

SICOM LIMITED

GUIDELINES ON CORPORATE GOVERNANCE

1. Objective:

Corporate Governance refers to the entire system by which a Company is managed and monitored, its Corporate Principles and guidelines, the system of internal and external control and supervision to which the Company's operations are subjected.

Corporate Governance is practiced by all departments in the Company and is not restricted only to the Board of Directors.

2. RBI Guidelines on Corporate Governance:

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had, on May 8, 2007 and July 11, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company had taken note of the RBI Guidelines on Corporate Governance at its Board Meeting held on June 22, 2007. Further RBI vide its circular No. RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015 and Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 1, 2015 made certain amendments to the Guidelines issued earlier. The Internal Guidelines on Corporate Governance are being amended accordingly by the Company

3. Board of Directors:

The Board of Directors shall have an optimum combination of Executive, Non-Executive and Independent Directors in compliance with the provisions of the Companies Act, 2013 and other regulatory guidelines, if any

The Board of Directors for better attention and focus have delegated powers to the Committees of the Board set up for the purpose. These Committees prepare the ground work for decision making and report at the subsequent Board Meeting

4. Board Meetings:

Meetings of the Board of Directors shall be held at least four times a year, such that not more than one hundred and twenty days shall intervene between two consecutive meetings.

5. **Committees:**

Details of various Committees are as follows:

a. **Audit Committee:**

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013 and in terms of applicable RBI guidelines in this regard.

Terms of Reference:

- 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 auditors' 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 or 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;
- To oversee vigil mechanism.
- To ensure that an Information System Audit of the Internal systems and processes is conducted at least once in two years to assess operational risks faced by NBFCs

b. **Nomination and Remuneration Committee:**

The Company has constituted a 'Nomination and Remuneration Committee' in compliance with the provisions of Section 178 of the Companies Act, 2013 and the same is in conformity with the RBI guidelines issued in this regard from time to time.

Terms of Reference:

- To Identify the persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down;
- To recommend to the Board about the appointment and removal of directors and senior management;
- To carry out evaluation of director's performance;
- To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

c. **Corporate Social Responsibility Committee:**

The Company has constituted the 'Corporate Social Responsibility Committee' in compliance with the provisions of Section 135 of the Companies Act, 2013

Terms of Reference:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy (CSR Policy);
- The CSR Policy should indicate the activities to be undertaken by the Company as specified in Schedule VII annexed to the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the CSR activities;
- Monitor the CSR Policy of the Company from time to time.

d. Asset Liability Management Committee:

The Company has in place the Asset-Liability Management Committee (“ALCO”) constituted in accordance with the RBI guidelines.

Terms of Reference:

- Within the overall organization structure, the ALCO will be responsible for ensuring that SICOM’s risk strategy and risk management policies are implemented;
- The ALCO is responsible for reporting to the Board on the adequacy of SICOM’s systems and controls for managing risk, and for recommending any changes or improvements, as necessary;
- The ALCO shall currently be responsible for all the market risks taken on by the Company, including both foreign exchange and interest rate risk. It is envisaged that going forward, the ALCO will be strengthened to enable it to assess, analyze and recommend processes for management of business risks, which, by their nature are much more difficult to quantify;
- The ALCO is also responsible for authorizing the use of specific products for hedging purposes;
- ALCO’s opinion should be sought before approving the asset / liability product pricing. A detailed analysis of various risks involved in new product pricing, strategies to mitigate these risks should be implemented;
- ALCO would be responsible in determining the tenor wise Prime Lending Rate (PLR) for SICOM.

e. Credit Risk Management Committee:

The Company has in place a Credit Risk Management Committee (CRMC) constituted in accordance with the RBI guidelines in this regard

Terms of Reference:

- (i) The primary objective of Credit Risk Management Committee is to actively monitor and manage the credit risk on the lending asset book of SICOM within the parameters laid down in Credit Policy, Infrastructure Credit Policy and Credit Risk Management Policy. The Broad objectives of CRMC are stated below:

- Manage credit risk run by SICOM on its Lending (fund based or non fund based) book, Off balance Sheet items
 - To minimize the risks at both obligor level and at portfolio level
 - To optimize the requirement of risk capital through proper obligor assessment and active portfolio management.
 - Approve use of any new methodology for management of credit risk and laying down the framework for periodic valuations of any Risk Measurement / Management Models in place
- (ii) The involvement of members of the CRMC is not required in day-to-day operational matters. The Committee's obligations can be met by the CRMC overseeing the execution of Credit Policy, Infrastructure Credit Policy and Credit Risk Management Policy by the operating team headed by the Head of Credit Risk Group.
- (iii) The CRMC shall seek to achieve this by building adequate internal control systems, setting up guidelines for the operating team, reviewing regular reports put up to the Committee by the operating team, holding periodic review meetings and putting in place a strong audit function.
- (iv) The CRMC would play a role in reviewing the Credit Policy, Infrastructure Credit Policy and Credit Risk Management Policy with view to enhance SICOM's risk management capabilities as per requirements and keeping in view the changes in the operating environment of company.
- (v) A report from the Credit Risk Management Committee's Chairman shall be submitted quarterly to and reviewed by the Board and Audit Committee of the Board will review all Credit Risk Management Committee Meeting Minutes.

(f) Executive Committee:

The Executive Committee is constituted to take speedy decisions in regard to sanction of financial assistance to prospective clients. The Executive Committee is authorized to consider sanctioning of loans upto 10% of the networth based on the last audited balance sheet.

(g) Recovery Committee:

The Recovery Committee is constituted to take speedy and timely decisions to ensure recovery of principal and interest overdue and also to extend guidance to the operating level officers.

(h) Willful Defaulter Committee:

The Willful Defaulter Committee is constituted in accordance with RBI guidelines and the powers, procedures to be followed, obligations etc are as per the RBI guidelines issued from time to time.

6. Fit & Proper Criteria:

In terms of RBI circular, the Board has approved 'Fit and Proper Criteria for Directors' at its meeting held on March 31, 2015. In view of the foregoing, the Company obtains necessary disclosures from Directors from time to time.

Further as required under the above referred RBI circulars, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. The same should be submitted to the Regional Office of RBI within 15 days of the close of the respective quarter and the statement for the quarter ending March 31, should be certified by the auditors.

7. Vigil Mechanism / Whistle Blower Policy:

The Company has established a vigil mechanism to provide appropriate avenues to the Directors and employees to bring to the attention of the Management, the concerns about behavior of employees that raise concerns including fraud by using the mechanism provided by the Whistle Blower Policy. The vigil mechanism operations are regulated by the Audit Committee of the Company. Whistle Blower Policy of the Company has been uploaded on website of the Company.

8. Disclosure and Transparency:

The Company shall make the disclosures required to be made under the Companies Act, 2013 and the Rules framed there under, the RBI Guidelines and such other laws and regulations as may be applicable to the Company

9. Statutory Auditors:

The appointment of Statutory auditors and the partner/s of the Chartered Accountant Firm conducting the Statutory Audit of the Company, shall be in terms of the provisions of the Companies Act, 2013 and in accordance with the applicable RBI guidelines as amended from time to time.

10. Policies adopted by the Company:

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the RBI Guidelines applicable to the Company, and such other laws and regulations as may be applicable.

11. Review by the Board of Directors:

These guidelines shall be reviewed by the Board of Directors at such intervals as and when deemed necessary, in order to align the same with the prevalent regulatory and business requirements.