

# INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Version 4.0

Approved by Board on 25-09-2023

## Contents

<b>I. INTRODUCTION</b> .....	2
<b>II. GUIDELINES ON CORPORATE GOVERNANCE</b> .....	2
<b>III. GOVERNANCE STRUCTURE</b> .....	2
<b>IV. DISCLOSURE AND TRANSPARENCY</b> .....	6
<b>V. CHIEF RISK OFFICER</b> .....	6
<b>VI. FIT AND PROPER CRITERIA</b> .....	7
<b>VII. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)</b> .....	7
<b>VIII. AMENDMENT</b> .....	7
<b>IX. REVIEW FREQUENCY</b> .....	7

## I. INTRODUCTION

Aye Finance Private Limited (The Company) recognises its role as a corporate citizen and endeavours to adopt good practices and standards of corporate governance through transparency in business ethics, accountability to its customers, government, and others.

The Company carries its activities in accordance with good corporate practices and is constantly striving to better them by adopting the best practices.

## II. GUIDELINES ON CORPORATE GOVERNANCE

The Company is a Non-Banking Financial Company - Non-Deposit accepting - Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI).

In order to enable NBFCs to adopt best practices and greater transparency in their operations, Reserve Bank of India ("RBI") has issued Master Direction, dated September 01, 2016 and last updated on February 23, 2018, titled 'Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016', bearing reference number DNBR.PD.008/03.10.119/2016-17 ("RBI Master Direction"). In pursuance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

## III. GOVERNANCE STRUCTURE

### A. BOARD OF DIRECTORS

The Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company.

The Board has 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 Company.

Composition: The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed thereunder.

### 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. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting.

## 1. AUDIT COMMITTEE

The Company shall have in place the Audit Committee in accordance with the Direction 68(1) of the RBI Master Direction and Section 177 of the Act and the Rules framed thereunder.

<b>Chairman</b>	The Chairman of the Committee shall be appointed by the Board of Directors of the Company.
<b>Composition</b>	The Committee must consist of- <ul style="list-style-type: none"> <li>• not less than three members.</li> <li>• majority composition shall consist of Independent Directors</li> <li>• majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement</li> </ul>
<b>Meetings and Quorum</b>	Meetings shall be held as and when required but shall meet once in every quarter in a year. The quorum shall be either two members or one third of the members of the Committee whichever is higher, provided that at least one Independent Director shall be present at the meeting.
<b>Terms of Reference</b>	<ul style="list-style-type: none"> <li>• The Committee will provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to: <ol style="list-style-type: none"> <li>(1) the integrity of the Company's financial statements,</li> <li>(2) the effectiveness of the Company's internal control over financial reporting,</li> <li>(3) the Company's compliance with legal and regulatory requirements,</li> <li>(4) the independent auditor's qualifications and independence, and</li> <li>(5) the external auditor's qualifications and independence, and</li> <li>(6) the performance of the company's audit and risk management function and independent auditors.</li> </ol> </li> <li>• The Committee is responsible for maintaining free and open communication between itself, independent auditor, the internal auditors, and management of the Company, and for determining that all parties are aware of their responsibilities.</li> </ul>

## 2. NOMINATION & REMUNERATION COMMITTEE

The Nomination and Remuneration Committee shall be constituted in accordance with the Corporate Governance guidelines promulgated by the Reserve Bank of India and the applicable provisions of the Act. The Committee shall be primarily responsible to assist the Board of Directors in fulfilling its responsibilities by recommending to the Board, criteria for Board membership, evaluation of directors, the committees, and the Board as a whole.

<b>Chairman</b>	The Chairman of the Committee shall be appointed by the Board of Directors of the Company. Chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.
-----------------	--

<b>Composition</b>	The Committee must consist of- <ul style="list-style-type: none"> <li>• a minimum of 3 members of the Board;</li> <li>• only non-executive directors;</li> <li>• at least one half shall be independent directors.</li> </ul>
<b>Meetings and Quorum</b>	Meetings shall be held as and when required. Quorum shall be two members or one-third of the composition of the Committee whichever is higher.
<b>Terms of Reference</b>	<ul style="list-style-type: none"> <li>• To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Key Managerial positions and Senior Management and to determine their remuneration.</li> <li>• To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the finance industry.</li> <li>• To carry out evaluation of the performance of Directors, as well as Key Managerial Personnel and Senior Management.</li> <li>• To provide reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.</li> <li>• To retain, motivate and promote talent and also to ensure long term sustainability of talented managerial persons to create competitive advantage.</li> </ul>

### 3. RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall ensure that the risks associated with the business/functioning of the Company are identified, controlled, and mitigated and shall also lay down procedures regarding managing and mitigating the risks through integrated risk management systems, strategies and mechanisms.

<b>Chairman</b>	The Chairman of the Committee shall be appointed by the Board of Directors of the Company.
<b>Composition</b>	The Committee must consist of- <ul style="list-style-type: none"> <li>• not less than three members.</li> <li>• majority composition shall consist of Independent Directors</li> </ul>
<b>Meetings and Quorum</b>	<ul style="list-style-type: none"> <li>• Meetings shall be held as and when required.</li> <li>• Quorum shall be two members or one-third of the composition of the Committee whichever is higher.</li> </ul>
<b>Terms of Reference</b>	<p>The purpose of the Risk Management committee of the Board of Directors (the "Board") of Aye Finance Private Limited (the "Company") shall be to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks. The Committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Company.</p> <p>The risk management committee is also responsible for reviewing and approving risk disclosure statements in any public documents or disclosures.</p>

#### 4. ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) shall monitor the asset liability gap and strategize action to mitigate the risks associated with the business of the Company.

