

**INTERNAL
GUIDELINES ON
CORPORATE
GOVERNANCE
POLICY**

**UPDATED FRAMED AS ON
DATED 10 AUGUST, 2018**

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Sital Leasing & Finance Limited ('the Company'/ **Sital**) 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 a full range of financial services to the economically active poor, to build a better life", Sital 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, investor's and employee's" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and investors.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention. This is also in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI- LODR Regulations).

Governance Issue's

The Company shall require prior written permission of the Bank for the following:

- (a) any takeover or acquisition of control of the Company, which may or may not result in change of management;
- (b) any change in the shareholding of the Company, including progressive increases over time, which results in acquisition / transfer of shareholding of 26 per cent or more of the paid up equity capital of the company.

Provided that prior approval from the RBI shall not be required in case of change in shareholding going beyond 26% due to buyback of shares / reduction in capital where it has an approval of a competent Court. The same is to be reported to the RBI not later than one month from its occurrence;

- (c) any change in the management of the CIC which results in change in more than 30 per cent of the directors, excluding independent directors.

Provided that, prior approval shall not be required in case of directors who get re-elected on retirement by rotation.

- (d) The Company shall continue to inform the Bank regarding any change in their directors / management not later than one month from the occurrence of any change.
- (e) The Company shall submit an application to the Regional Office of the DNBS, RBI, Bangalore for obtaining prior approval of the RBI along with the documents as mentioned in the master directions.
- (f) Applications in this regard shall be submitted to the Regional Office of the Department of Non-Banking Supervision, Bangalore in whose jurisdiction the Registered Office of the CIC is located

I. INTRODUCTION

The Company is a registered Non-Deposit taking Systemically Important Non-Banking Financial Company ("NBFC-ND-SI") and has received a Certificate of Registration dated 21/12/2001 from the Reserve Bank of India. The Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices.

The Company recognises its role as a corporate citizen and endeavors to adopt good practices and standards of corporate governance through transparency in business ethics, accountability to its customers, government and others.

The Company carries its activities in accordance with good corporate practices and is constantly striving to better them by adopting the best practices.

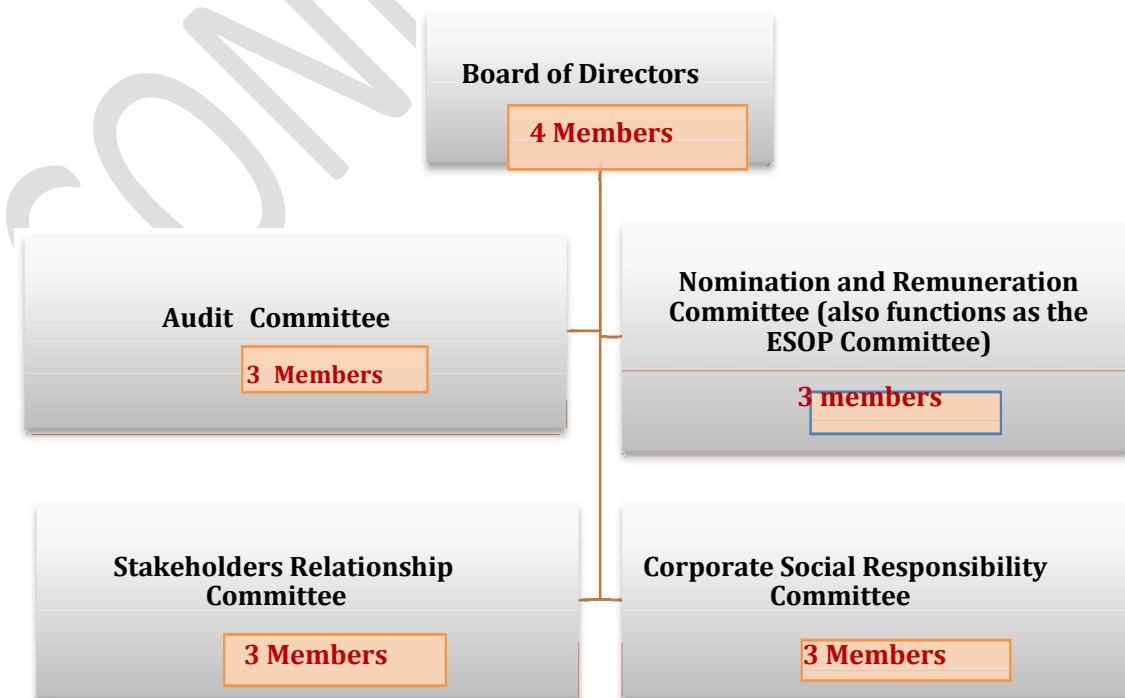
II. OBJECTIVE OF GUIDELINES ON CORPORATE GOVERNANCE

The Company is a Non-Banking Financial Company - Non Deposit accepting- Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI).

