

CORPORATE GOVERNANCE POLICY

1. INTRODUCTION

Humana Financial Services Private Limited (HFSPL) came into existence to protect livelihood and provide greater economic stability and while following its vision it recognizes its role as a corporate citizen and has adopted the best practices of Corporate Governance through transparency, ethical behavior and accountability to its stakeholders, regulatory bodies and employees.

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. In pursuing its Mission of “To make one million poor families financially independent and secure by 2022” HFSPL has been balancing its dual objectives of “social” and “financial goals, since its inception.

2. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance. The Code has been drafted bearing in mind the size of the Company's operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs (MFI), as last summarized by RBI in its Master Circular dated July 1, 2014.

The need for adoption of good corporate governance practices continues to engage regulator and stakeholder attention. In this connection and in continuation to its earlier circulars, RBI has made further amendments to the corporate governance guidelines by its circular dated November 10, 2014.

3. GOVERNANCE STRUCTURE

HFSPL's Corporate Governance structure, systems and processes are based on two core principles viz. (a) Management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) This freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company the following governance level will be followed in HFSPL:

| Governance Level | Broad Responsibility | Responsible |
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| Level 1 | Strategic Supervision | Board of Directors |

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| Level 2 | Strategic Management | Executive Directors and Core Management Team |
| Level 3 | Executive Management | Head of the Departments |

At the apex level, the general body of Shareholders of the Company shall elect the Board of Directors at the Annual General Meeting of the company and the Board appoints the Chairman, Managing Director, Chief Executive Officer and Chief Finance Officer, Chief Operating Officer of the Company, who in turn will appoint the various other management executives of the company.

4. CONVENING OF GENERAL MEETING

The Board is under the obligation of convening the Annual General Meeting of the member of the company within 6 months from the closure of the financial year. The convened Annual General Meeting will assemble to (a) review and adopt the board report (b) review and adopt the audited financial statement and (c) adopt resolutions on any other matter included in the notice. In addition to the Annual general Meeting, the Board of Directors can also convene an Extra Ordinary General Meeting (EGM) whenever it deems necessary on behalf of the institution's interests for their smooth functioning.

5. RIGHT OF SHAREHOLDERS

Along with the notice of General Meeting, Company will provide shareholders/ members documents and other information related to the matters that will be discussed at the meeting. Further before the GM is held, shareholders can ask the Board of Directors for any information or clarifications they consider necessary regarding the items on the agenda, and they can ask any questions they consider relevant.

6. DELEGATION & REPRESENTATION

Members have the right to appoint any person as representative to attend the general meeting on behalf of the respective member, even if they are not a shareholder. The representative powers must be conferred specifically for each meeting, which can always be revoked should the represented person attend the meeting in person.

7. MEETING MINUTES

The deliberations and resolutions at the meeting will be recorded in a minute's document. The minutes should reflect everything discussed and be approved at the General Meeting and also record the participation of the shareholders.

8. 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 Company's Articles of Association and Section 173 and 174 of the Companies Act, 2013, the board shall meet a minimum of four (4) times in a year, at least once in each quarter [in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board]. Further the quorum for a meeting shall be one third of its total strength or two directors, whichever is higher. Board's strength is required to be a minimum of two directors and a maximum of fifteen directors and none of the directors are liable to retire by rotation.

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.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

Investor has a right to appoint one or more nominee director on the board of the company.

The Board shall periodically review compliance reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The structure of the Board will seek to be balanced in terms of member experience, qualifications and independence so as to undertake different tasks and inherent responsibilities. Also, it will be ensured that a member of the Board is not being involved in a legal procedure on the grounds of prohibition or incompatibility. Further if the manager sits on the Board of Directors, he will have the right to speak but not to vote to ensure that the administration and management functions are separated.

9. DUTIES & RESPONSIBILITIES

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 will have the following duties: -

- i. 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.

- ii. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- iii. 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.
- iv. 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.
- v. A director of a company shall not assign his office and any assignment so made shall be void.

