



JM FINANCIAL CREDIT SOLUTIONS LIMITED

**INTERNAL GUIDELINES
ON CORPORATE GOVERNANCE**

October 2018

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I. INTRODUCTION

JM Financial Credit Solutions Limited is a subsidiary of JM Financial Limited. As part of the JM Financial Group, the Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices.

The Company recognises its role as a corporate citizen and endeavors 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. OBJECTIVE OF 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, RBI has, vide its Circular no. RBI/2014-15/552 DNBR (PD) CC.No. 029/03.10.001/2014-15 dated April 10, 2015 issued Guidelines on Corporate Governance. On June 3, 2015, RBI vide Circular RBI/2014-15/632 DNBR (PD) CC No.040/03.01.001/2014-15 issued a Master Circular - Corporate Governance (Reserve Bank) Directions, 2015 and has required all NBFC-ND-SI to frame an internal guidelines on Corporate Governance.

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 provisions of Para 11 of the Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and Section 177 of the Act and the Rules framed thereunder.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee. However, as a matter of good governance, one of the Independent Directors may be appointed as the Chairman of the Committee.
Composition	The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.
Meetings	The Audit Committee shall meet as and when required, but shall meet at least four times in a year.
Terms of reference	<p>The terms of reference of the Audit Committee, inter-alia, shall include the following:</p> <ul style="list-style-type: none"> - 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 auditors' report thereon; - approval or any subsequent modification of transactions of the Company, if any, with related parties; - scrutiny of inter-corporate loans and investments, if any; - valuation of undertakings or assets of the company, wherever it is necessary; - evaluation of internal financial controls and risk management systems; - monitoring the end use of funds, if raised through public offers (like IPO/FPO) and related matters. - ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks, if any, faced by the Company.

2. NOMINATION AND 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.

Chairman	<p>The Committee shall appoint one of its members as the Chairman of the Committee. However, as a matter of good governance, one of the Independent Directors may be appointed as the Chairman of the Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of this Committee.</p>
Composition	<p>The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors. Further, the composition shall be in accordance with the requirements specified in the Articles of Association of the Company.</p>
Meetings	<p>The Committee shall meet as and when required, but shall meet at least once in a year.</p>
Terms of reference	<p>The terms of reference of the Nomination and Remuneration Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - formulate the criteria for determining qualifications, positive attributes and independence of a director; - identify and recommend to the Board of Directors, the appointment of persons considered capable and fit for the role of a director based on the criteria so formulated; - evaluation of Directors' performance; - recommend to the Board of Directors a policy relating to the remuneration for the directors, key managerial personnel and other senior employees of the Company; and - such other tasks as may be entrusted to it by the Board of Directors from time to time.

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.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board.
Meetings	The Committee shall meet as and when required, but shall meet at least twice in a year.
Terms of reference	<p>The terms of reference of the Risk Management Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - identification, monitoring and measurement of the risk profile of the Company (including market risk, operational risk and transactional risk); - overseeing its integrated risk measurement system; - review the minutes of meetings of the Asset Liability Committee; - perform such other act, including the acts and functions stipulated by the Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

4. ASSET LIABILITY MANAGEMENT COMMITTEE

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

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of four members and shall meet the requirements specified in the Articles of Association of the Company.
Meetings	The Committee shall meet as and when required, but shall meet at least four times in a year.
Terms of reference	<p>The terms of reference of the ALM Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - Management of the balance sheet of the Company; - Review of the asset-liability profile of the Company with a view to manage the market exposure assumed by the Company; - Safeguarding the recovery positions at any point of time;

	<ul style="list-style-type: none"> - Review of risk monitoring system, ensure payment of liability on its due dates, liquidity risk management, funding and capital planning, profit planning and growth projections, forecasting and analyzing different scenarios and preparation of contingency plans; and - Perform such other allied functions as may be required from time to time
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5. CREDIT COMMITTEE

The Credit Committee shall overview the Company's financial position and the requirements of the fund for lending to the clients, after analyzing the credit worthiness of the borrower while lending including their repayment capacity.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of three members and shall meet the requirements specified in the Articles of Association of the Company.
Meetings	The Committee shall meet as and when required, but shall meet at least six times in a year.
Terms of reference	<p>The terms of reference of the Credit Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - Scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal; - Overseeing the Company's financial positions and the requirements of the fund; - Deciding the amounts to be borrowed through various borrowing instruments of varied maturities; - Perform such other allied functions as may be required from time to time.

6. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee shall implement the CSR activities to be undertaken by the Company.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of three members out of which one member shall be an Independent Director.
Meetings	The Committee shall meet as and when required, but shall meet at least once in a year.
Terms of reference	The terms of reference of the CSR Committee shall inter alia, include the following:

- Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013;
- Making recommendation on the amount of expenditure to be incurred on CSR activities;
- Instituting a transparent monitoring mechanism for implementation of the CSR activities to be undertaken by the Company; and
- Such other tasks as may be entrusted to it by the Board of Directors from time to time.

7. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Stakeholders' Relationship Committee is constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee. Provided that the Chairman should be a Non-Executive Director
Composition	The Committee shall consist of such members as may be decided by the Board
Meetings	The Committee shall meet as and when required.
Terms of reference	The terms of reference of the Committee shall be to redress the grievances of security holders of Company and such other allied matters and the matters that may be entrusted by the Board of Directors from time to time.

8. IT STRATEGY COMMITTEE & IT STEERING COMMITTEE

The IT Strategy Committee & IT Steering Committee is constituted in accordance with the Master Direction on Information Technology Framework for the NBFC sector issued by the Reserve Bank of India.

IT STRATEGY COMMITTEE

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee. Provided that the Chairman should be an Independent Director
Composition	The Committee shall consist of such members as may be decided by the Board, provided that Chief Information Officer and Chief Technology Officer should be part of the Committee.
Meetings	The Committee shall meet at an appropriate frequency but not more than six months should elapse between two meetings.

Terms of reference	<ul style="list-style-type: none"> - To carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance and may place its deliberations before the Board. - Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place. - Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business. - Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable. - Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources. - Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.
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IT STEERING COMMITTEE

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such members as may be decided by the Board.
Meetings	The Committee shall meet as and when required.
Terms of reference	To provide oversight and monitoring of the progress of the project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable

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:

- 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.;

- 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.

V. **ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partner of the Statutory Auditors are subject to rotation and is required to rotate in every three years. Also, 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.

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