



Inclusion-Growth-Prosperity

Save Microfinance Private Limited
POLICY ON CORPORATE GOVERNANCE
Version 1

Ownership – Secretarial Department

SAVE MICROFINANCE PRIVATE LIMITED

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Corporate Governance Policy

Introduction

Save Microfinance Private Limited ('the Company'/ 'SMPL') believes that a good corporate governance system is necessary condition to ensure its long-term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board of Directors ('the Board') or the committees of the members of the Board.

The Board of SMPL has enumerated the following broad principles in relation to the corporate governance:

"The Board appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards various stakeholders of the company."

"The Board believes that the observance of generally accepted governance standards provides a company with legitimacy, reduces its vulnerability to a financial crisis, and broadens and deepens its access to capital."

"The Board believes that SMPL should adopt the governance principles of highest standard to enhance its reputation as a leading micro finance institution and to maintain the trust of investors."

These Corporate Governance Principles, adopted by SMPL, together with the charter of the Asset Liability Management Committee, Risk Management Committee, Audit Committee, Nomination and Remuneration Committee, Code of Conduct/ Ethics-for all employees, Code of Conduct for Directors & Senior Management, Customer Grievance Redressal Policy, Fair Practices Code, Investment Policy, Anti-sexual Harassment Policy, Risk Management Policy, Whistle Blower Policy provide the framework for the governance of SMPL.

The objective of the policy is to ensure compliance with legal requirements and set standards for Business Governance/Conduct so that concerned officers act in accordance with the highest standards of Governance while working for and on behalf of the company. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

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 the 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 RBI/2014-15/299 DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014.

Fit and Proper Criteria for Directors Policy

Background: The Reserve Bank of India requires NBFCs to adopt policy of fit & Proper Criteria for Directors in view of having increasing integration of NBFCs in financial sector and their growing systematic significance. Thus, it becomes important that the Directors who are responsible for steering the affairs of the companies are fit and proper, besides having the necessary qualifications.

Applicability: This Policy for Fit and Proper criteria for Directors applies to the individual be considered for the position of director on the Board of SMPL and the continuing directors of the Company.

Purpose/Objective: The Objective and the purpose of the policy is:

- To lay down fit & proper criteria and lay down the process of due diligence to determine the suitability of the person for the appointment/continuing to hold the position as a Director on the Board of the Company;
- To frame fit and proper standards and measures for Directors and lay down the internal procedures for the implementation of the said standards and measures in order to comply with above said RBI circular.
- To ensure that each director be appointed or already appointed understands, the fit and proper criteria policy and their obligation to continue to meet the fit and proper requirements on an on-going basis.

Requirements of the Policy:

Nomination and Remuneration Committee: The Nomination and Remuneration Committee of the Company was formed whereby the following charter was adopted:

- 1.1 To determine the Fit & Proper Criteria for Directors as per RBI/2014-15/632 DNBR (PD) CC No.040/03.01.001/2014-15 dated June 03, 2015 read with Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015” at the time of Appointment and on yearly basis.
- 1.2 Formulation of criteria for evaluation of Independent Directors and the Board;
- 1.3 Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
- 1.4 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- 1.5 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board;
- 1.6 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management;
- 1.7 To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations;
- 1.8 Devise a policy on Board diversity;
- 1.9 Develop a succession plan for the Board and to regularly review the plan;

1.10 Carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notification, amendment or modification, as may be applicable.

The Nomination and Remuneration Policy has been formulated in order to bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the shareholders.

Review:

The Board of Directors on its own and/ or as per the recommendations of Committee can amend this policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

GOVERNANCE STRUCTURE

A. Regulators

SMPL, being a company incorporated under the provisions of the Companies act, 2013 And registered with Reserve Bank of India (RBI) as Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI) has two main regulators, namely Ministry of Corporate Affairs (MCA) and Reserve Bank of India (RBI).

B. Shareholders

The shareholding of SMPL is held by Save Solutions Private Limited.

C. 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.

The Board is responsible to exercise its judgement to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board along with its constituted Committees provides direction and guidance to the Company's Leadership Team and further direct, supervises as well as reviews performance of the Company. As per the Company's Articles of Association, the Board's strength is required to be a minimum of three directors and a maximum of fifteen directors. 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.

The Board has a vital role to play in the matters relating to the policy formulation, implementation and strategic issues which are crucial for the long-term development of the organization.

In addition to the aforesaid, the Board shall periodically review the compliances of all the applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

D. Duties and Responsibilities of the Board of Directors:

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 have the following duties:-

1. A director of a company shall act in good faith in order to promote the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
2. A director of a company shall exercise his duties with due and reasonable care, skill, diligence and shall exercise independent judgment.
3. 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.
4. 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.

E. Composition of Board of Directors

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board, and to progressively review its composition over time.

