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# Internal Guidelines on Corporate Governance

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PFS envisions Corporate Governance as a continuous process and a commitment towards values and ethical business conduct. The Company believes that it not only has legal, contractual and social responsibilities, but also has obligations towards its non-shareholder stakeholders such as bankers, regulators, government agencies, employees, investors, creditors and customers, among others. The structure should be such that it adopts sound and prudent principles and practices for the governance of the company and should have the ability to quickly address issues of noncompliance or weak oversight and controls.

PFS recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, regulators and others. Company has articulated and adopted this set of internal guidelines in alignment with the Reserve Bank of India (“RBI”) guidelines. The Company is constantly striving to adhere to the highest standards of corporate governance.

**1. OBJECTIVE:**

Being a regulated entity in the non-banking financial sector, establishing and adopting minimum standards of corporate governance has implications not only from the prospective adhering to regulatory prescriptions but also from the reputational stand point. Accordingly, these internal guidelines seek to codify and explicitly affirm PFS’s commitment and resolve to adhere to the highest standards of corporate governance. Additionally, it also seeks to achieve the following specific objectives:

- a. Complex business and operating environment mandates the adoption of good corporate governance practices in alignment with regulatory benchmarks;
- b. Define a governance architecture with clear form and accountability of functionaries at the highest level to enhance stakeholder confidence in the company and the manner in which it conducts its affairs;
- c. Establish oversight over the system of controls, compliance and risk management in the company;
- d. Adopt best practices.

**2. RBI GUIDELINES ON CORPORATE GOVERNANCE:**

PFS is a Non-Banking Financial Institution - Non Deposit accepting - Systemically Important (NBFI-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 Notification No. DNBR.019/CGM (CDS)-2015 dated April 10, 2015 (as updated from time to time) read together with RBI (NBFC-SCR) Directions, 2023, advised all the Non-Banking Financial Companies with asset size of Rs. 500 crores and above (NBFC-ND-SI)/ falling in the category of Middle Level NBFC, to frame internal guidelines on Corporate Governance. In

pursuance of the aforesaid Guidelines, the Board of Directors of the Company has adopted the Internal Guidelines on Corporate Governance (“the Guidelines”):

### **3. GOVERNANCE STRUCTURE:**

#### **A. BOARD OF DIRECTORS**

One of the most important functions of the Board of Directors is to provide guidance and direction to the functioning of the Company, as per its mandate. Towards this goal, the Board members individually and collectively will have to play their role in a most efficient manner.

Further, the Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management.

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. In performing its duties, the Board meets regularly and act in the best interests of the Company including its shareholders, employees, customers and creditors. The Board is constituted as per the provisions of the Companies Act, 2013 and being a Listed entity, Securities & Exchange Board of India (Listing Obligation & Disclosure) Regulations, 2015 (hereinafter called Listing Regulations).

The Directors shall make the necessary annual disclosure/declarations 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 and shall also submit other disclosures/declaration as required under applicable laws to the Company and codes and polices adopted by the Company from time to time.

The Directors shall act in accordance with the duties as provided under the Companies Act 2013 ('the Act') as amended from time to time and rules made there under or any other regulation/law as applicable and the Independent Directors shall also abide by the Code for Independent Directors under Schedule IV of the Act (Annexure 1). All the Directors shall meet eligibility criteria including the 'fit and proper' person criteria (Annexure 2), for appointment on the Board of the Company, as prescribed under Section 70 - Fit and Proper Criteria Chapter XI – Corporate Governance of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

#### **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 and Listing Regulations. As per the provisions of Articles of Association of PFS, Board shall have at least one person, as nominee of PTC India Ltd. on the Board of the Company.

Further, any change in the management of PFS, which would result in change in more than 30% of the directors, excluding independent directors, shall require prior approval of RBI, as per the RBI direction dated July 9, 2015.

### **Retirement by Rotation**

All the Directors except the Independent Directors shall be persons whose period of office shall be liable to determination by rotation and subject to the provisions of the Act be appointed by the Company in the General Meeting.

