

---

**INTERNAL GUIDELINES ON  
CORPORATE GOVERNANCE**

---

## *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. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the field of Corporate Governance

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

### *2. Objectives of Guidelines on Corporate Governance*

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

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its Notification No. DNBR.019/CGM (CDS)-2015 dated April 10, 2015 (as updated from time to time) advised all the Non-Banking Financial Companies with asset size of Rs. 500 crores and above (NBFC-ND-SI) to frame internal guidelines on Corporate Governance.

The Company has formulated the following Internal Guidelines of Corporate Governance on the basis of the following:

- i. Pursuant to said RBI Circular dated April 10, 2015;
- ii. Companies Act, 2013 and Rules amended from time to time;
- iii. Industry Best Practices

#### *Governance Structure*

### *3.1 Board of Directors*

The Board of Directors plays a pivotal role in ensuring that good corporate governance practices are followed within the Company. The Board of Directors along with its Committees oversees the functioning of the Company and that of its management, and ensures that all decisions taken are in the best interest of the stakeholders of the Company. The Directors shall accordingly possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields to enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company.

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.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Women Directors, as per the Guidelines/Regulations applicable to the Company. All the Directors shall meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India and the Company's policy on Fit and Proper Criteria.

All the Directors on the Board except Chairman and Independent Directors are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company, who shall be eligible for re-election. All the Directors shall make the necessary annual disclosures regarding changes, if any in their concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and Committee positions and shall intimate changes as and when they take place.

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.

### *2.1 Meetings of the board*

At least four Board Meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days. The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire Meeting.

The Independent Directors of the Company shall meet at least once in a year without the presence of Non-Executive Directors and the Management in terms of Schedule IV of the Companies Act, 2013.

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.

## *2.2 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, 2013.

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 Company has in place an 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 as required under Section 177 of the Act, 2013. The composition of the Committee is in accordance with the requirements of Section 177 of the Act, 2013.

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 and inter alia performs the following functions:

- The recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- Review and monitor the auditor's independence and performance and effectiveness of audit process;
- Examination of the financial statement and the auditor's report thereon;
- approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings of assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Monitoring the end use of funds raised through public offers and related matters.
- Monitoring, reviewing, recommending and approving all related party transactions including granting omnibus approval for RPTs having value not exceeding Rs. 1 Cr per transaction for a period of one year.
- Ratification of any RPT involving amount not exceeding Rs 1 Cr entered into by a director or officer of the Company without obtaining the approval of the Audit Committee within three months from the date of the transaction.
- In addition, reviewing of such other functions as envisaged under the Provisions of Companies Act, 2013.

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

Chairman	The Chairman of the Audit Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ol style="list-style-type: none"> <li>1. The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority</li> <li>2. Majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.</li> </ol>
Meetings	The Committee shall meet at least 4 times in a year and not more than 4 months shall elapse between two Meetings.

### 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*

- Guiding the board of TVS CS ("Board") to lay down the terms and conditions in relation to appointment and removal of Director(s), KMP and SMP.
- Evaluating the performance of the Director(s) and providing necessary report to the Board for its further evaluation and consideration.
- Recommending to the Board on remuneration payable to the Director(s), KMP and SMP of TVS CS based on (i) TVS CS's structure and financial performance and (ii) remuneration trends and practices that prevail in peer companies across automobile industry.
- Retaining, motivating and promoting talent among the employees and ensuring long term sustainability of talented SMP by creation of competitive advantage through a structured talent review.
- Devise a policy on diversity in the Board.
- Develop a succession plan for the Board and SMP.

Chairman	One of the members of Nomination and Remuneration Committee shall be appointed as the Chairman of Nomination and Remuneration Committee.
Composition	The Committee shall consist of three or more Non-Executive Directors of which not less than one-half shall be Independent Directors
Meetings	The meeting of the Committee shall be held at such regular intervals as may be required but atleast once in a financial year to review and evaluate the performance of directors of the Company.
Quorum	Minimum two (2) members shall be the quorum  The quorum must be present at all times during the meeting.

### 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.

#### Roles and Responsibilities:

- To review various risks measures adopted by the Company for identification, measurement, monitoring and mitigation of risks involved in various areas of functioning.
- To approve and review various credit policies including its amendments laid down by the Company and monitor performance levels.
- To review and discuss the issues reported in Asset Liability Management Committee in relation to risk aspects.
- Monitoring risk levels and also reviews of results and progress in implementation of decisions taken in earlier meeting.
- To approve and review Enterprise Risk Management framework inter alia approving Risk rating criteria and review of key risks along with mitigants and Risk register.
- To approve and review Risk management policy and its amendments.

Chairman	One of the members of Committee shall be appointed as the Chairman of the Risk Management Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman
Composition	The Composition of Risk Management Committee of the Board shall be decided by the Board from time to time.
Meetings	The Risk Management Committee of the Board would meet periodically at least four times in a year to review the risk management policies and practices of the Company.
Quorum	Minimum two (2) members shall be the quorum  The quorum must be present at all times during the meeting.

### 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 ensuring 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.

Chairman	One of the members of Committee shall be appointed as the Chairman of the Asset Liability Management Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
Composition	The Composition of Asset Liability Management Committee of the Board shall be decided by the Board from time to time.
Meetings	The ALCO shall meet at such intervals depending on the Business requirements, but at least once in every quarter
Quorum	Minimum two (2) members shall be the quorum  The quorum must be present at all times during the meeting.

### 3.5 *Corporate Social Responsibility Committee (CSR)*

The Company shall have in place a Corporate Social Responsibility Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014. The Company shall have a Board approved CSR Policy in place and required disclosures to the effect will be made from time to time.

CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the

activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and also recommend the amount of expenditure to be incurred on the activities referred to in above clause

Chairman	One of the members of the Corporate Social Responsibility Committee shall be appointed as the Chairman of the Corporate Social Responsibility Committee. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman.
Composition	The Committee shall consist of three or more Directors, of which at least one Director shall be an Independent Director.
Meetings	The CSR Committee of the Board would meet as and when required, with atleast one Meeting in a year
Quorum	At least two or one-third of the members of the Committee, whichever is higher

### 3.6 *IT Strategy Committee*

The Company shall have in place an IT Strategy Committee in pursuant to Reserve Bank of India, Master Directions on Information Technology Framework for the NBFC Sector, 2017. IT Governance is an integral part of corporate governance and every Systemically Important NBFC shall adopt IT framework with a focus on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing.

Chairman	The Chairman of IT Strategy Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the Meeting shall choose one amongst them to act as Chairman
Composition	The Committee shall consist of three or more Directors, of which at least one Director shall be an Independent Director. The CTO shall be a part of the committee
Meetings	The IT Strategy Committee of the Board should meet at an appropriate frequency but not more than six months should elapse between two meetings
Quorum	At least two or one-third of the members of the Committee, whichever is higher

#### 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.