

DVARA KSHETRIYA GRAMIN FINANCIAL SERVICES PRIVATE LIMITED

Reg. Office - IIT-M Research Park, Phase I, 10th Floor, Kanagam Village, Taramani, Chennai – 113

CIN: U65991TN1993PTC024547

DVARA KSHETRIYA GRAMIN FINANCIAL SERVICES PRIVATE LIMITED	
POLICY	Corporate Governance Framework
VERSION	2.0
DATE OF APPROVAL BY THE BOD	May 12, 2015
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POLICY OWNER	Secretarial

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VERSION

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CORPORATE GOVERNANCE FRAMEWORK

1. CORPORATE GOVERNANCE

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers, suppliers, financiers, government and the community within which it operates. This Corporate Governance Framework will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure.

2. OBJECTIVE

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The philosophy has strong emphasis on transparency, accountability and integrity.

Reserve Bank of India (RBI) vide its master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 directed NBFCs to frame internal guidelines on Corporate Governance approved by the Board of Directors. Accordingly, this Corporate Governance Framework of Dvara Kshetriya Gramin Financial Services Private Limited (Company) is framed in the spirit of the said circular of RBI.

3. BOARD OF DIRECTORS

The company believes that a well-functioning, informed Board of Directors is the key to good corporate governance. The Board should 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

4. COMMITTEES

4.1 **AUDIT COMMITTEE:** The constitution of this Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 and RBI Master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Composition, Meetings, Powers and Responsibilities shall be as per the Audit Committee Charter as approved by the Board.

4.2 **NOMINATION AND REMUNERATION COMMITTEE:** This Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013 and RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Nomination and

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Remuneration Policy in place and required disclosures to that effect are made from time to time. The Composition, Meetings, Powers and Responsibilities shall be as per the Nomination and Remuneration Committee Policy as approved by the Board.

4.3 **RISK COMMITTEE:** This Committee is constituted in compliance with the provisions of the Companies Act, 2013 and RBI Master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Risk Management Policy in place and required disclosures to the effect are made from time to time. The Composition, Meetings, Powers and Responsibilities shall be as per the Risk Committee Charter as approved by the Board.

4.4 **ASSET-LIABILITY COMMITTEE (ALCO):** This Committee is constituted in compliance with the provisions RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time. The Composition, Meetings, Powers and Responsibilities shall be as per the Asset Liability Committee Charter as approved by the Board.

5. FIT & PROPER CRITERIA

The Company has a Board approved Fit & Proper Policy in place and required disclosures to the effect are made from time to time.

5.1 In terms of RBI Master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on 'Guidelines on Corporate Governance', the Nomination and Remuneration Committee of the Company ensures the 'Fit & Proper' status of existing / proposed Directors of the Company.

5.2 Every individual at the time of his / her appointment / re-appointment and on annual basis, as Director of Company, provides a Fit & Proper declaration in the manner and format as may be prescribed by RBI from time to time.

5.3 In case there is no change to the information already provided by the director, declaration to that effect shall be furnished to the Company.

5.4 Nomination and Remuneration Committee (NRC) of the Board of Directors of the Company scrutinizes the aforesaid declarations as given by the individuals. The said declarations are scrutinized by the NRC on the following basis:

- a) Suitability of the individual to be appointed as Director of the Company
- b) Qualification of the director
- c) Age of the Director
- d) Expertise of the Director vis-a-vis business of the Company
- e) Track record of the Director
- f) Integrity of the Director
- g) Directorship in other entities

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h) Relationship with or substantial interest in other entities

5.5 Based on the information provided in the signed declarations, the NRC decides on the acceptance or otherwise of the Directors.

5.6 Every Individual, once appointed as Director of the Company shall enter into a Deed of Covenant, as prescribed by RBI, with the Company.

5.7 The Company shall ensure to furnish to the Reserve Bank a quarterly statement on change of directors and a certificate from the Managing Director/Director of the NBFC that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted by the Company for the quarter ending March 31, should be certified by the auditors.

6. PERFORMANCE EVALUATION

6.1 The Company recognizes the benefits of a Board that possesses a balance of skill, experience and expertise appropriate to the requirements of the business of the Company.

6.2 The performance evaluation of the Directors shall be carried out as per the terms of the Nomination and Remuneration Policy approved by the Board from time to time. The evaluation framework of the Company for assessing the performance of its Directors shall comprise of the following key areas:

- i. Attendance of Board Meetings and Board Committee Meetings
- ii. Quality of contribution to Board deliberations
- iii. Strategic perspectives or inputs regarding future growth of Company and its performance

6.3 The evaluation will involve self evaluation by the Board member and subsequently assessed by the Nomination and Remuneration Committee based on the above criteria and lastly reviewed by the Board of Directors. A member of the Board will not participate in the discussion of his / her evaluation.

6.4 In terms of the requirements of Schedule IV of the Act, the independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting. The meeting shall:

- (a) Review the performance of non-independent directors and the Board as a whole;
- (b) Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

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(c) Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

6.5 Similarly, the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Pursuant to the provisions of Companies Act, 2013, the Company shall include in the report of its Board of Directors, a statement indicating the manner in which formal annual performance evaluation was carried by the Board of its own performance, its Committees and Individual Directors.

7. ROLE OF SENIOR MANAGEMENT AND KEY MANAGERIAL PERSONNEL

7.1 Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the Board, including Chief Executive Officer, Dy. Chief Executive Officer and Functional Heads.

7.2 Key Managerial Personnel (KMP) means Chief Executive Officer or the Managing Director or the Manager, Whole-time director, Chief Financial Officer, and Company Secretary.

7.3 Over a period of time, the role and responsibilities of the Board of Directors, Key Managerial Personnel and Senior Management have increased significantly. This is mainly due to the growth in the size of operations of the Company and evolving legal and regulatory requirements viz. enactment of new Companies Act, 2013 and increase in RBI Corporate Governance requirements.

This has increased the responsibility senior management & KMP with regard to the disclosures / compliances and manage business operations in an ethical manner in line with the best corporate governance practices. Therefore, the senior management & KMP are responsible to ensure balance with the compliance requirements/ business ethics vis-a-vis business operations requirements, while implementing the strategic plans, business plans and budgets as approved by the Board of Directors.

8. DISCLOSURE AND TRANSPARENCY

8.1 The Company shall put up to the Board of Directors or its Committee, at regular intervals, as may be prescribed by the Board in this regard, the following:

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- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. 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.
- iii. Details of all transactions with related parties shall be disclosed in the annual report. The company shall disclose the policy on dealing with Related Party Transactions, as approved by the Board on its website and also in the Annual Report.

8.2 The Company shall also disclose 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 the Company as also securitization/ assignment transactions and other disclosures, as may be prescribed by Reserve Bank of India from time to time.

9. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides.

10. COMPLIANCE OFFICER

The Company Secretary acts as the Compliance Officer of the Company. The Compliance Officer shall be primarily responsible to adhere to the requirements of this Framework, as amended from time to time.

11. REVIEW

This Framework shall be reviewed by the Board of Directors on an annual basis, in order to align with the prevalent regulatory and business requirements.