

# **LENDINGKART FINANCE LIMITED**

## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

(Last Amended on August 8, 2023)

**Summary of Policy**

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|-----------------------|---|
| <b>Policy Name</b>    | Internal Guidelines on Corporate Governance       |
| <b>Version</b>        | 9   |
| <b>Effective date</b> | 03 <sup>rd</sup> April, 2018                      |
| <b>Owner</b>          | Company Secretary & Compliance Officer            |
| <b>Approver</b>       | Board of Directors of Lendingkart Finance Limited |

**Revision Summary:**

| <b>Sr. No.</b> | <b>Version</b> | <b>Approving Authority</b> | <b>Effective Date</b>           | <b>Revision Summary</b>  |
|----------------|----------------|----------------------------|---------------------------------|--|
| 1.             | Version 1      | Board of Directors         | 03 <sup>rd</sup> April, 2018    | Adoption of Policy   |
| 2.             | Version 2      | Board of Directors         | 3 <sup>rd</sup> June, 2019      | Restated Policy to effect changes in Committee's and their terms of reference. |
| 3.             | Version 3      | Board of Directors         | 30 <sup>th</sup> June, 2020     | Provisions pertaining to CSR Committee were added.                             |
| 4.             | Version 4      | Board of Directors         | 10 <sup>th</sup> November, 2020 | Change in meeting frequency of CSR Committee                                   |
| 5.             | Version 5      | Board of Directors         | 12 <sup>th</sup> May, 2021      | Change in quorum requirement for ALCO Meeting.                                 |
| 6.             | Version 6      | Board of Directors         | 5 <sup>th</sup> August, 2021    | Change in constitution of Nomination and Remuneration Committee                |
| 7.             | Version 7      | Board of Directors         | 2 <sup>nd</sup> November, 2021  | Change in provisions relating to rotation of statutory auditors.               |
| 8.             | Version 8      | Board of Directors         | 4 <sup>th</sup> August, 2022    | Review of Guidelines at yearly interval or earlier if considered necessary     |
| 9.             | Version 9      | Board of Directors         | 8 <sup>th</sup> August, 2023    | Review of Guidelines at yearly interval or earlier if considered necessary     |

## INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

### I. INTRODUCTION

Lendingkart Finance 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 Non-Banking Financial Company (NBFCs-ND- SI) (“**NBFCs-ND-SI**”) should frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the Directions 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 3 and the maximum number of directors be as per the limit specified in the Companies Act, 2013 (“**Act**”) and the AoA of the Company.

The Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the 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 no less frequently 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 terms of reference, roles and responsibilities of such committees will be further aligned based on the changes in the regulations and business requirements with the approval of the Board. Minutes of the meetings of the Board Committees shall be placed before the Board for its perusal and noting.

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.

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| Chairperson | The Chairperson of the Committee shall be a Non-Executive Director. The Chairperson or any other member of the Committee authorized by the Chairperson, shall attend the Annual General Meeting to answer shareholders’ queries.            |
| Composition | The Committee shall comprise of such number of members, as appointed by the Board.<br><br>The majority of members of the Committee including its Chairperson shall be persons with ability to read and understand the financial statements. |

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|                           | The Company Secretary shall act as the secretary to the Committee.   |
| Meetings and Quorum       | The Committee shall meet at least four times in a year and the gap between two meetings shall not exceed 120 days.<br><br>The quorum for the Committee meeting shall be one-third of its total strength (any fraction contained in that one-third shall be rounded off as one) or two members, whichever is greater. |
| Role and responsibilities | The Committee shall have the roles and responsibilities as per the charter 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.   |

## 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, and ‘Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs’ notified by RBI. 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.

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| Chairperson         | The Chairperson of the NRC shall be a Non-Executive director. The Chairperson of the Company may be appointed as a member of the NRC but shall not chair the NRC.   |
| Composition         | The NRC will comprise of such number of members, as appointed by the Board.<br><br>The Company Secretary of the Company shall be the Secretary of the NRC (the “Secretary”).  |
| Meetings and Quorum | The NRC will meet as frequently as required subject to a minimum of four meetings in a year and gap between two meetings shall not exceed 120 days.<br><br>The quorum for the NRC meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded |

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|                                      | off as one) or two members, whichever is greater.  |
| Role and responsibilities of the NRC | The NRC shall have the roles and responsibilities as per the charter 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 OVERSIGHT COMMITTEE

The Risk Oversight 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 Charter to achieve its objectives.

