



INDOSTAR

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

PHILOSOPHY, PURPOSE AND SCOPE

At IndoStar Capital Finance Limited ('ICF' / 'the Company'), we believe that sound governance practices are the bedrock for the functioning of the Company and for creation of value for its stakeholders on a sustainable and long term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the Guidelines on Corporate Governance issued by the Reserve Bank of India (RBI) and updated from time to time, the Company has framed these Internal Guidelines on Corporate Governance.

BOARD OF DIRECTORS

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors, with at least one woman Director and at least one – third of the total number of Directors being Independent Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India.

At present the Board comprises of 3 (three) Independent Directors, 4 (four) Non-Executive Non-Independent Directors representing shareholders and 1 (one) Executive Directors. The Directors bring to the Board a wide range of experience and skills, which includes banking, global finance, loan, accounting and economics. None of the Directors of the Company are related to each other.

All the Directors on the Board (except Independent Directors) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election.

The Directors shall submit disclosures as required under the provisions of applicable laws and the codes and policies adopted by the Company.

Meetings of the Board

Unless otherwise prescribed under applicable laws, at least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote. The Chairman of the Board shall not be entitled to a second or casting vote at any meeting of the Board.

The Board of Directors shall function in accordance with provisions applicable laws and Articles of Association of Company.

Board Independence

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

Board Compensation Review

The remuneration payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

The Non-Executive Independent Directors of the Company are paid remuneration by way of sitting fees for attending Meetings of the Board and its Committees, and may be paid remuneration by way of commission, in compliance with the applicable laws in this regard.

COMMITTEES

The Board has constituted several committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws. The Audit Committee, the Credit Committee, the Asset-Liability Management Committee, the Risk Management Committee, the Nomination and Remuneration Committee, the Corporate Social Responsibility Committee, the Debenture Committee and other Committee(s) have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the Reserve Bank of India as applicable to the Company as a Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Company, the Securities and Exchange Board of India ('SEBI') and for internal requirements and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Board Committees and other Committee(s) as specified by the Board shall be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise one vote. Chairman of the Committee(s) shall not be entitled to a second or casting vote at any meetings of the Committee(s).

The Committees shall function in accordance with their respective terms of reference, provisions applicable laws and Articles of Association of Company.

Details of various Committee(s) are as under:

1. Credit Committee

The Credit Committee is responsible for the deployment of capital / resources of the Company. It approves credit proposals in accordance with Risk Framework and Policy approved by the Board of Directors of the Company. Any transactions that are proposed to be entered into by the Company that have a potential for a conflict-of-interest in the assessment by the members of the Credit Committee shall be referred to the Risk Management Committee for its resolution.

At least one meeting of the Committee shall be held in every quarter.

2. Audit Committee

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and its subsidiary(ies) and their financial controls and systems or any other function as may be determined by the Board.

At least four meetings of the Committee shall be held every year.

3. Asset-Liability Management Committee (ALCO)

The ALCO shall monitor the asset liability composition of the Company's business and determine actions to mitigate risks associated with the asset liability mismatches.

At least one meeting of the Committee shall be held in every quarter.

4. Risk Management Committee

The Risk Management Committee shall be responsible for setting up and reviewing risk management policies of the Company from time to time. The Risk Management Committee shall primarily be responsible for identifying, monitoring, managing and mitigating the credit risk, market risk, operational risk and other risks of the Company that can be applicable to the Company considering the business operations of the Company through integrated risk management systems, strategies and mechanisms.

The Risk Management Committee shall have the authority for resolving any transactions that are proposed to be entered into by the Company that have a potential for a conflict-of-interest in the assessment by the members of the Credit Committee. However, if the Members of the Risk

Management Committee have a conflict of interest, matter will be referred to the Board of Directors for final resolution.

At least one meeting of the Committee shall be held in every quarter.

5. Nomination & Remuneration Committee

The Nomination and Remuneration Committee shall be responsible to (i) deal with nomination, appointment and remuneration of Directors on the Board; (ii) decide on remuneration packages (including pension rights, employee's stock options and compensation payments, etc.) of the Executive Directors, Non-Executive Directors including Independent Directors and Senior-level employees; (iii) implement and monitor employee stock options scheme(s) and related matters; (iv) decide on appraisal, performance bonus and variable pay of all employees including Non-Executive Independent Directors in compliance with applicable laws and (v) the related matters in accordance with the applicable laws.

At least one meeting of the Committee shall be held every year.

6. Corporate Social Responsibility (CSR) Committee

The CSR Committee shall decide upon the corporate social responsibility activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board for its consideration and approval. The Committee shall be responsible for monitoring the CSR Policy of the Company.

At least one meeting of the Committee shall be held every year.

7. Debenture Committee

The Debenture Committee shall deliberate and approve all matters relating to the issue of debentures and all other matters, acts and deeds that may be necessary in this regard.

The Debenture Committee meetings shall be held on an ad-hoc basis, as required for exercising the powers or performing the functions or responsibilities of the Committee.