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015 issued directions on Corporate Governance known as **Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015** and has required to every non-deposit accepting Non-Banking Financial Company with asset size of Rs.500 crore and above (NBFCs-ND-SI), as per its last audited balance sheet, and all deposit accepting Non-Banking Financial Companies (NBFCs-D), henceforth called as Applicable NBFCs.

The provisions of these Directions shall not apply to a Systemically Important Core Investment Company as defined in the Core Investment Companies (Reserve Bank) Directions, 2011.

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



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Leasing & Finance Ltd.

Sr. No.	Committee	Current Members
1.	Audit Committee	1. SHRI. SURENDRA KUMAR JAIN MANAGING DIRECTOR (EXECUTIVE-NON INDEPENDENT) 2. Mr. ANIL PRAKASH- CHAIRMAN (NON EXECUTIVE- INDEPENDENT) 3. Mr. SUJAN MAL MEHTA (NON EXECUTIVE- INDEPENDENT)
2.	Nomination and Remuneration Committee	1. Mrs. PRITI JAIN - CHAIRMAN (NON EXECUTIVE- NON INDEPENDENT) 2. Mr. ANIL PRAKASH (NON EXECUTIVE-INDEPENDENT) 3. MR. SUJAN MAL MEHTA (NON EXECUTIVE-INDEPENDENT)
3.	Stakeholders Relationship Committee	1. Mrs. PRITI JAIN (NON EXECUTIVE- NON INDEPENDENT) 2. Mr. ANIL PRAKASH (NON EXECUTIVE-INDEPENDENT) 3. Mr. SUJAN MAL MEHTA (CHAIRMAN- NON EXECUTIVE INDEPENDENT)
4.	CSR Committee	1. Mrs. PRITI JAIN CHAIRMAN - NON EXECUTIVE NON INDEPENDENT 2. Mr. SUJAN MAL MEHTA NON EXECUTIVE-INDEPENDENT 3. Mr. SURENDRA KUMAR JAIN (EXECUTIVE-NON INDEPENDENT)
5.	RISK Management Committee	1. Mrs. PRITI JAIN (CHAIRMAN - NON EXECUTIVE- NON INDEPENDENT) 2. Mr. ANIL PRAKASH (NON EXECUTIVE-INDEPENDENT) 3. Mr. SUJAN MAL MEHTA (NON EXECUTIVE INDEPENDENT)

6.	Asset Liability Management Committee	<ol style="list-style-type: none"> 1. Mr. ANIL PRAKASH (NON EXECUTIVE-INDEPENDENT) 2. Mrs. PRITI JAIN (CHAIRMAN - NON EXECUTIVE) 3. Mr. SUJAN MAL MEHTA (NON EXECUTIVE INDEPENDENT)
7.	Investment Committee	<ol style="list-style-type: none"> 1. Mr. ANIL PRAKASH (NON EXECUTIVE-INDEPENDENT) 2. Mrs. PRITI JAIN (CHAIRMAN - NON EXECUTIVE) 3. Mr. SUJAN MAL MEHTA (NON EXECUTIVE INDEPENDENT)

III. GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS

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

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the Company.

COMPOSITION

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed there under.

B. COMMITTEES OF THE BOARD

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

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

1. AUDIT COMMITTEE

The Company shall have in place the Audit Committee in accordance with the provisions of Para 3 of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015 and Section 177 of the Act and the Rules framed thereunder.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee. However, as a matter of good governance, one of the Independent Directors may be appointed as the Chairman of the Committee.
Composition	The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.
Meetings and Quorum	The Audit Committee shall meet as and when required, but shall meet at least four times in a year. The quorum shall be either two members or one third of the members of the Committee whichever is higher, provided that at least one Independent Director shall be present at the meeting.

Terms of reference	<p>The terms of reference of the Audit Committee, inter-alia, shall include the following:</p> <ul style="list-style-type: none">- recommendation for appointment, remuneration and terms of appointment of auditors of the Company;- review and monitor the auditor's independence and performance, and effectiveness of audit process;- examination of the financial statement and the auditors' report thereon;- approval or any subsequent modification of transactions of the Company, if any, with related parties;- scrutiny of inter-corporate loans and investments, if any;- valuation of undertakings or assets of the company, wherever it is necessary;- evaluation of internal financial controls and risk management systems;- monitoring the end use of funds, if raised through public offers and related matters.- ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks, if any, faced by the Company.
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2. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee shall be constituted in accordance with the Corporate Governance guidelines promulgated by the Reserve Bank of India and the applicable provisions of the Act. The Committee shall be primarily responsible to assist the Board of Directors in fulfilling its

responsibilities by recommending to the Board, criteria for Board membership, evaluation of directors, the committees and the Board as a whole.