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| Chairperson                                | The Chairperson of the Committee shall be a Non- Executive Director.   |
| Composition                                | The Committee shall comprise of such number of members, as appointed by the Board, including CEO/MD.<br><br>The CRO will act as the secretary to the Committee.  |
| Meetings and Quorum                        | The Committee shall meet at least four times in a year and the gap between two meetings shall not exceed 120 days.<br><br>The quorum shall be either two members or one third of its total strength (any fraction contained in that one-third to be rounded off as one), whichever is greater. |
| Role and responsibilities of the Committee | The Committee shall have the roles and responsibilities as per the charter 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. 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.

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| Chairperson | The Chairperson of the Committee shall be an independent Director. |
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| Composition                                | <p>The Committee shall consist of three or more members.</p> <p>The Chief Information Officer (“CIO”) / Chief Technology Officer (“CTO”) would be a member of the Committee.</p> <p>The Company Secretary of the Company shall be the Secretary of the Committee.</p>  |
| Meetings and Quorum                        | <p>The Committee shall meet at least four times in a year and the gap between two meetings shall not exceed 120 days.</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 | <p>The Committee shall have the roles and responsibilities as per the charter 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>  |

## 5. 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. The Committee will be vested with necessary powers, as laid down in its charter to achieve its objectives.

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| Composition                                | <p>The Committee shall be comprised of minimum three members out of which at least one member shall be an independent director.</p> <p>The Company Secretary of the Company shall be the Secretary of the Committee.</p>  |
| Meetings and Quorum                        | <p>The Company shall convene at least 2 meetings of the Corporate Social Responsibility Committee in a financial year.</p> <p>The quorum for the meeting shall be one third of its total strength (any fraction contained in that one-third to be rounded-off as one) or two members, whichever is greater.</p> |
| Role and responsibilities of the Committee | <p>The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.</p>  |

## C. OTHER COMMITTEES

The Company has the following other Committee, named herein, (i) Credit Committee, (ii) Asset Liability Management Committee (ALCO), (iii) Model Assessment Committee (MAC), (iv) Expected Credit Loss – Model Assessment Committee (ECL-MAC), (v) Operational Risk Executive Committee (OREC), and (vi) IT Steering Committee.

The objective of these committees, meeting frequency, quorum requirement, etc. are set out below:

| <b>Particulars</b> | <b>Credit Committee</b>   | <b>ALCO</b>  |
|--------------------|---|--|
| Goal               | To manages credit risk and portfolio risks. The Credit committee is also responsible for the review of risk appetite and strategy issues, risk policies. Further, all Test programs must be agreed by the Credit Committee prior to launch, capped by Volume and Value and the rationale clearly outlined, supported by data.   | To manage Market Risk, balance sheet liquidity and optimize risk-return to enhance Return on Equity (ROE)  |
| Reporting to       | ROC   | ROC  |
| Membership         | CEO*, COO, CRO, CFO, CAO, and Head of Collections shall constitute the Credit Committee.  | CEO*, COO, CFO, CRO, Head – Capital Markets, CBO, CAO and CTO  |
| Chairperson        | CEO* or CRO   | CEO or MD  |
| Invitees           | Head- Credit Operations, CBO, Product – Head, Head of Compliance (or their delegates)   | -  |
| Secretary          | Head – Risk   | Company Secretary  |
| Quorum             | CRO and COO along with other three members.   | CEO*, CFO, CRO and Head of Capital Markets are mandatory along with other two members.   |
| Meeting frequency  | Minimum monthly. In addition, need based meetings of Credit Committee could be conducted as and when required.  | Minimum quarterly. In addition, need based meetings of the ALCO could be conducted as and when required.   |
| Terms of Reference | <ul style="list-style-type: none"> <li>• Quarterly portfolio review which will cover:               <ol style="list-style-type: none"> <li>a) Review of business performance</li> <li>b) Review of the portfolio quality</li> <li>c) Review underwriting performance, delinquency data/trend</li> <li>d) Analyse Underwriting and Collections performance</li> <li>e) Review trends for all and initiate management actions</li> <li>f) Recommend revisions to the credit risk</li> </ol> </li> </ul> | <ul style="list-style-type: none"> <li>• Review and manage asset and liability mix with a view to grow the balance sheet with an effective allocation of resources</li> <li>• Optimize profitability with a view to enhance return on equity whilst ensuring that the business continues to achieve steady growth</li> <li>• Proactively manage risks relating to liquidity and funding, interest rate, foreign exchange, credit and counterparty (as</li> </ul> |



