an IT Strategy Committee. Such Committee shall be constituted and shall have the same powers, functions and duties as laid down under the said RBI Directions.

The Company has framed a detailed Board approved IT Strategy Committee Charter which is placed before the BoD on an annual basis for review.

e. Risk Management Committee

In terms of RBI Directions, 2016, the Company has constituted a Risk Management Committee responsible for evaluating the overall risks faced by the Company including liquidity risk.

The Company has framed a detailed Board approved Risk Committee Charter which is placed before the BoD on an annual basis for review. The constitution, powers, functions and duties of the Committee shall be in line with the approved Charter.

f. ESG Committee

To set forth the policy statement of Northern Arc Group on environmental, social, and governance issues that will govern the financings by Northern Arc Group and to provide a framework for the environmental, social and governance assessment and management process that will be carried out in relation to such financings, the Company has constituted an ESG Committee to act in accordance with the ESG policy of the Company.

g. Finance Committee

The Company has constituted a Finance Committee responsible for overseeing the borrowing strategies and treasury related functions of the Company.

The Company has framed a detailed Board approved Finance Committee Charter which is placed before the BoD on an annual basis for review. The constitution, powers, functions and duties of the Committee shall be in line with the approved Charter.

h. Asset-Liability Management Committee

In terms of RBI Directions, 2016, the Company has constituted an Asset-Liability Management Committee responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company.

The Company has framed a detailed Board approved Asset-Liability Management Committee Charter which is placed before the BoD on an annual basis for review. The constitution, powers, functions and duties of the Committee shall be in line with the approved Charter.

i. Credit Committee

The Company has constituted a Credit Committee responsible for evaluating and approving the proposals of the origination team for inclusion of entities within asset classes approved by the Board (or as part of the approved business development limit) and lending / investing or guaranteeing in structures that are approved by the Risk Committee.

The Company has framed a detailed Board approved Credit Committee Charter which is placed before the BoD on an annual basis for review. The constitution, powers, functions and duties of the Committee shall be in line with the approved Charter.

C. Separate Meeting of the Independent Directors

The Independent Directors of the Company shall meet atleast once in a year without the presence of Non-executive Directors and the Management in terms of Companies Act, 2013. The meeting shall be held to review the performance of Non-Independent Directors and the Board as a whole; to review the performance of the Chairman and to assess the quality, quantity and timeliness of flow of information between the company management and the Board and its members that is necessary for the Board to effectively and reasonably perform their duties.

3. Auditors

a. Statutory Auditors

The Statutory Auditors of the Company shall be appointed in accordance with the provisions of the Companies Act, 2013. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Audit Committee shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.

Further, the Company shall rotate the partner(s) of the Chartered Accountant firm(s) conducting the statutory audit of the Company in line with the RBI Directions, 2016, every

three years or such other earlier period as may be decided by the Board. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years. The Company shall incorporate appropriate terms to this effect in the letter of appointment of the firm of auditors and ensure its compliance.

Further, the Statutory Auditor or the Statutory Audit firm of the Company shall be rotated in line with the Companies Act, 2013.

b. Secretarial Auditors

The Company shall appoint a Company Secretary in practice in terms of Section 204 of the Act who shall be responsible to conduct audit of the secretarial and related records of the Company.

4. Certification

a. CEO/CFO certification

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) shall provide a certificate on quarterly/annual, inter-alia, certifying that the financial statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading, to the Audit Committee and the Board of Directors in terms of Regulation 17 (8) and Regulation 33 (2) (a) of the SEBI Listing Regulations.

b. Annual compliance with the Company's Code of Conduct

An Annual declaration in terms of Schedule V of the SEBI Listing Regulations signed by the Chief Executive Officer (CEO) stating that the Members of Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management.

c. Certificate on compliance of conditions of Corporate Governance

A compliance certificate from the auditor or practicing company secretaries in terms of Schedule V (E) of SEBI Listing Regulations, shall be furnished stating compliance of conditions of corporate governance and be annexed to the Board's Report.

5. Codes and Policies

In accordance with the provisions of the Companies Act, SEBI Listing Regulations, RBI Directions/Guidelines and other applicable laws, the Company has formulated various Codes and Policies to ensure high ethical standards in the overall functioning of the Company.

