

**MICROFIRM CAPITAL PRIVATE LIMITED**  
**INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

---

<b>Version</b>	<b>Approval Date and Effective Date</b>	<b>Approved by</b>
<b>Version 1</b>	<b>21-03-2023</b>	<b>Board of Directors</b>

## Table of Contents

I. INTRODUCTION.....	3
II. OBJECTIVE.....	3
III. GOVERNANCE STRUCTURE.....	3
IV. VIGIL MECHANISM.....	9
V. DISCLOSURE AND TRANSPARENCY.....	9
VI. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S) .....	9
VII. FIT AND PROPER CRITERIA.....	10
VIII. REVIEW AND AMENDMENT.....	10
IX. CHANGE CONTROL RECORD.....	10

## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

### **I. INTRODUCTION**

Microfirm Capital Private Limited (the “**Company**”) is a Non- Banking Financial Company. In terms of the RBI Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“**Directions**”), every Systemically Important Non-Deposit taking Non-Banking Financial Company (‘NBFC-ND-SI’) should frame internal guidelines on corporate governance approved by Board of Directors, and it shall be published on the company's website, if any, for the information of various stakeholders. The Company being an NBFC-ND-SI, is accordingly covered by the aforesaid Directions.

The Company is committed to adopt good practices and standards of corporate governance. The principles of corporate governance standards of the Company place strong emphasis on transparency, accountability and integrity.

### **II. OBJECTIVE**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide the provisions of Chapter XI of the Directions required all applicable NBFCs to frame internal guidelines on Corporate Governance.

In pursuance of the aforesaid Directions issued by the RBI, the Company has framed these Internal Guidelines on Corporate Governance (“**Guidelines**”).

### **III. GOVERNANCE STRUCTURE**

#### **A. BOARD OF DIRECTORS**

The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company (“**Board**”) and in accordance with the provisions of Memorandum of Association (MoA) and Articles of Association (AoA) of the Company. The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues.

##### **Composition:**

The Board's strength shall be minimum 2 and the maximum number of directors be as per the limit specified in the Companies Act, 2013 (“**Act**”) and the AoA of the Company.

##### **Meetings:**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Act and other applicable laws and AoA.

Subject to the provisions of Section 173 of the Act, the Board shall meet not less than 4 (four) times per year and once every 120 (one hundred and twenty) days.

The Company shall comply with all the procedural norms, including the quorum requirements, provided under the Act, any other applicable law(s), AoA for smooth conduct of the meetings.

All the proceedings of the meetings shall be duly recorded in the minutes, which shall be prepared, signed and circulated as per the provisions of Act.

## **B. COMMITTEES OF THE BOARD**

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 terms of reference approved by the Board.

### **1. AUDIT COMMITTEE**

The Audit Committee's constitution and functioning shall be as decided by the Board of Directors of the Company. The powers and terms of reference of the Committee shall include the requirements set out in Section 177 of the Act and the relevant Rules framed thereunder.

Chairman	The Chairman of the Committee shall be a Non-Executive Director. The Chairman or any other member of the Committee authorised by the Chairman, shall attend the Annual General Meeting to answer shareholders' queries.
Composition	<p>The Committee shall comprise of such a number of members, as appointed by the Board.</p> <p>The majority of members of the Committee including its Chairman shall be persons with ability to read and understand the financial statements.</p>
Meetings and Quorum	<p>The Meetings of the Committee shall be held as per the requirements of the Act and the applicable RBI Guidelines.</p> <p>The quorum for the Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.</p>

Role and responsibilities	<p>The Committee shall have the roles and responsibilities as per the Terms of Reference approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.</p> <p>Further, the Audit Committee shall ensure that an Information System Audit of the internal systems and processes in accordance with Master Direction - Information Technology Framework for the NBFC Sector is conducted at least once in two years to assess operational risks faced by the Company.</p>
---------------------------	---

## 2. NOMINATION AND REMUNERATION COMMITTEE

The Company shall have in place Nomination and Remuneration Committee (“**NRC**”) constituted in accordance with the applicable Regulations contained in the Directions and the applicable provisions of the Act. The powers and terms of reference of the NRC shall include the requirements set out in Section 178 of the Act and the Rules framed thereunder. The Committee shall primarily be responsible to assist the Board in fulfilling its responsibilities by recommending to the Board, criteria for Board membership, evaluation of directors, the committees and the Board as a whole.

Chairman	The Chairman of the NRC shall be a Non-Executive director.
Composition	<p>The Committee shall comprise of such a number of members, as appointed by the Board.</p> <p>The Chairman of the Company may be appointed as a member of the NRC but shall not chair the NRC.</p>
Meetings and Quorum	<p>The NRC shall meet at least once in a year.</p> <p>The quorum for the NRC meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.</p>
Role and responsibilities of the NRC	The NRC shall have the roles and responsibilities as per the Terms of Reference approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

### 3. RISK MANAGEMENT COMMITTEE

The Risk Management Committee's constitution and functioning shall be in line with the RBI regulations. The Committee shall be vested with necessary powers, as defined in its Terms of Reference to achieve its objectives.

