

Corporate Governance Policy



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Summary of Policy

Policy Name	Corporate Governance Policy
Issue and Effective date	April 19, 2011
Date of last review	September 25, 2018
Date of current review	November 01, 2018
Date of next review	On or before November 2019
Periodicity of review	Annual
Owner / Contact	Compliance
Approver	Board of Directors
Annexures	None

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1. Preamble

The Board of Directors of DMI Finance Pvt. Ltd. (“Company” or “DMI”) have adopted Corporate Governance Policy in terms of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by Reserve Bank of India (“RBI”) for non – deposit taking NBFC’s.

2. Purpose

The purpose of establishing such a policy is to enable the adoption of best practices and greater transparency in the operations of the company. In view of the RBI guidelines, the Company has set out the following set of guidelines / corporate governance practices to create value for stakeholders such as the shareholders, employees, customers etc. The affairs of the Company shall be conducted with integrity, fairness, accountability, and transparency. All commitments in its dealings with stakeholders and regulatory authorities shall be met as set forth below.

3. Definitions

'Substantial interest' for the purpose of these guidelines:

- (i) in relation to a company, means the holding of a beneficial interest by an individual or his spouse or minor child, whether singly or taken together, in the shares thereof, the amount paid-up on which exceeds five lakhs of rupees or ten per cent of the paid-up capital of the company, whichever is less;
- (ii) in relation to a firm, means the beneficial interest held therein by an individual or his spouse or minor child, whether singly or taken together, which represents more than ten per cent of the total capital subscribed by all the partners of the said firm;
- (iii) The scope of the term 'relative' shall be as defined in the Companies Act, 2013 and rules framed thereunder:
 - they are members of a Hindu Undivided Family;
 - they are husband and wife; or
 - one person is related to the other in such manner as may be prescribed;
 - Father Provided that the term “Father” includes step-father.
 - Mother: Provided that the term “Mother” includes the step-mother.
 - Son: Provided that the term “Son” includes the step-son.
 - Son’s wife.
 - Daughter.
 - Daughter’s husband.
 - Brother: Provided that the term “Brother” includes the step-brother;
 - Sister: Provided that the term “Sister” includes the step-sister

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4. Policy

Each member of the Board of Directors of DMI Finance Private Limited ('DMI') shall adhere to the following so as to support the existence of a good Corporate Governance environment:

- (i) shall attend Board meetings regularly and participate in the deliberations and discussions effectively.
- (ii) shall study the Board papers and enquire the progress of any matter raised in previous meetings.
- (iii) shall review and approve key policies of DMI.
- (iv) shall ensure confidentiality of the DMI's agenda papers, notes and minutes.
- (v) shall not sponsor any proposal relating to loans, investments, buildings or sites for DMI's premises, enlistment or empanelment of contractors, architects, auditors, doctors, lawyers and other professionals etc.
- (vi) shall ensure that employees are given adequate autonomy within a well-defined and controlled operational framework to discharge their responsibilities and perform their duties in a disciplined manner with utmost integrity and through good conduct.

5. Internal Guidelines on Corporate Governance

- a) **Composition of Board of Directors:** The Board of Directors of DMI shall have at least 3 Directors.
- b) **Constitution of various Committees with frequency of meetings**

With the objective of attaining accountability, transparency and fairness, the Board of Directors have formed sub-committees for the below mentioned purposes to act in accordance with terms of reference specified by the Board of Directors:

Name of the Committees	Responsibilities	Members and Quorum of the Committees	Periodicity of the Meetings
Audit Committee	- to recommend appointment, remuneration and terms of appointment of auditors of the company; - review and monitor the auditor's independence and performance, and effectiveness of audit process; examination of the financial statement and the auditors' report thereon;	Members: -Mr. Gaurav Burman -Mr. Nipender Kochhar -Mrs. Jayati Chatterjee -Mr. Tammir Amr -Mr. Yuvraja Chanakya Singh	Quarterly

