

IFFCO KISAN FINANCE LIMITED
(FORMERLY KNOWN AS KISAN RURAL FINANCE LIMITED)

CORPORATE GOVERNANCE POLICY

I. PURPOSE /OBJECTIVE:

IFFCO Kisan Finance Limited (the “Company”) (“Kisan Finance”) is a subsidiary of Indian Farmers Fertiliser Cooperative Limited (IFFCO). The Company is a Non-Banking Financial Company - Non Deposit accepting – Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI). The Company believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of effective policies and procedures, which are mandated and regularly reviewed by the Board or the Committees of the Board of Directors of the Company.

The objective of this Policy is to ensure compliance with all applicable laws in India 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. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates. This corporate governance policy will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

The purpose of this Policy is to provide internal guidelines on Corporate Governance and has been framed in accordance with the RBI vide its Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 1, 2015 (“RBI circular”) directing NBFCs to frame internal guidelines on corporate governance which is to be approved by its Board of Directors.

1. BOARD OF DIRECTORS

The Board shall exercise its 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 shall provide direction and guidance to the Company’s Leadership Team and further direct, supervises as well as reviews the performance of the Company.

The Board is responsible for overall compliance with the Corporate Governance of the Company and oversees the business affairs. Further, 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 organization.

All Board members and senior management personnel shall abide by all Compliance Polices of the Company.

- a) Size of the Board: Pursuant to Section 149 of the Companies Act, 2013, the company shall have a minimum of three directors and maximum 15 Directors or as may be provided in the Article of Association of the Company as amended from time to time.
- b) Board Composition: The Company’s Board shall have an optimum combination of executive and non-executive directors 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.

The Board shall periodically review 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.

- c) **Quorum and Meetings:** The quorum and meetings of the Company shall be held as per the requirements of the Companies Act, 2013 and as prescribed in the Articles of Association of the Company. The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

2. COMMITTEES OF THEBOARD

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. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board and meetings of the Board of Directors of the Company shall be placed before the Board for approval in subsequent meeting and be signed by the Chairman within 30 days of the conclusion of the meeting.

The composition and responsibilities of the Committees, as may be modified by the Board of Directors of the Company from time to time, shall be as follows:

i. Audit Committee:

The Company shall at all times have a Committee of Board known as 'Audit Committee', which shall be in conformity with Section 177 of the Companies Act read with relevant RBI guidelines issued in this regard from time to time. The constituents and function of the Committee are as follows:

- a) **Membership** – The committee shall consist of not less than three directors with independent director forming majority.
- b) **Quorum** - A quorum for the Audit Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c) **Frequency of meetings** – The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d) **Powers and Duties of Audit Committee** – The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Companies Act, 2013 applicable RBI Guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The Audit Committee plays a key role, standing at the intersection of management, independent auditors, internal auditors, and the Board of directors. The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board, which shall, inter alia, include:
- i. the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
 - ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;
 - iii. examination of the financial statement and the auditors' report thereon;
 - iv. approval or any subsequent modification of transactions of the Company with related parties;
 - v. scrutiny of inter-corporate loans and investments;
 - vi. valuation of undertakings or assets of the Company, wherever it is necessary;
 - vii. evaluation of internal financial controls and risk management systems;
 - viii. examining all frauds and suspicious transactions that are reported by the customers or employees or any internal reports/analysis or through a Whistle blower.
 - ix. monitoring the end use of funds raised through public offers and related matters;

- x. supervising the vigil mechanism of the Company for addressing concerns raised by any employee; ensuring that Information Systems Audit of the internal systems and processes of the Company is conducted at least once in two years to assess operational risks faced by the Company.

ii. Nomination and Remuneration Committee:

The Company shall at all times have a Committee of Board known as 'Nomination and Remuneration Committee', which shall be constituted in conformity with Section 178 of the Companies Act read with relevant RBI guidelines issued in this regard from time to time. The constituents and functions of the Committee are as follows:

- a. Membership – The committee shall consist of not less than three non-executive directors out of which two shall be the independent directors.
- b. Quorum - A quorum for the Nomination and Remuneration Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c. Frequency of Meeting: The Committee shall meet as and when a new Director is proposed to be appointed or as may be required for ascertaining the “fit & proper” criteria of the directors. The Committee shall also meet from time to time as necessary to accomplish its purpose and duties.
- d. Role and Power of Nomination and Remuneration Committee: The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, read with applicable RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The Nomination and Remuneration Committee shall, inter alia, carry the following functions:
 - i. Ensure that all the proposed and existing Directors of the Company fulfil the “fit and proper” criteria as specified under the applicable laws.
 - ii. To review and implement Fit and Proper Criteria for directors Policy.

iii. Risk Management Committee:

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines. The constituents and functions of the Committee are as follows:

- a. Membership: The Risk Management Committee should have such members as approved by the Board.
- b. Quorum - A quorum for the Risk Management Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c. Periodicity: The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d. Role of the Risk Management Committee: The Risk Management Committee shall, inter alia, formulate overall Integrated Risk Management Policy for the Company in order to 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.

iv. Corporate Social Responsibility Committee:

Pursuant to Section 135 (9) where the amount to be spent by a Company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee is not currently applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.