10. APPOINTMENT/RE-ELECTION

The appointment and re-election of the Board of Directors falls on the Annual General Meeting. Once chosen, the Board members must represent the institution's interests. They must perform their duties in good faith, objectively and independently, with due care and diligence, so that their decisions are always aimed at the institution's best interests. The resolutions that the Board of Directors adopts in relation to the re-election of members and its deliberations in this regard shall take place in the absence of the Director whose re-election is proposed. If the Director is at the meeting, he must leave the room. The appointment/re-election of director will also be in accordance with the provisions of the Companies Act, 2013.

11. DURATION OF OFFICE

Directors shall remain in office for the term defined by the Annual General Meeting and in accordance with the provision of the Companies Act, 2013. AGM establishes a longer term on ratifying the appointment agreed by the Board of Directors. Board of Directors members will remain in office until their successors are chosen, unless their powers are revoked or they are disqualified.

12. END OF TERM

Directors shall resign from their office when the term for which they were appointed has expired, or when the Annual General Meeting decides so. When a Board member ceases to occupy his position before his term of office ends, through resignation or any other cause, he must explain the reasons in a letter to all of the members, and, regardless of whether this end of term of office is reported as a significant event, the reason should be included in the directors' report.

13. REMUNERATION

The remuneration of the directors shall be decided in the AGM. Before AGM, Nomination & Remuneration Committee shall recommend to the board to approve the remuneration of the directors which will final after the approval of members in the AGM.

14. BOARD MEETING AGENDA

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the board. All major agenda items are backed by comprehensive background information to enable the board to take informed decisions. Agenda papers are circulated at least seven working days prior to the board meeting. Board may meet at shorter notice, if required by the company. The Board is presented with relevant information on various matters relating to the working of the Company. The functional heads are invited to the Board and Committee meetings to apprise the Board on various issues concerning the operations of the Company. The following information shall be presented to the Board for periodic review / information / approval:

- Business Updates: This includes trend of business growth, business performance in terms of budget, branch expansion, product diversification, quality of portfolio and also growth plan for the next quarter/year.
- Financial Updates: The quarter ended financials, budget comparison, and projection for next quarter, reasoning for financial outcomes, annual budget etc. shall be the part of financial updates.
- Internal Control System: Management shall be responsible for updating the board about the overall internal control system of the organization and ensure that process & policy is being followed accordingly.
- Risk Management Updates: The chairman of Finance and Audit Committee shall update the board about the risk related issues and suggest measures for risk mitigation.
- Regulatory Compliance: Compliance officer shall update the Board about the status of compliance related issues and also propose further course of actions wherever necessary.
- Audit Observations: The Chairman of Finance Audit Committee shall update the board about the audit grading and the compliance level of the organization. He/she should also suggest the proposed course of corrective measures suggested by the internal as well as statutory auditors.
- HR Updates: The Chairman of Human Resource Committee shall update the board about the HR related issues which may include status of recruitment vis a vis the budget, employee engagement initiatives, staff attrition and other HR challenges etc.
- Admin Updates: Board shall also be updated about the admin related issues of head office as well as branch offices, challenges and other relevant information as required.
- IT Updates: The status of application development in terms of original plan, capital investment, and plan for next quarter shall be considered relevant information for the board members. In addition of that road map of IT shall also be approved by the board.
- Others: In addition of above management shall also updates board about legal suits (if any), show-cause/ demand/ prosecution and other material notices, details of any joint venture or collaboration and any other material decision/information which may be important in terms of the interest of the Company.

15. GOOD GOVERNANCE IN MANAGEMENT

The Board of Directors are responsible for the general strategy, control and supervision. However, the separation between management and governance duties and administration duties must never result in important decisions or measures being taken by the institution's management bodies without the Board of Director's intervention.

16. MANAGING DIRECTOR OR CHIEF EXECUTIVE OFFICER

The Managing Director or the Chief Executive Officer are the institution's legal representative. They are appointed by the Board of Directors and shall be responsible for putting in place procedures to implement all the Board's policies, strategies and systems. They will actively participate in the sessions, with the right to speak but not vote, in order to give their input on the items of the agenda or any other matter requested by them.