### **Meetings**

The board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

A meeting calendar for quarter/year will be approved by the Board and any additional meeting, if required, may be requisitioned by any director and shall be convened with the approval of the Chairperson within three working days and otherwise with the approval of the majority of the directors.

Meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.

Provided further that in case of absence of independent Directors from such a meeting decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director. In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.

Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes requisition of the meeting. However, prior approval of the Chairperson of the Board is required for any agenda item to be placed before the Board.

### **Quorum**

The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or three directors, whichever is higher, including at least one independent director and with at least one Nominee director of PTC India Ltd. and the same shall be maintained for the entire meeting, except if higher number is required as per the provisions of any applicable law, from time to

time. The same is in compliance of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, read together with the Companies Act, 2013 and Articles of Association of PFS.

**B. COMMITTEES OF THE BOARD**

The Board of Directors shall constitute various Committees, which will enable the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of its duties and responsibilities.

The Committees shall operate as per the terms of reference as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, Companies Act, 2013 and RBI directions. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting.

**AUDIT COMMITTEE**

The Company shall have in place the Audit Committee in accordance with the Section 177 of the Companies Act, 2013 and the Rules framed thereunder, Regulation 18 of SEBI (LODR) and the provisions of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015.

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act, SEBI (LODR) and RBI guidelines:

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of its Independent member as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman of the Meeting.
<b>Composition</b>	The Audit Committee shall comprise of at least three directors as members of the Committee and 2/3rd shall be independent directors or as prescribed under applicable law from time to time. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

<p><b>Meetings</b></p>	<p>The Committee shall meet at least 4 times in a year and not more than one hundred twenty days shall elapse between two meetings.</p> <p>A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Audit Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p> <p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member),.</p> <p>Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p>
<p><b>Quorum</b></p>	<p>The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Audit Committee; whichever is greater with at least two independent directors.</p>
<p><b>Terms of reference</b></p>	<ul style="list-style-type: none"> <li>• The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in section 177 of the Companies Act, 2013 read together with Part C of Schedule II of SEBI (LODR) (Annexure 3).</li> <li>• The Audit Committee shall also 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 PFS, as prescribed by RBI directions.</li> <li>• Areas covered under RBIA Policy made by PFS based on the RBI directions and duly approved by the Board.(Annexure 4)</li> <li>• Review/formulation of relevant policies for recommending to the Board for approval</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>

**NOMINATION AND REMUNERATION COMMITTEE**

The Company shall have in place the Nomination and Remuneration Committee in accordance with the Section 178 of the Companies Act, 2013 and the Rules framed thereunder, Regulation 19 of SEBI (LODR) and the provisions of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015.

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Companies Act, SEBI (LODR) and RBI guidelines.

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of its Independent member as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Committee shall consist of at least three directors. All the directors of the committee shall be non-executive directors; and at least two-thirds of the directors shall be independent directors
<b>Meetings</b>	<p>The meeting of the Committee shall be held at such regular intervals as may be required but at least once in a year.</p> <p>A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p> <p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member)</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p> <p>Placing of the agenda for the meetings is primarily the role of the management</p>



	except where any Non-Executive Director (including Independent Director) makes the requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.
<b>Quorum</b>	The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the NRC; whichever is greater with at least one independent directors.
<b>Terms of reference</b>	<ul style="list-style-type: none"> <li>• The NRC constituted under this paragraph shall have the same powers, functions and duties as laid down in section 178 of the Companies Act, 2013 read together with Part D of Schedule II of SEBI (LODR) (Annexure 5).</li> <li>• Also, Nomination Committee is to ensure 'fit and proper' status of proposed/ existing directors, as prescribed by RBI directions.</li> <li>• Review/formulation of relevant policies for recommending to the Board for approval.</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>

**CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Company shall have in place the Corporate Social Responsibility Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility) Rules, 2014. The Company shall have a Board approved CSR Policy in place and required disclosures to the effect will be made from time to time.

CSR Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013, recommend the amount of expenditure to be incurred on the activities referred to in above clause and review and recommend any amendments to be made in the CSR policy of the Company.

