

# GUIDELINES ON CORPORATE GOVERNANCE

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Sr. No.	Particulars
1	Purpose
2	Policy
3	Administration
4	Regulatory Framework
5	Applicability
6	Audit Committee
7	Nomination and Remuneration Committee
8	Risk Management Committee
9	Asset Liability Management Committee
10	Corporate Social Responsibility Committee
11	ROTATION OF PARTNERS OF STATUTORY AUDITORS' AUDIT FIRM
12	Disclosure and Transparency

## **GUIDELINES ON CORPORATE GOVERNANCE**

### **Purpose**

Corporate governance is a way of life and not a set of rules. Corporate governance is a set of process, practices, policies, procedures, rules and laws that affect the way of business is conducted. It is a set of systems and processes aimed to ensure that a company is managed to suit the best interests of all. It is a necessary condition, and not a sufficient condition for succeeding. Corporate governance brings about a right balance between the expectations of the owners, employees, customers and all other stakeholders. With the help of sound corporate governance frameworks, an organization can achieve excellence in everything that that they do.

### **Policy**

Professionals associated with Unimoni Financial Services Limited (“Unimoni”) have a challenging period ahead keeping track of legislative reforms and technological developments, understanding their impact on one’s duties and responsibilities. The employees of Unimoni bind themselves by a code of conduct to ensure highest level of independence, integrity, innovation and excellence. They are expected to use their capacity, knowledge and resources towards maximization of stakeholders’ value and well-being and progress of humankind through transparency, accountability and truthful disclosure of state of affairs.

This document contains the internal guidelines relating to Corporate Governance of Unimoni and is by no means comprehensive in terms of applicability. It is understood by all that Corporate Governance is a fast-evolving subject and we will need to upscale ourselves every time new facts and situations come up. The guidelines are the bare minimum requirement relating to functioning of Audit Committee, Nomination Committee, Asset Liability Management Committee, Corporate Social Responsibility Committee and Risk Management Committee.

### **Administration**

The Corporate Governance Policy is to be approved by the Board and any updates or modifications in the same is to be placed before the Board. Further the policy would be subject to an annual review.

### **Regulatory Framework**

Reserve Bank of India (RBI) vide its Circular No. RBI/2006-2007/385 DNBS.PD/CC 94/03.10.042/2006-07 dated May 8, 2007 and RBI/2014-15/299 DNBR (PD) CC. NO. 002/03.10.001/2014-15 dated November 10, 2014 read with DNBR (PD) CC.No. 024/ 03.10.001/ 2014-15 dated March 27, 2015 on Revised regulatory Framework for NBFCs has advised all the Non-Banking Financial Companies with asset size of Rs. 500 crores and above (NBFC-ND-SI) to frame internal guidelines on Corporate Governance.

### **Applicability**

This Guideline applies to all employees and persons associated with Unimoni. This also applies to Directors (including Independent Directors) of Unimoni. To the extent it relates to the Rotation of Auditors, the same shall apply to the Statutory Auditors of the Company.

Pursuant to the said circular the following has been laid down:-

### **AUDIT COMMITTEE**

The Board of Directors of the Company should constitute an Audit Committee, consisting of not less than three members of its Board of Directors. Members of Audit Committee shall be decided and appointed by Board of Directors from time to time, majority being Independent Directors.

Explanation I: The Audit Committee constituted by a non-banking financial company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of this paragraph.

### **Frequency of Meetings**

A meeting of the Committee will be held on a periodical basis, as and when decided by the Members.

### **Terms of Reference**

The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013 including the following –

1. The recommendation for appointment, remuneration and terms of appointment of auditors of the company;
2. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
3. Examination of the financial statement and the auditors' report thereon;
4. Approval or any subsequent modification of transactions of the company with related parties;
5. Scrutiny of inter-corporate loans and investments;
6. Valuation of undertakings or assets of the company, wherever it is necessary;
7. Evaluation of internal financial controls and risk management systems;
8. Monitoring the end use of funds raised through public offers and related matters.
9. To oversee the vigil mechanism.
10. 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.
11. Such other incidental matters or transactions as the Committee may deem fit for recommendation.

## **NOMINATION AND REMUNERATION COMMITTEE**

The importance of appointment of directors with 'fit and proper' credentials is well recognised in the financial sector. In terms of Section 45-IA (4) (c) of the RBI Act, 1934, RBI while considering the application for grant of Certificate of Registration to undertake the business of non-banking financial institution it is necessary 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 shareholders, clients, etc. Accordingly, a Nomination Committee to ensure 'fit and proper' status of proposed/existing Directors should be formed.

