

## Internal Guidelines on Corporate Governance

The Venktesh Co. Private Limited

### **1. INTRODUCTION**

The Venktesh Co. Private Limited (hereinafter referred to as “Company”) was incorporated on 15/09/1941. It is an Associate of Shree Capital Services Limited. The Company is a Non-Banking Financial Company - Non Deposit accepting – Middle Layer (NBFC-ND-ML) registered with Reserve Bank of India (RBI).

The Company carries its activities in accordance with good corporate practices and is constantly striving to better them by adopting the best practices. To manage the affairs of the Company with integrity, fairness, accountability and transparency, the Company lays down the following set of guidelines / corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large etc.

### **2. OBJECTIVE OF GUIDELINES ON CORPORATE GOVERNANCE**

RBI has vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015. According to these Directions all NBFC-ND-ML are required to frame internal guidelines on Corporate Governance in order to enable NBFCs to adopt best practices and greater transparency in their operations.

Further, the Reserve Bank of India vide its notification dated October 19, 2023 had superseded the Non-Banking Financial Company - Systemically Important Non-Deposit taking (Reserve Bank) Directions, 2016 and introduced Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023 (“RBI Master Directions”). Accordingly, the policy is updated as per RBI Master Directions.

In pursuance of the aforesaid directions issued by the RBI in the RBI Master Direction, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

### **3. GOVERNANCE STRUCTURE**

#### **A. Board of Directors**

The Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company.

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. The Board shall be responsible for overall compliance with the corporate governance of the Company and oversee the business affairs, in doing so the Board must act honestly, in good faith and in the best interests of the Company. Further the Board will have a vital role to play in the matters relating to Policy Formulation, implementation and strategic issues which are crucial for the long term development of the organization.

**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 the Articles of Association of the Company.

**Quorum and Meetings:**

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

**B. Committees of the Board**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope.

The Committees shall operate as per the terms of reference approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting.

**a) AUDIT COMMITTEE**

The Company shall have in place an Audit Committee of the Company constituted in accordance with the provisions of the Section 177 of the Companies Act, 2013 and the Rules framed there under, and applicable provisions of the RBI Master Directions. The Audit Committee constitution and functioning shall be in compliance with the provisions of the Companies Act, 2013.

**Composition:**

The Audit Committee of the Company shall have minimum of three Directors as prescribed by the Companies Act, 2013. They shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. The members of the Audit Committee shall be appointed by the Board of Directors.

The Audit Committee Meeting may be attended by the following as may be required by the Committee:

- Internal Auditors
- Statutory Auditors as and when invited
- Such other invitees at the discretion of the Chairman of the Committee

**Quorum and Meetings:**

Quorum shall comprise of two members or one third of the Members of the Audit Committee whichever is higher. At least one meeting of the Committee shall be held per quarter including one prior to the finalization of the Annual Accounts.

### **Role of the Committee:**

The role of the Audit Committee, inter-alia, shall include the following:

1. Oversight of the Company's financial reporting process and disclosures of financial information to ensure that the financial statements are correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment (including remuneration and other terms of appointment thereof) and, if required, the replacement or removal of the auditors and the fixation of audit fees.
3. Monitoring the Auditors' independence and performance. Also recommend the change in Auditors, if necessary;
4. Review with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval;
5. Review with the Management, the quarterly financial results before submission to the Board for approval;
6. Reviewing, with the management, the statement of uses/ application of funds raised, the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and making appropriate recommendations to the Board to take up steps in this matter;
7. Evaluation of internal financial controls and risk management systems;
8. Review with the management adequacy of the internal control systems;
9. Reviewing the adequacy of internal audit function including its structure, staffing, reporting structure coverage and frequency of internal audit.
10. Discussion with internal auditors of any significant findings and follow up thereon;
11. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
12. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
13. Review and approve any related party transaction of the Company;
14. Approval or any subsequent material modification of transactions of the Company with related parties.
15. Review and approve the disclosure of related party transactions by the Company as per the statutory requirements;
16. Valuation of undertakings or assets of the Company, wherever it is necessary
17. To review the functioning of the Whistle Blower/Vigil mechanism;
18. Approval of appointment of chief financial officer where mandatory as per Company Law provisions after assessing the qualifications, experience

and background, etc. of the candidate.

19. Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., and its shareholders.

20. To review and approve granting of loans & advances or awarding of any contracts within the limits fixed by the shareholders of the Company to the following:

- Directors (including the Chairman/ Managing Director) of the Company or relatives of directors;
- any firm in which any of the directors of the Company or their relatives, is interested as a partner, manager, employee or guarantor;
- any company in which any of the directors of the Company, or their relatives, is interested as a major shareholder, director, manager, employee or guarantor.

“Majority Shareholder” shall mean a person holding 10 % or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is lower or as may be amended from time to time.

21. The Committee shall ensure that the details of such loans & advances granted, or contracts awarded shall be placed before the Board on quarterly basis.

