

CORPORATE GOVERNANCE POLICY

360 ONE Prime Limited (Formerly known as IIFL Wealth Prime Limited) (hereinafter referred to as the “**Company**”) is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics and ethical conduct. Corporate Governance is about maximizing shareholders’ value on a sustainable basis and ensuring fairness to all other stakeholder of the Company.

The Company shall continue to ensure good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the committees of the members of the Board.

The Company shall continue to function under the able direction of the Board of Directors and through the procedures and policies mandated by the Board.

Responsibilities of the Board

1. The Board's key purpose is to ensure the Company's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.
2. The Board is primarily responsible for:
 - Establishing vision, mission & values and determining, reviewing the goals, policy of the Company from time to time.
 - Setting strategy and structure and deciding the means to implement and support them.
 - Delegating to management, Determining monitoring criteria to be used and ensuring effectiveness of internal controls.
 - Exercising accountability to shareholders and be responsible to relevant stakeholders.
 - Management & Control.
3. For better monitoring and control, the Board shall endeavour to constitute Board level Committees as under:
 - Board Supervisory ALCO.
 - Risk Management Committee.
 - Audit Committee.
 - Nomination and Remuneration Committee.
 - Finance Committee and Debenture Allotment Committee.
 - Corporate Social Responsibility Committee.

Asset Liability Management Committee (ALCO) – Board Supervisory

The ALCO shall primarily be responsible for monitoring the asset liability gap and strategize action to mitigate the risk associated with the business of the Company from time to time.

The broad functions of the ALCO shall include:

1. Ensuring adherence to limits regarding management of risks as set out by the Board;
2. Deciding on business strategy in line with the budget and risk management objectives;
3. **Funding requirements:** Based on the quantum of business expected for the following quarter, half year and annual, determine the level of funding required, in order to ensure that adequate funding is at all times available to meet the needs of the Company's business;
4. Identifying suitable funding sources, including committed stand by lines, desired maturity profile, mix of incremental liabilities;
5. Articulate current interest rate view, develop a view on the future direction of interest rates and accordingly decide on funding mixes, resources etc.

Credit Committee:

The Credit Committee may consist of Directors, Key Managerial Personnel and Senior Executives of the Company. The Credit committee critically analyses the credit proposals placed before it.

Fair Practices Code:

Pursuant to the guidelines on Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on Fair Practices Code, which is placed on the website of the Company and also a regular review on the implementation of the same is conducted by committee members.

Risk Management

At the Company, Risk Management is integrated seamlessly into business strategy. The objective of our risk management process is to insulate the Company from risks associated with the business while simultaneously creating an environment conducive for its growth. It entails a comprehensive estimation, control and review of risks to protect organizational value.

Risk Management also forms a critical part of our training module across all levels so that all employees are trained on risk management and implications thereof. The Company's well-defined organizational structure, documented policies and Standard Operating Procedures (SOPs), authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and regulatory requirements. At the Company, a governance process has been

institutionalized, which ensures that risk management concepts and policies are applied to all business and risk types. Decision making levels are based on the Company's objectives and risk tolerance limits. Many of the critical decision levels for investments, major lending, and policy initiatives are institutionalized through appropriate committees consisting of senior officials and experts. Strategies, policies and limits are designed to ensure that risks are prudently diversified. Risk mitigating activities are reviewed periodically by senior management and further at the Board.

Our experienced compliance, audit and risk management team plays a vital role in ensuring that the rules and regulations are strictly followed in all its process, not just in letter but also in spirit. The risk management discipline is centrally initiated but prudently decentralized; percolating to the line managers and helping them mitigate risks at the transactional level, the most effective form of risk management.

Appointment of Chief Risk Officer

Pursuant to the RBI guidelines the Company shall appoint a CRO with clearly specified role and responsibilities. Following are the terms of reference:

Appointment of CRO

- The CRO shall be a senior official in the hierarchy of the Company and shall possess adequate professional qualification/ experience in the area of risk management.
- The CRO shall be appointed for a fixed tenure with the approval of the Board.

Reporting Line

- CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board.
- The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets.
- There shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility.

Role of CRO:

- The CRO is required to function independently so as to ensure highest standards of risk management.
- 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.
- 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.