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of committee member as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman
<b>Composition</b>	The Committee shall consist of at least three directors, out of which at least one director shall be an Independent Director.
<b>Meetings</b>	Meet at least twice a year to review the progress made and suggest corrective actions. A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the

	<p>Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p> <p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member).</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p> <p>Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes the requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.</p>
<p><b>Quorum</b></p>	<p>The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.</p>
<p><b>Terms of reference</b></p>	<p>The terms of reference of the CSR Committee shall inter alia, include the following:</p> <ul style="list-style-type: none"> <li>• 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 (Annexure 6 as amended from time to time);</li> <li>• Making recommendation on the amount of expenditure to be incurred on CSR activities; and recommending Annual Action Plan</li> <li>• Instituting a transparent monitoring mechanism for implementation of the CSR activities to be undertaken by the Company; and</li> <li>• Such other tasks as may be entrusted to it by the Board of Directors from time to time.</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>

**RISK MANAGEMENT COMMITTEE**

The Company shall have in place the Risk Management Committee in accordance with the provisions of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015.

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.

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of committee member who is director, as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman
<b>Composition</b>	The Committee shall consist of at least three members, majority to be directors with at least one independent director.  CRO is the permanent invitee to the Committee.
<b>Meetings</b>	<p>The Risk Management Committee of the Board would meet quarterly.</p> <p>CRO shall have a meeting with RMC independent of the management every quarter.</p> <p>A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p> <p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member).</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p>

	Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes the requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.
<b>Quorum</b>	Two members or 1/3 <sup>rd</sup> of the member whichever is higher with at least one director.
<b>Terms of reference</b>	<ul style="list-style-type: none"> <li>• The RMC shall have the same powers, functions and duties as laid down in Part D of Schedule II of SEBI (LODR) (Annexure 7).</li> <li>• Its role shall include monitoring and reviewing of the risk management plan including cyber security.</li> <li>• Review/formulation of relevant policies for recommending to the Board for approval.</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>

**IT STRATEGY COMMITTEE**

The Company shall have in place the IT Strategy Committee in accordance with the provisions of the RBI Master Directions - Information Technology Framework for the NBFC Sector, 2017.

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of its Independent member as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman of the Meeting.
<b>Composition</b>	The Committee shall consist of such members as may be decided by the Board, provided that at least one Independent Director and Chief Information Officer / Chief Technology Officer should be part of the Committee.
<b>Meetings</b>	<p>The Committee shall meet at an appropriate frequency but not more than six months should elapse between two meetings.</p> <p>A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p>

	<p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member)</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p> <p>Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes the requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.</p>
<b>Quorum</b>	<p>The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the IT Strategy Committee; whichever is greater with at least one independent director.</p>
<b>Terms of reference</b>	<p>The terms of reference of the IT Strategy Committee shall inter alia include the following:</p> <ul style="list-style-type: none"> <li>• approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;</li> <li>• ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;</li> <li>• Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.</li> <li>• 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;</li> <li>• Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>

**STAKEHOLDERS RELATIONSHIP COMMITTEE**

The Company shall have in place the Stakeholders Relationship Committee in accordance with the provisions of section 178 of the Companies Act, 2013 (“the Act”) and Regulation 20 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

<b>Chairman</b>	The Board while constituting/reconstituting the Committee shall appoint one of its Non-executive director as the Chairman of the Committee. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
<b>Composition</b>	The Committee shall consist of minimum three directors and at least one director shall be an independent director
<b>Meetings</b>	<p>The stakeholders relationship committee shall meet quarterly.</p> <p>A meeting calendar for quarter/year will be approved by the Committee and any additional meeting, if required, may be requisitioned by any member (director) of the Committee and shall be convened with the approval of the Chairperson of the Committee within three working days and otherwise with the approval of the majority of the members (directors).</p> <p>Committee meeting may be called at a shorter notice to transact urgent business subject to the condition that at least one independent director, shall be present at the meeting.</p> <p>Provided further that in case of absence of independent Directors from such a meeting of the Committee, decisions taken at such a meeting shall be circulated to all the Committee members and shall be final only on ratification thereof by at least one independent director (member)</p> <p>In case a meeting is called at a shorter notice, due to any urgency, the same should have the written reason for calling at a shorter notice from the requisitioner.</p> <p>Placing of the agenda for the meetings is primarily the role of the management except where any Non-Executive Director (including Independent Director) makes the requisition of the meeting. However, prior approval of the Chairperson of the Committee is required for any agenda item to be placed before the Committee.</p>
<b>Quorum</b>	The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the SRC; whichever is greater with at least one independent directors.

