



**Spandana Sphoorty Financial Limited**  
**Corporate Governance Policy**  
Version: 3  
Date of Modification: 14<sup>th</sup> August, 2018

## **1. Corporate Governance Philosophy of the Company**

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

In pursuing its Mission of "providing financial services to the low income households and their by improve their living standards. Spandana has been balancing its dual objectives of "social" and "financial goals since its inception.

"Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations.

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

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance. The Code has been drafted bearing in mind the size of the Company's operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs, as last summarized by RBI in its Master Direction No- DNBR. PD. 008/03.10.119/2016-17, dated 1st September, 2016

## **3. Board of Directors**

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association, the Board's strength is required to be a minimum of three directors and a maximum of twelve directors. The Board shall meet a minimum of four (4) times in a year, at least once in each quarter [in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board].

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 organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

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

## **4. Duties and Responsibilities of Board of Directors**

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

(1) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

- (2) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (3) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (5) A director of a company shall not assign his office and any assignment so made shall be void.

#### **5. Information to be placed before the Board**

- (1) Annual operating plans and budgets and any updates.
- (2) Capital budgets and any updates.
- (3) Quarterly results its operating divisions or business segments.
- (4) Minutes of meetings of audit committee and other committees of the board of directors.
- (5) The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- (6) Show cause, demand, prosecution notices and penalty notices, which are materially important.
- (7) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- (8) Any material default in financial obligations to and by the listed entity, or substantial non-payment for goods sold by the listed entity.
- (9) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the listed entity.
- (10) Details of any joint venture or collaboration agreement.
- (11) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- (12) Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- (13) Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- (14) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- (15) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as nonpayment of dividend, delay in share transfer etc.
- (16) The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- (17) 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.

#### **6. Committees of the Board**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, the Companies Act, 2013 requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted its Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Spandana complies with the above requirements of committee constitution and have the following committees of the Board:

### 6.1 Audit Committee

The Company has Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and RBI guidelines on Corporate Governance	
Composition	<p>The Audit Committee shall consist of a minimum of three directors with not less than 2/3rd members being independent directors.</p> <p>All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the accounts function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Finance Head, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of one Independent members present.</p>
Terms of reference	<p>The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:</p> <ol style="list-style-type: none"> <li>a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;</li> <li>b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;</li> <li>c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;</li> <li>d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;</li> <li>e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to: <ol style="list-style-type: none"> <li>(i) Matters required to be stated in the Director's responsibility statement to</li> </ol> </li> </ol>

	<p>be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013;</p> <ul style="list-style-type: none"> <li>(ii) Changes, if any, in accounting policies and practices and reasons for the same;</li> <li>(iii) Major accounting entries involving estimates based on the exercise of judgment by management;</li> <li>(iv) Significant adjustments made in the financial statements arising out of audit findings;</li> <li>(v) Compliance with listing and other legal requirements relating to financial statements;</li> <li>(vi) Disclosure of any related party transactions; and</li> <li>(vii) Qualifications and modified opinions in the draft audit report.</li> </ul> <ul style="list-style-type: none"> <li>f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;</li> <li>g) Scrutiny of inter-corporate loans and investments;</li> <li>h) Valuation of undertakings or assets of the Company, wherever it is necessary;</li> <li>i) Evaluation of internal financial controls and risk management systems;</li> <li>j) Approval or any subsequent modification of transactions of the Company with related parties;</li> </ul> <p>Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.</p> <ul style="list-style-type: none"> <li>k) Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;</li> <li>l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;</li> <li>m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;</li> <li>n) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;</li> <li>o) Discussion with internal auditors on any significant findings and follow up thereon;</li> <li>p) 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;</li> <li>q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;</li> <li>r) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;</li> <li>s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;</li> <li>t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;</li> <li>u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;</li> <li>v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;</li> <li>w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;</li> </ul>
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	<ul style="list-style-type: none"> <li>x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.</li> <li>y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)</li> <li>z) To report, on a quarterly basis, the key findings of the quarter , as well as the action taken report on the same for previous quarters, to the Board of Directors.</li> <li>aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.</li> <li>bb) To monitor and review all frauds that may have occurred in the Company involving an amount of Rs. 0.1 million and above or as decided from time to time.</li> <li>cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.</li> <li>dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.</li> <li>ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.</li> <li>ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.</li> <li>gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and</li> <li>hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;</li> <li>ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws.”</li> </ul>
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## 6.2 Risk Management Committee of the Board

