



INDIA INFRADEBT LIMITED

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Corporate Governance - Internal Guidelines

Background

In line with Reserve Bank of India's (RBI) Master Circular DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 1, 2015, India Infradebt Limited (Infradebt) is required to frame internal guidelines on corporate governance.

Guidelines

Infradebt has adopted best practices for corporate governance, disclosure standards and enhanced shareholder value while protecting the interests of all other stakeholders including clients, vendors and employees. The Corporate governance framework of Infradebt comprises of:

1. Corporate Structure
2. Committees
3. Audit & Control
4. Policies & Codes

1. Corporate Structure

Board of Directors

Infradebt has broad-based Board of Directors. The Board of Directors alongwith its Committees provides leadership and guidance to Infradebt's management and directs, supervises and controls the activities of Infradebt. The Board of Infradebt consists of appropriate number of Independent Directors with experience in the field of finance/legal/corporate affairs and have admirable track record and eminent credentials.

As per the constitutional documents of Infradebt, it's Board should comprise of upto ten Directors comprising upto four Nominee Directors, one Managing Director and upto five Independent Directors.

At present the Board comprises of three Independent Directors, three Nominee Directors and one Managing Director & CEO.

Senior Management

There is a team of senior management personnel with proper demarcation of responsibilities and authority. The Managing Director & CEO is responsible for corporate strategy, planning, external contacts and Board matters. The senior management personnel heading respective divisions are responsible for all day-to-day operation-related issues.

2. Committees

Board Committees

The Board has constituted Committees consisting of Directors to focus on the critical functions of Infradebt. The Board level Committees formed by Infradebt alongwith constitution are given below:

1) Board Governance, Remuneration and Nomination Committee

Mr. Vijay Maniar, *Chairman*
Mr. Arun Tiwari
Ms. Lata Pillai
Nominee Director of ICICI Bank Limited
(Permanent Invitee:
Nominee Director of Bank of Baroda
Nominee Director of Citicorp Finance (India) Limited)

2) Audit Committee

Mr. Vijay Maniar, *Chairman*
Ms. Lata Pillai
Nominee Director of ICICI Bank Limited

3) Board Credit Committee

Mr. Arun Tiwari, *Chairman*
Ms. Lata Pillai
Nominee Director of ICICI Bank Limited
Nominee Director of Bank of Baroda
Managing Director & CEO
(Permanent Invitee: Chief Risk Officer)

4) Board Risk Management Committee

Ms. Lata Pillai, *Chairperson*
Mr. Vijay Maniar
Nominee Director of Bank of Baroda
Managing Director & CEO
Chief Risk Officer
Chief Financial Officer

5) Corporate Social Responsibility Committee

Mr. Arun Tiwari, *Chairman*
Mr. Vijay Maniar
Nominee Director of Citicorp Finance (India) Limited
Managing Director & CEO

6) Information Technology Strategy Committee

Mr. Arun Tiwari, *Chairman*
Managing Director & CEO
Chief Risk Officer
In-charge of IT Operations

7) Stakeholders Relationship Committee

Mr. Arun Tiwari, *Chairman*
Nominee Director of ICICI Bank Limited
Managing Director & CEO

8) Committee of Directors

Any two Directors forms the Committee.

Other Committees

1) Asset Liability Management Committee

The Asset Liability Management Committee (ALCO) has been constituted by the Board of Directors to look after the management of the balance sheet of Infradebt within the risk parameters laid down by the Board of Directors/Board Risk Management Committee and review of the asset-liability profile of Infradebt with a view to manage the market risk exposure. The ALCO decides strategies and specify prudential limits for management of liquidity of Infradebt and management of interest rate risk in Infradebt book. The ALCO is comprised of Managing Director & CEO (Chairman), Chief Risk Officer, Head – Assets and Chief Financial Officer.

2) Debenture Allotment Committee

The Debenture Allotment Committee (DAC) has been constituted by the Board of Directors for approving allotment of debentures issued by Infradebt. The DAC is comprised of Managing Director & CEO (Chairman), Chief Risk Officer and Chief Financial Officer.

3) Information Technology Steering Committee

The Information Technology Steering Committee (IT Steering Committee) has been constituted by the Board of Directors for reviewing of Information Technology (IT) strategy and related IT matters under authorisation/supervision of the Board & IT Strategy Committee. IT Steering Committee is comprised of Managing Director & CEO (Chairman), Chief Risk Officer, Head – Assets, Chief Financial Officer and In-charge of IT Operations.

4) Executive Credit Committee

The Executive Credit Committee (ECC) has been constituted by the Board of Directors for approving credit proposals as per authorisation matrix approved by Board and reviewing existing assets. ECC is comprised of Managing Director & CEO (Chairman), Chief Risk Officer, Head – Assets and Chief Financial Officer.

5) Management Committee

The Management Committee (MC) has been constituted by the Board of Directors, to act as a Committee of Senior Executives as per the RBI Circular on Risk-based Audit Plan and to discuss various issues applicable to Infradebt. MC comprised of Managing Director & CEO (Chairman), Chief Risk Officer, Head – Assets, Chief Financial Officer and Head – HR & Head of Internal Audit.

