



**BOARD POLICY ON CONSTITUTION OF BOARD OF DIRECTORS AND  
CORPORATE GOVERNANCE GUIDELINES**

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### **1. INTRODUCTION**

#### **1.1 Nature and Purpose of The Constitution of Board Policy:**

### **2. BOARD STRUCTURE**

#### **2.1 Size of the Board**

The Company's AOA prescribe that the number of Directors of the Company which shall constitute the whole Board shall not be less than two and not more than 12. The exact number of Directors within such range shall be fixed from time to time by resolution of the Board. The Board currently believes that the optimum number of directors is between 5 and 8.

#### **2.2 Selection of Director**

Nominees for directorship will be recommended to the Board by the Nominating and Remuneration Committee in accordance with the policies and principles set forth. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

The Board is responsible for nominating members to the Board and for filling vacancies on the Board that may occur between annual meetings of shareowners, in each case based upon the recommendation of the Nominating and Remuneration Committee.

#### **2.3 Director Qualifications**

Each director shall be an individual, at least 18 years of age, shall not have the status of bankrupt and shall not have been declared incapable by a court in India or in another country. If a person being a director:

- Resigns from office by tendering a written resignation to the Board secretary;
- Dies;
- Is declared incapable by a court in India or abroad;

Such person thereupon ceases to be a director

Not less than 1/3<sup>rd</sup> of the Board shall have independent directors. The Nominating Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include evaluation of the members' independence, as well as consideration of diversity (including gender, age, ethnic background, geographic origin and professional experience), talent, skills, and other experience in the context of the needs of

the Board. He or she should have ability to build strong relationship between the organization and stakeholders.

The Nominating and remuneration Committee will review such standards at least annually and recommend any appropriate changes to the Board for consideration.

Board should evaluate when considering candidates for nomination as Directors.

#### **2.4 Vacancies on the Board**

- I. In the event that a vacancy occurs on the Board, remaining directors , provided there is a Quorum, may fill any vacancy on the Board (Other than a vacancy resulting from an increase in the number of the minimum or maximum number of Directors provided for in the Article), call a meeting of members for the purpose of filling the vacancy on the Board in accordance with the applicable Section of the Companies Act 2013.
- II. During the intervening period until the election of the replacement Director, the directors remaining in office may exercise all the powers of the Board provided that, a quorum of Directors is available or present.

#### **2.5 Removal of Directors**

The members entitled to vote may, by resolution passed by a majority of the vote cast at a meeting of which notice specifying the intention to pass the resolution has been given, remove any director before the expiration of the term of office of such directors, and in any such case, the vacancy so created shall be filled in the manner prescribed for filling vacancies in the office of directors.

#### **2.5 Quorum**

A Quorum for the transaction of business at meeting of the Board shall be the 1/3<sup>rd</sup> of the board or 2 whichever is higher.

#### **2.6 Meeting of the Board**

Meeting of the Board and of Committee of the Board may be held at any place within India as designated in the notice calling for the meeting. Directors' meeting may be called by : i) the chairman , or ii) Company Secretary or iii) any director upon the requisition of not less than 1/3<sup>rd</sup> of the number of Directors.

#### **2.6 Notice**

Subject to the provisions of the Companies Act 2013, notice of meeting of Directors or of Committees of the Board shall be given by hand ,or by mail or by post or courier to each director not less than 7 days before the meeting date:

#### **2.7 Chairman**

The chairman of the Company shall be the Chairman of all meetings .The chairman when present, shall preside all meetings of the Board. The chairman shall sign all documents

requiring his signature and have other powers and duties from time to time prescribed by the Board or incidental to his office.

## **2.8 Company Secretary**

The Company Secretary shall perform the tasks and functions normally performed by a secretary as well as such other duties as may from time to time be prescribed by the Board and record all votes and minutes of all proceedings in the books to be kept for that purpose. Company Secretary shall give or cause to be given notice of all meetings of the members and the Board, and shall perform such other duties as may be specified by the Board.

## **3. OPERATION OF THE BOARD**

### **3.1 Directors Responsibilities**

The basic responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareowners. The Board shall manage or supervise the management of the Company. In discharging that obligation, directors shall rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors.

In furtherance of its responsibilities, the Board of Directors will:

- Review, evaluate and approve, on a regular basis, long-range plans for the Company.
- Review, evaluate and approve the Company's budget and projections.
- Review, evaluate and approve major resource allocations and capital investments.
- Review the financial and operating results of the Company.
- Review, evaluate and approve the overall corporate organizational structure, the assignment of senior management responsibilities and plans for senior managements' development and succession.
- Review, evaluate and approve compensation strategy as it relates to senior management of the Company.
- Adopt, implement and monitor compliance with the Company's Code of Conduct.
- Review periodically the Company's corporate objectives and policies relating to social responsibility.
- Review and assess the effectiveness of the Company's policies and practices with respect to risk assessment and risk management.

### **3.2 Board and Committee Meetings; Attendance at Annual Shareowner Meetings**

Regular Board meetings will be held approximately six to eight times per year, and special meetings will be called as necessary. A schedule of locations of the regular meetings will be provided to the Directors well in advance. Directors are expected to attend Board meetings and meetings of the committees on which they serve. Directors should spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities.

### **3.3 Agenda Items for Board and Committee Meetings**

The Chairman will finalise the agenda for each Board Meeting. Each Director is free to suggest the inclusion of items on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be prepared by the Company Secretary and provided to the Directors approximately one week prior to each Board meeting. Directors should review these materials in advance of the meeting. Subject to any applicable notice requirements, Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such meetings.