Responsibilities of CRO

- Setting the vision and strategy for the enterprise risk function and building a robust risk management framework and architecture for the company. Ensuring an effective risk management program is in place within the company, by establishing the framework for risk management activities and driving consistent standards across the organization and managing the enterprise wide risk.
- Identify various risk(s); assess enterprise effectiveness in managing these risks through appropriate internal controls; and build awareness of the business implications of such risk, and how to manage the same, as part of the leadership culture.
- Understand the business and evaluate, improve, and monitor it, including assisting in reporting to the Board and Board Committees and providing leadership in the effectiveness of credit risk management controls, systems, and processes across the organization.
- Responsible for ensuring the overall quality of the lending portfolio by planning and directing all aspects of risk including credit risk. Provide regular review and analysis of portfolio trends to detect deterioration in portfolio quality. This includes the monitoring and control of the portfolio by ensuring that all credit exposure is properly approved, reported and reviewed.
- Ensuring a system-wide view and understanding of the combined risks of the business and their inter-relationships (interest rate risk, liquidity risk, operating risk, credit risk, reputational risk, regulatory risk, IT risk etc).
- Partnering effectively with third parties, regulatory bodies and others, as appropriate and serving as a role model for high personal and corporate ethical values and standards of integrity.
- Establish and manage all departmental policies and procedures. Being abreast with the latest regulatory changes with respect to effective risk management to ensure compliance thereof.

- Design sustainable processes to mitigate various risk(s) by framing the breadth and depth of control testing, evaluating business operations, participating in the evaluation of new products and business opportunities, and providing aggregated and detailed reports on risk management in line with risk appetite and limits.

Removal of CRO

- The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board
- Any such premature transfer/ removal shall be reported to the Department of Non-Banking Supervision of the regional office of the RBI under whose jurisdiction the Company is registered.

In case the Company is listed, any change in incumbency of the CRO shall also be reported to the stock exchanges.

Market Risk

The financial services sector is aligned to a variety of factors linked to the domestic economic development and also global developments. Any economic event happening across the globe can have a direct or indirect impact on the Company. To mitigate this, the Company diversified product mix comprising of loan against securities, loan against property including capital market/ IPO financing.

Reputation risk

Over the years, the Company has built in systems, processes, checks and balances, which ensures that operating managers say 'No' to poor quality in pursuit of instant results, short cuts, stop-gap alternatives, and unfair / ad hoc policies and cutting corners, among others. Also, it has in place stringent employee code of conduct and trading guidelines, which are to be followed by every employee. The Company's policy ensures monitoring and strict disciplinary actions against those deviating from the same.

The Company has institutionalized a number of measures to secure customer interests. Our lending business system provides for day to day customer security vaults, loan balances and interest dues whereby customers can get to know their up-to-date dues instantly through the respective branch. We have established a strong system of proper custody/safe keeping of securities documents at a centralized vault system at the respective branch in safe vaults and controls through webcam, access control, alarms, etc. The Company makes a constant and concerted effort to educate customers of the Do's and Don'ts.

Credit risk

For credit and finance business, the Company shall endeavour to have a multi-level credit and finance committee consisting of directors of the Board / HODs to consider all credit proposals. Proposal formats for each type of loans shall have standardized and comprehensive information on each credit proposal. The credit proposals shall be formally presented in the standard format, for evaluation and approval of the respective committee.

The Company shall endeavour to constitute a Risk Management Committee and Asset Liability Management Committee (ALCO) consisting of directors and senior officials, which shall regularly meet and review the policies, systems, controls and positions of credit and finance business. The Risk Management Committee shall review the risk management processes covering credit and underwriting controls, operations, and technology and compliance risks. The ALCO shall review the strategic management of interest rate and liquidity risk, review of product pricing for various loans and advances, desired maturity profile and mix of the incremental asset and liabilities. It shall also review the funding policies of the Company in the light of interest rate movements and desired fund mixes particularly fixed / floating rate funds, wholesale / retail funds, money market funding etc. In order to enable frequent reviews and actions, an internal ALCO shall be put in place consisting of the credit and treasury functions, which shall endeavour to meet on a monthly basis, to analyse and initiate appropriate actions keeping in view the emerging conditions.