<b>Chairman</b>	The Managing Director shall be the Chairman of the Committee.
<b>Composition</b>	ALCO shall consist of such members as the Board of Directors of the Company decides from time to time;
<b>Meetings and Quorum</b>	Meetings shall be held as and when required. The quorum shall be either two members or one third of the members of the Committee whichever is higher.
<b>Terms of Reference</b>	<p>The key objectives of the Committee are to assist the Board and the Managing Director in fulfilling the following responsibilities:</p> <ul style="list-style-type: none"> <li>a. To ensure that the assets and liabilities of the Company are appropriately managed;</li> <li>b. To approve funding policies and ensure proper and economic funding;</li> <li>c. To manage inter alia, all market risks, profit rate risk and liquidity risk;</li> <li>d. To monitor the cash flows of the company;</li> <li>e. To monitor inter alia, profitability, WACC, WAM;</li> <li>f. Ensure Capital adequacy and compliance with relevant legislations;</li> <li>g. Monitor the investing activities of the Company and provide adequate guidelines.</li> </ul>
<b>Working Committee of ALCO</b>	The working committee of ALCO is responsible for supporting the ALCO in analysing and monitoring the liquidity risk profile of the Company. ALCO can delegate one or more of its powers to its Working Committee as and when deemed fit.

#### 4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

The Corporate Social Responsibility Committee (CSR Committee) is constituted to undertake and monitor CSR activities of the Company.

<b>Chairman</b>	The Independent Director shall be the Chairman of the Committee.
<b>Composition</b>	Minimum 3 (Three) or more Director, out of which at least one director shall be an Independent Director.
<b>Meetings and Quorum</b>	Meetings shall be held as and when required. The quorum shall be either two members or one third of the members of the Committee whichever is higher.
<b>Terms of Reference</b>	<p>The key objectives of the Committee are to assist the Board and the Managing Director in fulfilling the following responsibilities:</p> <ul style="list-style-type: none"> <li>➤ Recommending the amount of expenditure to be incurred on activities undertaken.</li> <li>➤ Reviewing performance of the Company in the areas of CSR.</li> <li>➤ Monitoring and Reviewing CSR Policy from time to time.</li> </ul>

#### 5. IT STRATEGY COMMITTEE:

<b>Chairman</b>	The Independent Director shall be the Chairman of the Committee.
<b>Composition</b>	The Committee shall have such number of members as may be decided by the committee from time to time and shall include CTO as a part of the Committee.
<b>Meetings and Quorum</b>	Meetings shall be held as and when required. The quorum shall be either two members or one third of the members of the Committee whichever is higher.
<b>Terms of Reference</b>	The key objective of the Committee is to carry out review and amend the IT strategies in line with the corporate strategies, Board Policy, cyber security arrangements and any other matter related to IT Governance.

**6. STAKEHOLDERS RELATIONSHIP COMMITTEE:**

<b>Chairman</b>	The Independent Director shall be the Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of 3 members- a) Independent Director as Chairperson of the committee b) Managing Director c) 1 Investor Director
<b>Meetings and Quorum</b>	the Committee shall meet at least once in a year. The quorum shall be at least two members
<b>Terms of Reference</b>	The key objective of the Committee is resolve the grievances of the stakeholders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.

**IV. DISCLOSURE AND TRANSPARENCY**

In order to practice the policy of disclosure and transparency, the following information shall be put to the Board of Directors at regular intervals in this regard:

- 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 and compliance with coverage and review functions, etc.
- iii. Disclosures in the Annual Financial Statements information-
  - registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
  - ratings assigned by credit rating agencies and migration of ratings during the year;
  - penalties, if any, levied by any regulator;
  - information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and
- V. Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosure** **CHIEF RISK OFFICER**

The appointment of Chief Risk Officer is not yet applicable as the Company has not crossed the limit of asset size of more than ₹5000 crore. However, the Company has appointed Chief Risk Officer in the Company.

## VI. FIT AND PROPER CRITERIA

The Company shall:

- i. Ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis.
- ii. Obtain a declaration and undertaking from the directors giving additional information on the directors.
- iii. Obtain a Deed of Covenant signed by the directors as per the RBI directions;
- iv. Furnish to the RBI a quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement submitted by the Company for the quarter ending March 31, shall be certified by the auditors.

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

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the Statutory Auditors are subject to rotation and is required to rotate in every three years, so that same firm shall not conduct audit of the company continuously for more than a period of three years. However, the firm so rotated shall be eligible for conducting the audit of the Company after an interval of three years, if the Company so decides.

The provisions of this para may be read with the provisions contained in circular, DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 on 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs)', as amended from time to time.

The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

## VIII. AMENDMENT

This policy may be amended or modified in whole or in part, at any time without assigning any reason, whatsoever with the approval of the Board.

## IX. REVIEW FREQUENCY

This policy shall be reviewed as an when required or at least once annually for incorporating regulatory updates and changes, if any.