Chairman	<p>The Committee shall appoint one of its members as the Chairman of the Committee. However, as a matter of good governance, one of the Independent Directors may be appointed as the Chairman of the Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of this Committee.</p>
Composition	<p>The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors. Further, the composition shall be in accordance with the requirements specified in the Articles of Association of the Company.</p>
Meetings and Quorum	<p>The Committee shall meet as and when required, but shall meet at least once in a year.</p> <p>The quorum shall be either two members or one third of the members of the Committee whichever is higher, provided that at least one Independent Director shall be present at the meeting.</p>

Terms of reference	<p>The terms of reference of the Nomination and Remuneration Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - formulate the criteria for determining qualifications, positive attributes and independence of a director; - identify and recommend to the Board of Directors, the appointment of persons considered capable and fit for the role of a director based on the criteria so formulated; - evaluation of Directors' performance; - recommend to the Board of Directors a policy relating to the remuneration for the directors, key managerial personnel and other senior employees of the Company; and - such other tasks as may be entrusted to it by the Board of Directors from time to time.
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3. RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall ensure that the risks associated with the business/functioning of the Company are identified, controlled and mitigated and shall also lay down procedures regarding managing and mitigating the risks through integrated risk management systems, strategies and mechanisms.

Chairman	<p>The Committee shall appoint one of its members as the Chairman</p> <p>of the Committee.</p>
Composition	<p>The Committee shall consist of such number of members as may</p> <p>be determined by the Board.</p>

Meetings and Quorum	<p>The Committee shall meet as and when required, but shall meet at least twice in a year.</p> <p>The quorum shall be at least two members.</p>
Terms of reference	<p>The terms of reference of the Risk Management Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - identification, monitoring and measurement of the risk profile of the Company (including market risk, operational risk and transactional risk); - overseeing its integrated risk measurement system; - review the minutes of meetings of the Asset Liability Committee; - perform such other act, including the acts and functions stipulated by the Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

4. ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee (ALM Committee) shall monitor the asset liability gap and strategise action to mitigate the risks associated with the business of the Company.

Chairman	<p>The Committee shall appoint one of its members as the Chairman of the Committee.</p>
Composition	<p>The Committee shall consist of such number of members as may be determined by the Board.</p>

Meetings and Quorum	<p>The Committee shall meet as and when required, but shall meet at least twice in a year.</p> <p>The quorum shall be at least two members.</p>
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Terms of reference	<p>The terms of reference of the ALM Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - Management of the balance sheet of the Company; - Review of the asset-liability profile of the Company with a view to manage the market exposure assumed by the Company; - Safeguarding the recovery positions at any point of time; - Review of risk monitoring system, ensure payment of liability on its due dates, liquidity risk management, funding and capital planning, profit planning and growth projections, forecasting and analyzing different scenarios and preparation of contingency plans; and - Perform such other allied functions as may be required from time to time
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5. SPONSORSHIP AND CREDIT COMMITTEE

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

Chairman	<p>The Committee shall appoint one of its members as the Chairman</p> <p>of the Committee.</p>
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Composition	The Committee shall consist of such number of members as may be determined by the Board.
Meetings and Quorum	The Committee shall meet as and when required, but shall meet at least twice in a year. The quorum shall be at least two Directors.
Terms of reference	The terms of reference of the Sponsorship and Credit Committee shall inter-alia include the following: <ul style="list-style-type: none">- Scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal;- Overviewing the Company's financial positions and the requirements of the fund;- Deciding the amounts to be borrowed by issuing Debentures/Inter Corporate Deposits of varied maturities.- Perform such other allied functions as may be required from time to time.

IV. DISCLOSURE AND TRANSPARENCY

In order to practice the policy of Disclosure and Transparency, the following information shall be put to the Board of Directors at regular intervals in this regard:

- The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;

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Leasing & Finance Ltd.

- 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.;
- Updates of the various committees meetings at from time to time;
- Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time.

V. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partner of the Statutory Auditors are subject to rotation and is required to rotate in every three years. Also, the Company shall not appoint the Statutory Auditor for a period of more than five consecutive years, if the Auditor is an individual and for a period of more than ten consecutive years if the Auditor is a Firm or Limited Liability Partnership.

For Sital Leasing & Finance Limited

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THE END