



## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

**Gove Finance Limited**

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## INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

### Version control:

S.N	Board Approval Date	Change Reference/Remarks	Custodian	Approving Authority
1	05.04.2019	Policy on internal guidelines on corporate governance approved by the Board	Compliance	Board of Directors
2	05.05.2022	Reconstituted the committee & policy is vetted in line with Guidelines on Appointment of Statutory Auditors	Compliance	Board of Directors
3	30.03.2024	Policy is amended in line with scale based master directions of RBI & Master Directions on Information Technology Governance, 2023	Compliance	Board of Directors

## **INTRODUCTION:**

Gove Finance Limited ("the Company") is committed to practice good Corporate Governance standards in adherence to the Reserve Bank of India ("RBI" ) guideline/directions, and Companies Act. The prime objective is optimization of shareholder value by ensuring effective and cordial relationship with stakeholders and protecting their interests. The Company believes that its business plans and strategy should be consistent with the above objective and thereby leading to sustained corporate growth and long-term benefit to all.

The principles of Corporate Governance Standards of the company place strong emphasis on transparency, accountability and integrity. The company follows these principles in all its business decisions and dealings. The Company believes that good corporate governance results from sound processes that ensure that the Directors are well supported by accurate and timely information, sufficient time and resources and unrestricted access to management. The business judgment of the Board must be exercised independently and in the long-term interests of shareholders.

### **1. BOARD OF DIRECTORS**

The Board is 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.

**Composition:** The Company's Board shall have an optimum combination of executive, non-executive and Independent 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.

The Board shall meet at least four times in a year, with a maximum time gap of one hundred and twenty days between two consecutive meetings of the Board.

## **2. COMMITTEES**

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 guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for approval/noting in subsequent meeting.

The Board has formed the following committees.

### **I. Audit Committee**

The Company has in place the Audit Committee in accordance with the provisions of the Section 177 of the Companies Act, 2013.

Audit Committee shall constitute of minimum of three Directors With Independent Directors forming a majority.

The recommendations of the Audit Committee on any matter shall be binding on the Board and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in the Directors Report along with reasons therefore.

Quorum: At least two members or one third of the members of the Committee, whichever is higher, provided that at least two independent directors shall be present at the meeting.

#### **Terms of Reference**

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 including the following:

- i. the recommendation for appointment, remuneration and terms of appointment of auditors of our 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. grant omnibus approval for related party transactions including any subsequent modifications from time to time;
- v. approval or any subsequent modification of transactions of the company with related parties
- vi. scrutiny of inter-corporate loans and investments;
- vii. valuation of undertakings or assets of the company, wherever it is necessary;
- viii. evaluation of internal financial controls and risk management systems;
- ix. monitoring the end use of funds raised through public offers and related matters
- x. to oversee the vigil mechanism;
- xi. calling for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company;
- xii. to monitor fraud;
- xiii. investigate into any matter in relation to the items specified in the relevant section of the Companies act, 2013 or referred to it by the Board and for this purpose the Committee shall have full access to information contained in the records of the company and external professional advice, if necessary;
- xiv. ensure that an Information System Audit of the internal systems and processes is conducted at least every year to assess operational risks faced by the NBFCs; and
- xv. any other terms of reference as may be specified by the Board from time to

time.

xvi. To ensure to implement Risk Based Internal Audit Framework

xvii. To review critical issues highlighted to IT /Information Security & provide direction and guidance to senior management.

## **II. Risk Management Committee**

The Risk Management Committee will consist of at least three Directors as members.

The position of all perceived risks is periodically put up to the Risk Management Committee which critically evaluates the same and provides operational and policy guidance to the Company which paves the way for an effective risk management so as to safe guard the interest of the Company.

The quorum of the meeting shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance. The members of the Committee shall elect among themselves the Chairman of the meeting.

A meeting of the Committee will be held atleast twice in a year and on ad hoc basis, if required.

### **Terms of Reference:**

- i. Identifying, measuring and monitoring the various risks faced by the Company;
- ii. Mitigating various risks associated with functioning of the Company through Integrated Risk Management Systems, Strategies and Mechanisms;
- iii. To deal with issues relating to credit policies and procedure and manage the credit risk, operational risk, market risk, liquidity risk and management of policies and process;
- iv. To assist in developing the Policies and verifying the Models that are used for risk measurement from time to time;
- v. To have oversight over implementation of risk and related policies;

- vi. Promoting an enterprise risk management competence throughout the organisation, including facilitating development of IT-related enterprise risk management expertise; and

### **III. Asset Liability Management Committee (ALCO)**

The Asset Liability Management Committee has been formed with the objective to monitor the asset liability gap and strategize action to mitigate the risk associated with the Company. The ALCO may comprise of Directors and Senior Officials of various functions of the Company.

