



RAR FINCARE LIMITED

Governance Framework

Contents	
Introduction	3
Objective	3
Board of Directors.....	3
Fit & Proper Criteria for Directors	3
Size of the board	Error! Bookmark not defined.
Board Composition	4
Independent Directors.....	4
Attendance at Board Meetings.....	4
Minutes	4
Board Committees.....	6
Corporate Governance Structure	Error! Bookmark not defined.
Audit Committee	6
Nomination & Remuneration Committee	7
Risk Committee of the Board.....	8
Inculcate risk culture within the organization Disclosure and Transparency.....	9
Rotation of Partners of the Statutory Auditors Audit Firm	9
Other Policies.....	9
Other Committees	9
Credit Committee	9
Asset-Liability Committee (ALCO).....	10
IT Strategy Committee	Error! Bookmark not defined.
Review.....	0

Introduction

In order to enable Companies to adopt the best practices and greater transparency in their operations, the Ministry of Corporate Affairs (MCA), Institute of Company Secretaries of India (ICSI) and the Reserve Bank of India (RBI) have issued guidelines, standards and circulars, based on which the Company has framed the following internal Guidelines on Corporate Governance.

Corporate governance is responsible for setting the rules, processes and practices by which a company is managed. Corporate governance is the primary responsibility of the Board. The Board performs its duties with the support of management staffs. Timely and accurate disclosure of financials, performance, governing structure and ownership of the company is an important part of corporate governance. This corporate governance code will help the board in balancing the interest of all stakeholders including customers, regulators, shareholders and the community in large and guiding the company in the most transparent, efficient and ethical manner.

Objective

RAR Fincare Limited's corporate governance philosophy is aimed at assisting the management in conducting the business in the most efficient, compliant, and transparent manner.

Board of Directors

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

The Board may, at its discretion and in line with the prevailing applicable laws, form sub Committees of the Board that may carry out some of the functions of the Board. The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company. The Board of Directors along with its constituted Committees shall provide direction and guidance to the Company's Leadership Team and shall further supervise and review the performance of the Company. As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly discharge their responsibilities.

The Board shall be responsible for overall compliance with the corporate governance of the Company and oversee the business affairs, in doing so the Board must act honestly, in good faith and in the best interests of the Company. Further the Board will have 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.

Fit & Proper Criteria for Directors

The Company shall ascertain the fit and proper criteria of directors at the time of appointment and on a continuing basis. The Nomination and Remuneration Committee shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

Board Composition

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013, the Articles of Association of the Company and other regulatory requirements.

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10. None of the Directors on the Company's Board shall be a Member of more than 10 Board Committees and Chairman of more than 5 Board Committees across all companies in which they are Directors. All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013 and the relevant RBI regulations. They shall be eligible for sitting fees for attending the meetings of the Board, Committees', etc. They shall also be eligible for commission on profits if approved by the Board. The sitting fees and commissions payable, if any, shall be within the prescribed limits of the Companies Act, 2013 and as approved by the Board and Shareholders. Apart from sitting fees and commission, the Independent Directors shall also be eligible for reimbursement of expenses incurred for attending the Board and other meetings.

Other Non-Executive Directors of the Company shall be eligible for compensation as may be approved by the Board.

Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

Minutes

The minutes of all meetings of the Board shall be circulated to the Board and shall be noted in the consequent Board Meeting.

Functions and responsibilities of the Board

The broad functions and responsibilities of the Board include (but are not restricted to) the following.

1. The Board is responsible for setting the strategic goals of the Company and for oversight of the management of the Company and direction of its business strategy, with the ultimate aim of increasing shareholders' value and protecting the interests of the investors.
2. In carrying out its principal function, the Board's specific responsibilities include:
 - i) providing strategic direction for, and approving, the Company's business strategies and objectives;
 - ii) monitoring the operational and financial position and performance of the Company;
 - iii) reviewing reports from Senior Management regarding the extent of compliance with the Company's policies and evaluating the effectiveness of these policies;
 - iv) identifying the principal risks faced by the Company and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;

- v) requiring that financial and other reporting mechanisms be put in place by the Chief Executive Officer (CEO) which will result in adequate, accurate and timely information being provided to the Board and other stakeholders of all material developments relating to the Company;
- vi) appointing the CEO, approving other key executive appointments and planning for executive succession;
- vii) overseeing and evaluating the performance of the CEO, and other senior executives, in line with the Company's business strategies and objectives;
- viii) instituting and implementing procedures for the annual review and evaluation of the performance of the Board;
- ix) reviewing and approving remuneration for the senior executives of the Company;
- x) approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditures, investment recommendations, fund performance etc.
- xi) establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
- xii) adopting appropriate procedures to ensure compliance with all laws, regulatory requirements and accounting standards;
- xiii) approving, and reviewing from time to time, the Company's internal compliance procedures, including any codes of conduct and taking all reasonable steps to ensure that the business of the Company is conducted in an open and ethical manner;
- xiv) reviewing and, to the extent necessary, amending Committee and other Charters and Policies.

