



**CORPORATE GOVERNANCE POLICY  
OF  
HOME CREDIT INDIA FINANCE PRIVATE LIMITED**

**Version 5**

**Approved by the Board of Directors of  
Home Credit India Finance Private Limited**

**On  
July 27, 2018**

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**Pavel Maco  
Whole Time Director/ Chief Executive Officer**

**COMPANY PHILOSOPHY AND CORPORATE GOVERNANCE**

Home Credit India Finance Private Limited ('The Company') is a group company of Home Credit Group leading in consumer finance industry in Europe. In terms of the RBI Master Direction – Non Banking Financial Company–Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 on Corporate Governance dated September 01, 2016 , every Non-Banking Financial Company (NBFCs-ND-SI) with asset size of Rs.500 crore and above (NBFCs-ND-SI), as per its last audited balance sheet should frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the Directions and it shall be published on the company's website, if any, for the information of various stakeholders. Home Credit India Finance Private Limited being an NBFC–ND-SI, is accordingly covered by the Directions.

The Company believes that a good corporate governance system is necessary condition to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the committees of the members of the Board.

The objective of the policy is to ensure compliance with legal requirements and set standards for Business Governance/Conduct so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. All the concerned are expected to read and understand this guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures. This policy 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.

**BOARD OF DIRECTORS**

The Board shall be responsible to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees provide direction and guidance to the Company's Leadership Team and further direct, supervise as well as review the performance of the Company.

The Board shall be responsible for overall compliance with the Corporate Governance of the Company and oversees the business affairs. Further, the Board shall have 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 organization. The Meetings of the Board of Directors shall be held at least four times in each Calendar Year with a maximum interval of one hundred and twenty days between any two consecutive Meetings.

As per Article of Association of the Company, the Board shall consist of minimum 3 Directors and maximum 15 Directors. The Board shall have an optimum combination of executive, non-

executive, independent and women director in line with the requirements of the provisions of the Companies Act, 2013 and Articles of Association of the Company, as amended from time to time and other guidelines as applicable to the Company. All the Directors shall make the necessary annual disclosure regarding their change in 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 Board of Directors shall periodically reviews the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

1. Review the minutes of the proceedings of Integrated Risk Management Committee to check the functioning of progressive risk management and adherence to the risk management policies.
2. Review the minutes of the proceedings of committees constituted by Board to evaluate the functioning of the committees and adherence to their respective charter/policy.

#### **COMMITTEES BY THE BOARD OF DIRECTORS**

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 policies and procedures approved by the Board based on the rules, regulations and guidelines issued by Ministry of Corporate Affairs, Reserve Bank of India and other concerned authorities. The minutes of the meetings of all Committees of the Board shall be placed before the Board for approval in subsequent meeting of Board. All changes in policies, procedures of the Committees as well as their composition shall be approved by the Board of Directors.

The Board of Directors shall constitute the following committees\* in compliance with applicable laws:

1. Audit Committee
2. Nomination and Remuneration Committee
3. Integrated Risk Management Committee
4. Asset Liability Committee
5. Internal Complaints Committee
6. Corporate Social Responsibility Committee
7. IT Strategy Committee
8. Steering Committee

*\*Apart from above statutory committees, the Company has constituted various other committees to review, monitor and supervise the obligations of the Company under various laws/regulations.*

**AUDIT COMMITTEE OF DIRECTORS**

The Company shall have the Audit Committee of Directors in accordance with the RBI Master Direction – Non Banking Financial Company–Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 on Corporate Governance dated September 01, 2016 read with Section 177 of Companies Act 2013 and rules under Companies Act 2013 as amended from time to time.

The Audit Committee shall comprise of at least three (03) non-executive directors. Provided that the majority of the directors shall be independent directors only if required by law as applicable from time to time. Provided that majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statement.

The Board of Directors shall adopt the ‘Terms of Reference’ for the Audit Committee of Directors of the Company and the same shall be reviewed by the Board from time to time. The Terms of Reference shall also include the roles, responsibilities and powers of Audit Committee. The functioning of the Audit Committee shall be governed by the ‘Terms of Reference’ for the Audit Committee of Directors of the Company duly adopted by the Board.