22. The Committee may review the disclosures to be made in the financial statements of the Company with respect to the sanctioned loans & advances or contracts before the same will be placed before the Board for approval.

28. To carry out any other function or undertake any other activity (from time to time) as is referred/ specified by the Board or enforced by any statutory notification/ amendment or modification as may be applicable, whether under the Act or by any other regulatory authority.

#### **b) NOMINATION AND REMUNERATION COMMITTEE**

The Company shall have in place a Nomination & Remuneration Committee to meet the requirements of section 178 of the Companies Act, 2013 and the Rules framed there under. The Committee shall apart from other things review the appointments and removals of directors and senior management, the compensation related matters of the directors and senior management, evaluation of Directors performance, etc.

##### **Composition:**

The Nomination & Remuneration Committee of the Board shall be constituted in accordance with the provisions of section 178 of the Companies Act, 2013 and the Rules framed there under, and applicable provisions of the RBI Master Directions.

##### **Quorum and Meetings:**

Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Committee shall meet at least once in year and as and when required.

##### **Role of the Committee:**

The role of the Nomination & Remuneration Committee, inter-alia, shall include the following:

1. Recommend persons to the Board for appointment and removal as Directors, Key Managerial Personnel (“KMP”), Senior Management Personnel (“SMP”) and Chief Compliance Officer (“CCO”). The Committee may instruct the Managing Director to place the report on the remuneration fixed for SMPs, CCO and KMPs
2. Ensuring there is an appropriate induction in place for new directors, SMP, CCO and KMP
3. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to the remuneration of the directors, KMP and other employees
4. Carry out performance evaluation of all Board as whole, Directors, Committee and Chairperson.
5. For every appointment of an independent director, the Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates
6. Deciding whether to extend or continue the term of appointment of the Independent Director on the basis of the report of performance evaluation of Independent Directors;
7. Monitoring of Nomination and Remuneration policy.
8. To decide on the commission of the Directors and/or other incentives payable, taking into account the individual’s performance as well as that of the Company, if any.
9. Recommend to the board, all remuneration, in whatever form, payable to senior management.
10. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal;
11. Ensure adherence of fit & proper criteria for all the Directors in line with RBI guidelines;
12. Ascertain that there is no conflict of interest between the Company and Directors, CCO, KMP & Senior Management of the Company;
13. To carry out any other function or undertake any other activity (from time to time) as is referred/ specified by the Board or enforced by any statutory notification/amendment or modification as may be applicable, whether under the Act or by any other regulatory authority.

‘Senior Management’ or ‘Senior Management Personnel’ shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole-time director/manager (including chief executive officer/manager, in case they are not

part of the Board) and shall specifically include the functional heads, by whatever name called and the company secretary and chief financial officer.

### **c) ASSET LIABILITY MANAGEMENT COMMITTEE**

The Board shall also constitute an Asset Liability Management Committee (ALCO) as required by the guidelines issued by the Reserve Bank of India (RBI). The constitution and functioning of the ALCO shall be in line with the requirements of the Liquidity Risk Management (LRM) Framework of the Master Directions issued by RBI amended from time to time. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated.

#### **Composition:**

The Committee should have such members as approved by the Board and shall in accordance with the requirements prescribed under the provisions of LRM framework of the Master Directions. The Managing Director shall chair the meeting. The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research, Compliance may be members of the Committee.

#### **Quorum and Meetings:**

The quorum shall comprise of at least two members. The Committee shall meet as and when required, but shall meet at least four times in a year.

#### **Role of the Committee:**

1. Reviewing Asset-Liability Management report in the Company including liquidity risk management and ensure mitigating any gaps;
2. Noting of the returns filed with RBI
3. Review the ICAAP analysis and Stress Test run by the Company
4. Formulate standards on desired maturity profile of Loan assets.
5. Monitoring maturity profile of outstanding and incremental assets and liabilities.
6. Deciding Interest rates that can be offered by the Company pursuant to the prevailing interest rates offered by peers and competitors.
7. Product pricing for advances.
8. To decide on the source and combination of or sale of loan assets.
9. To develop the funding plan of the Company in light of interest rate movements
10. Discussing the financial performance on quarterly basis.
11. To exercise powers in accordance with the ALM Policy of the Company
12. To carry out any other function or undertake any other activity (from time to time) as is referred/ specified by the Board or enforced by any statutory notification/amendment or modification as may be applicable, whether under the Act or by any other regulatory authority

#### **d) RISK MANAGEMENT COMMITTEE**

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.

##### **Composition:**

The Committee should have such members as approved by the Board and applicable provisions of the RBI Master Directions.

##### **Quorum and Meetings:**

The quorum shall comprise of at least two members. The Committee shall meet as and when required, but shall meet at least twice a year.