Board Committees

To focus on the critical functions of the Company, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company. The Board shall have the following sub committees:

- Audit Committee
- Nomination & Remuneration Committee
- Risk Committee

The terms of reference of the above-mentioned Committees shall be determined by the Board from time to time.

The board shall constitute additional sub committees from time to time to abide with prevalent regulatory/statutory requirements.

Audit Committee

Composition

The Audit Committee shall comprise of at least three directors. Two-thirds of the members of audit committee shall be independent directors.

Majority of the members of the Committee including its Chairperson shall be persons with ability to read and understand the financial statements.

The members of the Committee shall elect a Chairperson from amongst themselves.

Quorum

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee.

Meetings

The Committee shall meet at least four times a year and not more than 120 days shall intervene between two consecutive meetings.

The Chief Financial Officer, Internal Auditor, a Representative of the Statutory Auditor and any other person as may be decided by the Board or the Committee may be invited to be present as invitees for the meetings of the Audit Committee, wherever necessary.

The Auditors of the Company and the Key Managerial Personnel shall have a right to be heard at the meetings of the Audit Committee when it considers the Auditor's Report but shall not have the right to vote.

Powers

The Audit Committee shall act and has powers in accordance with the terms of reference specified in writing, by the Board, which shall inter alia include the following:

- a) To investigate any activity within its terms of reference
- b) To seek information from any employee
- c) To obtain outside legal or other professional advice
- d) To secure attendance of outsiders with relevant expertise, if so considered necessary

Responsibilities

The Audit Committee shall have discussions with the auditors periodically about internal control systems, the scope of audit including observations of auditors and review the audited / unaudited quarterly and annual financial statements before submission to the Board and oversee compliance of internal control systems. Its responsibilities shall inter alia include:

- a) The recommendation for appointment, remuneration and terms of appointment of auditors of the company
- b) Review and monitor the auditor's independence and performance, and effectiveness of audit process
- c) Examination of the financial statement and the auditors' report thereon
- d) Approval or any subsequent modification of transactions of the company with related parties
- e) Scrutiny of inter-corporate loans and investments
- f) Valuation of undertakings or assets of the company, wherever it is necessary
- g) Evaluation of internal financial controls and risk management systems
- h) Monitoring the end use of funds raised through public offers and related matters
- i) 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 discuss any related issues with the internal and statutory auditors and the management of the company
- j) Shall have authority to deal with or investigate into any matter in relation to the items herein or referred to it by the Board of Directors of the Company, Reserve Bank of India, Securities Exchange Board of India and recognized Stock Exchange, 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
- k) Establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed
- l) Review the Company's arrangements for its Directors and employees to report concerns about unethical behavior, actual or suspected fraud, violation of the Company's code of conduct and terms of service. The Audit committee shall oversee the effective implementation of the vigil mechanism of the Company
- m) 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 company

Nomination & Remuneration Committee

Composition

The Nomination and Remuneration Committee (NRC) shall consist of three or more directors. The Committee shall consist of three or more Non-Executive Directors and not less than one-half shall be Independent Directors.

The members of NRC shall elect a Chairperson from amongst themselves. However, the Chairperson of the Company may be appointed as a member of the NRC but shall not chair the said Committee.

Quorum

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.

Responsibilities

- a) To identify 'Fit & Proper' persons who are qualified to become directors
- b) To recommend to the Board, appointment of Directors and removal whenever the need so arises
- c) To carry out director performance evaluation
- d) To review the overall compensation structure and policies with a view to retain and motivate the company's employees, and review the company's positioning in the industry in relation to compensation levels, through compensation surveys etc. to ensure that employee compensation is benchmarked to similar sized organizations held at regular intervals as per the directives of the board. Also consider any other compensation related issues or matters relating to the company's employees

Risk Management Committee of the Board

The Company should have a Board approved Risk Management Policy in place and required disclosures to the effect are made from time to time]

Composition

As per Reserve Bank of India guidelines, the Board of Directors shall constitute Risk Management Committee (RMC) to manage the integrated risks of the Company, as a good corporate governance practice. The committee should have a minimum three members appointed by the Board of Directors. The members of Risk Committee shall elect a Chairperson from amongst themselves, who shall Chair this Committee. This Committee shall meet on quarterly basis and minimum 4 such meetings be held in a financial year.