The key codes and policies as approved by the Board of Directors inter-alia include the following:

- a. Governance policies for Appointments, Remuneration & Evaluation relating to Board of Directors, KMP & Senior Management

This Master Policy shall include:

- Policy on appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- Policy on Remuneration to the Directors, Key Managerial Personnel, Senior Management and other Employees;
- Policy on Directors Training;
- Policy on Board Diversity.

- b. Code of Conduct for Fair Disclosure of Unpublished Price Sensitive Information and Trading in Listed Securities

This Code lays down practices and procedures for fair disclosure of unpublished price sensitive information that could impact price discovery in market for its securities, in accordance with the Securities and Exchanges Board of India (Prohibition of Insider Trading) Regulations, 2015.

- c. Document Preservation and Retention Policy

This Policy ensures that the Company complies with the applicable document retention laws, preservation of various statutory documents and also lays down minimum retention period for the documents/records in respect of which no retention period has been specified by any law/regulation.

- d. Whistle Blower Policy

The Company has established a vigil mechanism by way of 'Whistle Blower Policy', to report to the management instances of unethical practices, illegal activities and/or actual or suspected fraud or violation of the company's code of conduct or ethics policy. It also provides for direct access to the Chairman of the Audit Committee in exceptional cases and ensures that the Whistle blower is provided with adequate safeguards against victimization.

- e. Fair Practice Code

This Code includes guidelines in appropriate staff conduct when dealing with the customers and on the Company's policies vis-à-vis customer protection. It captures the spirit of RBI guidelines on fair practices for NBFCs.

f. Credit Risk Management Policy

The Company remains committed to manage its risk in a proactive manner and adopts a structured and disciplined approach to risk management by developing and implementing risk management program. This policy has been formulated inter-alia to ensure that there is a formal process for risk identification, risk assessment and risk mitigation

g. Policy on Fit and Proper Criteria for the Directors

This Policy lays down the process and procedure of due diligence of Director(s) to ensure that they fulfil the 'fit and proper' criteria and to determine their suitability for appointment/re-appointment as a Director(s) on the Board of the Company. It also aims to ensure that each Director on the Board of the Company continues to meet the fit and proper criteria on an on-going basis.

h. Policy on Know Your Customer and Anti-Money Laundering Measures

This Policy has been formulated in line with the Know Your Customer and Anti Money Laundering guidelines prescribed by RBI for the Company's lending/credit operations/financial dealings.

i. Policy on Related Party Transactions

This Policy aims to regulate transactions with related parties of the Company and aims to ensure transparency between them. It also sets out the materiality thresholds for related party transactions and the manner of dealing with such transactions in accordance with the applicable laws.

j. Policy on Prevention, Prohibition & Redressal of Sexual Harassment of Women at workplace

The primary objective of this Policy is to protect the women employees from sexual harassment at the place of work and to provide punishment in case of false and malicious representations.

k. Outsourcing Policy

This Policy has been framed to evaluate all outsourcing contracts entered into by the Company in line with the RBI Directions, 2016 and to conduct and monitor the outsourcing arrangements in accordance with this Policy.

l. Corporate Social Responsibility Policy

This Policy has been framed by the Company in line with the Companies Act, 2013 to play its role in making a direct contribution to the society as a part of its Corporate Social Responsibility agenda.

m. Board Evaluation Policy

This Policy has been framed by the Company in line with the Companies Act, 2013 to lay down the criteria to evaluate the performance of the Board of Directors of the Company.

n. Asset-Liability Management Policy

This Policy has been framed by the Company in line with the RBI Directions, 2016 to establish operating procedures for Asset Liability Management of the Company.

6. Compliance Officer

A qualified Company Secretary appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer of the Company for the purposes of ensuring conformity with the applicable laws/ regulations/ guidelines including Companies Act and SEBI Listing Regulations issued from time to time.

In terms of RBI Circular No. RBI/2022-23/24 Ref.No.DoS.CO.PPG./SEC.01/11.01.005/2022-23 dated April 11, 2022, the Company has appointed a Chief Compliance Officer to perform and roles and responsibilities listed out in the said Circular.

7. Policy Review

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to any notifications and directions issued by the relevant Act or under any other law applicable, from time to time.

The Policy shall be reviewed by the Board of Directors of Company annually or whenever there is a significant change in the Policy. The Policy shall be disclosed on the website of the Company.