A meeting of the Committee will be held at least once in every quarter and also on ad hoc basis, may be monthly, as Board deems fit.

The members of the Committee shall elect among themselves the Chairman of the meeting. The Committee may invite any other officer/ employee of the Company in the meeting on need basis.

Quorum: At least two members or one third of the members of the Committee, whichever is higher shall be present at the meeting. At least one independent director must also be present

#### **Terms of Reference:**

- i. Strategizing action to mitigate liquidity and other risks associated with the asset liability gap. Review and suggest corrective actions on liquidity mismatch, negative gaps and interest rate sensitivities. Formulate a contingency funding plan (CFP) for responding to severe disruptions and develop alternate strategies as deemed appropriate.
- ii. Articulating and monitoring liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system, and verifying adherence to various risk parameters and prudential limits
  - a. Implementation of liquidity risk management strategy of the Company and reviewing the risk monitoring system

- i. Decide the strategy on the source, tenor and mix of assets & liabilities, in line with its business plans, taking into account the future direction of interest rates. Establish a funding strategy that provides effective diversification in the sources and tenor of funding. Consider product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by peer NBFCs for similar services/products, etc. Discuss and report on the impact of major funding shifts and changes in overall investment and lending strategies.
- b. Review behavioral assumptions and validate models for study of assets & liabilities in preparation of Liquidity and Interest Rate Sensitivity Statements and ALM analysis.
- c. Review stress test scenarios including the assumptions and results.
- d. Review and approve the capital allocation methodology.
- e. Formulate ALM policy for the Company

#### **IV. Nomination and Remuneration Committee**

In accordance with the provisions of Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014 ("the Rules"), the Company has constituted the Nomination and Remuneration Committee comprising of three or more Non-Executive Directors out of which one-half shall be Independent Directors.

The Chairperson of the company may be appointed as a member of the committee but shall not chair such committee.

The Committee shall meet as and when required, but shall meet at least once in a year.

Quorum: At least two members or one third of the members of the Committee, whichever is higher, provided that at least one independent director shall be present at the meeting.



**Terms of Reference:**

- a. to identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down or as defined under the policy and / or job description proposed by the HR;
- b. to recommend the Board of Directors, the appointment & removal of Directors of the Company;
- c. Specify manner for effective evaluation of performance of the Board, its Committees and individual Directors and review its implementation and Compliance;
- d. to formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- e. to recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel ("KMP") and other employees of the Company;
- f. to review the Remuneration Policy for Directors and KMPs and/ or any other policies/manuals as may be framed under the Act from time to time;
- g. to ensure 'fit and proper' criteria of proposed and existing directors;
- h. To ensure that reporting disclosures relating to remuneration meet all relevant statutory requirements;
- i. such other functions as may be prescribed by the Board from time to time.

**V. Information Technology Strategy Committee**

The IT Strategy Committee has been formed with the objective to ensure IT Strategic planning process is in place.

A meeting of the Committee will be held at least once in every quarter and also on ad hoc basis, may be monthly, as Board deems fit.

The IT Strategy Committee shall comprise of minimum 3 Directors as members. The chairperson of the ITSC shall be an independent Director having substantial IT expertise in guiding information technology initiatives. The Committee may invite any other officer/ employee of the Company in the meeting on need basis & ensure CISO to be a permanent invitee to IT Steering committee.

Quorum: At least two members or one third of the members of the Committee, whichever is higher, provided that at least one independent director shall be present at the meeting.

**Terms of Reference:**

- a. Ensure the company has put in place an effective IT Strategic planning process in place
- b. Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the company towards accomplishment of its business objectives;
- c. Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation
- d. Ensure that the company has put in place processes for assessing and managing IT and cybersecurity risks
- e. Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the company's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives
- f. Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the company.
- g. such other functions as may be prescribed by the RBI from time to time

## **VI. Senior Management and IT Steering Committee**

The IT Strategy Committee has been formed with the objective to assist ITSC in Strategic IT planning & oversight of IT.

A meeting of the Committee will be held at least once in every quarter and also on ad hoc basis, may be monthly, as Board deems fit.

The IT Strategy Committee shall consist of members with representation at Senior management level from IT and business functions.

The Committee may invite any other officer/ employee of the Company in the meeting on need basis & ensure CISO to be a permanent invitee to IT Steering committee.

Quorum: At least two members or one third of the members of the Committee, whichever is higher shall be present at the meeting.