The current Board of SMPL comprises of 4(Four) Directors, out of whom 3 (Three) are non-executive directors and 1 (One) is nominee director.

F. Board Procedures

The Board is presented with relevant information on various matters relating to the working of the Company especially those that require deliberation at a strategic level, ahead of each Board meeting. All statutory and material information is placed before the Board to enable them in effective and efficient decision-making. The functional heads are invited on need basis to the Board and Committee meetings to appraise the Board on various matters concerning the operations of the Company.

Committees of the Board and Executives

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute 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 approval in subsequent meeting.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted Board Committees.

The terms of reference, role and responsibilities of the aforesaid Committees will be aligned based on the changes in the regulations and business requirements with the approval of board.

The Composition of the various Committees of PFSP in conformity with the applicable rules and regulations.

1. ASSET LIABILITY MANAGEMENT COMMITTEE

In compliance with the requirements under the Code of Corporate Governance framed by the RBI, the Board has constituted the Asset Liability Management Committee.

Chairman	The Chairman of the Committee shall be an independent Director.
Composition	The Committee shall consist of such number of members as may be determined by the Board from time to time.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least once in a Year. The quorum shall be at least two Directors.
Terms of reference	As per Annexure I.

2. RISK MANAGEMENT COMMITTEE

In compliance with the requirements under the Code of Corporate Governance framed by the RBI, the Board has constituted the RISK Management Committee.

Chairman	The Chairman of the Committee shall be an independent Director.
Composition	The Committee shall consist of such number of members as may be determined by the Board from time to time.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least once in a Year. The quorum shall be at least two Directors.
Terms of reference	As per Annexure I.

3. AUDIT COMMITTEE

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013.

Chairman	The Chairman of the Audit Committee shall be Non-Executive Director and who is elected by the members of the Audit Committee
Composition	The Committee shall consist of such number of members as may be required under the provisions of applicable laws.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least once in a Quarter. The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.
Terms of reference	As per Annexure II.

4. NOMINATION AND REMUNERATION COMMITTEE

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Nomination and Remuneration Committee with all Non-executive Directors to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future stakeholders and to ensure 'fit and proper' credential/status of proposed/existing Directors of the Company.

The Committee also discharges the Board's responsibilities relating to the composition of the Company's Directors, KMP's and senior management. The Committee has the overall responsibility of evaluating and approving the compensation plans, policies and programs for Directors, KMP's and senior management of the Company.

Chairman	The Chairman of the Committee shall be appointed by the members. The Chairman of the Company shall not be appointed as the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be required under the provisions of applicable laws.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least once in a Year. The quorum shall be at least two Directors.
Terms of reference	As per Annexure III.

5. IT Strategy Committee

As per RBI Master Direction - Information Technology Framework for the NBFC Sector (RBI/DNBS/2016-17/53 Master Direction DNBS.PPD.No.04/66.15.001/2016-17 June 08, 2017), NBFC-ND-SI are required to conduct gap analysis between their current IT framework and stipulations as laid out in the specified circular. As per above mentioned circular there is requirement of constituting an IT Strategy Committee for review and amend IT strategies as and when required.

Chairman	The Chairman of the Committee shall be appointed by the members. The Chairman of the Company shall not be appointed as the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be required by board.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least two times in a Year. The quorum shall be at least two Directors.
Terms of reference	As per Annexure IV.

Annexure I

Terms of reference of Asset Liability Management Committee and Risk Management Committee

- Addressing concerns regarding asset liability mismatches;
- Achieving optimal return on capital employed while maintaining acceptable levels of risk including and relating to liquidity; market and operational aspects and adhering to the relevant policies and regulations;
- Addressing concerns regarding interest rate risk exposure; and
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.
- To monitor and review the risk management plan:
- To take strategic actions to mitigate the risk associated with the nature of the business;
- To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
- To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.
- To lay down procedure to inform Board members about the risk assessment and minimization procedures.

Annexure II

Terms of reference of Audit Committee

- Recommendation to the Board the appointment, remuneration, replacement or removal and terms of Appointment of statutory auditors of the company;
- Review and monitor the auditor's independence and performance, and effectiveness of the audit process;
- Examination of the financial statement and the auditor's report thereon;
- Approval or subsequent modifications of transactions of the Company with the related parties;
- Valuation of undertaking or assets of the company, wherever it is necessary;
- Evaluation of Internal financial controls and risk management systems;
- Scrutiny of Inter-corporate Loans and Investment;
- Monitoring the end use of funds raised through public offer (if any) and related matter.

Annexure III

Terms of reference of Nomination and Remuneration Committee

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the Remuneration of the Directors, Key Managerial Personnel and other Employees;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

Annexure IV

Terms of reference of Nomination and Remuneration Committee

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

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