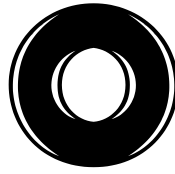


MACQUARIE FINANCE (INDIA) PRIVATE LIMITED



MACQUARIE

Corporate Governance Policy

a. Board Meeting

Board meetings of MFIPL are generally held on a quarterly basis or when deemed necessary. Directors and officers are kept informed of the company's activities and material matters regarding MFIPL so that they can discharge their duties and other regulatory obligations.

Co-Sec division is responsible for ensuring that the board meeting be conducted in accordance with Macquarie's corporate governance guidelines and relevant regulatory requirements and that the required documentation is done.

Any change in the constitution of the Board of Directors of the Company or management of the Company shall be intimated to the Regional Office of the Department of Non-Banking Supervision of the RBI within a period of seven days from such change in the format of *Annexure II* (available at www.rbi.gov.in as part of CoR application documentation).

b. Constitution of Audit committee

An Audit Committee shall be constituted consisting of not less than three members of the Board of Directors of the Company. The Audit Committee constituted shall have same have rights, functions and duties as laid down in section 177 of the Companies Act, 2013.

The Charter of the Audit Committee is as follows:

- Evaluation of internal financial controls and risk management
- Periodic discussions with Auditors about the Internal control systems, scope of audit including any changes required in the planned scope of the internal audit plan and observations of the auditors;
- Review and monitor all the frauds, if any, involving an amount of Rs 25 lakh and above
- Recommend appointment, remunerations and terms of appointment of Auditors of the Company;
- Review & monitor the auditor's independence and performance and effectiveness of audit process & oversee work of the independent auditor;
- Stipulate rotation norms of partners / audit firms, if required;
- Review, examine and discuss audited and unaudited financial statements and (annual, half yearly, quarterly), including observations of the auditors, before submission to the Board of Directors and also ensure compliance of internal control systems;
- Periodically report to the Board on significant results of the foregoing activities.

- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Monitoring the end use of funds raised through public offers and related matters;
- Oversee the vigil mechanism (whistle-blowers policy of the Company) & provide adequate safeguards against victimisation of persons who use such mechanism;
- Investigate into any matters in relation to the above or as referred to by the Board.

c. Constitution of Nomination and Remuneration Committee

In terms of the RBI Master circular on Corporate Governance (ref. DNBS (PD) CC No. 156/03.10.001/2009-10 dated July 1, 2009), and pursuant to Section 178 of the Companies Act, 2013; it's obligatory for NBFC-ND-SI to constitute a Nomination and Remuneration Committee. The Nomination and Remuneration Committee will be responsible to assess "fit and proper" credential of proposed directors of the Company, prior to appointing any new directors of the Company. The Board of the Company shall consider the recommendations of the Nomination and Remuneration Committee prior to any appointment of director of the Company. The Charter of the Nomination and Remuneration Committee is set out below:

The Charter of the Nomination and Remuneration Committee is as follows:

- Identify & assess candidature of persons who are qualified to become directors and who may be appointed in senior management in view of the criteria's laid down.
- Identify & assess candidature of the proposed director, by reviewing academic qualifications, persons having adequate professional experience in finance and financial services related field and not found guilty of moral turpitude or convicted of any economic offence or violation of any securities laws;
- Recommend to the Board, the appointment and removal of Directors and senior management personnel or filling of vacancies.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director
- Recommend to the Board, a policy, relating to the remuneration of Directors, key managerial personnel and other employees as per the criteria laid down by the Company.
- Consider the general character of the proposed management of the Company, shall not be prejudicial to the public interest.
- Ensure that any change in directors inducing change in residential address of the directors shall be notified to the Regional Office of the Department of Non-Banking Supervision of the RBI within 7 days from the change in the format Annexure III, attached herewith as Exhibit A month.
- Formulate the criteria for evaluating performance of the Directors (including Independent Directors, if any)
- Evaluate the performance of all Directors on an Annual basis and provide a report on the said evaluation to the Board of Directors for their review & perusal.

