



**SATYA MICROCAPITAL LIMITED**

**Corporate Governance Policy**

**Version 2.0**

**2021**

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## 1. Introduction & Objectives

SATYA 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.

Corporate Governance is the key to protecting the interests of the stakeholders and increase investor confidence. Values and culture define ethics. While ethical behavior is a minimum requirement for any dealing or transaction, it becomes all the more essential for financial intermediaries for whom trust is the cornerstone. Honest and prudent behavior by such organizations is integral to their reputation and public confidence in the system.

Key objective of Corporate Governance is to establish strategic objectives and a set of corporate values that are communicated throughout the organization.

- Setting and enforcing clear lines of responsibility and accountability throughout the organization.
- Ensuring that board members are qualified for their positions, have a clear understanding of their role in Corporate Governance and are not subject to undue influence from management or outside concerns.
- Ensuring that compensation approaches are consistent with the organization's ethical values, objectives, strategy and control environment.

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

## 2. Target Audience

The members of the Board, Compliance Function and Risk Department shall be the primary audience for this document. Other individuals may access the policy on a need basis.

## 3. Applicability & Validity of the Policy

The policy will become applicable from such date as approved by the Board of Directors. The policy needs to be updated as and when required. Any change in policy by way of additions and amendments due to changes in laws, regulations, accounting standards shall be implemented immediately with a report to Board of Directors subsequently.

## 4. Regulatory Reference

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has been issuing guidelines on Corporate Governance. Corporate Governance have been specified by the Reserve Bank of India under Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time. In pursuance of the aforesaid guidelines, the company has framed the Corporate Governance Policy. The Policy has been drafted bearing in mind the size of the company's operations and the sector in which it operates. The said Policy on Corporate Governance shall ensure proper Corporate Governance and transparency at all levels and shall act as the framework for ensuring proper governance and any amendments in the relevant regulations shall have the overriding effect upon this policy.

## 5. Key Elements of Corporate Governance

Mission of SATYA MicroCapital Limited is to be a preferred choice for the people at the bottom of pyramid in creation of their enterprise and livelihood through holistic approach. For achieving this, the organization strives to adopt best practices and policies on Corporate Governance through transparency in business ethics and accountability to customers and stakeholders.

The Company believes that Corporate Governance is not limited to merely creating checks and balances. It is more about creating organizational excellence leading to increase in employee and customer satisfaction and long-term shareholders' value without compromising on ethical standards.

## 6. Governance Framework

The Board should delegate proper authority to the Managing Director who is responsible for the day to day affairs of the Company. He should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations. This includes adhering to the Company's values, risk appetite and risk culture, regardless of financial gain or loss to the Company.

Further, the Company believes that an active, well-informed and Independent Board is necessary to ensure the highest standards of Corporate Governance.

### i. Board 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.

As per company's Article of Association, the Board's strength is required to be a minimum of 03 Directors and a maximum of 15 Directors. Provided that the company can increase such maximum number of Directors by passing the resolution as per law.

In compliance with section 165 of the Companies Act, 2013 a director shall not hold 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. Provided that for reckoning the limit of public companies in which a person can be appointed as Director, Directorship in private companies that are either holding or subsidiary company of a public company shall be included.

### ii. Board Meetings and Quorum

The Board Meetings of the Company shall be held as per the requirements prescribed under the Companies Act, 2013 and as decided by the Board of Directors. The dates of the meetings shall be fixed well in advance and notice convening the board meeting shall be circulated seven (07) days prior to the date of the board meeting except in the case of convening meeting at shorter notice. The quorum shall be as per the requirements of the Companies Act, 2013.

The board shall meet a minimum of four 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).

### iii. Attendance at Board Meetings

The Directors shall strive to attend all meetings of the Board and its Committees in person or through video conferencing. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

### iv. Minutes

The minutes of all meetings of the Board shall be circulated to the Board and shall be approved in the consequent Board Meeting.

### v. Duties and Responsibilities of the Board of Directors

As a matter of Corporate Governance, the Directors of the company have the following duties.

- 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.
- A Director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- 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.
- 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.
- A Director of a company shall not assign his office and any assignment so made shall be void.
- The Board shall oversee the performance of the company and should ensure shareholders' protection and maximization of their long term values. There should be an active participation of Independent Directors in the Company.
- The Board along with its committees shall provide leadership and guidance to the company's management and direct, supervise and control the performance 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 organization.
- The Board shall periodically review Compliance Report of all laws applicable to the company prepared by the company as well as steps taken by the company to rectify instances of noncompliance.

