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**INTERNAL GUIDELINES ON  
CORPORATE GOVERNANCE**

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## ***INTERNAL GUIDELINES ON CORPORATE GOVERNANCE***

### ***1. Company's philosophy on code of governance***

As a TVS Group Company, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company's philosophy on corporate governance is founded on the fundamental ideologies of the group viz., Trust, Value and Service.

The Company believes in ensuring corporate fairness, transparency, professionalism, accountability and propriety in total functioning of the Company, which are pre-requisites for attaining sustainable growth in this competitive corporate world.

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. The Company would constantly endeavour to improve on these aspects.

The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and reviewed by the board of the committees of the members of the Board.

### ***2. Company and its operations***

#### ***2.1 Operations***

The Company is a NBFC-ND-SI (Non-banking financial company – Non-Deposit Taking – Systemically Important) registered with Reserve Bank of India (RBI).

The Company through its presence in more than 1000 locations serves its customers located all over India through efficient and speedy customer service and also through simple process and robust IT platform.

#### ***2.2 Board of directors and its meetings***

The board of directors, which consists of eminent persons with considerable professional expertise and experience, provides

leadership and guidance to the management, thereby enhancing stakeholders' value.

The members of the board of directors are as follows:

- (1) Mr Venu Srinivasan, Chairman
- (2) Mr Sudarshan Venu, Director
- (3) Mr T K Balaji, Director
- (4) Mr K N Radhakrishnan, Director
- (5) Mr V Srinivasa Rangan, Director
- (6) Ms Sasikala Varadachari, Director
- (7) Mr R Gopalan, Director
- (8) Mr B Sriram, Director

The Company under the able direction of the board of directors and through the procedures and policies mandated by the board functions.

The Company, in consultation with the directors, prepares and circulates a tentative annual calendar for meetings of the committees / board in order to assist the directors for planning their schedules well in advance to participate in the meetings.

### **2.3 *Meetings of the board***

The Company regularly places, before the board for its review, the information as required such as annual operating plans, capex budget and its quarterly updates, quarterly results, minutes of meetings of audit committee and other committees of the board, quarterly details of risk management and mitigation measures, report on compliance of all laws applicable to the Company, prepared by the Company as well as steps taken by the Company to rectify instances of non-compliances, if any, etc.

Comprehensively drafted notes for each agenda item along with background materials, wherever necessary, are circulated well in advance to the committee / board, to enable them for making value addition as well as exercising their business judgment in the committee / board meetings.

Presentations are also being made by the business heads on the Company's operations, marketing strategy, IT strategy, HR initiatives in board meetings.

## ***2.4 Information and Updation to directors:***

The board reviews all information provided periodically for discussion and consideration at its meetings. Functional heads are present whenever necessary and apprise all the directors about the developments. They also make presentations to the board and audit committee of directors.

Apart from this, the observations of audit carried out by the internal auditors and the compliance report on payment of statutory liabilities submitted by the statutory auditors of the Company are placed and discussed with functional heads, by the committee / board.

The board also reviews the declarations made by the chief executive officer and chief financial officer regarding compliance of all applicable laws on quarterly basis.

Decisions taken at the meetings of the board / committee are communicated to the functional heads. Action taken report on decisions of previous meetings is placed at every succeeding meeting of the board / committee for reporting the compliance.

## ***3. Committee of directors***

### ***3.1 Audit Committee***

#### ***Objective***

The Company has in place the Audit Committee constituted in accordance with the provisions of Para 11 of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and the applicable provisions of the Companies Act, 1956.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting.

### *Brief description of terms of reference*

The Audit Committee of the Company is entrusted with the responsibility to supervise the Company's internal control and financial reporting process. The terms of reference, the powers and role of the Committee encompass accounting matters, financial reporting and internal controls.