In addition to above, the Board has constituted a Management Committee, an Internal Complaint Committee, a Grievance Redressal Committee and a Banking Committee consisting of Director(s) or Senior Management Personnel of the Company and may constitute such other Committees, as may be required for effective functioning of the Company.

PERFORMANCE EVALUATION

The Board of Directors shall evaluate the performance of the individual Directors, the Board, as a whole and its Committees.

SUBSIDIARY COMPANY

The minutes of the meetings of the board of the subsidiary company(ies) shall be placed before the Board for their perusal, discussion and noting. The Financial Statements of the subsidiary company shall

be consolidated with the Financial Statements of the Company in accordance with the provisions of applicable laws / regulations.

CONFLICT OF INTEREST

The Company expects its Directors, officers and other employees to act ethically at all times and to acknowledge their adherence to the policy(ies) and code(s) adopted by the Company.

The Directors, senior management and other employees of the Company shall endeavor to avoid any conflict of interest with respect to their dealings with the Company. A conflict of interest exists when benefits or interests of one person or entity conflict with the interests or benefit of the Company. If a Director has a potential conflict of interest in a matter under consideration by the Board or a Committee, such Director shall disclose his interest in accordance with the provisions of applicable laws and abstain from deliberations and voting on such matter. A Director who is interested in any proposed transaction shall not exercise any influence over other Board/Committee Members in any manner whatsoever. Officers and other employees must disclose the circumstances of any possible conflict of interest to his / her supervisor and the EVC and CEO, for a determination about whether a potential or actual conflict exists. If an actual or potential conflict is determined, the Company may take whatever corrective action appears appropriate according to the circumstances. Failure to disclose facts shall constitute grounds for disciplinary action.

AUDITORS

Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Further, the Company shall rotate the partner/s of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, 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 shall be eligible for conducting the audit of the Company after an interval of three years.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

Secretarial Auditors

The Board shall appoint an independent company secretary in practice, in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder to conduct a secretarial audit of the

Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the members of the Company in accordance with the applicable laws / regulations.

CODE(S) AND POLICY(IES) OF THE COMPANY

Code of Conduct for Directors and Employees

The Code of Conduct for Directors and Employees provides for employees to conduct their business and affairs in compliance with applicable laws, rules and regulations of India. The Code is applicable to all employees of the Company, including Executive Director(s) and to the Non-Executive Director(s) to the extent of their role and responsibilities in the Company.

Whistle Blower Policy / Vigil Mechanism

The Whistle Blower Policy / Vigil Mechanism is formulated to provide a mechanism to anyone connected with the Company to approach and disclose unethical and improper practices or any other wrongful conduct in the Company and to prevent managerial personnel from taking any adverse action against person(s) reporting such matters.

Related Party Transaction Policy

The Related Party Transactions Policy is adopted to ensure proper approval and reporting of transactions between the Company and its Related Parties. Any transaction with a Related Party shall be considered to be appropriate only if it is in the best interest of the Company and its Members. The Board or any of its Committees which are dealing with related party transaction(s), shall accord their approvals for such transactions in compliance with the applicable laws and the Related Party Transaction Policy of the Company.

Code(s) under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (including any amendments thereof)

The Company has adopted a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information in compliance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, in order to inter alia ensure uniform dissemination of unpublished price sensitive information.

In compliance with the said Regulations, the Company has also adopted a Code of Conduct for Prohibition of Insider Trading and Internal Procedures in order to regulate, monitor and report trading by Designated Employees to maintain the highest ethical standards whilst dealing with securities of the Company, including securities specified in the restricted list / the grey list maintained in accordance with the applicable laws / regulations.

Other Code(s) and Policy(ies)

In accordance with the applicable provisions of the Companies Act, 2013, the directions / guidelines issued by the Reserve Bank of India and applicable to the Company as a Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Company, the SEBI, for

internal requirements and operational convenience, the Company has framed and adopted the following policy(ies)and code(s)which shall be updated / revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company. The codes and policies approved by the Company *inter-alia* includes the following:

- Fair Practice Code and Customer Grievance Redressal Mechanism
- Investment Policy including policy on demand/call loans
- Policy on Single/Group Exposure Norms
- Guidelines on Know Your Customer and Anti Money Laundering Policy
- Risk Framework and Policy
- Interest Rate Policy
- Liquidity Risk Management Framework and Treasury Deployment Policy
- Resource Planning Policy
- Policy on Selection Criteria/ “Fit & Proper” Person Criteria for Directors
- Remuneration Policy
- Corporate Social Responsibility (CSR) Policy
- Board Performance Evaluation Policy
- Code for Independent Directors
- Media Communication Policy
- Record Retention Policy and Archival Policy
- Anti-Corruption Policy
- Care and Dignity Policy
- Fraud Risk Policy
- Internal Control Framework
- Outsourcing Policy
- Policy on Diversity of Board of Directors
- Business Responsibility Policy

DISCLOSURES

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors, Members or other stakeholders as may be required by the applicable laws and the codes / policies of the Company.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations.

ANNUAL REPORT

The Annual Report of the Company shall contain a separate section on Corporate Governance detailing the measures / activities undertaken by the Company as a part of its efforts towards good corporate governance.

COMPLIANCE OFFICER

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