### vi. Minimum Information to be placed before the Board

- Annual operating plans and budgets and any updates.
- Minutes of meetings of audit committee and other committees of the Board of Directors.
- 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.
- Show cause, demand, prosecution notices and penalty notices, which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the entity, or substantial non-payment for goods sold by the entity.
- Details of any joint venture or collaboration agreement.

- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant HR matters and proposed interventions and suggestions.
- Overall Remuneration policy / philosophy and significant changes and initiatives therein during the year.
- Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders services such as non-payment of dividend, delay in share transfer etc.
- The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- 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.;
- SATYA 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 organization 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;

## 7. Executive and Management Committees

Local Committees at the organization are constituted under the delegated powers from the Board and in accordance with RBI guidelines.

The management may from time to time establish appropriate committees to assist the Board / Head Office or when specific matters requires more resources and attention, and to ensure compliance with the regulatory / legal requirements.

### 7.1. Operating Framework of Executive and Management Committees

- All committees shall have defined objectives and roles and responsibilities including regulatory aspects;
- Committees shall have a written charter that shall cover the following aspects:
  - Purpose
  - Constitution and Composition
  - Roles and Responsibilities
  - Reporting requirements
  - Meeting Agendas
- Changes in committee charter or the committee composition shall require intimation to the board and necessary approvals;
- Minutes shall be prepared for all the proceedings of the Committee meetings and signed off by the members;
- Suitable documentation should be maintained to evidence adherence to the regulatory guidelines (if any) and functioning of the committees.

### 7.2. Committees of the Board

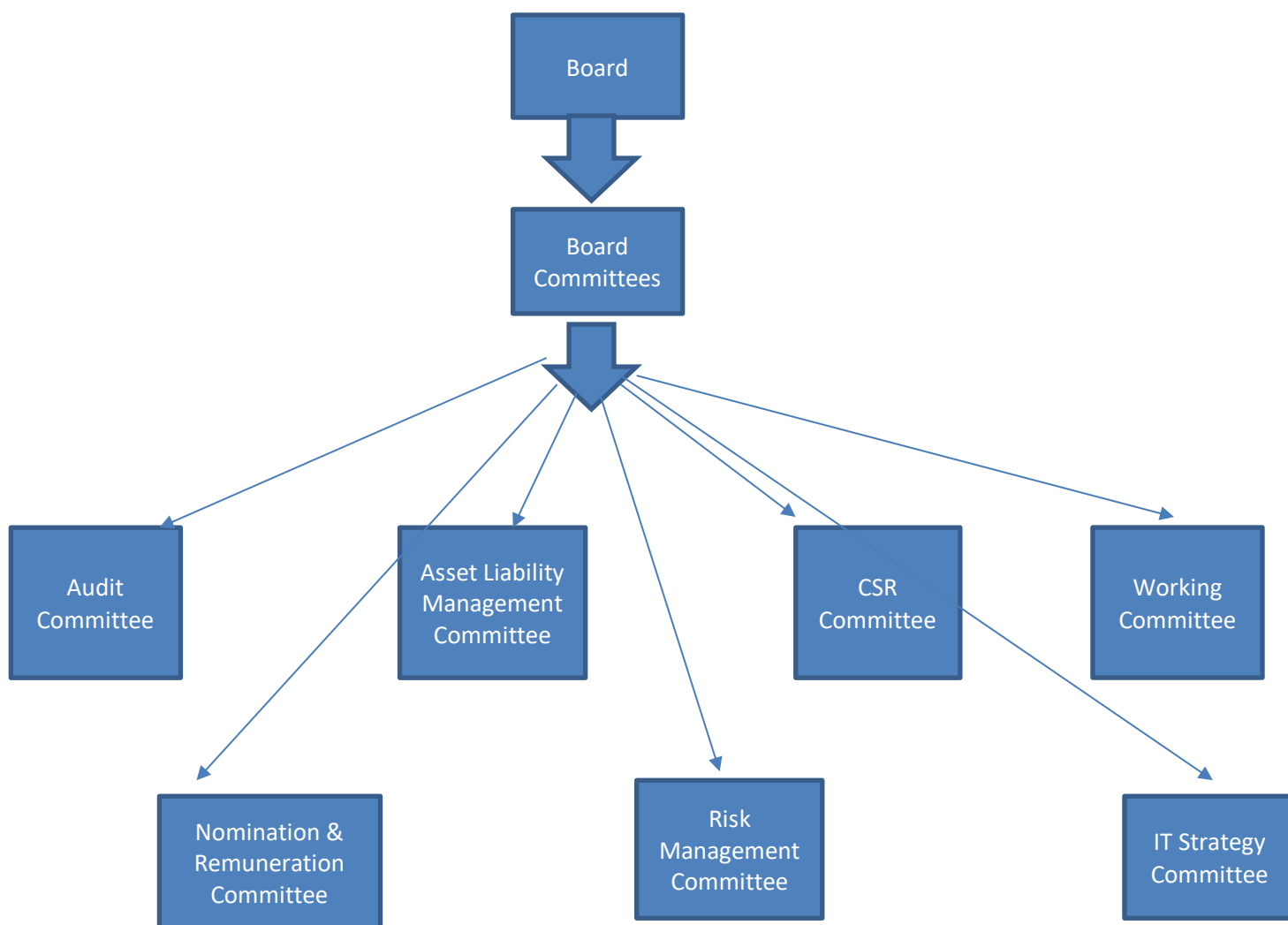
To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While the RBI Guidelines mentioned earlier & in respective policies, require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Board may constitute such Committees as and when required to ensure smooth functioning of the Company.