| Particulars            | Credit Committee   | ALCO  |
|------------------------|--|---|
|                        | <p>and other policies and DOI for Risk teams if required.</p> <p>g) New product recommendation</p> <p>h) Ratification of decisions taken by the Large Credit Committee</p>   | <p>related to Treasury activities)</p> <ul style="list-style-type: none"> <li>• Track market information and economic environment to consider implications on business vis-à-vis changes in regulations, interest rate trends and volatility, competitor products and services, market liquidity, foreign exchange and interest rate volatility</li> <li>• Stress test various scenarios to consider implications of changes in rates, pricing, portfolio mix, contingency</li> <li>• Administer transfer pricing and resource allocation issues between competing departments / units</li> <li>• Review liquidity and funding strategy and periodically review liquidity contingency plan</li> <li>• Set risk limits for liquidity risk and capital adequacy / leverage</li> </ul> |
| Committee Decisions    | <p>The decisions will be taken by majority. The reasons for the decisions taken in the Credit Committee would be recorded as part of Minutes of Meeting. Further, in case of a non-unanimous decision, the voice of dissent along with the underlying reasons would be recorded as part of Minutes of Meeting.</p>   | <p>The decisions in the ALCO would be taken unanimously.</p>  |
| Reporting requirements | <ul style="list-style-type: none"> <li>• Portfolio quality and performance vis-à-vis risk appetite statement and tolerance limits</li> <li>• MIS on various control caps / limits which form part of credit policy</li> <li>• Performance of various products vis-à-vis key performance metrics as outlined in product notes</li> <li>• Performance MIS on an on-going test programs vis-à-vis performance metrics</li> <li>• Update on performance of various credit models in use</li> </ul> | <ul style="list-style-type: none"> <li>• Macro-economic scenario with respect to NBFC funding</li> <li>• Current liquidity position vis-à-vis tolerance limits</li> <li>• Funding pipeline for short term (next three months) as well as medium term</li> <li>• Projected cash flow position in case of stress scenario</li> </ul>  |

| <b>Particulars</b> | <b>Operational Risk Executive Committee</b>  | <b>Model Assessment Committee</b>  |
|--------------------|--|--|
| Goal               | To proactively manage Operational risk excluding Strategy, Reputational, credit and market risk. The OREC is responsible for establishing, maintaining and reviewing procedures at management and operational level to identify, monitor and mitigate operational risk in accordance with the company's risk oversight and management policies. This committee should ensure that the risk limits / parameters are in line with Risk Appetite.   | To manage "Model Risk", as defined in RMF, to achieve the best risk management standard. This committee's role is a crucial senior management process to critically examine the basis of risk-taking decisions to support both Risk Appetite metrics and accurate forecasting.   |
| Reporting to       | ROC  | ROC via Credit Committee   |
| Membership         | CEO*, COO,CRO, President- Technology, CAO, CTO, CFO, Head HR, Compliance Head, CBO.  | CEO*, COO, CAO,CFO and CRO   |
| Chairperson        | CEO* or CRO  | CEO* or CAO  |
| Invitees           | Head Collections, Product Head, Head Internal Audit, Head Co-Lending, Cross-sell, Sales, Legal or any other vertical head could be the invitee to this Committee on a need basis.  | Head-Risk  |
| Secretary          | Head Operational Risk Management (HORM)  | Director Analytics   |
| Quorum             | Any three of the Committee members along with the chair.   | CEO*/ CAO mandatory along with CRO. (In case Chair is CAO then CFO to attend mandatorily)  |
| Meeting frequency  | Minimum Quarterly. In addition, need based meetings of OREC may be conducted as and when required.   | Minimum quarterly. In addition, need based meetings of MAC could be conducted as and when required.  |
| Terms of Reference | <ul style="list-style-type: none"> <li>Identify various risks which will be covered including Governance, Operations, Fraud &amp; legal, Regulatory / Compliance, Human resource, Physical &amp; Information Security, Product &amp; process control risks, external events.</li> <li>Recommend and review Operational risk of losses as part of Risk Appetite Statement.</li> <li>Set operational risk parameters as applicable</li> <li>Review actions to mitigate / address risks</li> <li>Ensure that contingency plans are updated</li> </ul> | <ul style="list-style-type: none"> <li>All new scorecards or models covering risk taking activity must be assessed to critically review the data, design, scope, applicability of that data to the business and strategy and to ensure they are relevant.</li> <li>All key issues such as data quality, must be explicitly stated, and continuous improvement and mitigation plans put in place with hard deadlines, preferably before use. The Committee members</li> </ul> |