They primarily include the review of systems and procedures of internal control, review of financial operating systems, ensure compliance with regulatory guidelines, review of accounting policies, review of pending litigations. and *inter alia* performs the following functions:

- a. Overseeing the Company's financial reporting process and the disclosure of financial information.
- b. Reviewing with the management quarterly and annual financial statements before submission to the board for approval with particular reference to the matters specified in the Listing Agreement.
- c. Reviewing the statement of related party transactions and transactions with companies in which one or more director(s) of the Company is / are deemed to be interested / concerned.
- d. Discussing the nature and scope of audit including internal audit prior to the commencement of the audit and areas of concern, if any, arising post audit.
- e. Reviewing the reports of internal auditors and ensuring that adequate follow-up action is taken by the management on observations and recommendations made by the internal auditors.
- f. Reviewing the findings of any internal investigations by the internal auditors into matters of suspected fraud or irregularity or a failure of internal control systems, of a material nature, if any.
- g. Recommending to the board the appointment / re-appointment / replacement of the statutory auditors and internal auditors and the fees payable for audit and approving the payment for any other services rendered by the statutory auditors.

- h. Reviewing the adequacy of internal audit functions and systems, structure, reporting process, audit coverage and frequency of internal audit.
- i. Reviewing with the management the annual financial statements before submission to the board, in particular
  - a. Any change in accounting policies and practices;
  - b. Major accounting entries passed, based on exercise of judgment by management;
  - c. Significant adjustments arising out of audit;
  - d. Compliance with accounting standards; and
  - e. Disclosure of contingent liabilities.
- j. In addition, reviewing of such other functions as envisaged under Section 292A of the Act..

The subjects reviewed and recommended in the meetings of the Audit Committee were apprised to the board by the Chairman of the Audit Committee, for its approval.

***Composition, name of members and the chairman:***

The audit committee consists of the following directors:

Name of the directors (M/s.)	Status
R Gopalan	Non-Executive Independent Director
K N Radhakrishnan	Non-Executive Director
V Srinivasa Rangan	Non-Executive Independent Director

### **3.2 *Nomination and Remuneration Committee***

#### ***Objective***

The Company has in place the Nomination & Remuneration Committee. The Committee ensures on the basis of set parameters and criteria that the existing directors and key managerial personnel are 'fit and proper person'.

#### ***Brief description of terms of reference***

The powers and role of the Committee would encompass ensuring the criteria for the appointment of the directors and the personnel at the senior management personnel. In addition, the Committee also ensures that the members elected, as members of the Committee of the board of directors, are also appropriate.

The terms of reference also includes the Company's policy on specific remuneration packages for executive directors including payment of minimum remuneration in terms of Schedule XIII of the Companies Act, 1956.

It also includes dealing with matters relating to appointment and remuneration, one level below the board of directors of the Company and also have such power as may be entrusted to them, from time to time, by the board of directors and all such matter in connection with the above.

#### ***Composition, name of members and the chairman:***

The Nomination and Remuneration committee consists of the following directors:

Name of the directors (M/s.)	Status
K N Radhakrishnan	Non-Executive Director
V Srinivasa Rangan	Non-Executive Independent Director
R Gopalan	Non-Executive Independent Director

### **3.3 Risk management committee**

#### ***Objective***

The Company has laid down procedures to inform board about the risk assessment and mitigation procedures, to ensure that executive management controls risk through means of a properly defined framework.

This Company has constituted a Risk Management committee. This Committee would ensure that the risk associated with the functioning of the Company are identified, controlled and mitigated and also lay procedures regarding managing and mitigating the risk through integrated risk management systems, strategies and mechanism. The Committee would meet periodically to review the risk management and mitigation plans.

#### ***Brief description of terms of reference***

This Committee would advocate and promote the Enterprise Risk Management and ensure that the risk management process and culture are embedded throughout the Company.

The Committee would ensure the implementation of the objectives outlined in the Credit Risk Management Policy from time to time and compliance with them. This Committee would provide routine quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on financing and investment proposals.

This Committee would review the internal control systems and their adequacy and their systems with Internal audit and review statements on internal control plans, procedures, areas of coverage, periodicity and presentation and recommend the same for the approvals of the Audit Committee and Board.

This Committee would assist the board by identifying and managing operational risks within the organisation. The Committee shall determine the Company's risk management and overall strategies and



for clearly communicating the policies and those strategies to management.