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 the Board.

A pictorial representation of Board Committees of the Company is given below:



#### i. **Audit Committee**

The constitution of the Audit Committee is required in compliance with the Companies Act, 2013 and the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time. The constitution and powers of the Audit Committee shall be governed by the provisions of Section 177 of the Companies Act, 2013.



The Audit Committee is formed with basic object to review and monitor the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, and half yearly and annual financial statements before approval of the Board.

<b>Chairman</b>	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
<b>Composition</b>	<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 finance 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>
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Audit Committee shall meet at least <b>four</b> times in a year and not more than four months 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 two Independent members present.</p>
<b>Terms Of Reference</b>	<p>The Audit Committee has the following responsibilities:</p> <ul style="list-style-type: none"> <li>➤ To take cognizance of the internal Audit Reports, independence of auditors and effectiveness of the audit report</li> <li>➤ To review the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage, scope of audit and frequency of internal audit</li> <li>➤ To recommend appointment, remuneration and terms of appointment of auditors</li> <li>➤ To ensure adequacy of whistle blower policy</li> <li>➤ To look into cases of defaults, frauds done to or done by the organization</li> <li>➤ To periodically interact with the statutory auditor and approval of payment to statutory auditors for any other services rendered by the statutory auditors</li> <li>➤ To ensure that the financial statements are correct, sufficient and credible</li> <li>➤ To review, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with reference to:</li> </ul>

	<p>a. Any matter required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013</p> <p>b. Any change in accounting policy</p> <p>c. Any significant transaction or financial irregularity</p> <p>d. Loan write-offs</p> <p>e. Related party transaction</p> <p>f. Capital expenditure</p> <p>g. Any significant accounting adjustment</p> <p>h. Any significant increase in liabilities</p> <p>i. Contingent liabilities</p> <p>➤ Carrying out any other function as is mentioned in the terms of reference of the audit committee.</p> <p>➤ The Audit Committee ensures the rotation of partner/Chartered account firm in conducting the audit. The Audit firm need to be replaced after carrying out three consecutive audits and can be eligible for company audit after an interval of three years.</p> <p>➤ The Audit Committee mandatorily reviews the following information:</p> <p>a. Management discussion and analysis of financial condition and results of operations;</p> <p>b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;</p> <p>c. Management letters / letters of internal control weaknesses issued by the statutory auditors;</p> <p>d. Internal audit reports relating to internal control weaknesses; and</p> <p>e. The appointment, removal and terms of remuneration of the chief internal auditor is subject to review by the audit committee.</p>
<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

## ii. Nomination and Remuneration Committee (Nomination Committee)

The Company has in place a Nomination and Remuneration Committee to ensure the best corporate governance practices in line with RBI guidelines.