In accordance with the provisions of Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014 ("the Rules"), the Company is required to constitute the Nomination and Remuneration Committee comprising minimum of 3 Non-Executive Directors with half of the members being Independent Directors. The Board has approved a Nomination and Remuneration Policy which explains the terms and reference of the Committee.

### **Frequency of Meetings**

A meeting of the Committee will be held on a periodical basis, as and when decided by the Members.

## **RISK MANAGEMENT COMMITTEE**

The Board shall constitute a Risk Management Committee which shall assist the Board in monitoring the progress made in putting in place a progressive risk management system in line with the business operations, and the risk mitigating mechanisms and the review of risk management policies undertaken from time to time. The Committee shall consist of atleast one Independent Director and shall meet at periodical basis from time to time as may be decided by the members. A separate Risk Management Policy has been approved by the Board which explains the terms and reference of the Committee.

## **ASSET LIABILITY MANAGEMENT COMMITTEE**

The Board shall constitute an Asset Liability Management Committee which shall be responsible for ensuring adherence to the limits set by the Board with respect to Asset-Liability Management in line with Company's budget and overall business objectives. The Committee shall consist of at least one Independent Director and shall meet at periodical basis from time to time as may be decided by the members. The broad objectives of forming the Committee are as follows:

### Liquidity Management

o Ensuring availability of adequate liquid resources with a view to keep maturity mismatches in the Balance Sheet of the Entity within desired levels; and

### Interest Rate Risk Management in the Institution

o Reviewing Interest Rates Scenario and decide on the desired composition of various portfolios;  
o Capture the sensitivity of Market Value of its Equity (MVE) to interest rate movements

### Profit Planning

o Positioning in order to maximize shareholder value while protecting the company from any adverse consequences arising from liquidity and interest rate risk.

A separate ALM Policy has been approved by the Board which explains the terms and reference of the Committee.

## **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Board shall constitute a Corporate Social Responsibility Committee which shall consider, discuss and undertake all the required steps to implement the Corporate Social Responsibility activities of the Company and that the Committee shall be ensure to formulate and recommend a Corporate Social Responsibility Policy to the Board and also to monitor and review the implementation of the policies from time to time. The Committee shall consist of at least one Independent Director and shall meet at periodical basis from time to time as may be decided by the members. A separate CSR Policy has been approved by the Board which explains the terms and reference of the Committee.

## **ROTATION OF PARTNERS OF STATUTORY AUDITORS' AUDIT FIRM**

Section 139(2) of the Companies Act 2013, provides that every listed company and such class of companies as prescribed by way of rules shall comply with the requirement for rotation of the auditors. Rule 5 of the Companies (Audit and Auditor) Rules, 2014 provides for the classes of companies that need to comply with this sub-section. The class of companies include:

- a. unlisted public companies having paid up share capital of rupees ten crores or more;
- b. private limited companies having paid up share capital of rupees twenty crores or more;
- c. companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more

Therefore, all listed companies and the companies mentioned in a. to c. above will have to comply with the requirement for rotation of auditors. Companies Act, 2013 does not lay down any mandatory rotation of the auditing partner. In this regard, Section 139(3) of the CA, 2013 merely empowers the members to prescribe for rotation of auditing partner and his team at such intervals as they may deem appropriate.

However, RBI, vide its circular dated 10th November 2014 revised the regulatory framework for NBFCs including changes in the corporate governance regime. As per the revised framework on corporate governance, the RBI Guidelines for 'Rotation of partners of the statutory auditors audit firm' dated December 12, 2005, has been made mandatory for all non-deposit taking NBFCs with asset size of Rs. 500 crores and above.

Accordingly, all NBFC-ND-SI are mandatorily required to rotate the partners of the auditing firm appointed to conduct the statutory audit of the NBFC, every 3 years so that same partner does not conduct audit of the company continuously for more than a period of 3 years. However, the partner so rotated will be eligible for conducting the audit of the NBFC after an interval of 3 years, if the NBFC, so decides. Companies may incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

UNIMONI shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years.

However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company so decides. Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

### **DISCLOSURE AND TRANSPARENCY**

The Company shall put up to the Board of Directors, at regular intervals or atleast on an annual basis, the following:

- i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
- ii. conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

The Company shall disclose in their Annual Financial Statements, such information as prescribed Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended by RBI from time to time) or such other RBI Directions as applicable from time to time.

These internal guidelines on corporate governance, as approved by the Board of Directors, may be published on the company's website, if any, for the information of various stakeholder.