The supervisory ALCO of the Board shall ensure that the business and risk management strategy operates within the limits/parameters set by the Board and reviews the functioning of the internal ALCO. It shall also review the Company's funding strategy and implementation of ALCO decisions.

Technology Risk

The Management understands the importance of technology in the business segments it operates and lays utmost emphasis on the system development and use of best technology available in the industry. The management keeps itself abreast of technological advancements in the industry and ensures continued and sustained efforts towards absorption of technology, adaptation as well as development of the same to meet the business needs and objectives.

The Company's in-house technology team developed and deployed several software applications for the loan and finance business as well as our support functions.

Compliance risk

The businesses are carried on under separate division/ companies and are regulated by a respective regulator and as such compliance forms a critical part of operations of the group.

The Company shall have a full-fledged compliance department manned by knowledgeable and experienced professionals in compliance, secretarial, legal and audit fields, which guides the businesses/support functions on all regulatory compliances and monitors implementation of new or changes in regulations/circulars, ensuring all the regulatory compliances and reporting of the group.

The compliance and audit discipline extends across the entire transaction cycle: KYC process, term sheet/agreements, vetting transaction execution, transaction settlement involving securities, loan documentations, pre and post disbursement, fund transfer, customer reporting, regulatory information/returns/reports to various regulatory authorities, etc. Being in the finance and financial services, the Company has put in place adequate systems and controls to ensure compliance with anti-money laundering standards. We have instituted special purpose audits for credit audit, systems audit, portfolio management audit, fund management etc. The compliance requirements across the various service points have been communicated comprehensively to all through compliance manuals and circulars. To ensure complete involvement in the compliance process, heads of every business/zones/area offices and departments shall submit quarterly compliance reports, the compilations of which shall be reviewed by the Board/ Finance Committee/ Audit Committee and also submitted to regulatory bodies periodically.

Internal control

The Company shall ensure that its internal audit and control systems are adequate and commensurate with the nature of business and the size of its operations. The internal control system may be supplemented by concurrent and internal audits regular reviews by management. The Company shall retain a reputed global firm as its Internal Auditors to conduct internal audits. The Company shall also retain a Chartered Accountant Firm to carry out post disbursement/ concurrent audit of functions such as KYC process, credit audit and loan documentation audits. The auditors' reports and rectifications / implementations of audit observations, action taken report shall be reviewed by the top management/ Board. Audit Committee at regular intervals. The Board/ Audit Committee, on a quarterly-basis shall review instances of fraud and action taken on the same as well as implementation of the necessary systems and controls to strengthen the system and prevent such recurrence. The internal processes shall be designed to ensure adequate checks and balances at every stage. The processes shall be reviewed periodically by Internal Auditors/ Board/ Audit Committee and strengthened from time to time.

Fit and Proper Criteria

- i. The policy on the fit and proper criteria, on the lines of the Guidelines issued by RBI (as amended by RBI from time to time), contained in Annex 1 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 Annex 2 (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 Annex 3 (as amended by RBI from time to time); and
 - 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 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.

Disclosure and transparency

- 1) The Company shall put up to the Board of Directors, at regular intervals or atleast on an annual basis, the following:
 - the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC; and
 - 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.
- 2) The Company shall disclose the following in their Annual Financial Statements, with effect from March 31, 2016 and onwards, such information as prescribed under circular no. DNBR (PD) CC. NO. 002/03.10.001/2014-15 dated November 10, 2014 read with DNBR (PD) CC.No. 024/ 03.10.001/ 2014-15 dated March 27, 2015 and such other guidelines and RBI directions as applicable from time to time.

Appointment of Statutory Auditors

The appointment of statutory auditors shall be in conformity with applicable Guidelines of RBI and other applicable regulatory / legal provisions, if any and to the extent applicable.

The Board of Directors of the Company shall appoint the statutory auditors based on the recommendation of the Audit Committee of the Company. The Company shall appoint the statutory auditors for a period of three years (one tenure/term) or any other period as specified by the RBI for appointment of statutory auditors, subject to the Audit firm satisfying the eligibility norms each year.