<b>Chairman</b>	<p>Chairman of the Committee shall be an Independent Director.</p> <p>In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.</p>
<b>Composition</b>	<p>The committee shall consist of a minimum of 3 non-executive directors, majority of them being independent.</p> <p>Chairperson of the company may be appointed as a member of the committee but shall not be a chairman of the committee.</p>
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.

<b>Meetings and Quorum</b>	<p>The committee shall meet <b>once</b> as and when necessary to review and monitor the risk associated with business of the company.</p> <p>The Quorum shall be at least two directors.</p> <p>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>
<b>Terms Of Reference</b>	<p>The Nomination and Remuneration Committee has the following responsibilities:</p> <ul style="list-style-type: none"> <li>➤ Formulate criteria for determining directors for Board. This includes qualifications, positive attributes and independence of a Director.</li> <li>➤ Ensure 'fit and proper' status of proposed/ existing Directors</li> <li>➤ To recommend to the Board the appointment, extension or removal of Directors/Senior Management in accordance with criteria laid down or on the basis of the report of performance evaluation of Directors / Senior Management.</li> <li>➤ To recommend to the Board on           <ul style="list-style-type: none"> <li>(a). Policy relating to remuneration for Directors, key Managerial Personnel and Senior Management, and</li> <li>(b). Executive Directors remuneration and incentive.</li> </ul> </li> <li>➤ To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions.</li> <li>➤ Administer the ESOP Scheme/Plan of the Company.</li> </ul>
<b>Meeting Minutes</b>	<p>Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.</p>

### iii. Asset Liability Management Committee (ALCO Committee)

As provided in the RBI requirements on Corporate Governance and, the company has constituted a "Asset Liability Management Committee". Through this Committee the Board evaluates, monitors and approves the flow of funds through borrowings from various available sources and ensure the balance of capital structure to that of debt is maintained.

<b>Chairman</b>	The Managing Director shall be the Chairman of the committee
<b>Composition</b>	The committee shall consist of such number of members as may be determined by the board.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.

<b>Meetings and Quorum</b>	The Committee shall meet at least <b>four</b> times in a year.  The Quorum shall be at least two directors.
<b>Terms Of Reference</b>	The Asset Liability Management Committee has the following responsibilities: <ul style="list-style-type: none"> <li>➤ Addressing concerns regarding asset liability mismatches;</li> <li>➤ Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;</li> <li>➤ Addressing concerns regarding interest rate risk exposure; and</li> <li>➤ To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws;</li> <li>➤ To decide on investing the funds of the company.</li> </ul>
<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

#### iv. Risk Management Committee

The Reserve Bank of India requires for the constitution of the Risk Management Committee to manage the integrated risks associated with the business of the Company. The Company has in place a Risk Management Committee in accordance with the requirements of RBI guidelines.

<b>Chairman</b>	The Non-Executive Director shall act as the Chairman of the Committee, in case of absence of the Non-Executive Director, any of the Directors, being the member of the committee may be elected as the Chairman.
<b>Composition</b>	The committee shall consist of such number of members as may be determined by the board.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet at least <b>four</b> times in a year. The Quorum shall be at least two directors.
<b>Terms Of Reference</b>	The Risk Management Committee has the following responsibilities: <ul style="list-style-type: none"> <li>➤ To monitor and review the risk management plan;</li> <li>➤ To review operational risk (including sub risk for operational risk), credit risk, market risk, interest rate risk and other risks associated with the business of the organization;</li> <li>➤ To take Strategic actions to mitigate the risk associated with the nature of the business;</li> <li>➤ To appraise the Board of directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;</li> <li>➤ To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and</li> <li>➤ To lay down procedure to inform Board members about the risk assessment and minimization procedures.</li> </ul>
<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

#### v. Corporate Social Responsibility Committee (CSR Committee)

The Company has constituted a Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013 on February 28, 2020. The committee has been constituted for recommending the CSR Budget to the Board and to monitor the CSR activities undertaken by the company within the parameters of the board approved CSR Policy.