d. Constitution of Risk Management Committee

In terms of the RBI Master circular on Corporate Governance (ref. DNBS (PD) CC No. 156/03.10.001/2009-10 dated July 1, 2009), it's obligatory for NBFC-ND-SI to constitute a Risk Management Committee (RMC). The RMC will be monitor the asset liability gap and strategise action to mitigate the risk associated. To manage the integrated risk, a risk management committee may be formed in addition to the Asset Liability Committee. The Charter of the Risk Management Committee is set out below:

- Approve minutes of the previous meeting;
- Review matters arising from the previous meeting;
- Members of the Committee shall elect a chairman from amongst themselves;
- Provide comprehensive and dynamic framework for measuring, monitoring and managing liquidity and interest rate
- Comprehensive risk assessment of various types of risks including investment portfolio, credit risk, and interest rate risks, operational, regulatory, IT risks and other risks.
- Assessment of business contingency plan, risk & possible solutions and implementation aspects
- Review of reports submitted by service providers, investment team, Operation, Compliance
- Each of the members shall provide functional update to the Committee, focusing on challenges and issues faced by the divisions and potential and inherent risk involved ;
- Update on any incident report lodged and status update on corrective action taken

e. Constitution of Asset Liability Committee

In terms of the RBI Circular Ref. DNBS (PD) CC. No. 15/02.01/ 2000-2001 dated June 27, 2001 on Guidelines for Asset Liability Management (ALM) system for NBFC ("RBI Operating ALM Guidelines) it's obligatory for the Company to constitute an Asset Liability Committee under the charge of the Chief Executive Officer or a senior person executive responsible for treasury functions of the Company.

The RBI Operating ALM Guidelines lays down broad guidelines in respect of interest rate and liquidity risks management systems as part of ALM functions and classifies ALM process into three areas viz. ALM Information Systems, ALM Organisations and ALM Risk Process. It further classifies these functions into the existing industry practices, and best practices to be followed by NBFC based on its business profile. The Charter of the ALM Committee is set out below:

- Approve minutes of the previous meeting;
- Review matters arising from the previous meeting;
- Members of the Committee shall elect a chairman from amongst themselves;
- Provide comprehensive and dynamic framework for measuring, monitoring and managing liquidity and interest rate
- identifying, evaluating or measuring all risks inherent in the Company, as well as establishing controls to mitigate such risks.
- Assessment of various types of risks and altering asset-liability portfolio on dynamic basis

- ALCO shall be responsible to adhere to limits set by Board of Directors
- Review statement of short term dynamic liquidity, structural liquidity and statement of Interest Rate Sensitivity
- The ALCO shall prepare reports for the Risk Management Committee to review integrated risks of the Company.
- The ALCO shall focus on the short-term mismatches viz., 1-30/31 days
- ALCO or its delegates are expected to monitor cumulative mismatches (running total) across all time buckets. The mismatches (negative gap) during 1-30/31 days in normal course may not exceed 15% of the cash outflows in this time bucket, and the same shall be reported to the Board.

f. Connected lending – Not yet operational

RBI has advised that the 'Connected lending' requirements mentioned as under will become operational after final evaluation of the suggestions and modifications

NBFC should not grant any loan, advance or non-fund based facility or any other financial accommodation / facility to:

- a) its directors or their relatives;
- b) to any firm in which any of its Directors is interested as Partner, Manager, Employee or Guarantor;
- c) any individual in respect of whom any of its Directors is a Guarantor;
- d) any company of which, or the subsidiary or the holding company of which, any of the Directors of the NBFC is a Director, Managing Agent, Manager, Employee or Guarantor or any firm in which he holds substantial interest;
- e) any entity, whether incorporated or not which uses as a part of its name or in connection with its business, the name of the NBFC or any such word as would show its association with the NBFC.

Any existing arrangements may be allowed to continue up to the date when they are due. They should, however, not be renewed or extended any further.

Connected Lending Reporting – Not yet operational

On a quarterly basis, NBFCs are required to submit information pertaining to loans and advances granted to their directors, relatives and other entities in the prescribed format to the Regional Office concerned of the Department of Non-Banking Supervision within 15 days from the close of the respective quarter. If there is nothing to report, a nil statement may be submitted.