While considering the appointment of the Statutory Auditors, the Company shall, inter-alia, have regard to the following:

- Size, scale and complexity of business and Balance sheet of the Company
- Profile of the audit firm including vintage, experience of the partners and professional staff
- Audit or similar experience in NBFC, BFSI and audit of large companies
- Other considerations such as audit approach, mechanism for internal reviews of the work done by audit teams, use of IT tools in managing/conducting audits etc.

Further, The Company shall ensure that:

- the Audit firms, whose appointment is under consideration, have the necessary space to conduct the statutory audit of the Company within the maximum permissible audits of NBFC as per RBI Guidelines.
- No audit firm shall be considered for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure.
- Appropriate terms and confirmations with regard to eligibility are obtained from the audit firm prior to the appointment and also for each year during their tenure of appointment.

Declaration of Dividend

The Company shall declare dividend only after ensuring compliance with pertinent regulations and directives of the Reserve Bank of India; provisions of Companies Act 2013 and rules made thereunder; RBI Guidelines on Declaration of dividends by NBFCs and any other regulations as may be applicable from time to time.

The Companies Act provides for two forms of Dividend- Final and Interim. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit. Normally, the Board will endeavour to declare an interim dividend after finalization of quarterly financial accounts. The Board may declare interim dividend based on profits of the Company, one or more times in a financial year as and when considered appropriate, in line with statutory requirements. After the annual accounts are prepared, the Board may recommend final dividend to the shareholders for their approval in the General Meeting of the Company. In the event the Board declares more than one interim dividend in a financial year, the Board may recommend to the shareholder to treat the last interim dividend as a final Dividend.

The Board of Directors shall, take into account the following aspects before declaration of Dividend:

- Financial Performance of the Company
- Long term growth plans of the Company and capital requirements
- Qualification in the Auditor's report to the financial statement
- Capital Adequacy Requirements

- Net NPA Ratio
- Provisions of Section 45 IC of the Reserve Bank of India Act, 1934
- Any restriction imposed under the Companies Act and any other laws, the regulatory developments with regard to declaration of dividend, the Company's contractual obligations under the loan agreements / debenture trust deed and other agreements, documents, writings limiting / putting restrictions on dividend pay-out.
- If Company does not meet the applicable prudential requirement prescribed as per vide notification RBI/2021-22/59 DOR.ACC.REC.No.23/ 21.02.067/2021-22 dated June 24, 2021 for each of the last three financial years, may be declare dividend, subject to a cap of 10% on the dividend payout ratio, provided, company meets the applicable capital adequacy requirement for the financial year for which it propose to pay dividend and has net NPA of less than 4% at the close of the financial year.

The Company shall report details of dividend declared during the financial year as per the prescribed format of the guidelines issued by Reserve Bank of India vide notification RBI/2021-22/59 DOR.ACC.REC.No.23/ 21.02.067/2021-22 dated June 24, 2021 within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank, under whose jurisdiction the Company is registered.

Loan to Directors

In terms of the Related Party Transaction Policy, unless approved by the Audit Committee loans and advances shall not be granted to –

- (i) the directors or relatives of directors;
- (ii) any firm in which any of the director(s) or their relatives is interested as a partner, manager, employee or guarantor;
- (iii) any company in which any of the director(s), or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

Provided that a director or their relatives shall be deemed to be interested in the company, being the subsidiary or holding company, if he /she is a major shareholder or is in control of the respective holding or subsidiary company.

Provided that the director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his/her interest to the Board/Audit committee when any such proposal is discussed. Such interested director should recuse himself /herself from the meeting unless his/her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

All the related party transactions shall require prior approval of the audit committee. Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company, in accordance with the requirements of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015. valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve, such resolutions whether the entity is a related party to the particular transaction or not:

Loans and advances to Senior Officers:

Company shall abide by the following when granting loans and advances to their senior Management:

- (i) Loans and advances sanctioned to senior officers of the Company shall be reported to the Board.
- (ii) No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

The term 'loans and advances' will not include loans or advances against -

- (i) Government securities
- (ii) Life insurance policies
- (iii) Fixed deposits
- (iv) Stocks and shares
- (v) Housing loans, car advances, etc. granted to an employee of the NBFC under any scheme applicable generally to employees.

The Company shall disclose in their Annual Financial Statements, aggregate amount of loans and advances sanctioned to Directors and relatives of directors and to entities where directors or their relatives have major shareholding.