<b>Chairman</b>	The members of the Committee may elect a Chairman from the committee.
<b>Composition</b>	The Corporate Social Responsibility Committee shall consist of three or more directors and out of which at least one shall be an independent director
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet at least once in a year and as frequently as circumstances require. The quorum shall be at least 1/3rd of the total members or two members of the Committee, whichever is less.
<b>Terms Of Reference</b>	<p>The CSR Committee has the following responsibilities:</p> <ul style="list-style-type: none"> <li>➤ To Formulate and recommend CSR activities to be undertaken by the Company;</li> <li>➤ To recommend the amount of expenditure to be incurred on the CSR activities;</li> <li>➤ To formulate the CSR Budget based on the CSR activities planned for the year;</li> <li>➤ To submit reports to the Board of Directors in respect of the CSR activities undertaken by the Company;</li> <li>➤ To decide on the locations for the CSR activities;</li> <li>➤ In case of ongoing project, a detailed estimate on implementation schedule or milestones should be submitted by the CSR Committee to the Board; and</li> <li>➤ Formulate and recommend CSR Policy and annual action plan, provided that the Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on reasonable justification to that effect.</li> </ul> <p>The CSR Annual Action Plan shall include the following:</p> <ol style="list-style-type: none"> <li>(a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;</li> <li>(b) the manner of execution of such projects or programmes;</li> <li>(c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;</li> <li>(d) monitoring and reporting mechanism for the projects or programmes; and</li> <li>(e) details of need and impact assessment, if any, for the projects undertaken by the Company.</li> </ol>

<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
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#### vi. IT Strategy Committee

<b>Chairman</b>	The members of the Committee may elect Chairman from the committee. The Chairman of the Committee shall be an Independent Director.
<b>Composition</b>	The IT Strategy Committee shall consist of such number of executives as may deem fit with at least an Independent Director, CIO and CTO of the Company should be a part of the Committee.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet at least twice a year and not more than six months should elapse between two meetings. The quorum shall be at least two members of the Committee
<b>Terms Of Reference</b>	<p>The Committee shall work in partnership with other Board Committees and senior Management to provide input to them.</p> <ul style="list-style-type: none"> <li>• To review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, Cyber security arrangements, and any other matter related to IT Governance.</li> <li>• To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place.</li> <li>• To ensure that such process and practices have been implemented so that the IT delivers value to the business.</li> <li>• To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable.</li> <li>• To monitor and provide direction for sourcing and use of IT resources.</li> <li>• To ensure a balance between IT investments and exposure towards IT risks and controls.</li> <li>• To oversee the implementation of any new software and to monitor the progress of the project and the milestones to be reached according to the project timetable.</li> <li>• To ensure due compliance of RBI Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated 08th June, 2017 or any amendments thereof.</li> </ul>
<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

#### Working Committee

<b>Chairman</b>	The Managing Director shall be the Chairman of the committee
<b>Composition</b>	The committee shall consist of the Managing Director, and one Director and a Secretary to the committee.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.

<b>Meetings and Quorum</b>	The committee shall meet as and when required. The Quorum shall be at least 2 members.
<b>Terms of Reference</b>	<p>The Working Committee has the following responsibilities:</p> <ol style="list-style-type: none"> <li>1. Accepting/modifying/revising the terms &amp; conditions of the Loan from various Banks/Financial Institutions/entities both domestic and foreign, within the overall approval as may be given by the Board of Directors, from time to time;</li> <li>2. Transaction related to securitization/assignment and raising of funds through issuance of Commercial Papers/ External Commercial Borrowings/issuance and allotment of Non-Convertible Debentures and through any other way as stipulated and permissible under applicable laws, whether in the form of loans, subscription to debentures / bonds or other debt instruments (whether short or long term and whether secured or unsecured) or by subscription of preference shares (whether cumulative or non-cumulative and redeemable or convertible) or by issue of any other security or any combination thereof, upon such terms and conditions as the Lender/Investors may stipulate including creation of security and acceptable to the Company;</li> <li>3. Pledge, Mortgage and/or Charge in all or any part of the movable or immovable properties of the Company and the whole or part of the undertaking of the Company of every nature and kind whatsoever so as to secure the borrowings availed by the Company, within the overall approval as may be given by the Board of Directors, from time to time;</li> <li>4. Allotment of Securities to the extent permissible under the Companies Act, 2013 and other applicable laws;</li> <li>5. Affixation of common seal in terms of Articles of Association of the Company, wherever required to facilitate transactions;</li> <li>6. Opening of Current Accounts at different places in India;</li> <li>7. Any changes in authorised signatories who operate such accounts;</li> <li>8. Apply for Net Banking and consequent changes in their authority to operate;</li> <li>9. Any closure of existing Current Account of the Company;</li> <li>9A. To invest the funds of the Company including Fixed Deposit, Mutual Fund or any other similar instrument; within the overall limit, mode and investment instruments as may be approved by the Board of Directors from time to time.</li> <li>10. Any other matter relating to the operations of various bank accounts and other general purposes of the Company.</li> </ol>
<b>Meeting Minutes</b>	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.

