

**Vivardhana Micro Finance Limited  
Chennai**

**MEMORANDUM TO THE BOARD**

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**Date: 01-03-2021**

**Agenda:**

**The Corporate Governance policy of the company for the period 2021-22 is placed to the board for approval. The Policy shall come in to force from 01-04-2021 on approval by the Board and shall be valid till 31-03-2022**

**The Board is requested to pass necessary resolution for approving the policy as per the annexure enclosed.**

**Director - Compliance**

**VIVARDHANA MICROFINANCE LIMITED  
(VMFL)  
CHENNAI**

**CORPORATE GOVERNANCE  
POLICY DOCUMENT  
2021-2022**

**POLICY DOCUMENT ON  
CORPORATE GOVERNANCE**

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## 1. PURPOSE

The Reserve Bank of India vide Master Circular No. dated July 01, 2014 issued guidelines on Corporate Governance and has required all NBFCs to frame internal guidelines on Corporate Governance.

The Company believes that a good corporate governance system is necessary to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the Committees of the members of the Board.

The objective of the policy is to ensure compliance with legal requirements and set standards for Corporate Governance so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy shall lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India in this regard.

## 2. APPLICABILITY

This policy is applicable to all employees of “**Vivardhana Micro Finance Limited**” (‘VMFL’)

## 3. BOARD OF DIRECTORS

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

### **Corporate Culture and values**

In order to promote sound corporate culture and values, the Board should ensure the following:

1. setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;

2. promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
3. ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
4. employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the existing Whistle Blower Policy including any modification(s) or revision(s) thereto.

### **Size of the Board**

The Board's strength shall be as per the limits specified in the Companies Act, 2013 and the Articles of Association of the Company

### **Board Composition**

The Board shall have an optimum combination of Executive, Non-executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 and other Applicable Laws and the Articles of Association of the Company.

### **Board Meetings and Quorum**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013, other Applicable Laws, Articles of Association and as decided by the Board of Directors. The meetings of the Board shall be held as decided by the Board of Directors. The dates of the meetings shall be fixed well in advance. The quorum shall be as per the requirements of the Companies Act, 2013, other Applicable Laws and Articles of Association of the Company.

Important decisions of the Board may also be taken through Circular Resolution in compliance with the provisions of the Companies Act, 2013.

### **Information to be placed before Board and its Committees**

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Companies Act, 2013, other Applicable Laws and Articles of Association of the Company. All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

### **Agenda for the Meeting**

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period of time prior to the Meeting as per Companies Act, 2013 and other Applicable Laws. Each Board member and Committee member as the case may be is free to suggest inclusion of items in the agenda.

With the permission of the Chair, each Board member and Committee member as the case may be is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions. However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting as the case may be.

### **Attendance at Board Meetings**

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee as the case may be.

### **Minutes**

The minutes of all meetings of the Board and the Committees shall be circulated to the Board and the Committee respectively and shall be noted in the consequent Board Meeting and Committee meeting respectively as per Companies Act, 2013 and other Applicable Laws. Minutes of meetings of Committees of Board shall also be placed before the Board.

## **4. BOARD COMMITTEES**

### **4.1 Risk Management Committee**

Risk Management Committee constitutes with the following members:-

<b>Sl. No.</b>	<b>Member</b>	<b>Designation</b>
1	Mr. N. Eswaran	Managing Director & CEO
2	Mr. S.V. Natesan	Director, Credit

The Risk Management Committee is required to manage the integrated risk and inform the Board from time to time the progress made in putting in place a progressive risk management system, risk management policy and strategy followed by the Company.

#### **4.1.1 Responsibility**

The Risk Management Committee shall monitor Credit Risk, Operation Risk, and Other Risks, and strategize action to mitigate the associated risks. The Committee shall work as per applicable guidelines issued by Reserve Bank of India and shall oversee the implementation of all policies and guidelines issued from time to time in this regard.

#### **4.1.2 Frequency of meetings**

The Risk Management Committee will meet minimum four times a year or more frequently as the Committee may determine to adequately fulfill the responsibilities outlined in the charter. Members of the risk management committee are expected to attend each committee meeting, in person or via telephone or video conference

### **4.2 Asset Liability Committee (ALCO)**

Asset Liability Committee is headed by the MD / CEO. Other ALCO members are

<b>Sl. No.</b>	<b>Member</b>	<b>Designation</b>
1	Mr. S.V. Natesan	Director, Credit
2	Mr. A. Vijayakumar	Director, IT & Compliance

#### **4.2.1 Role**

1. ALCO is responsible for ensuring adherence to the limits set for interest rate risk and liquidity risk as detailed in framework of the Loan Policy