The Company has Risk Management Committee:	
Chairman	Chairman of the committee shall be a member of the board of directors. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst themselves to act as Chairman.
Composition	The majority of members of the Committee shall consist of members of the board of directors.
Meetings and Quorum	<ul style="list-style-type: none"> <li>i. The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company.</li> <li>ii. The quorum shall be at least two Directors.</li> <li>iii. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.</li> </ul>
Terms of reference	<p>The Risk Management Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:</p> <ul style="list-style-type: none"> <li>a) To review company’s risk management policies in relation to various risks (credit,</li> </ul>

	<p>market, liquidity, operational and reputation risk)</p> <p>b) To review the risk return profile of the Company, Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.</p> <p>c) To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.</p>
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### 6.3 Nomination and Remuneration Committee of the Board (Nomination Committee)

The Company has Remuneration and Nomination Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and the rules made there under and in compliance with RBI guidelines on Corporate Governance.	
Composition	Chairman of the Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman
Chairman	<p>i. The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.</p> <p>ii. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meeting and Quorum	<p>i. The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company.</p> <p>ii. The quorum shall be at least two Directors.</p> <p>iii. Chairman of the Committee or in his absence, any other member of the Committee authorised by him shall attend the General Meetings of the Company.</p>
Terms of reference	<p>The Nomination and Remuneration Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:</p> <p>a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;</p> <p>b) Formulation of criteria for the performance of evaluation of independent directors and the Board;</p> <p>c) Devising a policy on Board diversity;</p> <p>d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;</p> <p>e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company. "Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."</p> <p>f) To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.</p> <p>g) To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.</p> <p>h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).</p> <p>i) To recommend to the Board a policy, relating to remuneration for the Directors and</p>

	<p>Key Managerial Personnel</p> <p>j) Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;</p> <p>k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:</p> <p>(a) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (the "Schemes");</p> <p>(b) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;</p> <p>(c) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;</p> <p>(d) determining the eligibility of employees to participate under the Schemes;</p> <p>(e) granting options to eligible employees and determining the date of grant;</p> <p>(f) determining the number of options to be granted to an employee;</p> <p>(g) determining the exercise price under of the Schemes; and</p> <p>(h) construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.</p> <p>l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:</p> <p>(i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and</p> <p>(ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;</p> <p>m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and</p> <p>n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee."</p>
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#### 6.4 Management Committee of the Board

The Asset Liability Management & Credit Policy Committee, and Asset Sale Committee has been merged w.e.f 25th July, 2017, with the said Management Committee, in order to have less number of committees for achieving compliance efficiency and control and better Corporate Governance.	
Chairman/Chairperson	The members of the Committee present at the meeting shall choose one amongst them to act as Chairman OR Chairperson of the meeting
Composition	i. The Committee shall consist of at least minimum 3 Directors
Quorum	The quorum shall be either two members of the Committee
Terms of Reference	<p>a. to apply for loans and to provide security including hypothecation of book debts of the Company at such terms and conditions as may be decided by the Committee from time to time;</p> <p>b. to borrow moneys subject to a maximum of Rs. 400 crore per facility/ loan;</p> <p>c. to determine the terms of the Issue(s) of Debentures, and finalise the terms and conditions of such Issue(s) including the number of Debentures to be allotted in each Issue, Issue Price, Face Value, Rate of Interest, Redemption Period, the nature of security etc. for the purpose of raising funds in its absolute discretion deem fit and to do all such acts, deeds and things as may be required necessary in this regard</p> <p>d. to sell loan portfolios of the Company upto a limit of Rs. 300 crore per sanction;</p> <p>e. to purchase book debts of other micro-finance/ NBFC Companies upto a limit of Rs. 50 crore per sanction;</p>