<b>Terms of reference</b>	<p>The role of the committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> <li>• Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.</li> <li>• Review of measures taken for effective exercise of voting rights by shareholders.</li> <li>• Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar &amp; Share Transfer Agent.</li> <li>• Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.</li> <li>• Any other function as may be prescribed by the applicable regulations/law from time to time.</li> </ul>
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**OTHER COMMITTEES**

In addition to above, the Board shall constitute the Business Committee of the Company or such other committees including ALCO Committee, as may be required for effective functioning of the Company:

**C. BOARD EVALUATION**

The evaluation of Board and its members shall be carried out by the Board members as indicated in the Companies Act, 2013 and the Board evaluation policy approved by the Company.

**Separate Meeting of the Independent Directors**

Independent Directors are required to evaluate the performance of Non- Independent Directors, Chairman and Board as a whole. The Independent Directors of PFS shall hold at least one meeting in a financial year or on any other frequency, as they may decide, to review the performance of Non-Independent Directors, performance of the Chairperson of PFS and Board & Committees of the Board, as a whole, taking into account the views of Executive Directors and Non-Executive Directors.

**The Independent Directors at their separate meetings shall:**

- review the performance of Non-Independent Directors and the Board as a whole;
- review the performance of the Chairperson of PFS, taking into account the views of Executive and Non-Executive Directors;
- assess the quality, quantity and timeliness of flow of information between the company

management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Similarly, the Board other than the member being evaluated shall evaluate the Independent Directors. Nomination Remuneration Committee shall co-ordinate the evaluation process

#### **D. FLOW OF INFORMATION TO BOARD MEMBERS**

The completeness of the information available to the Board of Directors of the company is an essential condition for the proper exercise of their duties and responsibilities to direct, guide and control the activities of PTC India Financial Services Limited. In accordance with above, the Board members receive a continuous flow of desired information from the Compliance officer/person responsible to provide the information. PFS has in place SOP on this which is reviewed periodically as and when required.

#### **4. FAIR PRACTICE CODE:**

Pursuant to the guidelines on Fair Practice Code issued by Reserve Bank of India, the Company has in place a policy on Fair Practices Code which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by Board.

#### **5. 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 committee 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.

#### **6. APPOINTMENT OF STATUTORY AUDITORS**

The Company has in place policy on appointment of statutory auditors in alignment with regulatory prescriptions. PFS shall appoint Statutory Auditors as per the provisions of the Companies Act, 2013 and The Reserve Bank of India Guidelines and Policy on appointment of Statutory Auditors of the Company. However, the Statutory Auditors shall be appointed for a period of three continuous years subject to the audit firm satisfying the prescribed eligibility norms under RBI Guidelines and other corporate laws every year. The performance of the auditors will be reviewed every year. The partner so rotated will be eligible for conducting the audit of PFS after an interval of three years, if PFS, so decides. PFS shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.



## **7. POLICIES ADOPTED BY THE COMPANY**

The Company, in line with the requirement of the Companies Act, 2013, the guidelines issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the Company, shall frame and adopt policies as required from time to time which shall form part and parcel of the overall corporate governance framework of the Company. These policies are reviewed and updated at regular intervals based on statutory requirement or on modification or amendments of various acts, rules, regulations, statues applicable to the Company.

## **8. APPOINTMENT OF CHIEF RISK OFFICER**

NBFCs with asset size of more than ₹5,000 crore in categories - NBFC-ICC, NBFC-IFC, NBFC-MFI, NBFC-Factors and IDF-NBFC shall appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk management.

