

# CORPORATE GOVERNANCE POLICY

IIFL Wealth Prime Limited (Formerly Known as IIFL Wealth Finance Limited) (hereinafter referred to as the “**Company**”) is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct. Corporate Governance is about maximizing shareholders’ value on a sustainable basis and ensuring fairness to all other stakeholder of the Company.

The Company shall continue to ensure 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 Company shall continue to function under the able direction of the Board of Directors and through the procedures and policies mandated by the Board.

## Responsibilities of the Board

1. The Board's key purpose is to ensure the Company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.
2. The Board is primarily responsible for :
  - Establishing vision, mission & values and determining, reviewing the goals, policy of the Company from time to time.
  - Setting strategy and structure and deciding the means to implement and support them.
  - Delegating to management, Determining monitoring criteria to be used and ensuring effectiveness of internal controls.
  - Exercising accountability to shareholders and be responsible to relevant stakeholders.
  - Management & Control.
3. For better monitoring and control, the Board shall endeavour to constitute Board level Committees as under:
  - Board Supervisory ALCO.
  - Risk Management Committee.
  - Audit Committee.
  - Nomination and Remuneration Committee.
  - Finance Committee and Debenture Allotment Committee.
  - Corporate Social Responsibility Committee.

## **Asset Liability Management Committee (ALCO) – Board Supervisory**

The ALCO shall primarily be responsible for monitoring the asset liability gap and strategize action to mitigate the risk associated with the business of the Company from time to time.

The broad functions of the ALCO shall include:

1. Ensuring adherence to limits regarding management of risks as set out by the Board;
2. Deciding on business strategy in line with the budget and risk management objectives;
3. **Funding requirements:** Based on the quantum of business expected for the following quarter, half year and annual, determine the level of funding required, in order to ensure that adequate funding is at all times available to meet the needs of the Company's business;
4. Identifying suitable funding sources, including committed stand by lines, desired maturity profile, mix of incremental liabilities;
5. Articulate current interest rate view, develop a view on the future direction of interest rates and accordingly decide on funding mixes, resources etc.

### **Credit Committee:**

The Credit Committee may consist of Directors, Key Managerial Personnel and Senior Executives of the Company. The Credit committee critically analyses the credit proposals placed before it.

### **Fair Practices Code:**

Pursuant to the guidelines on Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on Fair Practices Code, which is placed on the website of the Company and also a regular review on the implementation of the same is conducted by committee members.

### **Risk Management**

At the Company, Risk Management is integrated seamlessly into business strategy. The objective of our risk management process is to insulate the Company from risks associated with the business while simultaneously creating an environment conducive for its growth. It entails a comprehensive estimation, control and review of risks to protect organizational value.

Risk Management also forms a critical part of our training module across all levels so that all employees are trained on risk management and implications thereof. The Company's well-defined organizational structure, documented policies and Standard Operating Procedures (SOPs), authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and regulatory requirements. At the Company, a governance process has been institutionalized, which ensures that risk management concepts and policies are

applied to all business and risk types. Decision making levels are based on the Company's objectives and risk tolerance limits. Many of the critical decision levels for investments, major lending, and policy initiatives are institutionalized through appropriate committees consisting of senior officials and experts. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further at the Board.

Our experienced compliance, audit and risk management team plays a vital role in ensuring that the rules and regulations are strictly followed in all its process, not just in letter but also in spirit. The risk management discipline is centrally initiated but prudently decentralized; percolating to the line managers and helping them mitigate risks at the transactional level, the most effective form of risk management.

## **Market Risk**

The financial services sector is aligned to a variety of factors linked to the domestic economic development and also global developments. Any economic event happening across the globe can have a direct or indirect impact on the Company. To mitigate this, the Company diversified product mix comprising of loan against securities, loan against property including capital market/ IPO financing.

## **Reputation risk**

Over the years, the Company has built in systems, processes, checks and balances, which ensures that operating managers say 'No' to poor quality in pursuit of instant results, short cuts, stop-gap alternatives, and unfair / ad hoc policies and cutting corners, among others. Also, it has in place stringent employee code of conduct and trading guidelines, which are to be followed by every employee. The Company's policy ensures monitoring and strict disciplinary actions against those deviating from the same.

The Company has institutionalized a number of measures to secure customer interests. Our lending business system provides for day to day customer security vaults, loan balances and interest dues whereby customers can get to know their up-to-date dues instantly through the respective branch. We have established a strong system of proper custody/safe keeping of securities documents at a centralized vault system at the respective branch in safe vaults and controls through webcam, access control, alarms, etc. The Company makes a constant and concerted effort to educate customers of the Do's and Don'ts.