	<ul style="list-style-type: none"> <li>f. to grant loans including inter corporate loans and advances on such terms and conditions as it may deem fit;</li> <li>g. to authorize Company official/s for execution of documents, including loan documents and affixing common seal of the company thereon, if required;</li> <li>h. to invest funds of the Company in Fixed Deposits to the extent necessary to avail credit facilities/ loans from the Banks/ Financial Institutions etc. and to invest surplus funds in liquid funds (i.e. mutual funds etc.) for the benefit of the Company;</li> <li>i. to decide remuneration including basic salary, allowances, incentives, perquisites, travel allowance and any other welfare measures for the benefit of the employees of the Company other than Directors;</li> <li>j. to incur capital expenditure outside the annual business plan up to a limit of Rs. 10 lakh between two Board Meetings.</li> <li>k. to appoint /authorize Company official/s for execution of documents, agreement, deeds and papers as may be required from time to time in relation to day to day operations of the Company and to affix common seal of the company thereon, if required;</li> <li>l. to make applications for obtaining licenses, registrations, connections, clearances, services etc. and to authorize/appoint directors/employees/officers for signing applications, returns, forms, bonds, agreements, documents, papers etc. and for representing Company before the authorities under various Laws including but not limited to Corporate Laws, Industrial Laws, Tax Laws, Labour Laws and other Business Laws applicable to the Company in respect of all present and future offices of the Company, for compliance of all provisions, rules, clauses, regulations, directives and other related matters under the said Laws, which may be applicable to the Company.</li> <li>m. To manage the Balance Sheet of the Company within the risk parameters laid down by the Board of Directors or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same.</li> <li>n. To review the capital &amp; profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board of the Company</li> <li>o. To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically.</li> <li>p. To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines.</li> <li>q. To oversee the implementation of the Asset Liability Management (ALM) system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee.</li> <li>r. To consider and recommend any other matter related to liquidity and market risk management to the Board of Directors of the Company for suitable action.</li> <li>s. To set up standard operating processes with regard to the conduct of field staff with the customers and to monitor adherence to the same by internal as well as third-party evaluations.</li> <li>t. To approve new products as specified in the policy of the company or by the regulator and rolling out of business in new geographies in which products (new as well as existing) can be rolled out.</li> <li>u. To review lease, assign, sell, transfer or otherwise dispose of, any fixed assets or investments, whether by one transaction or by a series of transactions (whether related or not).</li> <li>v. To report such transactions, on a quarterly basis, to the Board of the company.</li> </ul>
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## 6.5 Corporate Social Responsibility Committee (CSR Committee)

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made there under and to oversee social programs undertaken by the Company and monitor economic and social impact on customer.	
Composition	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet once as and when required. The quorum shall be at least two Directors.
Terms of reference	<ol style="list-style-type: none"> <li>1. The Board shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.</li> <li>2. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.</li> <li>3. The following are regarded as activities relating to Corporate Social Responsibility: <ol style="list-style-type: none"> <li>a. Eradicating extreme hunger and poverty;</li> <li>b. Promotion of education;</li> <li>c. Promoting gender equality and empowering women</li> <li>d. Reducing child mortality and improving maternal health;</li> <li>e. (Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;</li> <li>f. Ensuring environmental sustainability;</li> <li>g. Employment enhancing vocational skills;</li> <li>h. Social business projects;</li> <li>i. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and</li> <li>j. Slum Area Development.</li> </ol> </li> </ol>