The NBFCs shall strictly adhere to the following instructions in this regard:

- (i) The CRO shall be a senior official in the hierarchy of an NBFC and shall possess adequate professional qualification/experience in the area of risk management.
- (ii) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/removal shall be reported to the Department of Supervision of the Regional Office of the Reserve Bank under whose jurisdiction the NBFC is registered. In case the NBFC is listed, any change in incumbency of the CRO shall also be reported to the stock exchanges.
- (iii) The Board shall put in place policies to safeguard the independence of the CRO. In this regard, the CRO shall have direct reporting lines to the MD and CEO/Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD and CEO, the RMC/Board shall meet the CRO without the presence of the MD and CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the NBFC and shall not be given any business targets. Further, there shall not be any 'dual hatting' i.e., the CRO shall not be given any other responsibility.
- (iv) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products (retail or wholesale) shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.
- (v) In NBFCs that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, the CRO shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal.

**9. 'FIT AND PROPER CRITERIA' FOR THE DIRECTORS**

NBFCs shall

- (i) ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the 'fit and proper' criteria of the directors at the time of appointment, and on a continuing basis. The policy on the 'fit and proper' criteria shall be on the lines of the guidelines contained in Annex XXIII of RBI directions, 2023;
- (ii) obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Appendix XXIII-A of RBI directions, 2023;
- (iii) obtain a Deed of Covenant signed by the directors, which shall be in the format as given in Appendix XXIII-B of RBI directions, 2023;
- (iv) furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the NBFC that 'fit and proper criteria' in selection of the directors has been followed. The statement must reach the Regional Office of the Department of Supervision of the Reserve Bank where the company is registered, within 15 days of the close of the respective quarter. The statement submitted by NBFC for the quarter ending March 31, shall be certified by the auditors.

Provided that the Reserve Bank, if it deems fit and in public interest, reserves the right to examine the 'fit and proper' criteria of directors of any NBFC irrespective of the asset size of such NBFCs.

**10. KEY MANAGERIAL PERSONNEL**

Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. A timeline of two years is provided with effect from October 01, 2022 to ensure compliance with these norms. It is clarified that they can assume directorship in NBFC-BL.

**11. INDEPENDENT DIRECTOR**

Within the permissible limits in terms of Companies Act, 2013, read together with LODR an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. There shall be no restriction to directorship on the Boards of NBFCs-BL, subject to provisions of Companies Act, 2013 and SEBI LODR.

**12. GUIDELINES ON COMPENSATION OF KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT IN NBFCs**

In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, NBFCs are required to put in place a Board approved compensation policy. The policy shall at the minimum include:

- (i) constitution of a Remuneration Committee,
- (ii) principles for fixed/variable pay structures, and
- (iii) malus/clawback provisions.

The Board of NBFCs should delineate the role of various committees, including Nomination and Remuneration Committee (NRC). Further, NBFCs shall comply with the guidelines furnished in Annex XXIV of the RBI guidelines.

The guidelines are intended only for providing broad guidance to NBFCs and their NRCs in formulating their compensation policy. While formulating the compensation policy, it has to be ensured that all statutory mandates and the rules and directions issued under them are fully complied with.

These guidelines shall be for fixing the compensation policy of Key Managerial Personnel and members of senior management of NBFCs under the SBR framework.

### **13. REVIEW AND AMENDMENTS**

The Board or competent authority designated by Board may amend the provisions of this guideline from time to time to effect the requirements of RBI. Unless otherwise specified, such amendments shall be effective from the date of the Board meeting/such approval; at which such amendments are approved.

Should there be any inconsistency between the terms of the Policy and the Listing Regulations, Companies Act, 2013 or RBI directions (Collectively termed as Statute), the provisions of the Statute shall prevail. Any amendments to the Statute shall mutatis mutandis be deemed to have been incorporated in this Policy.

The Policy shall be displayed on the website of Company i.e. [www.ptcfinancial.com](http://www.ptcfinancial.com) for the information of various stakeholders.