## **Credit risk**

For credit and finance business, the Company shall endeavour to have a multi-level credit and finance committee consisting of directors of the Board / HODs to consider all credit proposals. Proposal formats for each type of loans shall have standardized and comprehensive information on each credit proposal. The credit proposals shall be formally presented in the standard format, for evaluation and approval of the respective committee.

The Company shall endeavour to constitute a Risk Management Committee and Asset Liability Management Committee (ALCO) consisting of directors and senior officials, which shall regularly meet and review the policies, systems, controls and positions of credit and finance business. The Risk Management Committee shall review the risk management processes covering credit and underwriting controls, operations, and technology and compliance risks. The ALCO shall review the strategic management of interest rate and liquidity risk, review of product pricing for various loans and advances, desired maturity profile and mix of the incremental asset and liabilities. It shall also review the funding policies of the Company in the light of interest rate movements and desired fund mixes particularly fixed / floating rate funds, wholesale / retail funds, money market funding etc. In order to enable frequent reviews and actions, an internal ALCO shall be put in place consisting of the credit and treasury functions, which shall endeavour to meet on a monthly basis, to analyse and initiate appropriate actions keeping in view the emerging conditions.

The supervisory ALCO of the Board shall ensure that the business and risk management strategy operates within the limits/parameters set by the Board and reviews the functioning of the internal ALCO. It shall also review the Company's funding strategy and implementation of ALCO decisions.

## **Technology Risk**

The Management understands the importance of technology in the business segments it operates and lays utmost emphasis on the system development and use of best technology available in the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.

The Company's in-house technology team developed and deployed several software applications for the loan and finance business as well as our support functions.

## **Compliance risk**

The businesses are carried on under separate division/ companies and are regulated by a respective regulator and as such compliance forms a critical part of operations of the group. The Company shall have a full-fledged compliance department manned by knowledgeable and experienced professionals in compliance, secretarial, legal and audit fields, which guides the businesses/support functions on all regulatory compliances and monitors implementation of new or changes in regulations/circulars, ensuring all the regulatory compliances and reporting of the group.

The compliance and audit discipline extends across the entire transaction cycle: KYC process, term sheet/agreements, vetting transaction execution, transaction settlement involving securities, loan documentations, pre and post disbursement, fund transfer, customer reporting, regulatory information/returns/reports to various regulatory authorities, etc. Being

in the finance and financial services, the Company has put in place adequate systems and controls to ensure compliance with anti-money laundering standards. We have instituted special purpose audits for credit audit, systems audit, portfolio management audit, fund management etc. The compliance requirements across the various service points have been communicated comprehensively to all through compliance manuals and circulars. To ensure complete involvement in the compliance process, heads of every business/zones/area offices and departments shall submit quarterly compliance reports, the compilations of which shall be reviewed by the Board/ Finance Committee/ Audit Committee and also submitted to regulatory bodies periodically.

## **Internal control**

The Company shall ensure that its internal audit and control systems are adequate and commensurate with the nature of business and the size of its operations. The internal control system may be supplemented by concurrent and internal audits regular reviews by management. The Company shall retain a reputed global firm as its Internal Auditors to conduct internal audits. The Company shall also retain a Chartered Accountant Firm to carry out post disbursement/ concurrent audit of functions such as KYC process, credit audit and loan documentation audits. The auditors' reports and rectifications / implementations of audit observations, action taken report shall be reviewed by the top management/ Board. Audit Committee at regular intervals. The Board/ Audit Committee, on a quarterly-basis shall review instances of fraud and action taken on the same as well as implementation of the necessary systems and controls to strengthen the system and prevent such recurrence. The internal processes shall be designed to ensure adequate checks and balances at every stage. The processes shall be reviewed periodically by Internal Auditors/ Board/ Audit Committee and strengthened from time to time.

## **Fit and Proper Criteria**

- i. The policy on the fit and proper criteria, on the lines of the Guidelines issued by RBI (as amended by RBI from time to time), contained in Annex 1 would be applicable to ascertain the fit and proper criteria of the directors at the time of appointment, and on a continuing basis,
- ii. The Company shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annex 2 (as amended by RBI from time to time);
- iii. The Company shall obtain a Deed of Covenant signed by the directors, which shall be in the format as given in Annex 3 (as amended by RBI from time to time); and
- iv. Furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the NBFC that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, should be certified by the auditors. Provided that RBI, if it deems fit and in public interest, reserves the right to

examine the fit and proper criteria of directors of the Company irrespective of the asset size of the Company.

### **Disclosure and transparency**

- 1) The Company shall put up to the Board of Directors, at regular intervals or atleast on an annual basis, the following:
  - the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC; and
  - 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.
  
- 2) The Company shall disclose the following in their Annual Financial Statements, with effect from March 31, 2016 and onwards, such information as prescribed under circular no. DNBR (PD) CC. NO. 002/03.10.001/2014-15 dated November 10, 2014 read with DNBR (PD) CC.No. 024/ 03.10.001/ 2014-15 dated March 27, 2015 and such other guidelines and RBI directions as applicable from time to time.