***Composition, name of members and the chairman:***

The Committee consists of the following directors:

Name of the directors (M/s.)	Status
Sasikala Varadachari	Non-Executive Independent Director
K N Radhakrishnan	Non-Executive Director
V Srinivasa Rangan	Non-Executive Independent Director

***3.4 Asset Liability Committee (ALCO)***

***Objective***

The Committee constituted an Asset Liability Committee (ALCO), in terms of Guidelines issued by RBI to NBFCs for effective risk management in its portfolios.

***Brief description of terms of reference***

The Committee, among other functions, is concerned with risk management and provides a comprehensive and dynamic framework for measuring, monitoring and managing liquidity and interest rate, equity and commodity price risks of major operators in the financial system that needs to be closely integrated with the Company's business strategy. It involves assessment of various types of risks and altering the asset liability portfolio in a dynamic way in order to manage risks.

This Committee is responsible for ensuing adherence to the limits set by the board as well as for deciding the business strategy of the Company (on the assets and liabilities sides) in line with NBFC's budget and decided risk management objectives.

***Composition, name of members and the chairman:***

The Committee consists of the following directors:

Name of the directors (M/s.)	Status
B Sriram	Non-Executive Independent Director
Sudarshan Venu	Non-Executive Director
Sasikala Varadachari	Non-Executive Independent Director

#### **4. *Internal Audit Function***

The Company has the internal audit function to provide the management with systematic assurance, analyses, appraisals, recommendations, advice and information with a view to assisting it, and other stakeholders, in the effective discharge of their responsibilities and the achievement of the Company's mission and goals.

The role of the internal audit function includes providing reasonable assurance on the effectiveness, efficiency and economy of the processes in various areas of operations within the Company. as well as compliance with the Company's financial and Staff Rules and Regulations, General Assembly Decisions, applicable accounting standards and existing best practice.

- Assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor the various risks arising from the organisation's activities;
- Ensuring senior management establishes and maintains adequate and effective internal controls.
- Satisfying itself that appropriate controls are in place for monitoring compliance with laws, regulations, supervisory requirements and relevant internal policies.
- Monitoring and reviewing the effectiveness of the internal audit function.
- Reviewing and assessing the internal audit plan and its progress.
- Ensuring that the internal audit function is adequately resourced and enjoys appropriate standing within the organisation.

- Considering management's response to major internal audit recommendations and progress in their implementation.

The Company has been carrying out regularly internal audit through an external agency for reviewing the process of the Company and assisting the Audit Committee. The Internal Audit conducts reviews of various functions independently and this function reports directly to the Audit Committee of the board.

## ***5. Fair Practices Code***

Pursuant to the guidelines on 'Fair Practices Code' issued by RBI, the Company has adopted a policy on Fair Practices Code, which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by the Committee members.

## ***6. Code of Conduct***

The Company has adopted a Code of conduct for employees of the Company and due care is taken that the employees adhere to it.

## ***7. Adherence to RBI Norms & Standards***

The Company has fulfilled the Prudential norms and standards as laid down by RBI pertaining to income recognition, provisioning of non-performing assets and capital adequacy. The Capital adequacy ratio of the Company is well within the prescribed limit by RBI.

The Fair Practices Code and KYC norms framed by the Company seek to promote good and fair practices by setting minimum standards in dealing with customers, increase transparency so that customers have a better understanding of what they can reasonably expect of the services being offered, encourage market forces through competition to achieve higher operating standards, promote fair and cordial relationships between customers and the Company and foster confidence in the finance system.

The Company has put in place a mechanism to monitor and review adherence to the Fair Practices Code, KYC norms & Credit policies as approved by the Board of Directors.

## ***8. Disclosures and Transparency***

The Board of directors of the Company reviews, records and adopts the minutes of the meetings of the various committees constituted by the Company.

The Company has in keeping with proper responsibility and authority matrix inculcated in the structure of certification to ensure compliance from diversified and various locations.

## ***9. Website***

The Company has in place a website addressed as [www.tvscredit.com](http://www.tvscredit.com) This website contains the basic information about the Company, e.g. details of its business, products offered, compliance with RBI guidelines, corporate governance, contact information of the designated officials of the Company, who are responsible for assisting and handling customers.

The Company ensures that the contents of this website are periodically updated. In addition, the Company makes use of this website for publishing official news.