Annex-1

Policy on 'Fit and Proper' Criteria for directors

Reserve Bank had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of Company also. While the Reserve Bank does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that Company put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, Company is advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

i. Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. Company should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at **Annex- 2** (as amended by RBI from time to time).

ii. The process of due diligence should be undertaken by the Company at the time of appointment / renewal of appointment.

iii. The constituted Nomination & Remuneration Committee to scrutinize the declarations.

iv. Based on the information provided in the signed declaration, Nomination & Remuneration Committee should decide on the acceptance or otherwise of the directors, where considered necessary.

v. Company should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

vi. The Company must ensure that the nominated/ elected directors execute the deeds of covenants in the format given in **Annex-3**.

Name of NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)

I. Personal details of director	
a. Full name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address / Telephone Number	
h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to Directorship of the NBFC	
II Relevant Relationships of director	
a. List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b. List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007	
d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.	
III Records of professional achievements	
a. Relevant professional achievements	

IV. Proceedings, if any, against the director	
a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.	
(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper Undertaking	

UNDERTAKING:

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place:

Date: _____,

Signature

VI. Remarks of Chairman of Nomination Committee/ Board of Directors of NBFC

Place:

Date: _____,

Signature

Deed of Covenants with a Director

THIS DEED OF COVENANTS is made _____ day of _____ Two thousand Sixteen **BETWEEN** _____, having its registered office at _____ (hereinafter called the 'NBFC') of the one part and Mr/Ms. _____ (hereinafter called the "Director") of the other part.

WHISEAS

A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his appointment to enter into a Deed of Covenants with the NBFC.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HISEBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The director acknowledges that his appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.

2. The director covenants with the NBFC that:

(i) The director shall disclose to the Board the nature of his interest, direct or indirect, if he has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his other directorships, his memberships of bodies corporate, his interest in other entities and his interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the NBFC a list of his relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in others bodies corporate, firms and others entities.

(iv) The director shall in carrying on his duties as director of the NBFC:

(a) use such degree of skill as may be reasonable to expect from a person with his knowledge or experience;

- (b) in the performance of his duties take such care as he might be reasonably expected to take on his own behalf and exercise any power vested in him in good faith and in the interests of the NBFC;
- (c) shall keep himself informed about the business, activities and financial status of the NBFC to the extent disclosed to his;
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfill his obligations as director of the NBFC;
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
- (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- (g) shall in exercise of his judgment in matters brought before the Board or entrusted to his by the Board be free from any business or other relationship which could materially interfere with the exercise of his independent judgment; and
- (h) shall express his views and opinions at Board meetings without any fear or favour and without any influence on exercise of his independent judgment;

(v) The director shall have:

- (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
- (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- (c) duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall:

- (a) not evade responsibility in regard to matters entrusted to him by the Board;
- (b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he shall forthwith disclose his concerns to the Board; and
- (c) not make improper use of information disclosed to him as a member of the Board for his or someone else's advantage or benefit and shall use the information disclosed to him by the NBFC in his capacity as director of the NBFC only for the purposes of performance of his duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC shall apprise the director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
- (b) control systems and procedures;
- (c) voting rights at Board meetings including matters in which Director should not participate because of his interest, direct or indirect therein;
- (d) qualification requirements and provide copies of Memorandum and Articles of Association;

(e) corporate policies and procedures;
(f) insider dealing restrictions;
(g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
(h) appointments of Senior Executives and their authority;
(i) remuneration policy,
(j) deliberations of committees of the Board, and
(k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following:

(a) all relevant information for taking informed decisions in respect of matters brought before the Board;
(b) NBFC's strategic and business plans and forecasts;
(c) organisational structure of the NBFC and delegation of authority;
(d) corporate and management controls and systems including procedures;
(e) economic features and marketing environment;
(f) information and updates as appropriate on NBFC's products;
(g) information and updates on major expenditure;
(h) periodic reviews of performance of the NBFC; and
(i) report periodically about implementation of strategic initiatives and plans;

(iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The NBFC shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his office and his rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the NBFC

Director

By

Name:

Name:

Title:

In the presence of:

1. _____

2. _____