Whereas the Audit Committee shall have the responsibility of providing its reasonable recommendations to the Board of Directors on the matters as and when asked for. The Board of Directors shall have the right either to accept the recommendation with or without modifications, or to reject the recommendations of the Audit Committee. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.

The Audit Committee shall ensure that an Information System Audit of the internal system and processes is being conducted at least once in two years to assess operation risks faced by the Company

**NOMINATION AND REMUNERATION COMMITTEE OF DIRECTORS**

For the purpose of better corporate governance and in compliance with the provisions of the RBI Master Direction – Non Banking Financial Company–Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 on Corporate Governance dated September 01, 2016 and Section 178 of Companies Act 2013 and rules under Companies Act 2013, the Company shall constitute Nomination and Remuneration Committee of the Directors of the Company.

The Committee shall comprise of at least three (03) directors in one or more of the categories (executive/non-executive/independent) as may be decided by the Board of Directors of the

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Company unless otherwise provided in any applicable law as may be amended from time to time and shall meet on need basis.

The members of the Committee shall elect a Chairman from amongst themselves. The Chairman of the Company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee

The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

The Nomination and Remuneration Committee shall 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.

The Board of Directors shall adopt the 'Terms of Reference' for the Nomination and Remuneration of Directors of the Company and the same shall be reviewed by the Board from time to time. The Terms of Reference shall also include the roles, responsibilities and powers of Nomination and Remuneration Committee. The functioning of the Nomination and Remuneration of Directors of the Company shall be governed by the 'Terms of Reference' for the Nomination and Remuneration of Directors of the Company duly adopted by the Board of Directors of the Company.

**INTEGRATED RISK MANAGEMENT COMMITTEE**

The Company shall have the Integrated Risk Management Committee (IRMC). The constitution and functioning of IRMC shall be decided by the Board of Directors of the Company. Any change therein shall also be subject to the prior approval of Board..

The Board of Directors shall review the functioning of IRMC from time to time on need basis.. The IRMC shall analyse, review and strategize the integrated risks comprising of credit risk, liquidity risk, market risk, operational risk, financial risk, legal risk and/or any other risks of the Company. The Committee shall also monitor and review the functions of committees constituted for credit risk and operational risk.

Risk shall be managed by the following key processes:

- a. Policy: Policies for operational risk, Underwriting, Anti-fraud, Collection and Provisions. All policies shall be approved by Integrated Risk Management Committee.
- b. Management: There shall be Integrated Risk Management Committee setting and approving risk strategy policies in liaison with management and ensuring the implementation of the above mentioned Risk policies.

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The Integrated Risk Management Committee may, either at its sole discretion or on the recommendation of Chief Risk Officer of the Company, amend aforesaid policies at any time.

**ASSET LIABILITY COMMITTEE**

The Company shall have the Asset Liability Committee (ALCO) in accordance with the guidelines issued by Reserve Bank of India. The constitution of ALCO shall be decided by the Board of Directors of the Company. Any change therein shall also be subject to the prior approval of Board.

The Board of Directors shall adopt the 'Asset Liability Management (ALM) Policy' and the functioning of ALCO shall be reviewed by the Board from time to time. ALM Policy shall also include the roles, responsibilities and powers of ALCO as well as the procedure for convening meetings of ALCO. The functioning of the Asset Liability Committee shall be governed by Asset Liability Management Policy of the Company duly adopted by the Board of Directors of the Company.

ALCO shall be formed with the objective to monitor the asset liability gap and strategize action to mitigate the risk associated.

The Board of Directors of the Company may, either at its sole discretion or on the recommendation of Chief Finance Officer of the Company, amend all or any of the Terms of Reference(s) to ALCO any time.

**INTERNAL COMPLAINTS COMMITTEE**

The Company shall have Internal Complaints Committee in accordance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules framed thereunder.

The Board of Directors of the Company shall constitute ICC subject to meeting the criteria for membership of the Committee as defined under the Act/ Rules. The Board shall also be authorised to change the constitution of ICC on need basis from time to time.

The Board shall approve and implement the 'Policy on Prevention of Sexual Harassment at Workplace' which defines the procedure for addressing the complaints against sexual harassment as well roles and responsibilities of ICC and the Employer. The functioning of the Internal Complaints Committee shall be governed by the Policy on Prevention of Sexual Harassment at Workplace duly adopted by the Board. The Committee shall recommend appropriate action to the Employer on the complaint on sexual harassment by investigating the matter.

**CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Company shall have the Corporate Social Responsibility Committee of Directors in accordance with the Section 135 of Companies Act 2013 and rules under Companies Act 2013 as amended from time to time. The Corporate Social Responsibility Committee of the Board ("CSR Committee") shall consist of at least three directors out of which at least one director shall be an Independent Director, as per the applicable provisions of the Act.

The Committee shall hold meetings as and when required, to discuss various matters relating to CSR Activity. The CSR Committee shall –

- (i) Formulate 'CSR Policy' and recommend the same to the Board of Directors of the Company for approval.
- (ii) Identifying and recommending CSR activities and budget to the Board for approvals.
- (iii) Spend the allocated CSR amount on the CSR activities once it is approved by the Board of Directors of the Company in accordance with the Act and applicable rules.
- (iv) Monitor implementation of CSR Policy from time to time

The functioning of the CSR Committee shall be governed by the CSR Policy adopted by the Board. The Board of Directors of the Company may, either at its sole discretion or on the recommendation of CSR Committee, amend the CSR Policy at any time.

**IT STRATEGY COMMITTEE**

The Company shall have the IT Strategy Committee (ITSC) in accordance with the guidelines issued by Reserve Bank of India. The constitution of IT Strategy Committee shall be decided by the Board of Directors of the Company. Any change therein shall also be subject to the prior approval of Board.

The chairman of the ITSC shall be an independent director and Chief Operations Officers and Chief Financial Officer should be a part of the committee. The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The ITSC shall work in partnership with other Board committees and Senior Management to provide input to them. The deliberations of the ITSC shall be placed before the Board.

The Board of Directors shall adopt the 'IT Governance Framework' and the functioning of the ITSC shall be governed by IT Governance Framework duly adopted by the Board of Directors of the Company. The functioning of the ITSC shall be reviewed by the Board from time to time. The Board of Directors of the Company may, either at its sole discretion or on the recommendation of ITSC, amend all or any of terms of IT Governance Framework at any time.

**STEERING COMMITTEE**

The Company shall have the Steering Committee (STCO) in accordance with the guidelines issued by Reserve Bank of India. The constitution of STCO shall be decided by the Board of Directors of the Company. Any change therein shall also be subject to the prior approval of Board.

The Steering Committee shall consist of business owners, the development team and other stakeholders 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.

The functioning of the Steering Committee shall be reviewed by the Board from time to time.

**FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company shall have a policy which shall form part of 'Terms of Reference' for the Nomination and Remuneration of Directors of the Company in place for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The Nomination and Remuneration Committee should obtain such declarations/undertakings, deed of covenant from the Directors and ensure availing such statement and certificates as may be prescribed for determining Fit and Proper Criteria in line with the Guidelines issued by the RBI for the time being in force.

A quarterly statement on change of directors and a certificate by the Whole-time Director of the Company certifying that 'fit and proper' criteria in selection of Directors has been followed by the Company should be furnished to the Regional Office of the RBI in terms of the Guidelines issued by the RBI for the time being in force.

**DISCLOSURE & TRANSPARENCY**

The Company shall put up to the Board of Directors on quarterly basis the progress made in putting in place a progressive risk management system and adherence to risk management policy and strategy followed by the Company.

Further, the Company shall annually review at the Board meeting the 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.



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In addition to the disclosures required to be made as per the Applicable Laws, the following additional disclosures shall be made in the annual financial statements in terms of the RBI Directions:

- i. registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
- v. Asset-liability profile, extent of financing of parent company products, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.

**APPOINTMENT AND ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

Subject to the provisions contained in the Companies Act, 2013, the Statutory Auditors of the Company shall be appointed by the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company. The Auditors can be appointed for a period of 5 years and such appointment shall be ratified by the shareholders every year at the Annual General Meeting. The Auditors can be appointed for a two consecutive term of 5 years. As contained in the Directions, the Company is required to rotate the partner of the Chartered Accountant firm conducting the audit, every three years so that the same partner does not conduct audit of the company continuously for more than a period of three years. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

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