

SURAKSHA ASSET RECONSTRUCTION LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE¹

1. BACKGROUND

- Suraksha Asset Reconstruction Limited is a company registered under the Companies Act, 2013 carrying on the business of securitization and asset reconstruction pursuant to Certificate of Registration granted under Section 3 of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.
- Suraksha Asset Reconstruction Limited is committed to good Corporate Governance Standards in adherence the guidelines and directions issued by the Reserve Bank of India and Ministry of Corporate Affairs. The Company constantly endeavors to follow the principles of transparency, accountability and integrity in the conduct of its business and interactions with stakeholders including customer, shareholders, employees, government and others.
- This Policy is framed as internal guidelines on corporate governance in compliance with the extant guidelines of Reserve Bank of India and the same is published on the website of the Company for the information of all stakeholders.
- The Policy will be reviewed as and when required in context of the changing regulations and emerging best practices with a view to enhancing the Company's governance.

2. BOARD OF DIRECTORS

- The Board of Directors of the Company is at the core of its corporate governance practices ensuring that the Company and its management adhere to the highest standards of moral and ethical values in the conduct of its business.
- The Board of Directors shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interest of the Company, its employees, the shareholders, the community and for the protection of the environment.

¹ Approved at the Board Meeting held on June 27, 2019.

- The Board of Directors shall exercise their duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- The Board of Directors of the Company shall not involve in any situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- The Board of Directors of the Company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates.
- The Board of Directors along with the constituted committees provides guidance and direction to the Company's leadership team and further direct, supervise and control the performance of the Company.
- The Company believes that an active, well-informed, "Independent Board" shall ensure the highest standards of Corporate Governance. Independent Directors of the Company actively participate in ensuring proper Corporate Governance.
- The Board of Company shall have an optimum combination of Executive and Non-Executive directors in compliance with the Companies Act, 2013 and other regulatory guidelines, if any.

3. COMMITTEES

- To focus effectively on issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference/scope. The Committees operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees are placed before the Board for approval in subsequent meetings.
- The Board has constituted the following Committees:-
 - i. Audit Committee
 - ii. Nomination and Remuneration Committee
 - iii. Risk Management Committee
 - iv. Asset Liability Committee
 - v. Acquisition and Resolution Committee
 - vi. Corporate Social Responsibility Committee

4. AUDIT COMMITTEE

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013 and in terms of applicable RBI guidelines in this regard.

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act, applicable SEBI Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

As per the Audit Committee charter the following are the roles and functions of the Committee:-

- a) To recommend the appointment, remuneration and terms of appointment of statutory auditors of the company;
- b) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- c) To examine the financial statements and the auditors' report thereon before submission to the Board;
- d) To approve or subsequently modify the transactions of the company with related parties;
- e) To scrutinise inter-corporate loans and investments;
- f) To approve the valuation of undertakings or assets of the company, wherever it is necessary;
- g) To evaluate of internal financial controls and risk management systems;
- h) To review the adequacy of internal audit function, frequency of the internal audit and any significant findings and follow-up there on;
- i) To review periodic internal audit reports before submission to the Board;
- j) To call 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 discuss any related issues with the internal and statutory auditors and the management of the company;
- k) To investigate into any matter referred by the Board and for this purpose, to obtain external professional advice and have full access to information contained in the records of the company; and
- l) To review 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;

- m) To determine in consultation with the Internal Auditor the scope, functioning and methodology for conducting Internal Audit;
- n) To review frauds reported by the auditors;
- o) To recommend all appointments including filling of casual vacancy of the auditor under Section 139 of the Companies Act, 2013;
- p) To recommend the appointment, remuneration and terms of the registered valuers as per Section 247(1) of the Companies Act, 2013;
- q) To oversee the vigil mechanism for directors and employees to address their genuine grievances and concerns;
- r) To ensure that an information systems audit is conducted atleast once in every two years to assess the operational risks faced by the Company;

5. NOMINATION AND REMUNERATION COMMITTEE

The Company has constituted a 'Nomination and Remuneration Committee' in compliance with the provisions of Section 178 of the Companies Act, 2013 and the same is in conformity with the RBI guidelines issued in this regard from time to time.