Quorum

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.

Responsibilities

- a) Approve and monitor the Company's risk management policies and procedures
- b) Review portfolio and its delinquency at a product level
- c) To review IT Risk assessment of IT systems
- d) Review compliance with risk policies, monitor breaches / triggers of risk tolerance limits and directs action
- e) Reporting to the Board of Directors of the Company on periodical basis on the above matters
- f) Inculcate risk culture within the organization

Performance Evaluation

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
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 be as provided by the Nomination and Remuneration Committee & Board
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

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

Disclosure and Transparency

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:

- 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 etc.

Rotation of Partners of the Statutory Auditors Audit Firm

As per the Guidelines for Appointment of Statutory Auditors for NBFCs issued by Reserve Bank of India (RBI) vide ref. no. RBI/2021-22/25 - DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, in order to protect the independence of the auditors/audit firms, the Company appoints the Statutory Auditors for a continuous period of 5 years. The Signing partner at the end of 3 year period shall be changed. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure compliance.

Other Policies

The Company has put in place relevant policies as per the regulatory guidelines which shall form part and parcel of the overall corporate governance framework of the Company

Other Committees

In addition to the board committees, different other committees of the Board can be constituted as per regulatory and operational requirements of the Company. Some Committees and their constitution are written hereunder:

Credit Committee

Key Role

The Credit Committee shall ensure complete ownership of the credit policy document to ensure its continuing suitability and effectiveness in satisfying RAR Fincare Limited's stated risk appetite and business objectives. In case of any significant additions/ modifications to the Credit or Product note, an approval must be sought from the Board.

The Credit Committee is empowered to make minor changes to the credit policy subject to the condition that the same is operational in nature and does not contradict the guideline set by the Board of Directors. Any changes made shall be highlighted to the Board during the annual policy review

Once approved, the same should be communicated to the branches / controlling offices for effective implementation. The Credit Committee shall be responsible for enforcing the credit risk policy approved by the Board.

Responsibilities

The Credit Committee's purpose is to act on behalf of the Board in fulfilling the following responsibilities:

- Oversight of credit and lending strategies and objectives of the company
- Oversight of the credit risk management including review of internal credit policies and establishing of exposure norms and credit limits
- Reviewing the portfolio (asset) quality and performance periodically
- Sanction of loans at threshold determined by the Delegation of Powers

Membership: The Credit Committee shall consist of the following members:

- Three directors of the company, out of which one should be independent director
- CEO

Meetings and Quorum: The Credit Committee shall convene annually to review the policy. Other meetings of the committee shall be held on an ad-hoc basis, as required to execute the responsibilities of the Committee.

Meeting Venue: To execute any responsibilities, the Credit Committee shall convene at RAR Fincare Limited Corporate Head Office in Chennai. In the occasion of logistical constraints and impending delay on decision making, the meeting can also be conducted via video or tele-conference. It is compulsory that the minutes of meeting are captured and documented accurately.

Business Decision tagging: Individual veto powers will not be assigned to any members of the Credit Committee. Certain approvals may be decided by the Business representative of Credit Committee after consulting with the other committee members. Such cases shall be tagged in the system as "Business Decision"

Asset-Liability Committee (ALCO)

This Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBR/2016-17/44 DNBR. PD.007/03.10.119/2016-17 dated September 01, 2016, on NBFC-Non-Systematically Important Non-Deposit taking Company and Deposit taking Company Directions, 2016. 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 details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition

As per the Reserve Bank of India guidelines on Asset-Liability Management (ALM) System in Non- Banking Financial Companies (NBFCs), it is necessary: -

- To formulate and review Asset-Liability Management Policy of the company
- To constitute The Asset-Liability Committee (ALCO) to oversee the risk management policy/strategy of the Company relating to liquidity, interest rate and asset liability gap
- The committee should be headed by CEO and members would include CEO, Credit Head, Operations Manager F&A Manager

The members of Asset Liability Committee shall elect a Chairperson from amongst themselves, who shall Chair this Committee. This Committee shall meet on quarterly basis and minimum 4 such meetings be held in a financial year.

Quorum

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.

Meetings

The Committee shall meet at least two times a year and not more than 6 months shall intervene between two consecutive meeting.