## 8. Statutory Auditors

- Upon the recommendations of Audit Committee, the Statutory Auditors of the Company shall be appointed/ re-appointed or rotated as per the provisions of Companies Act, 2013.
- Rotation of partners of the Statutory Auditors Audit Firm



In every three years, the Company shall rotate the partner/s of its Statutory Auditors Audit firm conducting the audit, so that same partner does not conduct audit of the company continuously, for more than the specified period. However, the partner so rotated shall be eligible for conducting the audit 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.

## 9. Related Party Transactions

All related party transactions shall be entered in accordance with the provisions of Companies Act, 2013, Regulations and accounting standards.

## 10. Corporate Culture and Values

In order to promote sound corporate culture and values, the Board should ensure the following:

- Setting and adhering to corporate values for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
- Promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
- Ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
- Employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the existing Whistle Blower Policy including any modification(s) or revision(s) thereto.

## 11. Independent Directors

Independent Directors shall comply with the provisions specified in Schedule IV to the Companies Act, 2013. They shall be eligible for sitting fees for attending the meetings of the Board, Committees', etc. The sitting fees and commissions payable, if any, shall be within the prescribed limits of the Companies Act, 2013 and as approved by the Board and Shareholders. Apart from sitting fees and commission, the Independent Directors shall also be eligible for reimbursement of expenses incurred for attending the Board and other meetings.

Other Non-Executive Directors of the Company shall be eligible for compensation as may be approved by the Board.

## 12. Other Aspects of Corporate Governance

Apart from the governance mechanism through various committees and the consequent monitoring / assurance frameworks, other aspects that are relevant for effective corporate governance are stated below. These aspects/enablers assist the Organization to:

- Enable standardized execution of defined policy/ processes,
- Empower resources to execute day to day functioning,
- Periodically monitor and review.





### **i. Standard Operating Procedures (SOPs)**

SOPs act as an enabler or tool for effective change management. SOPs/ process manuals are prepared and documented for different functions/ activities performed by the organization staff. These documents are periodically updated based on changes in policies/ procedures. Appropriate version controls are available on record.

### **ii. Delegation of Authority (DOA)**

DOA enables and empowers resources to execute day to day execution with responsibility and adequate accountability. The organization has defined and laid the DOA that sets out the monetary, credit and other administrative approval limits for various roles.

### **iii. Segregation of Duties**

From a corporate governance standpoint, segregation of duties implements an appropriate level of checks and balances upon the activities of individuals. As a security principle, its primary objective is prevention of fraud and errors. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users. In essence, no single person will handle more than one type of function which can create opportunities of fraud or error leading to losses. A person with multiple functional roles has the opportunity to abuse those powers.

The Organization's critical activities where this principle needs to be applied are categorized as follows:

- Authorization
- Custody
- Record keeping
- Reconciliation

### **iv. Code of Conduct**

The Company shall adopt code of conduct approved by the Board of Directors which is binding on board of directors of the Company, senior management which shall comprise all members of management one level below the executive directors, including all functional heads. Code of conduct shall be signed off on annual basis.

The Company has adopted a code of conduct and due care is taken that the employees adhere to it. The copy of Code of Conduct of the Company is published on the website of the Company.

### **v. Fair Practice Code**

The Master Directions Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 mandates every NBFC's having customer interface to adopt the guidelines on Fair Practices Code as given in Chapter VI of the Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by Reserve Bank of India. Therefore, the Company has adopted and implemented a policy on Fair Practices Code.

**vi). Fit and Proper Criteria of Directors**

- The Company has put in place a policy with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines prescribed by the RBI and as amended from time to time.
- The Company shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format prescribed by the RBI;
- The Company shall execute a Deed of Covenant with the directors, which shall be in the format as prescribed by the RBI;
- The Company shall furnish to the Reserve Bank of India a quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement submitted by Company for the quarter ending March 31, should be certified by the auditors.

**vii. Grievance Redressal Mechanism**

The Organization believes that providing prompt and efficient service is essential not only to attract new customers, but also to retain existing ones. Taking that view into consideration SATYA has ensured that a suitable mechanism exists for receiving and addressing complaints from its customers/ constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of source of the complaints. Please refer the Fair Practice Code for further details.