Chairman	The Chairman of the Committee shall be a Non-Executive Director.
Composition	The Committee shall comprise of such a number of members, as appointed by the Board and shall consist of Chief Executive Officer (CEO)/ Managing Director and heads of various risk verticals shall be responsible. In absence of the aforesaid personnel, the director responsible for handling the operations of the Company shall be considered.
Meetings and Quorum	<p>The Meetings of the Committee shall be held as per the requirements of the Act and the applicable RBI Guidelines.</p> <p>The quorum for the Committee meeting shall be either two members or one-third of its total strength (any fraction contained in that one-third be rounded off as one), whichever is greater.</p>
Role and responsibilities of the Committee	The Committee shall have the roles and responsibilities as per the Terms of Reference approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

### 4. ASSET LIABILITY MANAGEMENT COMMITTEE

The Company shall have in place an Asset Liability Management Committee as required by the guidelines issued by the RBI. The constitution, functions and meetings of the Committee shall be in line with the requirements of the RBI guidelines, Terms of Reference of Asset Liability Management Committee and Asset Liability Management Policy, as approved by the Board and amended from time to time.

Chairman	CEO/ MD or the Executive Director (ED) of the Company shall chair the ALCO meeting. In absence of the aforesaid personnel, the director responsible for handling the operations of the Company shall be considered.
----------	---

Composition	CFO, Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research. In absence of the aforesaid personnel, the director responsible for handling the operations of the Company shall be considered.
Meetings and Quorum	<p>Meeting frequency: At least once in a financial year. In addition, need based meetings of the ALCO could be conducted as and when required.</p> <p>Quorum: CEO/MD and CFO are mandatory. Any two of the other Committee members to be present. In absence of the aforesaid personnel, the director responsible for handling the operations of the Company shall be considered for quorum.</p>
Role and responsibilities of Committee	The Committee shall have the roles and responsibilities as per the Terms of Reference approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

## 5. IT STRATEGY COMMITTEE

The Company shall have in place an IT Strategy Committee as required by the guidelines issued by the RBI in Master Direction - Information Technology Framework for the NBFC Sector ("**IT Framework**"). The constitution, functions and meetings of the Committee shall be in line with the requirements of the RBI guidelines.

Chairman	The Chairman of the Committee shall be a director of the Company.
Composition	<p>The Committee shall comprise of such number of members, as appointed by the Board.</p> <p>The Chief Information Officer ("CIO") / Chief Technology Officer ("CTO") would be permanent invitee of the Committee.</p>

Meetings and Quorum	<p>The Committee shall meet at least two times in a year and the gap between two meetings shall not exceed 6 months.</p> <p>The quorum for the Committee meeting shall be either two members or one-third of its total strength (any fraction contained in that one-third be rounded off as one), whichever is greater.</p>
Role and responsibilities of the Committee	The Committee shall have the roles and responsibilities as per the Terms of Reference approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

## 6. IT STEERING COMMITTEE

The Company shall have in place an IT Steering Committee as required by the IT Framework. The constitution, functions and meetings of the Committee shall be in line with the requirements of the RBI guidelines.

Chairman	The Chairman of the Committee shall be as may be decided by the Board.
Composition	The Committee may be comprised of such stakeholders as may be decided by the Board.
Meetings and Quorum	<p>The Committee shall meet atleast once in a financial year and based on requirement.</p> <p>The quorum for the IT Steering Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.</p>
Role and responsibilities of the Committee	The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

## 7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company shall have in place a Corporate Social Responsibility Committee to meet the requirements of Section 135 of the Act, as and when applicable to the Company. The Committee will be vested with necessary powers, as laid down in its Terms of Reference to achieve its objectives.

Composition	The Committee will comprise a minimum of three directors.
Meetings and Quorum	The Company shall convene at least 1 meeting of the Corporate Social Responsibility Committee in a financial year. The quorum for the Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.
Roles and Responsibilities of the Committee	The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

#### **IV. VIGIL MECHANISM**

The Company adheres to the highest standards of ethical, moral and legal conduct of business operations and facilitates employees to report concerns of any unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct and provides adequate safeguards against victimization of persons.

#### **V. DISCLOSURE AND TRANSPARENCY**

The Board shall be apprised with the following information at regular intervals as may be prescribed by the Board in this regard:

- 1) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- 2) Conformity with corporate governance standards viz., composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.; and
- 3) Disclosures of such information, as may be prescribed by RBI from time to time, in the annual financial statements of the Company.

#### **VI. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

The Company shall appoint and rotate the auditors as per the requirements of the Act and in pursuance with the RBI circular no. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, as and when applicable to the Company. Further, the Company shall rotate the audit partner(s) of the Chartered Accountant firm(s) conducting the audit, every three years as per the provisions of the said RBI guidelines, issued and amended from time to time.

## **VII. FIT AND PROPER CRITERIA**

The Company ascertains the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee is required to evaluate the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

The Nomination and Remuneration Committee should obtain such declarations / undertakings, deed of covenant from the Directors and shall scrutinize the furnished statement and certificates as may be prescribed for determining Fit and Proper Criteria in line with the guidelines issued by the RBI for the time being in force. A quarterly statement on change of directors and a certificate by the Managing Director/Whole-time Director of the Company certifying that 'fit and proper' criteria in selection of Directors has been followed by the Company shall be furnished to the Regional Office of the RBI within 15 days of the close of each quarter. Further, the statement for the quarter ending March 31 should also be certified by the statutory auditors.

## **VIII. REVIEW AND AMENDMENT**

These Guidelines shall be reviewed by the Board of Directors at such intervals, as and when deemed necessary, in order to align the same with the prevalent regulatory and business requirements.

## **IX. CHANGE CONTROL RECORD**

Version No.	Memorandum of Change	Approval date

\*\*\*\*\*