### **Rotation of partners of the Statutory Auditors Audit Firm**

The Company may endeavour to rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

## **Annex-1**

### **Policy on 'Fit and Proper' Criteria for directors**

Reserve Bank had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of Company also. While the Reserve Bank does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that Company put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, Company is advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

i. Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. Company should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at **Annex- 2** (as amended by RBI from time to time).

ii. The process of due diligence should be undertaken by the Company at the time of appointment / renewal of appointment.

iii. The constituted Nomination & Remuneration Committee to scrutinize the declarations.

iv. Based on the information provided in the signed declaration, Nomination & Remuneration Committee should decide on the acceptance or otherwise of the directors, where considered necessary.

v. Company should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

vi. The Company must ensure that the nominated/ elected directors execute the deeds of covenants in the format given in **Annex-3**.

Name of NBFC: \_\_\_\_\_

Declaration and Undertaking by Director (with enclosures as appropriate as on \_\_\_\_\_)

<b>I. Personal details of director</b>	
a. Full name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address / Telephone Number	
h. Permanent Account Number under the Income Tax	
Act and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to Directorship of the NBFC	
<b>II Relevant Relationships of director</b>	
a. List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007	
d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.	
<b>III Records of professional achievements</b>	
a. Relevant professional achievements	
<b>IV. Proceedings, if any, against the director</b>	
a. If the director is a member of a professional association/body, details of disciplinary action, if	



any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.	
(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper Undertaking	

**UNDERTAKING:**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place:

Date: \_\_\_\_\_,

Signature

**VI. Remarks of Chairman of Nomination Committee/ Board of Directors of NBFC**

Place:

Date: \_\_\_\_\_,

Signature

**Deed of Covenants with a Director**

**THIS DEED OF COVENANTS** is made \_\_\_\_\_ day of \_\_\_\_\_ Two thousand Sixteen **BETWEEN** \_\_\_\_\_, having its registered office at \_\_\_\_\_ (hereinafter called the 'NBFC') of the one part and Mr/Ms. \_\_\_\_\_ (hereinafter called the "Director") of the other part.

**WHISEAS**

A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his appointment to enter into a Deed of Covenants with the NBFC.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HISEBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS :**

1. The director acknowledges that his appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.

2. The director covenants with the NBFC that :

(i) The director shall disclose to the Board the nature of his interest, direct or indirect, if he has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his other directorships, his memberships of bodies corporate, his interest in other entities and his interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the NBFC a list of his relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in others bodies corporate, firms and others entities.

(iv) The director shall in carrying on his duties as director of the NBFC:

(a) use such degree of skill as may be reasonable to expect from a person with his knowledge or experience;

- (b) in the performance of his duties take such care as he might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interests of the NBFC;
- (c) shall keep himself informed about the business, activities and financial status of the NBFC to the extent disclosed to his;
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfill his obligations as director of the NBFC;
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
- (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his judgment in matters brought before the Board or entrusted to his by the Board be free from any business or other relationship which could materially interfere with the exercise of his independent judgment; and
- (h) shall express his views and opinions at Board meetings without any fear or favour and without any influence on exercise of his independent judgment;

(v) The director shall have :

- (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
- (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- (c) duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall :

- (a) not evade responsibility in regard to matters entrusted to him by the Board;
- (b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he shall forthwith disclose his concerns to the Board; and
- (c) not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the NBFC in his capacity as director of the NBFC only for the purposes of performance of his duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC shall apprise the director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
- (b) control systems and procedures;
- (c) voting rights at Board meetings including matters in which Director should not participate because of his interest, direct or indirect therein;
- (d) qualification requirements and provide copies of Memorandum and Articles of Association;
- (e) corporate policies and procedures;
- (f) insider dealing restrictions;

(g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;

(h) appointments of Senior Executives and their authority;

(i) remuneration policy,

(j) deliberations of committees of the Board, and

(k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following :

(a) all relevant information for taking informed decisions in respect of matters brought before the Board;

(b) NBFC's strategic and business plans and forecasts;

(c) organisational structure of the NBFC and delegation of authority;

(d) corporate and management controls and systems including procedures;

(e) economic features and marketing environment;

(f) information and updates as appropriate on NBFC's products;

(g) information and updates on major expenditure;

(h) periodic reviews of performance of the NBFC; and

(i) report periodically about implementation of strategic initiatives and plans;

(iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The NBFC shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his office and his rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

**IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.**

For the NBFC  
By

Director

Name:

Name:

Title:

**In the presence of:**

1. \_\_\_\_\_

2. \_\_\_\_\_