17. COMMITTEES OF BOARD

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 per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for confirmation/endorsement in subsequent meeting.

In compliance with the applicable provisions of the Companies Act, RBI guidelines and in order to meet business exigencies, the Company has constituted Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. HFSPL complies with the above requirements of committee constitution and have the following committees of the Board:

- i. Audit Committee,**
- ii. Risk Management Committee**
- iii. Nomination and Remuneration Committee**
- iv. Fund Approval Committee,**

The terms of reference, roles and responsibilities of the aforesaid Committees is enclosed in the annexure-1 of this policy.

18. FAIR PRACTICES CODE

Pursuant to the guidelines on Fair Practices Code issued by Reserve Bank of India, the Company has adopted a policy on Fair Practices Code which is posted on the website of the

Company and also a regular review on the implementation of the same is conducted by operating committee members.

19. CODE OF CONDUCT

The Company has adopted a code of conduct for employees of the Company and due care is taken that the employees adhere to it. The copy of Code of Conduct of the Company is published on the website both in English and Vernacular language.

20. COMPLIANCE OFFICER

The Company Secretary shall be the Compliance Officer of the Company.

21. STATUTORY AUDITORS

The Statutory Auditors of the Company shall be appointed in terms of provisions under Companies Act, 2013, at the recommendation of Audit Committee.

HFSPL 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 HFSPL, so decides. HFSPL shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

22. DISCLOSURES AND TRANSPARENCY

HFSPL shall require to place following information before Board at regular intervals as may be prescribed by the Board in this regard: -

- Progress made in putting in place a progressive risk management system and risk management policy and strategy followed.
- 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.

HFSPL 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
- vi. exposures, structured products issued by them as also securitization/ assignment

transactions and other disclosures, as per prescribed format of RBI.

23. POLICIES ADOPTED BY THE COMPANY

The following other policies have been framed and adopted by the Company, viz.

- a. KYC and PMLA Policy
- b. Grievance Redressal Policy
- c. Whistle Blower Policy
- d. Policy against Sexual Harassment at workplace
- e. Risk Management Framework Policy

The above policies may be reviewed from time to time.

24. FIT AND PROPER CRITERIA OF DIRECTORS

- HFSPL has put in place a policy with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines prescribed by RBI.
- HFSPL shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format prescribed by RBI;
- HFSPL obtain a Deed of Covenant signed by the directors, which shall be in the format as prescribed by RBI;
- Compliance officer of HFSPL shall furnish to the Reserve Bank a annual statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement submitted by Company for the quarter ending March 31, should be certified by the auditors.

25. CIRCULATION

This Policy shall be circulated to every Promoters/ Directors/ Designated Employees/ Officers of the Company to let them be informed about the desired Corporate Governance Norms. This policy, as amended from time to time, shall be made available on the website of the Company.

26. AMENDMENTS

The Company reserves its right to amend or modify this Policy in whole or in part as circumstances so warrants, at any time without assigning any reason whatsoever.

Annexure-1**1. Audit Committee-**

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| Chairman | The Chairman of the Audit Committee shall be an Independent Director / Non- Executive Director and who is elected by the members of the Audit Committee. The Board shall also designate, the Chairperson of the Committee. |
| Composition | <p>The Board of Directors will constitute AUDIT COMMITTEE with at-least three directors. Majority of the directors shall be Non-Executive Director. AUDIT COMMITTEE members shall be appointed by the Board and may be removed by the Board at any time.</p> <p>All members of the AUDIT COMMITTEE shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The AUDIT COMMITTEE may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Head of Accounts, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meeting of the AUDIT COMMITTEE.</p> |
| Secretary | The Company Secretary of the Company shall act as Secretary to the AUDIT COMMITTEE. |
| Meetings & Quorum | <p>The AUDIT COMMITTEE shall meet at least once in a Quarter. The Committee shall also meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.</p> |
| Powers | <p>To investigate any activity within its terms of reference.</p> <p>To seek information from any employee.</p> <p>To obtain outside legal or other professional advice.</p> <p>To secure attendance of outsiders with relevant expertise, if it considers necessary</p> |
| Terms of Reference | |