Responsibilities

- a) Review and management of liquidity gaps and structural liquidity of the Company
- b) Review and management of interest rate sensitivity of the Company
- c) Develop a view on future direction on interest rate movements and decide on funding mixes
- d) Reporting to the Board of Directors of the Company on periodical basis on the above matters
- e)

Internal Controls

The Board is responsible for the Company's system of internal controls over the financial reporting and for reviewing its effectiveness. The Board shall establish an on-going process for identifying, evaluating and managing the significant risks faced by the Company. The Company's internal audit Head/Internal Auditor shall be responsible to submit formal quarterly reports to the Board, detailing the steps taken to monitor the areas of internal risk and details of any known internal control failures.

Code of Business Conduct and Ethics

The Company believes that independence, responsibility, transparency, professionalism, accountability and code of ethics are the basic tenets of corporate governance. The Company shall focus on corporate governance as a means to maximize long-term stakeholders' value through disciplined and sustained growth and value creation.

This Code of Business Conduct and Ethics helps to ensure compliance with legal requirements and standards of business conduct. The Head of Compliance shall be the Compliance Officer for the purposes of the Code.

In performing their functions, the directors and the employees of the Company shall:

- Act honestly, diligently and in good faith and integrity with due care, competence and diligence, without allowing their independent judgement to be subordinated in all their dealings with and for the Company; act in the best interests of the Company and its shareholders and fulfil the fiduciary obligations; and not engage in conduct likely to bring discredit upon the Company.
- Not use any confidential information obtained by them in the course of their official duty, whether from the Company or otherwise, for personal gain, or use/ allow the use of such information for the financial benefit for any other person.
- Not engage in any business, relationship or activity, which might detrimentally conflict with the interest of the Company.
- All Board members and Senior Management shall comply with all applicable laws, rules, regulations and guidelines, and shall report actual non-compliances, if any, of law, this Code, or other policies or procedures to the Board

- Maintain the principle of “need to know” and also confidentiality of all material non-public information about the Company, its business and affairs.
- Not to use their status to seek or accept any personal gains or favors from those doing or seeking to do business with the Company or from other employees of the Company
- Not share any information regarding the Company, its business and/ or affairs with media without the prior approval of the CEO.
- Giving and receiving gifts: An employee of the Company shall:
 - Not accept, any gifts¹/ donations/ comparable benefits in cash or kind, if it is likely to lead to a business relationship with the Company, provided that non-cash gifts up to a value not exceeding INR 5000/- can be accepted. If refusing a gift beyond this value would affect a relationship with the Company, the gift may be accepted and handed over to the Company, subject to the approval of the Executive Director/CEO.
 - Give gifts/donations/ comparable benefits in cash or kind, provided that such non-cash gifts given do not exceed a value of INR 1000/-, restricted to a maximum of INR 5000/- in a year. Any Gifts, in cash or in kind, exceeding a value of INR 1,000/- (Indian Rupees One Thousand Only) or beyond the annual limit as stated above, shall require the prior approval of the Executive Director/CEO of Samunnati. All Gifts given shall be recorded and explained in the expense claim form of the employee, in a proper and timely manner. All Gifts given shall be in line with all applicable rules, laws and regulations and shall not include alcohol or such other prohibited items.

In addition, in performing their Board and Committee functions, the directors shall:

- Not hold position of director/ advisor with a competitor Company

¹ A “Gift” is anything of value that is given to or received from any person or organization with which The Company does business or is actively considering doing business (e.g., vendors, consultants, customers) or with which the Company competes or any person employed by any such organisation, or that otherwise directly or indirectly relates to a person’s employment with The Company.

Gifts include—but are not limited to—gifts; meals; lodging; loans; cash; gratuity; favor; entertainment; fee; commission; favorable terms or discounts on any product or service; services; equipment; prizes; products; transportation; use of vehicles, vacation, or other facilities; stocks or other securities; home improvements; tickets; gift certificates; gift cards; discount cards; memberships; employment or consulting relationships or services; or any other form of compensation or benefit.

A Gift is considered given or received by a Company Employee if the Gift is given or received by any of the following:

- The employee; Any family member or relative of the employee, including, but not limited to, payments to or by, or employment of, any such family member or relative; or
- Any other person or entity at the employee’s direction or for the employee’s benefit.

- In case a director/Member is on the Board of a company/is engaged in a related business, the Board shall specifically take note and approve of these interests.
- Inform the Company and the Chairman of changes in their interests that may interfere with their ability to perform their duties, and in the case of “Independent directors”, impact their independence as a Board Member.

This code embodies the belief that acting always with the Company’s legitimate interest in mind and being aware of the Company’s responsibility towards its stakeholders is an essential element of the Company’s progress towards long term excellence.

Review

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

Reviewed and updated by the Board in its meeting held on June 26, 2024