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. A detailed agenda and, to the extent feasible, supporting documents and proposed resolutions will be prepared by the Company Secretary and provided to the committee members approximately one week prior to each committee meeting. Committee members should review these materials in advance of the meeting.

### **3.4 Board of Directors' Compensation and Remuneration**

Non-employee Directors shall receive reasonable compensation for their services as such. Directors who are employees of the Company or any of its subsidiaries shall receive no additional compensation for serving as Directors. The form and amount of Directors' Compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth and the Compensation Committee will conduct an annual review of Directors compensation.

#### **Remuneration:**

Directors shall receive the following Remuneration.

Rs.5000 per meeting for each board meeting inclusive of the committee.

### **3.5 Director Orientation and Education**

Management will provide new Directors with an initial orientation in order to familiarize them with their responsibilities as Directors under various areas of the Company and its strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its senior management's functional areas, and its internal and independent auditors.

In order to facilitate the Directors' fulfillment of their responsibilities regarding continuing education and to enhance each Director's knowledge of the Company, the Company's business operations and the latest developments in corporate governance, it is appropriate for management to provide Directors with the following:

- Educational programs supplemental to the initial orientation to explain the Company's business operations, including its technology, products and market position.
- Access to, or notice of, continuing educational programs that are designed to keep Directors abreast of the latest developments in corporate governance matters and critical issues relating to the operation of public company boards.
- Material that contains information pertaining to (i) the Company's industry and (ii) comparisons of the Company with its major comparable competitors.
- A legal review for the Board, at least annually, of (i) the status of major litigation, (ii) compliance with significant regulatory requirements affecting the Company and (iii) corporate governance matters.

### **3.6 Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the CMD or the Secretary or directly by the Director. The Directors will use their judgment to ensure that any such contact is not disruptive and detrimental to the business operations of the Company and will, to the extent not inappropriate, copy the CMD on any written communications between a Director and an officer or employee of the Company.

### **3.7 Independent Advisors**

The Board and each committee have the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board or the committee, without consulting or obtaining the approval of any officer of the Company. The Company will provide for appropriate funding, as determined by the Board or committee, for payment of compensation to any such counsel, experts or advisors retained by the Board or a committee.

## **4. TRAVEL EXPENSES POLICY**

Company will reimburse out of pocket travel expenses of members of the Board of Directors. Company staff shall ensure that the appropriate form is provided to the Board of Directors. Original receipts are required for all expenses claimed.

### **4.1 Accommodation**

Single-room hotel accommodation will be reimbursed wherever required.

## **5. TERM LIMITS**

The Board does not believe it should establish term limits. Term limits hold the disadvantage of losing the contribution of Directors who have been able to develop, over a

period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

## **6. DIRECTOR RETIREMENT**

The Board's retirement age policy provides that non-employee Directors will not ordinarily stand for election for any term that begins after their 75<sup>th</sup> birthday. Directors who are employees of the Company or any of its subsidiaries will retire from the Board coincident with their retirement or cessation as employees.

## **7. RESIGNATION FROM THE BOARD**

Any Director may resign at any time by giving notice in writing to the Chairman of the Board. Such resignation shall take effect upon receipt thereof or at any later time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

## **8. OTHER COMMITTEES**

### **8.1 Audit Committee**

#### **Audit Committees Roles and Responsibility**

- I. Review and recommend approval of the board financial policies of the Company, including the yearly operational plans and budgets.
- II. Review the financial position of the Company.
- III. Formulate recommendations on the financial statements.
- IV. Provide directions for and review Company's internal audit program.

### **8.2 Nomination and Remuneration Committee**

#### **Nomination and Remuneration Committee Roles and Responsibility shall be to**

- To review annually, the Board's committee structure and composition and to make recommendations to the Board regarding the appointment of directors to serve as members of each committee and committee chairpersons
- assist the Board in discharging its responsibilities relating to compensation of the Company's directors.

- formulate the criteria for determining qualifications, positive attributes and independence of a director and for performance evaluation of independent directors on the Board;
- Oversee the Company's nomination process for the top level management and identify, screen and review individuals qualified to serve as executive directors, non-executive directors, independent directors and senior management Consistent with criteria approved by the Board;
- recommend appointment and removal of directors to the Board, for approval at the annual meeting of shareholders;
- carry out evaluation of the performance of the Board (vii) leadership development;
- develop and maintain corporate governance policies applicable to the Company;

The purpose and responsibilities of the committee shall include such other items as may be prescribed by applicable law or by the Board in compliance with applicable law from time to time.

#### **Meetings and reports**

- The committee shall meet at least four times a year at such times and places as it deems necessary to fulfil its responsibilities.
- The committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.
- The committee shall make regular reports to the Board regarding its actions and make recommendations to the Board as appropriate.

### **8.3 Risk Management Committee and Grievances Committee.**

It shall consist of three members.

The majority of Committee shall consist of members of the Board of Directors. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

Roles and Responsibilities of the Risk Management Committee and Grievances Committee



## **Background**

Enterprise risk management was not mandatory according to the Companies Act 1956. However, as per the new law, there are specific requirements that a company needs to comply with. This document lays down the framework of Risk Management at the Navachetana Microfin Services Private Limited. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

The main idea of forming the Grievance Committees is to resolve the Grievances received by the organization.

### **Roles and Responsibilities of the Risk Management Committee:**

- The committee shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- The committee shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- The committee shall delegate monitoring and reviewing of the risk management plan and such other functions as it may deem fit.

### **Roles and Responsibilities of the Grievance Committees**

- The committee shall identify the grievances received in the organization from the clients.
- Committee shall see the type of grievances and take appropriate action to resolve the grievances.