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	<ul style="list-style-type: none"> - approval or any subsequent modification of transactions of the company with related parties; - scrutiny of inter-corporate loans and investments; - valuation of undertakings or assets of the company, wherever it is necessary; - evaluation of internal financial controls and risk management systems; - monitoring the end use of funds raised through public offers and related matters. - The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company - The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company. 	<p>Quorum:</p> <p>-Minimum 1/3rd or 2 whichever is higher.</p>	
<p>Nomination Committee</p>	<ul style="list-style-type: none"> - To ensure that the general character of the management shall not be prejudicial to the interest of its present and future stakeholders and envisages ensuring the 'fit and proper' status of proposed or existing Directors. - To nominate for appointment of directors with "fit and proper" credentials. - Administration and superintendence of the Employee Stock Option Scheme and to that extent the scope of reference to the Committee is not restricted to only particular Stock 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr -Mr. Gaurav Burman -Mr. Shivashish Chatterjee -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <p>-Minimum 2 members are required to be present.</p>	<p>As and when any director is appointed</p>

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	Option scheme but all Stock Option schemes are to be implemented / administered by the Committee.		
Asset Liability Committee (ALCO)	<ul style="list-style-type: none"> - Attend to aspects relating to Asset Liability Management such as availability of adequate funding for projected disbursements. - Monitor the asset liability gap and strategize action to mitigate the risk associated. - Understanding fund-raising requirements and advising the best instruments to be used for the same. - Ensuring that the finance costs are managed in an efficient and effective manner - Advising on utilization of excess funds available with the Company. 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr -Mr. Gaurav Burman -Mr. Shivashish Chatterjee -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 2 members are required to be present 	Twice a year
Risk Management Committee (RMC)	<ul style="list-style-type: none"> - Adhere to the Risk Management Practices as prescribed - Monitor the progress of the Risk Control Matrix as approved by the Board - Monitor the loan portfolio on a regular basis and along with risks associated with it. - Establish standards to mitigate risks related operations, credit, compliance, finance, etc. 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr -Mr. Gaurav Burman -Mr. Shivashish Chatterjee -Mr. Nipender Kochhar -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 2 members are required to be present 	Quarterly
Loan, Investment and Borrowing Committee (LIBC)	<ul style="list-style-type: none"> - To approve all borrowings including loans from banks and financial institutions, commercial papers, any other security on such terms and conditions as the management may deem fit within the limits as approved by the Board and Shareholders - Approve all investments being made by the company in subsidiaries or any other strategic investment within the overall investment limits as approved by the Board and Shareholders. - To grant any loans to subsidiaries or any other entity as the management may deem in accordance with limits as prescribed under Companies Act, 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr -Mr. Gaurav Burman -Mr. Shivashish Chatterjee -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 2 members are required to be present 	As and when the Company makes new loan or investment, or borrowings are taken by the company.

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	2013 and as approved by the Board and Shareholders.		
Corporate Social Responsibility (CSR) Committee	<ul style="list-style-type: none"> - Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013 - Recommend the amount of expenditure to be incurred on the activities referred above; - Monitor the Corporate Social Responsibility Policy of the company from time to time. 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr -Mr. Gaurav Burman -Mrs. Jayati Chatterjee -Mrs. Bina Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 1/3rd or 2 whichever is higher. 	Twice a year
Securities Allotment Committee	<ul style="list-style-type: none"> - Consider and transact the matter of raising of funds up to the limit specified by the Board on private placement basis as is on such terms and conditions as it may deem fit and allot Equity Shares, Preference Shares, Compulsorily Convertible Debentures, Secured Redeemable Non-Convertible Debentures, Commercial Paper or any other security as defined under Companies Act, 2013("Act") in tranches and to do all such acts, deeds and things as may be deemed necessary. All such allotments shall be made in accordance with the limits as prescribed by the Act, Board and Shareholders. - To exercise powers on behalf of the Board to look after the matters pertaining to the issue, offer, allotment and cancellation of securities including ESOP/Equity/Preference shares/instruments convertible into Equity Shares, whether optionally or otherwise. - To redeem/ convert securities and to do all such acts, deeds and things as may be considered necessary and incidental thereto. 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr, -Mr. Jatinder Bhasin -Mr. Gaurav Burman, -Mr. Shivashish Chatterjee -Mr. Sahib Pahwa -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 1/3rd or 2 whichever is higher. 	As and when allotment of Shares or Debentures takes place
Credit Committee	-Oversee the credit risk management of the Company by reviewing the Credit/Loan Policy	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr 	As and when any new