2. Interest rate risk and liquidity risk limits are governed by the ALM guidelines by RBI, the local Board, ALM Committee. Other responsibilities of ALCO include deciding the business strategy on funding, interest rate levels and interest rate forecast related to funding and ALM mismatches

3. ALCO should also review the interest rate and liquidity limits for any changes required

4. ALCO would also have to decide on the funding strategies which would include the source and mix of liabilities and funding strategy

5. ALCO should review the results of and progress in implementation of the decisions made in the previous meetings

#### **4.2.2 Frequency of meetings**

ALCO should meet at least 4 times in a year with a minimum of 1 meeting in each financial quarter

#### **4.2.3 Quorum**

Quorum required for all ALCO meeting should be at least 2 members of ALCO

### **4.3 Debenture Committee**

The Debenture Committee has constituted by the Board of Directors for Issuance of debentures of the company.

Composition of Committee:

SI. No.	Member	Designation
1	Mr.N. Eswaran	Managing Director and CEO
2	Mr. N. Ramakrishnan	Director
3	Mrs. R. Sudha	Director

#### 4.3.1 Role

The functions of the Debenture Committee include:

(i) authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with the issue, offer and allotment of the Bonds;

(ii) giving or authorizing the giving by concerned persons of such declarations, affidavits, certificates, consents and authorities as may be required from time to time;

(iii) seeking, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all concerned government and regulatory authorities in India, and/or any other approvals, consents or waivers that may be required in connection with the issue, offer and allotment of the Bonds;

(iv) deciding, approving, modifying or altering the pricing and terms of the Bonds, and all other related matters, including the determination of the size of the Bond issue up to the maximum limit prescribed by the Board and the minimum subscription for the Issue;

(v) approval of the draft and final term sheet or disclosure document as the case may be (including amending, varying or modifying the same, as may be considered desirable or expedient) as finalized in consultation with the lead managers, in accordance with all applicable laws, rules, regulations and guidelines;

(vi) appointing the registrar and other intermediaries to the Issue, in accordance with the provisions of the Debt Regulations;

(vii) appointing the debenture trustee and execution of the trust deed in connection with the Issue, in accordance with the provisions of the Debt Regulations;

(viii) authorization of the maintenance of a register of holders of the Bonds;



(ix) finalization of the basis of allotment of the Bonds including in the event of oversubscription;

(x) finalization of the allotment of the Bonds on the basis of the applications received;

(xi) acceptance and appropriation of the proceeds of the Issue; and

(xii) to generally do any other act and/or deed, to negotiate and execute any document/s, application/s, agreement/s, undertaking/s, deed/s, affidavits, declarations and certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the Issue.

#### 4.4 Corporate Social Responsibility (CSR) Committee

The provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder require that every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

Considering the above criteria, VMFL does not mandatorily constitute a CSR Committee. However, in the spirit of good corporate governance, the company has constituted a CSR committee.

Composition of Committee:

Sl. No.	Member	Designation
1	Mr. N. Eswaran	Managing Director and CEO
2	Mr. N. Ramakrishnan	Director
3	Mr. A. Vijayakumar	Director IT & Compliance

The Committee shall have substantial roles and responsibilities in respect of projects to be recommended to the board and also for the monitoring of the CSR projects, reporting.

Role of the Committee include;-

i) Draft the CSR policy and recommend the same to the Board for approval as and when it becomes applicable to the company.

ii) Review and recommend any new CSR initiatives to be taken up by the company including the selection/appointment of implementation agencies.

- iii) Review the progress of CSR projects already undertaken by the company and the utilization of budgets for each such projects
- iv) Review and recommend the CSR report to be included in the board's report.
- v) Review and recommend any amendments to be made in the CSR policy of the Company.
- vi) To carry such other functions as may be delegated to it by the board relating to CSR activities of the company.

#### **5. ROTATION OF AUDITORS**

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every five years so that same partner shall not conduct audit of the company continuously for more than a period of five years. However, the partner so rotated shall be eligible for conducting the audit after an interval of three years, if the Company, so decides. VMFL shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance. Accordingly, the Company shall not appoint the Statutory Auditor for a period of more than five consecutive years, if the Auditor is an individual and for a period of more than ten consecutive years if the Auditor is a Firm or Limited Liability Partnership

#### **6. DISCLOSURE & TRANSPARENCY / REVIEW OF POLICY**

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:

- The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- 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.;
- ratings assigned by credit rating agencies and migration of ratings during the year
- Updates of the various committees meetings at from time to time;
- Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time