The Board of Directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary

The role of the committee shall, inter alia, include the following:

1. To formulate a detailed risk management policy which shall include:
  - a. framework for identification of internal and external risks specifically faced by the entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems, risk categorization, credit deviation;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To oversee 'Money Laundering and Terrorist Financing Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.
6. To monitor concentration and other risks faced by NBFCs and take necessary measures to mitigate the same;

7. The Committee may seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, as may be required.
8. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
9. The Committee may place a sector or a client on watchlist and task the management with appropriate action, which could be freezing of exposure, run down of exposure, sale of exposure, client engagement etc. as required;
10. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
11. To carry out any other function or undertake any other activity (from time to time) as is referred/ specified by the Board or enforced by any statutory notification/amendment or modification as may be applicable, whether under the Act or by any other regulatory authority.

#### **e) INVESTMENT AND CREDIT COMMITTEE**

The Investment and Credit Committee of the Company shall overview the Company's financial position and the requirements of the fund for lending to the clients, after analyzing the credit worthiness of the borrower while lending including their repayment capacity.

##### **Composition:**

The Committee should have such members as approved by the Board. The Committee shall appoint one of its members as the Chairperson of the Committee.

##### **Quorum and Meetings:**

The quorum shall comprise of at least two members. The Committee shall meet as and when required.

##### **Role of the Committee:**

1. Consider and approve the proposals to invest in shares, mutual fund units and other convertible/ non-convertible securities of the Company;
2. Authority to grant loans to bodies corporate, individuals and others from time to time, on such terms and conditions as may be decided by the Committee and look into matters arising/ related to post disbursements of loans.
3. Review the loans and investments portfolio of the Company along with valuation of investments on a set interval;
4. Review and consider the DPD status of loan assets and consider making provisions, if required. Further, may approve Technical write-off/ Compromise settlements and any other relevant matters.
5. Consider the critical breaches of covenants, if escalated by Internal Risk Management Committee;
6. To negotiate, finalise and execute any agreement/ document/ letter/ contract/ Internal Guidelines on Corporate Governance application/ form, as may be required for the primary/ secondary dealings of the Company, including registration with any authority;

7. To consider and approve the acquisition of loan portfolio/ pool of assets under PTC or securitization and other ancillary matters;
8. Review the status of customer complaints at regular intervals.
9. To ensure that stipulated timelines are followed with respect to the reporting of credit information and resolving the disputes and take necessary steps in case of any deviations from stipulated time limits are observed.
10. To review Credit Information reports submitted to CICs at regular intervals and address grievances in relation to the same, if any.
11. To carry out Root Cause Analysis of the customer grievances received, if any, at regular intervals and review the outcome of the said analysis.
12. To compensate the customers for delay in resolving complaints relating to credit information within the prescribed timelines as per the prescribed framework
13. To exercise powers in accordance with the Investment Policy and Credit Policy of the Company

**f) STAKEHOLDERS' RELATIONSHIP COMMITTEE:**

The Stakeholders' Relationship Committee shall specifically look into various aspects of interest of shareholders, debenture holders and other security holders.

**Composition:**

The Stakeholders' Relationship Committee of the Board shall be constituted in accordance with the provisions of Section 178(5) of the Companies Act, 2013 and the Rules framed there under, Regulation 20 of the Listing Regulations. The chairperson of this committee shall be a non-executive director.

**Quorum and Meetings:**

The quorum and frequency of the meeting shall be as per the applicable laws.

The Board of Directors shall define the role and responsibility of the Stakeholders' Relationship Committee

The role of the committee shall, inter alia, include the following:

1. Resolving the grievances of the security holders of the entity as per the escalation matrix mentioned in the Board approved Investor Grievance Mechanism of the Company 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.;
2. Review of measures taken for effective exercise of voting rights by shareholders;
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. 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.

5. To undertake self-evaluation of its own functioning and identification of areas for improvement towards better governance;

6. The Committee shall not be responsible for handling the grievances received under grievance redressal mechanism as applicable to Company under RBI Regulations, amended from time to time.

7. To carry out any other function or undertake any other activity (from time to time) as is referred/ specified by the Board or enforced by any statutory notification/amendment or modification as may be applicable, whether under the Act or by any other regulatory authority.

#### **4. DISCLOSURE TO THE BOARD:**

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

- 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.
- Management of risks including credit, KYC, fraud and mitigation steps to ensure preparedness of the Company

#### **5. REVIEW OF POLICY:**

The Board shall review this policy on a regular interval. Also, in case of any deviation in any of the provisions of this policy from relevant regulations, the said regulations/ circulars/ guidelines shall prevail. Further, any regulatory amendments with respect to the provisions of this policy shall be made effective from the date mentioned in the given notification and this policy may be amended later by the Board.

#### **6. Disclosure on Website**

In compliance with the RBI guideline on Corporate Governance, the Internal Guideline on Corporate Governance, shall be published on the Company Website in due course for information of various stakeholders, as required by RBI, from time to time.

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#### **Adopted/Revised/Reviewed**

1. Adoption 25/11/ 2024