| <b>Particulars</b>     | <b>Operational Risk Executive Committee</b>  | <b>Model Assessment Committee</b>   |
|------------------------|--|---|
|                        | <p>and tested</p> <ul style="list-style-type: none"> <li>Analyze loss incidents and actions to avoid recurrence</li> <li>New products - risk and controls</li> <li>Review of Risk data quality and supporting systems</li> </ul> | <p>must consider these issues and build in “conservatism” into PD estimates where risks are material.</p>   |
| Committee Decisions    | The decisions in the OREC, if any, would be taken unanimously.   | In MAC, the decisions will be taken by majority. The reasons for the decisions taken in the MAC would be recorded as part of Minutes of Meeting. Further, in case of a non-unanimous decision, the voice of dissent along with the underlying reasons would be recorded as part of Minutes of Meeting . |
| Reporting requirements | <ul style="list-style-type: none"> <li>Operational Risk heat map</li> <li>Fraud Risk mitigation MIS</li> <li>Information security</li> <li>Risk data quality</li> <li>Contingency plans</li> <li>SORE Report</li> </ul>          | <ul style="list-style-type: none"> <li>Notifying the Credit Committee on new credit models developed or changes made in the existing credit models</li> <li>Results of quarterly review of all scorecards in production to be notified to the Credit Committee</li> </ul>                               |

| <b>Particulars</b> | <b>ECL - Model Assessment Committee</b>   | <b>IT Steering Committee</b>  |
|--------------------|---|---|
| Goal               | To manage “Model Risk” related to ECL loss forecasting model. This committee’s role is a crucial senior management process to critically examine the basis of ECL model calculations for accurate credit loss forecasting (and hence provisioning). | To define IT Project priorities and assessing strategic fit for IT proposals, and directing and monitoring key IT governance processes. |
| Reporting to       | ROC via Credit Committee  | IT Strategy Committee   |
| Membership         | CEO*, COO, CAO, CFO and CRO   | The Committee may be comprised of business owners, the development team and such other stakeholders as may be decided by the Board.     |
| Chairperson        | CEO* or CRO   | As decided by the Board   |
| Permanent Invitees | SVP - Data Science and Head of Collections  | As may be appointed by the Board  |

| Secretary              | Company Secretary   | Company Secretary   |
|------------------------|---|---|
| Quorum                 | CEO* or CRO with all other members (CFO, COO and CAO) attendance is mandatory.  | 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. |
| Meeting frequency      | Minimum quarterly. In addition, need based meetings of ECL-MAC could be conducted as and when required.   | The Committee shall meet periodically but not more than six months should elapse between two meetings.  |
| Terms of Reference     | Inter alia,<br>a) All new loss forecasting models must be assessed to critically review the data, design, scope, applicability of that data to the loss forecasting / provisioning and to ensure they are relevant.<br>b) All key issues such as data quality, must be explicitly stated, and continuous improvement and mitigation plans put in place with hard deadlines, preferably before use. The Committee members must consider these issues and build in “conservatism” into PD estimates where risks are material. | The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.   |
| Committee Decisions    | The decisions in the ECL-MAC, if any, would be taken unanimously.   | All decisions by the Committee shall be taken by majority   |
| Reporting requirements | Quarterly loss forecasting, and provisions related calculations to be notified to the Credit committee and reported to the ROC  | The IT Steering Committee shall report to IT Strategy Committee.  |

\*CEO attendance mandatory once onboarded, MD can take place of CEO in the interim

#### IV. VIGIL MECHANISM

The Company adheres to the highest standards of ethical, moral and legal conduct of business operations and has thus established a Vigil Mechanism/Whistle Blower policy to facilitate employees to report concerns of any unethical behaviour, actual or suspected fraud or violation of the Company’s code of conduct and also provide adequate safeguards against victimization of persons who use this mechanism.

#### 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 in accordance with the “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” dated April 27, 2021 notified by the Reserve Bank of India and the extant provisions of the Act.

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

The Company has a policy in place for ascertaining the ‘fit and proper’ criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee reviews 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 should 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. AMENDMENT**

These Guidelines may be amended following any relevant amendment in the Act, the Directions or any amendment done by the Board in the constitution of the committees of the Board or as may be deemed necessary by the Board. The changes, if any, shall be effective only upon approval by the Board.

## **IX. REVIEW OF THE GUIDELINES**

The Guidelines shall be reviewed at yearly interval or earlier if considered necessary by the Board

of Directors.

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