### (i) IT Strategy Committee

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made there under and to oversee social programs undertaken by the Company and monitor economic and social impact on customer.	
Chairman/Chairperson	Chairman of the Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	The Committee shall consist of at least 3 Directors, of whom Chairman should be an Independent Director and Chief Information Officers ( CIO) & (Chief Technology Officers) CTO should be a part of the committee.
Meetings	The ITStrategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings _____
Terms of Reference	<ul style="list-style-type: none"> <li>• Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place</li> <li>• Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business</li> <li>• Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;</li> <li>• Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level</li> </ul>

	<p>direction for sourcing and use of IT resources;</p> <ul style="list-style-type: none"> <li>• Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.</li> </ul>
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## 7. Fit and Proper Criteria

The Company recognizes the importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity etc. Therefore, the company has put in place an internal supervisory process to carry out due diligence on directors on a continuing basis. In line with the directions of the Reserve Bank of India, the company follows the procedures mentioned below and ensures that the minimum criteria is fulfilled by the persons before they are appointed on the Boards:

- (a) The Company shall 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. The Company shall obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at **Annex-1**
- (b) The process of due diligence shall be undertaken by the Company at the time of appointment / renewal of appointment.
- (c) The Remuneration and Nomination Committee of the Board shall scrutinize the declarations.
- (d) Based on the information provided in the signed declaration, the Remuneration and Nomination Committee shall decide on the acceptance or otherwise of the directors, where considered necessary.
- (e) The Company shall obtain annually as on 31<sup>st</sup> 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 the directors forthwith.
- (f) The Board of the Company must ensure in public interest that the nominated / elected directors execute the deeds of covenants in the format given in **Annex-2**.

## 8. Reporting to RBI

The Company shall report to RBI as per the extant guidelines issued by RBI from time to time. As per the current guidelines, the Company shall furnish to the Reserve Bank:

- a. a quarterly statement on change of directors
- b. a certificate from the Managing Director of the NBFC that fit and proper criteria in selection of the directors has been followed.
- c. The statement submitted by the Company for the quarter ending March 31 shall be certified by the auditors.

The statement shall reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter.

*The Reserve Bank, if it deems fit and in public interest, reserves the right to examine the fit and proper criteria of directors of any non-banking financial company irrespective of the asset size of such non-banking financial company.*

## 9. Disclosure and transparency

(1) The Company shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. 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 also disclose the following in its Annual Financial Statements, with effect from March 31, 2015:

- i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- v. Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as given in **Annex-3**.

## 10. Rotation of partners of the Statutory Auditors Audit Firm

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the company after an interval of three years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

## 11. Annexures

### 11.1 Annex-1

Name of the NBFC: Spandana Sphoorty Financial Limited

Declaration and Undertaking by Director (with enclosures as appropriate as on \_\_\_\_\_).

Sl. No.	Particulars	
<b>I</b>	<b>Personal details of director</b>	
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	



<b>II</b>	<b>Relevant Relationships of Director</b>	
a.	List of relatives if any who are connected with the Company (Reference: 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 s/he is considered as being interested (Reference: 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 s/he is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007	
d.	Name of NBFC in which s/he 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 her/him 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.	
<b>III</b>	<b>Records of professional achievements</b>	
a.	Relevant professional achievements	
<b>IV</b>	<b>Proceedings, if any, against the director</b>	
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 her/him or whether s/he 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 director 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.)	
<b>V.</b>	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	

**Undertaking**

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the Company 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 Company.

Place: \_\_\_\_\_ Signature

Date: \_\_\_\_\_

**VI. Remarks of Chairman of Nomination Committee / Board of Directors of the Company**

Place: \_\_\_\_\_ Signature

Date: \_\_\_\_\_

**11.2 Annex-2**

**Form of Deed of Covenants with a Director**

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

**WHEREAS**

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

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 HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS :**

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

2.The director covenants with the Company that :

(i)The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she 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 Company 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 / she 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 / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her 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 Company a list of his / her 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 other bodies corporate, firms and other entities.