**viii) Management Committees**

The Company has constituted various committees at operational levels with greater participation of Executives and Staff, to harvest their collective knowledge, skills and expertise and to sharpen the process towards qualitatively better performance, with 'Excellence' as the goal.

**ix. Whistle Blower Policy**

The Company has established a mechanism for the employees and its directors for reporting to the management, concerns about unethical behaviour, actual or suspected fraud or even to which is against the interest of the Company or society or as a violation of the Company's Code of Conduct or ethics policy.

The Whistle Blower Policy provides for adequate safeguards against victimization of persons who use this mechanism and shall also provide direct access to the Managing Director in exceptional cases. An update on whistle blower cases and investigation conducted thereon shall be presented before the Audit Committee every quarter.

**x. Compliance with Laws and Ethical standards**

All guidelines and regulations issued by the concerned regulators shall be strictly complied with in letter and spirit. The systems and procedures shall be constantly reviewed to ensure due conformance with ethical standards of the highest order.

**xi. Disclosure and Transparency**

As directed by the Corporate Governance guidelines of RBI, the Company duly discloses the following in its Annual Financial Statements:

- (i) registration/ license/ authorization, obtained from regulators;
- (ii) ratings assigned by credit rating agencies and migration of ratings during the year;
- (iii) penalties, if any, levied by any regulator; and
- (iv) Asset-Liability profile, NPAs and movement of NPAs, structured products issued by them as also securitization/ assignment transactions and other disclosures.

### 13. Glossary

Abbreviations	Details
DOA	Delegation of authority
MD	Managing Director
NBFC	Non-Banking Finance Company
RBI	Reserve Bank Of India
SATYA/Company	Satya MicroCapital Limited
SOP	Standard Operating Procedure

### Broad Guidelines for Evaluation Process to be followed by the Company

The Company is required to evaluate the performance of the Board of directors; Board as a whole and also the committees of the Board at least once in every year. As per the requirement of Rule 8 (4) of The Companies (Accounts) Rules, 2014 (“the rules”), every listed company and every public company having a paid up share capital of Rs.25 crore and more calculated at the end of the preceding financial year shall in its Board Report contain a statement pertaining to formal annual evaluation by the Board of its own performance and that of its committees and individual directors. Since the Company falls under the Category specified in the rules therefore the Board is required to evaluate the following:

- (a) Performance of the Directors of the Board;
- (b) Committees of the Board of Directors; and
- (c) Board as a whole

Based on the requirements of the Companies Act, 2013, the Company may adopt any one of the following methods of evaluation. (a) adopt physical mode by circulating to the members of the Board list containing the broad Parameters wherein the directors shall be evaluating the performances by marking the performances as “Excellent//above Satisfactory/ Satisfactory/Average/needs improvement”; or (b) make use of latest tailor made online computer software for conducting the evaluation.

If the evaluating director feels that any of the member of the board needs any specific improvement in any of the attributes specified, the same can be specified separately along with the area of improvement.

#### i. Evaluation as Director

**Name of the Director:** \_\_\_\_\_

S. No	Criteria for evaluation	Remark
1	Undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;	
2	Seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company	
3	Strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;	
4	Participate constructively and actively in the committees of the Board in which they are chairpersons or members;	
5	Strive to attend the general meetings of the company;	
6	Where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;	
7	Keep themselves well informed about the company and the external environment in which it operates;	
8	Not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;	
9	Pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company	
10	Ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses	

	such mechanism are not prejudicially affected on account of such use;	
11	Report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;	
12	Act within their authority, assist in protecting the legitimate interests of the Company, shareholders and its employees	
13	Not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.	
14	A director of a company shall act in accordance with the articles of the company.	
15	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.	
16	A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.	
17	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.	
18	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.	
19	A director of a company shall not assign his office and any assignment so made shall be void.	
Comments, if any		
Suggestions, if any		

Signature of the evaluating Director -

## ii Evaluation of the Board's Committees

The company has constituted Board level committees for the smooth working of the company. The members of each Committee evaluate each individual committee of which they are part, on the basis of the following parameters.