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	<ul style="list-style-type: none"> -Establish or modify credit portfolio limits in accordance with regulatory guidelines as applicable; -Analysis of prospective borrower's credit worthiness -Review of loans in accordance with the risk management framework and loan policy of the company -Discussion on terms including moratorium, pricing, security, collateral, structure, etc. related to loans being granted by the company -Taking decisions on the geographical concentration and sectorial deployment of loans and advances -Amending the terms approved by the committee for existing borrowers -Performing all the work related to sanction/rejection of loans and advances not covered in the scope mentioned above -Record reasons for rejection of loans (if any). 	<ul style="list-style-type: none"> -Mr. Gaurav Burman -Mr. Shivashish Chatterjee -Mr. Yuvraja Chanakya Singh <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 2 members are required to be present. <p>All the loans granted by the company are reviewed by the Credit Committee and the final decision to sanction/rejection is with either of the Joint Managing Directors ("Joint MD") of the Company. Also, any deviations from the parameters as set out in the loan policy can only be approved by the Joint MD's.</p>	<p>loan/advance (part of loan portfolio) is sanctioned/modified</p>
<p>IT Strategy Committee</p>	<ul style="list-style-type: none"> -Approving IT strategy and policy documents. -Ascertaining that management has implemented processes and practices. -Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable. -Monitoring the method of the IT resources needed to achieve strategic goals and provide high-level direction. -Ensuring proper balance of IT investments for sustaining NBFC's growth and aware of IT risks and controls. 	<p>Members:</p> <ul style="list-style-type: none"> -Mr. Tammir Amr (Chairperson being independent director) -Mr. Jatinder Bhasin (CFO and CRO) -Mr. Shivashish Chatterjee (Jt. MD) -Mr. Saurabh Nigam (CIO) -Mr. Manish Srivastava (VP Tech & CTO) -Mr. Yuvraja Chanakya Singh (Jt. MD) <p>Quorum:</p> <ul style="list-style-type: none"> -Minimum 2 members are required to be present 	<p>At least one meeting in six months</p>
<p>Note:</p> <ul style="list-style-type: none"> - Mr. Tammir Amr and Mr. Gaurav Burman are appointed as representatives of investors in accordance with the Investment agreement. - Mr. Sahib Pahwa, Company Secretary & Compliance Officer shall be the Secretary of all the committees except Securities Allotment Committee formed by the Board 			

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- c) The Management shall place Compliance Certificate at every quarterly Board Meeting, which provides confirmation that all the laws applicable to the company have been complied with.
- d) **Connected Lending Relationships:** While the Company does not envisage making loans to any connected parties, it shall comply with the RBI Instructions on lending to Directors, their relatives or Directors of other Companies and their relatives and other entities as & when notified.

DMI will ensure that it collects information from all the Directors individually, to the effect that he is a Director or a member of a specified body corporate or a firm and hence he is to be regarded as concerned or interested in or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm. It will be ensured that such notice is renewed every financial year. The concerned Director will ensure that such general notice or renewal thereof is brought upon and read at the first meeting of the Board after it is given.

In order to obviate conflict of interest in the lending operations of DMI, it will not grant any loan/non-fund-based facility to or invest in:

- (i) Its directors or their relatives
- (ii) to any firm in which any of its Directors is interested as Partner, Manager, Employee or Guarantor
- (iii) Any individual in respect of whom any of its Directors is a Guarantor.
- (iv) any company of which, or the subsidiary or the holding company of which, any of the Directors of the company is a Director, Managing Agent, Manager, Employee, or Guarantor or any firm in which they (said Directors of the company) hold substantial interest.