### **Terms of Reference:**

- a. Assist ITSC in strategic planning, oversight of IT performance and align IT activities with business activities
- b. Oversee the processes put in place for business continuity & disaster recovery
- c. Ensure implementation of robust IT architecture meeting statutory & regulatory compliance
- d. Update the activities to ITSC & MD periodically on the activities of IT steering committee
- e. such other functions as may be prescribed by the RBI from time to time.

## **VII. Information Security Committee (ISC)**

The IT Strategy Committee has been formed with the objective to manage cyber/information security under the oversight of the ITSC.

A meeting of the Committee will be held at least YEARLY ONCE and also on ad hoc

basis, may be monthly, as Board deems fit.

The ISC shall be constituted with Chief Information Security officer (CISO) and other representatives from business and IT functions. The head of the ISC shall be from risk management vertical.

Quorum: At least two members or one third of the members of the Committee, whichever is higher shall be present at the meeting.

**Terms of Reference:**

- a. development of information/cyber security policies, implementation of policies, standards and procedures to ensure that all identified risks are within the company's risk appetite.
- b. Approving & monitoring information security projects and security awareness initiatives
- c. Reviewing cyber incidents, IS audit observations, monitoring and mitigation activities and
- d. updating ITSC & CEO periodically on the activities of ISC.
- e. such other functions as may be prescribed by the RBI from time to time

**VIII. INTERNAL COMPLAINTS COMMITTEE**

The Company shall have Internal Complaints Committee (ICC) 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.

## **FIT AND PROPER CRITERIA FOR DIRECTORS**

- i. The policy on the fit and proper criteria which shall be on the lines of the Guidelines issued in RBI Master Direction (as amended from time to time), would be applicable to ascertain the fit and proper criteria of the directors at the time of appointment, and on a continuing basis;
- ii. The Company shall 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 RBI Master Direction (as amended by RBI from time to time);
- iii. The Company shall obtain a Deed of Covenant signed by the directors, which shall be in the format as given in RBI Master Direction (as amended by RBI from time to time); and
- iv. Furnish to the Reserve Bank of India quarterly statement on change of directors, and a certificate from the Managing Director of the Company that “fit and proper criteria” in selection of the Directors has been followed. The statement shall reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, should be certified by the auditors.

Provided that RBI, if it deems fit and in public interest, reserves the right to examine the fit and proper criteria of directors of the Company irrespective of the asset size of the Company.

## **POLICIES FORMULATED BY THE COMPANY:**

Various Policies have been formulated by the Company in compliance with the provisions of the Companies Act, 2013 and other applicable laws and/ or as a matter of Good Corporate Governance Practices.

Some of the important Policies are as under:

- a. Policy on Related Party Transactions;
- b. Whistle Blower Policy;
- c. Policy on Prevention of Sexual Harassment at Work Places;
- d. Credit policy
- e. Code of Conduct for Independent Directors;
- f. Fit and Proper Criteria for Directors;
- g. Risk Management Policy;
- h. Policy on Corporate Social Responsibility and
- i. Know Your Customer & Anti-Money Laundering Policy.
- j. Asset & Liability Management Policy
- k. Borrowing Policy
- l. Appointment of statutory Auditors policy

The Policies adopted shall be reviewed by the Board from time to time.

#### **FIT AND PROPER POLICY**

The Company has formulated 'Fit and Proper' Policy in accordance with the Directions issued by the RBI. The Nomination and Remuneration Committee (NRC) shall ensure Fit and Proper status of proposed/existing Directors. The Committee shall obtain a declaration and undertaking from the Directors, giving certain information relating to them. The declaration and undertaking shall be on the lines of the format prescribed by RBI from time to time.

#### **KEY MANAGERIAL PERSONNEL**

Except for directorship in a subsidiary, Key Managerial Personnel, (as defined in Section 2 (51) of the Companies Act, 2013) 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. There shall be no restriction to directorship on the Board of NBFC-BL.

## **INDEPENDENT DIRECTOR**

Within the permissible limits in terms of the Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time.

There shall be no restriction to directorship on the Boards of NBFCs- BL, subject to provisions of Companies Act, 2013.

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

The company is required to put in place a compensation policy as per the norms prescribed in the RBI Master Direction

## **AMENDMENT**

This Policy Document and any changes made during the annual/mid-term (if any) reviews shall be adopted by the Board of Directors.

These internal guidelines on corporate governance, as approved by the Board of Directors, shall be published on the company's web-site, if any, for the information of various stakeholders.

**For Gove Finance Limited**

**Managing Director**  
**Arun Vellore Surendra**  
**DIN:01617103**