Name of the Committee: \_\_\_\_\_

S. No	Criteria for evaluation	Remark
1	The Committee has appropriate composition and independence	
2	The Committee has appropriate expertise and experience to meet the needs of the Company	
3	The Committee has appropriate combination of Industrial knowledge and diversity (in terms of Experience / Background / Gender).	
4	Committee Members demonstrate highest level of integrity (including maintaining highest level of confidentiality and managing and disclosing conflict of Interest).	
5	The Committee Members spend sufficient time in understanding the	

	vision, mission of the company and strategic and business plans, financial reporting risks and related internal controls and provide critical oversight on the same.	
6	The Committee have set its goals, budgets and measure its performance against them on annual basis.	
7	Committee dedicates appropriate time and resources needed to execute their responsibilities	
8	The Board has the proper number of Committee(s) as required under the applicable laws, with well-defined terms of reference and reporting requirements.	
9	Frequency of the Committee Meeting(s) is adequate to enable proper consideration of issues.	
10	The facilities for conducting Committee Meeting are robust.	
11	The Committee Meetings encourage a high quality of discussions, openness of ideas and meaningful participation.	
12	Effectiveness of the Committee collectively as a team in the best interest of the Company.	
13	The Agenda and other background papers adequately cover the desired information.	
14	Actions arising from Meetings are properly followed up and reviewed in subsequent meetings.	
15	The Committee evaluates the strategic plans / policies periodically to assess the company's performance, consider new opportunities and responds to unanticipated external developments.	
16	The Committee periodically reviews the actual result of the Company vis-à-vis the plan / policies devised earlier and suggests corrective measures, if required.	
17	The Committee is effective in establishing a congenial corporate environment that sets the overall tone and direction for the Company towards organisational growth	
18	The Committee adequately reviews proposed departures from the long and short-term business plans of the Company before they take place.	
19	The Committees reports back to the Board timely on important issues.	
20	The Chairman of the Committee effectively and appropriately leads and facilitates the Committee meetings and the policy and governance work of the Committees.	
Overall Rating of Committee Performance, under review		
Comments, if any		

Signature of the evaluating Director –

### iii Evaluation of the performance of the Board as a whole

The Board of Directors of the Company is constituted of an appropriate mix of executive and non-executive directors on one hand, and an adequate number of independent directors from amongst the non-executive directors, on the other hand, to maintain the Board's independence, and to ensure exercising effective governance and control over its executive functioning.. The members of the Board evaluate the performance of the Board as a whole on the following aspects:

S. No	Criteria for evaluation	Remark
1	Whether the Board's monitoring of governance practices and compliance issues is done well, in terms of contributing to the effectiveness of policies and procedures laid down?	
2	Whether the Board ensures integrity of the company's accounting and	

	financial reporting systems, adequacy of independent audits, and effectiveness of control systems?	
3	How do you assess the composition of the Board in terms of Diversity? (age, gender, qualifications, experience, background and competence)	
4	Are the minutes of Board discussions and decisions being recorded accurately and appropriately?	
5	Is the monitoring of business performance by the Board adequate and effective, and does the Board play an active role in assisting the executive management in course corrections if warranted?	
6	How do you assess the Board deliberations in terms of the time available for discussions, comprehensiveness of the discussions, all members being able to express their views freely.	
7	Are the number, composition and terms of reference of the Board Committees adequate, and is their functioning effective?	
8	Does the Board monitor performance of the IT infrastructure, both hardware and software, and ensure that the IT infrastructure of the company is continually updated with the latest appropriate technology, and is scaled up periodically to meet the needs of the growing and changing business?	
9	Does the Board play an active and appropriate role in the appointment of top and senior management personnel, in evaluating their performance, and ensuring their remuneration is appropriate with due regard to the long term interests of the company?	
10	Does the Board pay adequate attention to assessment of various risks impacting the organisation, setting risk appetite levels, and help in the development and implementation of risk management policies, practices and procedures?	
11	How do you assess the conduct of the Board Meetings in terms of quality of papers submitted, and submission of agenda items well in time.	
12	Does the Board spend adequate time on discussion of strategic issues and business plans, and also guides the executive management on strategic matters.	
13	Does the Board ensure that the management structure of the company is appropriate to effectively manage the growth of the company, and that the company pays sufficient attention to succession planning at top and senior management levels?	

Aspects on which you feel the Board is strong: \_\_\_\_\_

Aspects on which you feel the Board need improvement: \_\_\_\_\_

Signature of the evaluating Director: - \_\_\_\_\_