(iv)The director shall in carrying on his / her duties as director of the Company:

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

(b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the Company;

(c) shall keep himself / herself informed about the business, activities and financial status of the Company to the extent disclosed to him / her;

(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 fulfil his / her obligations as director of the Company;

(e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;

(f) shall bring independent judgment to bear on all matters affecting the Company 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 / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgement; and

(h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;

(v)The director shall have :

(a) fiduciary duty to act in good faith and in the interests of the Company and not for any collateral purpose;

(b) duty to act only within the powers as laid down by the Company's Memorandum and Articles of Association and by applicable laws and regulations; and

(c) duty to acquire proper understanding of the business of the Company.

(vi)The director shall :

(a) not evade responsibility in regard to matters entrusted to him / her by the Board;

(b) not interfere in the performance of their duties by the whole-time directors and other officers of the Company and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

(c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the Company in his / her capacity as director of the Company only for the purposes of performance of his / her duties as a director and not for any other purpose.

3.The Company covenants with the director that:

(i) the Company 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 / her 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 Company, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the Company 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 Company 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 Company 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) Company's strategic and business plans and forecasts;
- (c) organisational structure of the Company 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 Company's products;
- (g) information and updates on major expenditure;
- (h) periodic reviews of performance of the Company; and
- (i) report periodically about implementation of strategic initiatives and plans;

(iv) the Company 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. It is clarified that circulation of minutes within two business days is not mandatory and provisions in Companies Act, 2013 in this regard shall apply; and

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

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

5. The Company 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 / her office and his / her rights and obligations as director of the Company 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 Company.

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 Company.

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 Spandana Sphoorty Financial  
Limited By .....

Director

Name:

Name:

Title:

In the presence of:

1.

2. ....

### **11.3 Annex-3**

#### **Indicative List of Balance Sheet Disclosure for NBFCs with Asset Size Rs.500 Crore and Above and Deposit Taking NBFCs**

##### **1. Minimum Disclosures**



At a minimum, the items listed in this Annex should be disclosed in the NTA. The disclosures listed are intended only to supplement, and not to replace, other disclosure requirements as applicable.

## 2. Summary of Significant Accounting Policies

We shall disclose the accounting policies regarding key areas of operations at one place along with NTA in their financial statements. A suggestive list includes - Basis of Accounting, Transactions involving Foreign Exchange, Investments - Classification, Valuation, etc, Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

### 3.1 Capital

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
i)	CRAR (%)		
ii)	CRAR – Tier I Capital (%)		
iii)	CRAR – Tier II Capital (%)		
iv)	Amount of subordinated debt raised as Tier-II capital		
v)	Amount raised by issue of Perpetual Debt Instruments		

### 3.2 Investments

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
(1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India		
	(b) Outside India		
	(ii) Provisions for Depreciation		
	(a) In India		
	(b) Outside India		
	(iii) Net Value of Investments		
	(a) In India		
	(b) Outside India		
(2)	Movement of provisions held towards depreciation on investments		
	(i) Opening balance		
	(ii) Add: Provisions made during the year		
	(iii) Less: Write-off / write-back of excess provisions during the year		
	(iv) Closing balance		

### 3.3 Derivatives

#### 3.3.1 Forward Rate Agreement / Interest Rate Swap

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
i)	The notional principal of swap agreements		
ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
iii)	Collateral required by the NBFC upon entering into swaps		
iv)	Concentration of credit risk arising form the swaps \$		
v)	The fair value of the swap book @		
<b>Note:</b> Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.			
\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies			
@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the NBFC would receive or pay to terminate the swap agreements as on the balance sheet date.			