The Company as and when required under the Companies Act, 2013, shall constitute Committee of Board known as 'Corporate Social Responsibility Committee' ("CSR Committee"). The constituents and function of the CSR Committee shall be as follows:

- a) Membership – The committee shall consist of not less than 3 directors out of which atleast one should be an independent director.
- b) Quorum - A quorum for the CSR Committee shall be one-third of its total strength or 2 members of its Board of Directors, whichever is higher and the participation of the members by video conferencing or by other audio-visual means shall be counted for the purposes of quorum.
- c) Frequency of meetings – The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
- d) Role of CSR Committee – The CSR Committee shall, inter alia, carry the following functions:
 - i. Formulate and amend, time to time, this CSR Policy and recommend the same to the Board of Directors of the Company for approval and adoption.
 - ii. To recommend and undertake such CSR activities as approved by the Board of Directors of the Company.
 - iii. To prepare and recommend the amount required for CSR activities.
 - iv. To monitor the implementation of CSR activities in terms if this CSR Policy.
 - v. To prepare and submit reports on the progress of CSR activities undertaken by the Company.
- e) Powers of the CSR Committee: The CSR Committee shall have the same powers, functions and duties as laid down in Section 135 of the Companies Act, 2013, as amended.

v. Asset Liability Management Committee:

The Company has in place the Asset-Liability Management Committee ("ALCO") constituted in accordance with the RBI guidelines. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time. The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The constituents and functions of the Committee are as follows:

- a) Membership: The Committee has such members as approved by the Board.
- b) Quorum and Meetings: The quorum shall comprise of at least two members. The Committee shall meet as and when required, but shall meet at least four times in a year.
- c) Role of the Committee: The role of the Asset Liability Management Committee, inter-alia, shall include the following:
 - i) Management of the balance sheet of the Company;

- ii) Review of the asset-liability profile of the Company with a view to manage the market exposure assumed by the Company and report any mismatch;
- iii) Safeguarding the recovery positions at any point of time;
- iv) 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
- v) Perform such other allied functions as may be required from time to time.

vi. IT Strategy Committee:

Pursuant to Master Direction, dated 8th June, 2017, Information Technology Framework for the NBFC Sector the Company has constituted an IT Strategy Committee. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also 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. The constituted and functions of the Committee are as follows:

- a. Membership: The Committee has such members as approved by the Board. The chairman of the committee shall be an independent director and CIO & CTO should be a part of the Committee.
- b. Quorum and Meetings: The quorum shall comprise of at least two members. The Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.
- c. Role of the Committee: The role of the IT Strategy Committee, inter-alia, shall include the following:
 - i) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
 - ii) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
 - iii) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
 - iv) 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;
 - v) Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls
 - vi) Such other functions that may be entrusted by the Board from time to time.

3. FIT & PROPER CRITERIA:

In terms of RBI circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 and RBI Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015, the Company has in place a Board approved policy on 'Fit and Proper Criteria for Directors' ("the Policy"). Pursuant to the Policy, the Company obtains necessary disclosures from Directors from time to time. Further, the Company ensures compliance with the provisions laid down in the said Policy. 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.

4. VIGIL MECHANISM:

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company has framed and adopted Vigil Mechanism Framework ("the framework") to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct. Under the framework, the Company has set up 'Whistle Blower Investigation Committee',

which is in compliance with the requirements of the Companies Act, 2013. The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

5. **TRANSPARENCY:**

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

- i) progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
- ii) 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.

B) **Disclosures:** The Company shall disclose the following in its Annual Financial Statements:

- i) registration/ license/ 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 regarding name, 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, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as prescribed under applicable regulations.

6. **ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM**

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

7. **AMENDMENTS TO THE POLICY**

The Board of Directors of the Company shall review and may amend this Policy from time to time.

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Companies Act, 2013 and notifications issued by the Reserve Bank of India on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.