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, applicable SEBI Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

The Company has constituted a Nomination and Remuneration Committee to assess the performance of the Board and identify persons who are qualified to be appointed as directors.

6. RISK MANAGEMENT COMMITTEE

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines in this regard.

As per the Risk Management Committee charter the following are the role and functions of the Committee-

- a) To assess the Company's risk profile and key areas of risk in particular;
- b) To review and assess the quality, integrity and effectiveness of the risk management framework and internal control system;
- c) To ensure that the risk policies and strategies are effectively managed;
- d) To ensure that an effective and independent due diligence appraisal of strategic or significant transactions proposed to be undertaken is done before Board approval;
- e) To ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks;
- f) To identify inherent risks, assess, evaluate and monitor these risks continuously and undertake effective steps to manage these risks;
- g) To decide the Company's appetite or tolerance for risk;
- h) To review the risk bearing capacity of the Company in light of its reserves, guarantee funds or other such financial structures;
- i) To review the issued raised by Internal Auditors that impact the risk management framework;
- j) To perform such other functions as may be requested by the Board of Directors or to address issues related to any significant subject within its terms of reference.

7. ASSET LIABILITY MANAGEMENT COMMITTEE

The Company has in place the Asset-Liability Management Committee ("ALCO") constituted in accordance with the RBI guidelines.

As per the Asset Liability Committee charter the following are the role and functions of the Committee-

- a) To monitor the Company's investment activities;
- b) To manage the liquidity and cash flows of the Company;
- c) To manage compliance with all internal and regulatory limits and ratios for the above;
- d) To ensure funding and capital planning;
- e) To ensure growth and profit planning;
- f) To forecast and analyze 'what is scenario' and prepare contingency of plans;
- g) To decide on the funding mix between fixed vs. floating funds, funding, domestic vs. foreign currency funding etc. ensuring

appropriate mix of different forms of debt i.e. bank loan, commercial papers, non-convertible debentures etc.

- h) To identify balance sheet management issues that are leading to under-performance and ensure corrective action;
- i) To perform such other allied functions as may be required from time to time.

8. ACQUISITION AND RESOLUTION COMMITTEE

The Company has in place the Acquisition and Resolution Committee constituted in accordance with the RBI guidelines.

The Board has delegated the Acquisition and Resolution Committee to take decisions on the following-

- a) Proposals for acquisitions of assets (a) for investment in 15 percent transaction structure up to INR. 50 crores (Rupees Fifty Crores) per account; and (b) for investment in 100 per cent transaction structure up to INR. 100 crores (Rupees One Hundred Crores) per account;
- b) Proposals for reschedulement of debt;
- c) Proposals for settlement of dues;

9. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company has constituted a Corporate Social Responsibility Committee in compliance with the provisions of Section 135 of the Companies Act, 2013.

The Company has constituted a Corporate Social Responsibility Committee (CSR) Committee which recommends the projects and expenditure to be undertaken for CSR to the Board and is responsible for the monitoring of the CSR projects and reporting.

10. FIT AND PROPER CRITERIA

In terms of RBI circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 and RBI Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015, the Company has in place a Board approved policy on 'Fit and Proper Criteria'.

The Company has a Board approved Policy for ascertaining the Fit and Proper criteria as per Reserve Bank of India for directors at the time of appointment and on a continuous basis.

Further as required under the above referred RBI circulars, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed.

11. DISCLOSURES AND TRANSPARENCY

The following information shall be put up by the Company to the Board of Directors at regular intervals-

- Progress made in putting in place a progressive risk management system, and risk management policy and strategy forward;
- Conformity with corporate governance standards viz. in composition of various committees, their roles and functions, periodicity of the meetings and compliances with coverage and review functions, etc.
- Updates of the various committees meetings at from time to time;
- Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time.

12. INFORMATION SYSTEM AUDIT

The Company shall ensure that an information system audit of the internal systems and processes is conducted at least once in two years (or such lesser time as prescribed by RBI) to assess operational risks, if any, faced by the Company.