#### 3.3.2 Exchange Traded Interest Rate (IR) Derivatives

(Amount in Rs. Crore)		
S.No.	Particulars	Amount

(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	
	a)	
	b)	
	c)	
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31 <sup>st</sup> March .... (instrument-wise)	
	a)	
	b)	
	c)	
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not “highly effective” (instrument-wise)	
	a)	
	b)	
	c)	
(ii)	Mark-to-market value of exchange traded IR derivatives outstanding and not “highly effective” (instrument-wise)	
	a)	
	b)	
	c)	

### 3.3.3 Disclosures on Risk Exposure in Derivatives

#### Qualitative Disclosure

We shall describe our risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

- the structure and organization for management of risk in derivatives trading,
- the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

#### Quantitative Disclosures

(Amount in Rs. Crore)		
Particulars	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount)		
For hedging		
(ii) Market to Market Positions [1]		
a) Asset (+)		
b) Liability (-)		
(iii) Credit Exposure [2]		
(iv) Unhedged Exposures		

### 3.4 Disclosures relating to Securitisation

**3.4.1** The NTA of the originating NBFCs should indicate the outstanding amount of securitised assets as per books of the SPVs sponsored by the Company and total amount of exposures retained by the Company as on the date of balance sheet to comply with the Minimum Retention Requirements (MRR). These figures should be based on the information duly certified by the SPV's auditors obtained by the originating NBFC from the SPV. These disclosures should be made in the format given below.

(Amount in Rs. Crore)		
S.No.	Particulars	No. / Amount in Rs. Crore)
1.	No of SPVs sponsored by the NBFC for securitization transactions*	
2.	Total amount of securitized assets as per books of the SPVs sponsored	
3.	Total amount of exposures retained by the NBFC to comply with MRR as on	

	the date of balance sheet	
	a) Off-balance sheet exposures	
	First Loss	
	Others	
	b) On-balance sheet exposures	
	First loss	
	Others	
4.	Amount of exposures to securitization in transactions other than MRR	
	a) Off-balance sheet exposures	
	i) Exposure to own securitizations	
	First Loss	
	Loss	
	ii) Exposure to third party securitisations	
	First Loss	
	Others	
	b) On-balance sheet exposures	
	i) Exposure to own securitizations	
	First Loss	
	Others	
	ii) Exposure to third party securitisations	
	First Loss	
	Others	
* Only the SPVs relating to outstanding securitization transactions may be reported here		

#### 3.4.2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
i)	No. of accounts		
ii)	Aggregative value (net of provisions) of accounts sold to SC / RC		
iii)	Aggregate consideration		
iv)	Additional consideration realized in respect of accounts transferred in earlier years		
v)	Aggregate gain / loss over net book value		

#### 3.4.3 Details of Assignment transactions undertaken by the Company

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
i)	No. of accounts		
ii)	Aggregative value (net of provisions) of accounts sold		
iii)	Aggregate consideration		
iv)	Additional consideration realized in respect of accounts transferred in earlier years		
v)	Aggregate gain / loss over net book value		

#### 3.4.4 Details of non-performing financial assets purchased / sold

If we purchase non-performing financial assets from other NBFCs, then the following disclosures in the NTA to the Balance sheets:

##### A. Details of non-performing financial assets purchased:

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
(1)	(a)	No. of accounts purchased during the year	
	(b)	Aggregate outstanding	
(2)	(a)	Of these, number of accounts restructured during the year	
	(b)	Aggregate outstanding	

**B. Details of Non-performing Financial Assets sold:**

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
1.	No. of accounts sold		
2.	Aggregate outstanding		
3.	Aggregate consideration received		

**3.5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities**

	Upto 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits									
Advances									
Investments									
Borrowings									
Foreign Currency Assets									
Foreign Currency liabilities									

**3.6 Exposures**
**3.6.1 Exposure to Real Estate Sector**

(Amount in Rs. Crore)			
Category		Current Year	Previous Year
a)	<b>Direct Exposure</b>		
	(i)	<b>Residential Mortgages -</b>	
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	
	(ii)	<b>Commercial Real Estate -</b>	
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse spaces, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	
	(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -	
a.		Residential	
b.		Commercial Real Estate	
<b>Total Exposure to Real Estate Sector</b>			

**3.6.2 Exposure to Capital Market**

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;		
(ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;		

(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;		
(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances;		
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		
(vi)	Loans sanctioned to corporate against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii)	Bridge loans to companies against expected equity flows / issues;		
(viii)	All exposures to Venture Capital Funds (both registered and unregistered)		
<b>Total Exposure to Capital Market</b>			

### 3.6.3 Details of financing of parent company products

### 3.6.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company

We should make appropriate disclosure in the NTA to the annual financial statements in respect of the exposures where the we had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for exposure limit.

