

# INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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Svamaan Financial Services Pvt. Ltd.

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## **1. Company's Philosophy on Corporate Governance**

Svamaan Financial Services Pvt. Ltd. ('The Company') recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in the business ethics, accountability to its customers, government, and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

Svamaan is committed to highest standards of professionalism, ethics, accountability, and integrity as well as to follow best practices in Corporate Governance, disclosure, and transparency in its business operations. The company strives to achieve the best and constantly endeavours to improve upon its standards.

## **2. RBI Guidelines on Corporate Governance**

Pursuant to RBI Master Direction - Non-Banking Financial Company - Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 ("RBI Directions"), the Company has framed these Internal Guidelines on Corporate Governance.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention.

## **3. Board of Directors**

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company. The day-to-day management of the affairs of the Company is entrusted with the senior management personnel, headed by the CEO, who functions under the overall supervision, direction, and control of the Board of Directors of the Company.

The rights, roles, responsibilities, liabilities, obligations, functions, and duties of the directors shall be as per the provisions of the Companies Act, 2013 ("the Act") as amended from time to time. The Independent Director shall abide by the Code of Conduct for Independent Director as mentioned in Schedule IV of the Act.

All the Directors shall make the necessary annual disclosures regarding their directorships, shareholding and Committee positions and shall intimate changes as and when they take place.

The Independent Director shall at the first meeting of the Board in which he participates as a director and the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an Independent Director give a declaration that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013. Independent Director shall hold office for a term up to five consecutive years on the Board of the Company but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment shall be made in the Board's report. However, the Maximum tenure of Independent Director shall be two-terms of five consecutive years. The appointment, re-appointment or removal of an Independent Director shall be subject to the approval of shareholders by way of a special resolution. The Independent Directors shall hold at least one meeting in a financial year, without the presence of Non-Independent Directors and members of the management and all the independent directors shall strive to be present at such meetings.

An Independent Director who resigns or is removed from the board of directors of the Company shall be replaced by a new Independent Director at the earliest but not later than three months from the date of such vacancy. Provided that where the Company fulfils the requirement of the Independent Directors in its board of directors without filling the vacancy created by such resignation or removal, the requirement of replacement by a new Independent Director shall not apply. A Company shall not appoint Independent Director who resigns from the Company as Whole Time Director or Executive Director of the Company / its holding / subsidiary / associate / or on the board of a company belonging to promoter group, unless a period one year has elapsed from the date of resignation as independent director.

The Company shall obtain an annual declaration from the Directors with respect to 'fit & proper' criteria for the directors of the Company as prescribed by RBI. In case there is no change in the information already furnished by Director in his/her last declaration a confirmation in this regard shall be sufficient.

The Board shall satisfy itself that plans are in place for orderly succession planning of Directors and Key Managerial Personnel for continuity and smooth functioning of the Company.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.

## **4. Board Meetings**

Meetings of the Board of Directors shall be held at least four times in a year, with a maximum time gap of not more than one hundred and twenty days between any two consecutive meetings and at least one in each quarter.

## **5. Duties and Responsibilities of the Board of Directors**

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties: -

- 1) A director of a company shall act in good faith to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- 2) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- 3) A director of a company shall not be involved in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- 4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- 5) A director of a company shall not assign his office and any assignment so made shall be void.

## **6. Minimum Information to be placed before the Board**

- 1) Annual operating plans and budgets and any updates.
- 2) Capital budgets and any updates.
- 3) Minutes of meetings of audit committee and other committees of the board of directors.
- 4) The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of the Key Managerial Personnel.

- 5) Show cause, demand, prosecution notices and penalty notices, which are materially important.
- 6) Fatal or serious accidents, dangerous occurrences, any material effluent, or pollution problems.
- 7) Any material default on financial obligations or substantial non-payment for goods sold by the entity.
- 8) Any issue which involves possible public, or product liability claims of substantial nature.
- 9) Details of any joint venture or collaboration agreement.
- 10) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- 11) Significant HR matters and proposed interventions and suggestions. Overall Remuneration policy / philosophy and significant changes and initiatives therein during the year.
- 12) Sale of investments or assets which are material in nature and not in normal course of business.
- 13) Quarterly details of foreign exchange exposures if any and the steps taken by management to limit the risks of adverse exchange rate movement if material.
- 14) Non-compliance of any regulatory or statutory requirements and shareholders service such as non-payment of dividend, delay in share transfer, if any etc.
- 15) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company.
- 16) Conformity with the corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with the coverage and review functions, etc.

## 7. Committees of the Board

- 1) To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for confirmation/endorsement in a subsequent meeting.
- 2) In compliance with the applicable provisions of the Companies Act, RBI guidelines and to meet business exigencies, the Company has constituted Board committees.
- 3) The terms of the reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Svamaan complies with the above requirements of Committee constitution and have the following committees of the Board:

- a) Audit Committee
- b) Nomination & Remuneration Committee
- c) Risk Management Committee
- d) Asset Liability Committee
- e) IT Strategy Committee
- f) Corporate Social Responsibility Committee

## 8. Fit And Proper Criteria

The Company recognizes the importance of due diligence of the directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity etc. Therefore, the company has put in place an internal supervisory process to carry out due diligence on persons proposed to be appointed / re-appointed as directors. In line with the RBI Directions, the Company follows the procedures mentioned below and ensures that the minimum criteria are fulfilled by the persons before they are appointed on the Board:

- a) The Company shall undertake due diligence at the time of appointment / re-appointment of the person as a Director on the Board, based upon their qualification, expertise, experience, track record, integrity and other 'fit and proper' criteria.
- b) The Nomination & Remuneration Committee of the Board shall evaluate the due diligence process and decide on the acceptance or otherwise of the directors.
- c) The Company shall obtain an annual declaration from each director regarding compliance with the requirements of RBI Directions.
- d) The Board shall ensure that any Director who has been appointed executes the deed of covenant in the format prescribed under RBI Directions.

## 9. Rotation of Partners of Statutory Auditors Firm

For the purpose of adopting the best corporate practices and to strengthen the governance mechanism and in compliance with the RBI Guidelines for appointment of Statutory Auditors (SAs), the Statutory Auditors (SAs) shall be appointed for a period of not more than three years and there shall be a cooling period of six years for their re-appointment.

The time gap between any non-audit works (services mentioned under Section 144 of Companies Act, 2013, internal assignments, special assignments, etc.) by the SA's for the entities or any audit / non-audit works for its group entities should be of at least one year, before or after its appointment as SAs. However, during the tenure as of the SA, an audit

firm may provide such services to the concerned entities which may not normally result in a conflict of interest, and entities may take their own decision in this regard, in consultation with the Board or Audit Committee.

## 10. Disclosures & Transparency

The company shall make necessary disclosures to the Reserve Bank of India, Registrar of Companies and other necessary Regulatory Authorities as may be required under the applicable laws and regulations. The disclosures shall be made through various methods i.e., by hosting the same on the website of the company, individual communication to the security holders, annual financial statements, press releases or other permitted methods.

As required under extant RBI Directions, the Company shall put up the following to the Board, at regular intervals, as may be prescribed by the Board in this regard:

- a) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company.
- b) 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.

The Company shall also disclose the following every year in its Annual Financial Statements:

- a) Registration / license / authorisation, by whatever name called, obtained from other financial sector regulators, if any.
- b) Ratings assigned by credit rating agencies and migration of ratings during the year.
- c) Penalties, if any, levied by any regulator.
- d) Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- e) 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.

## 11. Review

These guidelines on corporate governance 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 emerging best practices with a view to enhancing the Company's governance.

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