3. Audit & Control

Statutory Auditor

The Shareholders of Infradebt (based on the recommendation of the Board and the Audit Committee) shall be responsible to appoint Statutory Auditors, who demonstrate professional ability and independence. The appointment of Statutory Auditor shall be in accordance with the RBI Guidelines issued on Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021, applicable provisions of Companies Act, 2013, applicable provisions of SEBI regulations and Policy on appointment of Statutory Auditors of Infradebt. Infradebt shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Rotation of partners of the Statutory Auditors Audit Firm

Infradebt shall appoint the Statutory Auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. Infradebt shall ensure its compliance.

Internal Auditor (Risk based approach)

In order to verify the adequacy and robustness of the processes and internal controls, risk based internal audit is being carried out periodically.

Secretarial Audit

Secretarial Audit is carried out on an annual basis in line with the provisions of Companies Act, 2013 and for evaluating the corporate conducts/statutory compliances.

Information System Audit

Information System (IS) Audit is to provide an insight on the effectiveness of controls that are in place to ensure confidentiality, integrity and availability of the organization's IT infrastructure. IS Audit is being carried out on an annual basis.

Internal Control & Procedures

The Board of Infradebt ensures the effectiveness of Infradebt's system of internal controls including financial, operational and compliance controls and risk management systems. Infradebt maintains its own compliance checklist covering different sections i.e. compliance w.r.t. provisions of RBI guidelines, Direct & Indirect tax laws & Labour Laws to ensure timely compliance of the applicable rules and regulations.

4. Fit & Proper Criteria

Infradebt has adopted a Policy on Fit & Proper Criteria of Directors. This policy defines internal supervisory process of due diligence to determine the appropriateness of the persons for their appointment/continuing to hold appointment as Director on the Board of Infradebt. The Policy, in line with the RBI guidelines, also provides for obtaining a Fit & Proper declaration from the Director proposed to be appointed and annually from all the Directors on continuing basis as on March 31.

Infradebt shall furnish to RBI a quarterly statement on change of directors, and a certificate from the Managing Director that fit and proper criteria in selection of the directors has been followed within 15 days of the close of the respective quarter. The statement to be submitted by Infradebt for the quarter ending March 31, shall be certified by the auditors.

5. Chief Risk Officer

Reserve Bank of India (RBI) vide its circular on Risk Management System – Appointment of Chief Risk Officer (CRO) dated May 16, 2019 has mandated appointment of Chief Risk Officer (CRO) in NBFCs with asset size more than ₹ 50.0 billion wherein CRO is required to function independently with a specified role and responsibilities and requirement of independent functioning for ensuring highest standards of risk management. The Board of Directors of Infradebt at its Meeting held on April 26, 2022, re-appointed Mr. Akash Deep Jyoti as CRO with immediate effect for a period of three years i.e. upto July 16, 2025 alongwith the terms of appointment of CRO. The term of appointment of CRO and the roles and responsibilities are as follows:

- CRO is required to function independently so as to ensure highest standards of risk management.
- CRO shall be involved in the process of identification, measurement, mitigation, control and management of all corporate risks.
- The CRO's role in deciding credit proposals shall be limited to be an advisor.
- All credit products shall be vetted by the CRO from the angle of inherent and control risks.
- All corporate policies will be assessed by the CRO from the point of view of risk assessment, mitigation and control.
- CRO will be part of various committees including Executive Credit Committee, Asset Liability Management Committee, IT Steering Committee, Debenture Allotment

Committee, Management Committee and any other Committee as required by the regulators or the Board of Directors. CRO will also be a permanent invitee to the Board Credit Committee.

- CRO will be responsible for creating a risk culture in the company.
- CRO shall meet the Board of Directors on a quarterly basis without the presence of the Managing Director & CEO.

Independence of CRO will be achieved through the following policy measures.

In line with the RBI circular requiring NBFCs to have a robust policy for safeguarding the Independence of CRO, it is stipulated that:

- The CRO shall have direct reporting lines to Managing Director & CEO.
- The Board members shall meet the CRO without the presence of the Managing Director & CEO, atleast on a quarterly basis.
- The CRO shall not have any reporting relationship with the business verticals of the NBFC and shall not be given any business targets.
- There shall not be any “dual hatting” i.e. the CRO shall not be given any other responsibility.

6. Chief Compliance Officer

Reserve Bank of India (RBI) vide its circular on Compliance Function and Role of Chief Compliance Officer dated April 11, 2022 has mandated appointment of Chief Compliance Officer (CCO) in NBFC-UL and NBFC-ML wherein CCO is required to function independently with specified role and responsibilities and to ensure highest standards of compliance. The Board of Directors of Infradebt at its Meeting held on April 19, 2023, appointed Mr. Gaurav Tolwani as CCO from April 19, 2023 to April 18, 2026 alongwith the terms of appointment of CCO. The terms of appointment of CCO and the roles and responsibilities are as follows:

- CCO is required to function independently so as to ensure highest standards of compliance.
- CCO is required to adhere to the Compliance Policy and ensure compliance of the same.
- CCO shall independently meet the Board of Directors atleast once in a quarter, without the presence of the senior management.
- CCO shall review the compliance risk in the new product, if any, introduced by Infradebt.
- CCO shall be the nodal point of contact between Infradebt and the regulators / supervisors and shall necessarily be a participant in the structured or other regular discussions held with RBI.