### 3.6.5 Unsecured Advances

a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the company as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.

b) We should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in NTA. This would differentiate such loans from other entirely unsecured loans.

## 4. Miscellaneous

### 4.1 Registration obtained from other financial sector regulators

### 4.2 Disclosure of Penalties imposed by RBI and other regulators

Consistent with the international best practices in disclosure of penalties imposed by the regulators, placing the details of the levy of penalty on the Company in public domain will be in the interests of the investors and depositors. Further, strictures or directions on the basis of inspection reports or other adverse findings should also be placed in the public domain. The penalties should also be disclosed in the NTA.

### 4.3 Related Party Transactions

a) Details of all material transactions with related parties shall be disclosed in the annual report

b) The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

### 4.4 Ratings assigned by credit rating agencies and migration of ratings during the year

### 4.5 Remuneration of Directors

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

### 4.6 Management

As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

- Industry structure and developments.
- Opportunities and Threats.
- Segment-wise or product-wise performance.

- d) Outlook
- e) Risks and concerns.
- f) Internal control systems and their adequacy.
- g) Discussion on financial performance with respect to operational performance.
- h) Material developments in Human Resources / Industrial Relations front, including number of people employed.

#### **4.7 Net Profit or Loss for the period, prior period items and changes in accounting policies**

Since the format of the profit and loss account of NBFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the NTA.

#### **4.8 Revenue Recognition**

An enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

#### **4.9 Accounting Standard 21 - Consolidated Financial Statements (CFS)**

We may be guided by general clarifications issued by ICAI from time to time.

A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries - domestic as well as foreign. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

### **5. Additional Disclosures**

#### **5.1 Provisions and Contingencies**

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, NBFCs are required to disclose in the NTA the following information:

(Amount in Rs. Crore)		
<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account		
Provision for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		
Provision for Standard Assets		

#### **5.2 Draw Down from Reserves**

Suitable disclosures are to be made regarding any draw down of reserves in the NTA.

#### **5.3 Concentration of Deposits, Advances, Exposures and NPAs**

##### **5.3.1 Concentration of Deposits (for deposit taking NBFCs)**

(Amount in Rs. Crore)	
Total Deposits of twenty largest depositors	
Percentage of Deposits of twenty largest deposits to Total Deposits of the NBFC	

##### **5.3.2 Concentration of Advances**

(Amount in Rs. Crore)	
Total Advances to twenty largest borrowers	
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	

##### **5.3.3 Concentration of Exposures**

(Amount in Rs. Crore)	
Total Exposure to twenty largest borrowers / customers	

Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	
--	--

#### 5.3.4 Concentration of NPAs

(Amount in Rs. Crore)	
Total Exposure to top four NPA accounts	

#### 5.3.5 Sector-wise NPAs

S. No.	Sector	Percentage of NPAs to Total Advances in that sector
1.	Agriculture & allied activities	
2.	MSME	
3.	Corporate borrowers	
4.	Services	
5.	Unsecured personal loans	
6.	Auto Loans	
7.	Other personal loans	

#### 5.4 Movement of NPAs

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)		
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance		
	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
(iii)	Movement of Net NPAs		
	(a) Opening balance		
	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance		
	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		

#### 5.5 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture / Subsidiary	Other Partner in the JV	Country	Total Assets

#### 5.6 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas

#### 6. Disclosure of Complaints

##### 6.1 Customer Complaints

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	