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| Purpose/ Scope | <p>The AUDIT COMMITTEE is constituted by the Board of Directors of the Company to;</p> <p>the recommendation for appointment, remuneration and terms of appointment of auditors of the company;</p> <p>review and monitor the auditor's independence and performance, and effectiveness of audit process;</p> <p>examination of the financial statement and the auditors' report thereon;</p> <p>approval or any subsequent modification of transactions of the company with related parties;</p> <p>scrutiny of inter-corporate loans and investments;</p> <p>valuation of undertakings or assets of the company, wherever it is necessary;</p> <p>evaluation of internal financial controls and risk management systems;</p> <p>monitoring the end use of funds raised through public offers and related matters, and</p> <p>To oversee the vigil mechanism.</p> <p>The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the NBFCs.</p> <p>Make recommendation to the Board on any matter relating to formulate policies, strategies, rules, procedures including financial activities.</p> <p>Consider any other matters specifically referred to the Committee by the Board.</p> |
| Internal Audit | <p>The Committee will review the scope and staffing of the functions. The head of the Internal Audit department will report directly to the Committee and will reviews plans and findings of internal audits and will meet in executive session with the Committee.</p> |

2. Risk Management Committee (RMC)

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| Chairman | The Chairman of the Risk Management Committee (RMC) shall be either Executive Director or Non-Executive Director. |
| Composition | <p>The Risk Management Committee shall consist of such number of members as may be determined by the Board.</p> <p>The Head of Operation shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.</p> |
| Secretary | The Company Secretary of the Company shall act as Secretary to the RMC. |
| Meetings & Quorum | <p>The committee shall meet at least once in quarter.</p> <p>The quorum shall be either two members or one third of the members of the committee, whichever is greater.</p> |
| Terms of Reference | <ul style="list-style-type: none"> • to ensure that all the risk associated with the functioning of the Company are identified, controlled and mitigated; • to lay down procedures regarding managing and mitigating the risk through Integrated Risk Management Systems, Strategies and Mechanisms ; • to deal with the procedure and manage the credit risk, market risk, operational risk, management of policies and process and relating to credit policies. • identifying, measuring and monitoring the various risk faced by the Company, assist in developing the Policies and verifying the Models that are used for risk measurement from time to time; • to monitor the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC; • to have oversight over implementation of risk and other policies including Anti Money Laundering and KYC (Know your Customer) Policies |

3. Nomination and Remuneration Committee

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| Chairman | The Chairman of the Nomination and Remuneration (NRC) shall be either Independent Director or Non-Executive Director. |
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| Composition | <p>The Nomination and Remuneration Committee shall consist of such number of members as may be determined by the Board.</p> <p>The committee may also invite such Company executives, as it considers appropriate.</p> |
| Secretary | The Company Secretary of the Company shall act as Secretary to the NRC |
| Meetings & Quorum | <p>The committee shall meet at least once in a year and on ad hoc basis, as required.</p> <p>The quorum shall be either two members or one third of the members</p> |
| Terms of Reference | <ul style="list-style-type: none"> • identify the persons who can become directors; • to ensure 'fit and proper' status and credentials of proposed/existing directors; • Formulate the criteria for determining the qualifications, positive attributes etc. and independence of a director; • Recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel, for the approval of the Board. |

4. Fund Approval Committee (FAC)

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| Chairman | The Chairman of the Fund Approval Committee (FAC) shall be either Executive Director or Non-Executive Director. |
| Composition | <p>The Fund Approval Committee shall consist of such number of members as may be determined by the Board.</p> <p>The Committee may invite such Company executives, as it considers appropriate.</p> |
| Secretary | The Company Secretary of the Company shall act as Secretary to the FAC. |
| Meetings & Quorum | <p>The committee shall meet at least once in a year and on ad hoc basis, as required.</p> <p>The quorum shall be either two members or one third of the members of the committee, whichever is greater.</p> |
| Terms of Reference | <ul style="list-style-type: none"> • to borrow monies; • to invest the funds of the company; • to grant loans or give guarantee or provide security in respect of loans; |