Independence of CCO will be achieved through the following policy measures.

In line with the RBI circular requiring NBFCs to have a policy covering measures to ensure the independence of the Compliance function, it is stipulated that:

- The CCO shall have direct reporting lines to Managing Director & CEO.
- The Board members shall meet the CCO without the presence of the Managing Director & CEO, atleast on a quarterly basis.
- The CCO shall not have any reporting relationship with the business verticals of the NBFC.

- There shall not be any “dual hatting” i.e. the CCO shall not be given any other responsibility which brings elements of conflict of interest, especially any role relating to business.

7. Head of Internal Audit

Reserve Bank of India (RBI) issued a circular dated February 3, 2021 on Risk-Based Internal Audit (RBIA) (RBI circular). RBI circular focuses on improving the governance processes on business decision making, risk management and control, promote appropriate ethics and values within the organization by appointing Head of Internal Audit (HIA). Infradebt at its Board Meeting held on March 24, 2022 appointed Mr. Ankur Sood as the HIA with immediate effect for a period of three years i.e. upto March 23, 2025. The terms of appointment of Mr. Sood as HIA is as follows:

- Appointment shall be for a tenure of three years.
- HIA shall report to Managing Director & CEO.
- The roles and responsibilities of HIA of Infradebt will be as follows:
 - HIA is required to **function independently** so as to ensure highest standards of risk management, governance, ethics and values.
 - HIA is required to adhere to the **Risk Based Internal Audit Policy**.
 - HIA to **independently meet the Board of Directors** atleast once in a quarter, without the presence of the senior management.
 - HIA to not have any reporting relationships; no business targets.
 - HIA would be responsible for audit of all the functions of Infradebt except the function which are under direct responsibility of the HIA. The functions under the direct responsibility of the HIA shall be audited by external experts, where the external firm would report directly to the Managing Director & CEO.

8. Disclosures & Transparency

- I. Infradebt shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:
 - a. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by Infradebt;
 - b. 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.
- II. Infradebt shall also disclose the following in their Annual Financial Statements:
 - a. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
 - b. ratings assigned by credit rating agencies and migration of ratings during the year;
 - c. penalties, if any, levied by any regulator;
 - d. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and
 - e. 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 RBI guidelines.

9. Loans and advances to Directors and Senior Officers

In compliance to the RBI Circular on Loans and Advances – Regulatory Restrictions - NBFCs dated April 19, 2022, unless sanctioned by the Board of Directors/ Committee of Directors, NBFCs shall not grant loans and advances aggregating Rupees five crores and above to –

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

Further, Infradebt shall abide by the following when granting loans and advances to their senior officers:

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

Infradebt shall abide and adhere to the above guidelines.

10. Policies & Codes

Infradebt has adopted following policies/codes which are subject to review at regular interval of time:

- 1) Credit & Recovery Policy
- 2) Liquidity Policy & Interest Rate Risk Policy
- 3) Know Your Client & Anti Money Laundering Policy
- 4) Corporate Social Responsibility Policy
- 5) Policy on Fit and Proper Criteria for Directors
- 6) Policy for selection and appointment of Directors & Officials in the Senior Management, their Remuneration and Remuneration of Other Employees
- 7) Code of Business Conduct and Ethics for Directors and employees
- 8) Fair Practices Code
- 9) Resource Planning Policy
- 10) Credit Information Policy
- 11) Policy on Preservation of Records
- 12) Policy on Related Party Transactions
- 13) Investment Policy
- 14) Dividend Distribution Policy
- 15) Information Security & Technology Policy
- 16) Policy against Sexual Harassment at Workplace

- 17) What if Scenario & Contingency Plan
- 18) Compliance Manual
- 19) Outsourcing Policy
- 20) Business Continuity Plan and Disaster Recovery Plan
- 21) Accounting Policies
- 22) Fraud Identification and Reporting Policy
- 23) Expected Credit Loss Policy
- 24) Risk Appetite Statement & Risk Governance Framework
- 25) Policy on Granting of Moratorium
- 26) Recruitment Policy and Procedure
- 27) Policy on Resolution Framework for COVID-19 related Stress
- 28) Policy to refund/adjust the 'interest on interest' charged to the borrowers during the Moratorium period.
- 29) Interest Rate Policy
- 30) Policy on Appointment of Statutory Auditor
- 31) Policy on Transfer of Loan Exposures
- 32) Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSIs)
- 33) Code of Conduct for regulating, monitoring and reporting of trading by Designated Persons and their Immediate Relatives
- 34) Risk-Based Internal Audit Policy
- 35) Internal Capital Adequacy Assessment Process (ICAAP) Policy
- 36) Compliance Policy
- 37) Information Technology Outsourcing Policy