The above shall not constrain the Company's ability to grant normal business-related advances to its Directors and employees.

DMI shall submit information pertaining to loans and advances granted to its directors, relatives and other entities for each quarter end (i.e. as on 31st March; 30th June; 30th September and 31st December) to the Regional Office of the Department of Non-Banking Supervision within 15 days from the close of the respective quarter. If there is nothing to report, a NIL statement may be submitted. Such reporting shall be complied with as & when it is notified by RBI.

e) **In addition to the above, DMI shall follow the following guidelines:**

- (i) All the employees of DMI are obliged to carry out their duties in an honest, fair, diligent and ethical manner, within the scope of the authority conferred upon them and in accordance with the laws, rules, regulations, agreements, guidelines, standards and internal policies and procedures.

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The Board of Directors of the Company is entrusted with the fiduciary responsibility of oversight of the affairs of the Company. As Directors of the Company, they have a duty to make decisions and implement policies in the best interest of the Company and its Stakeholders.

The Directors and Senior Management personnel are required to act in accordance with the highest standards of personal and professional integrity, honesty, ethical and legal conduct, when acting on behalf of the Company or in connection with the Company's business or operations and at social events. An honest conduct is considered as such when a conduct is free from fraud or deception. DMI considers ethical conduct to be confirming to the accepted professional standards of conduct and include ethical handling of actual or apparent conflicts of interests between personal and professional relationships.

- (ii) Executive Directors and Senior Management personnel shall not work for or receive payments for services from any competitor, customer, distributor or supplier of the Company without approval of the Board.
- (iii) Directors and Senior Management personnel shall not use personal influence to make the Company do business with a company/institution in which his or her relatives are interested. As a general rule, Directors and Senior Management personnel shall avoid conducting Company's business with a relative or with an entity in which a relative is associated in any significant role. In case of conflicts, disclosure shall be made to the Board of Directors and a prior approval shall be obtained.
- (iv) Personnel shall neither accept gifts, services or other items of more than Rs 2,000 per year from any person or entity nor give/or offer any gift of more than Rs 10,000 per year to any person or entity. Similar guidelines would be applicable to gratuities or any offer, payment, promise to pay, or authorization to pay any money, or anything of value that could be interpreted to adversely affect business decisions or likely to compromise their personal or professional integrity. Gift items of nominal value, such as small promotional items bearing another company's name, business meals, gifts received because of personal relationships and not because of official position, mementos received because of attending a widely held gatherings as panelist/speaker and other customary gifts may be allowed with prior approval from Compliance. (Gifts are not always physical objects - they might also be services, favors or other items of value).
- (v) Directors and Senior Management personnel shall not divert business opportunities of the Company, by exploiting for their own personal gain, business opportunities that are discovered through the use of corporate propriety information or position. However the Directors and Senior Management personnel may pursue such business opportunities provided Compliance has provided approval and once they are fully disclosed to the company and the company declined to pursue such opportunities.

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- (vi) The assets of the Company shall be used for legitimate business purposes and shall not be used for personal purposes. Incidental personal use, if reasonable does not amount to violation of these guidelines.
 - (vii) It is the general obligation of the Directors to conduct the business and operations of the Company in accordance with the laws, rules, regulations, agreements, guidelines, standards including accounting standards governing its operations. The Directors and Senior Management personnel shall also comply with the internal policies and procedures of the Company to the extent applicable to them.
 - (viii) It is the duty and obligation of every Director and Senior Management personnel to comply with these internal guidelines on corporate governance. Any violation of these internal guidelines on corporate governance shall be reported to the any member of the Board of the Company. These internal guidelines on corporate governance shall be posted on the website, if any, of the Company.
- f) **Maintenance of independence of the Statutory Auditors audit firm**
- DMI shall ensure that, from a corporate governance point perspective, adequate measures are adopted for maintenance of independence by the statutory audit firm.
 - In accordance with RBI guidelines, DMI shall ensure that the audit partner is rotated every 3 years.