

Internal Guidelines on Corporate Governance

Revision/Change History

Sl. No.	Name of Policy	Version	Board approval date	Remarks
1.	Internal Guidelines on Corporate Governance	v1.0		Adopted the Internal Guidelines on Corporate Governance

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1. Philosophy on Corporate Governances

Trillionloans Fintech Private Limited (“Trillionloans” or “the Company”) recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business conduct. The Company has articulated and adopted this set of internal guidelines on corporate governance in alignment with the Reserve Bank of India (“RBI”) guidelines to enable the Company to adhere to the highest standards of corporate governance.

2. Objective

Being a regulated entity in the Non-Banking Financial Sector, establishing and adopting minimum standards of corporate governance has implications not only from the perspective of ensuring adherence to regulatory prescriptions but also from the reputational standpoint. Accordingly, these internal guidelines seek to codify and explicitly affirm Trillionloan’s commitment and resolve to adhere to the highest standards of corporate governance.

3. RBI Guidelines on Corporate Governance

RBI vide its Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 (“RBI circular”) as amended from time to time and Master Direction -Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (the Directions) issued by RBI, directed NBFs to frame “Internal Guidelines on Corporate Governance (“the Guidelines”)” which is to be approved by its Board of Directors.

Pursuant to any subsequent amendments or any statutory modifications or reenactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act / regulation will have overriding effect on the parameter(s).

4. Governance Structure:

(a) Board of Directors

The Board of Directors (“the Board”) shall provide leadership and guidance to the Company’s management and direct, supervise and control the performance of the Company. The Board plays a vital role in matters relating to formulation of various policies, it’s implementation and strategic issues which are crucial for the company’s long-term development, success, and growth.

Composition of Board:

- i. The Board shall be constituted in accordance with the Companies Act, 2013, applicable RBI regulations and all other relevant rules and regulations.
- ii. The board should be independent of the management and have a mix of skills, experience, and knowledge.

- iii. While appointing directors, the Company shall ensure that the procedures prescribed by the RBI are followed and that the 'fit and proper' criteria is fulfilled by the proposed Director before he/she is appointed on the Board.
- iv. Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC- Middle Layer or NBFC-Upper Layer) at the same time. The Board of Company will ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. This restriction shall not apply for directorships on the Boards of NBFC Base Layer, subject to applicable provisions of Companies Act, 2013.

Roles and responsibilities

The role of the Board is to determine the overall strategic direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is regulated by various provisions of the laws and the Articles of Association of the Company. In performing its duties, the Board meets regularly and acts in the best interests of the Company including its shareholders, customers and creditors.

The Board's primary responsibility is to articulate and commit to a corporate philosophy and governance that will shape the level of risk adoption, standards of business conduct and ethical behaviour on the part of the Company and its functionaries.

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 non-compliance. Some of the major functions of the Board of Directors are as given below:

1. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and disinvestments.
2. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning
3. Reviewing key executive and board remuneration and ensuring a formal and transparent board nomination process.
4. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
5. Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.
6. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed.

7. Overseeing the process of disclosure and communications

Board Meetings

The company shall hold at least four Meetings of its Board in each Year with a maximum interval of one hundred and twenty days between any two consecutive Meetings.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The Board shall constitute a set of Committees with specific terms of reference / scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees shall operate as empowered agents of the Board as per their terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting.

Every Company shall maintain attendance register for the Meetings of the Board and Meetings of the Committee.

Code of Conduct:

The Company shall put in place a Code of Conduct for the Board of Directors and Senior Management Personnel. This Code is intended to focus the Board and senior management on areas of ethical risk; provide guidance to directors and senior management to help them recognize and deal with ethical issues; provide mechanisms to report unethical conduct; and help foster a culture of honesty and accountability.

(b) Committees

The Board has constituted several committees to deal with specific matters and delegated powers for different functional areas. The Committees have oversight of operational issues assigned to them by the Board. The Committees have been constituted in accordance with the provisions of the Companies Act, 2013 as amended from time to time and the Guidelines issued by the Reserve Bank of India from time to time. The terms of references and functioning of all committees shall be decided by the Board in accordance with the provisions of the Companies Act, 2013 and Guidelines issued by the Reserve Bank of India.

The Board shall delineate the role of various committees (Audit Committee (AC), Nomination and Remuneration Committee (NRC), Risk Management Committee (RMC) or any other Committee). The Board will lay out and oversee a whistle blower mechanism for directors and employees to report genuine concerns.

Committees shall meet as often as necessary subject to the minimum number and frequency prescribed by any law or any authority or as stipulated by the Board.

Accordingly, the core Committees constituted by the Board in this connection are as follows:

(i). Audit Committee (AC)

The audit committee shall have minimum three directors as members. At least two-thirds of the members of audit committee shall be independent directors. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

The Audit Committee shall have the same powers, functions and duties as laid down in section 177 of the Companies Act, 2013.

Some of the major functions of the Audit Committee are as given below:

1. Oversight of financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors. evaluation of internal financial controls and risk management systems;
4. Reviewing, with the management, performance of statutory and internal auditors and the adequacy of the internal control systems;

The Committee shall meet at least 4 (four) times in a year. The Committee shall meet with management, the internal auditor and the statutory auditor as deemed fit by it.

The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Companies Act, 2013, RBI guidelines and such other applicable statutory regulations and duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

(ii). Nomination and Remuneration Committee (“NRC”)

The Nomination and Remuneration Committee shall comprise of at least three directors and all directors of the committee shall be non-executive directors. Atleast two-thirds of the directors shall be independent directors. The Chairperson of the nomination and remuneration committee shall be an independent director.

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, RBI guidelines and such other applicable statutory regulations and duties, obligations and powers as may be prescribed by the Board of the Company from time to time. The nomination and remuneration committee shall meet at least once in a year.

Some of the functions of the Nomination and Remuneration Committee are as given below:

- (i). Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to the remuneration of the directors, key managerial personnel and other employees.
- (ii). Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the board of directors their appointment and removal.

(iii). Risk Management Committee (RMC)

The Company has in place a Risk Management Committee constituted in accordance with the RBI guidelines in this regard. The Risk Management Committee is responsible for managing, inter alia, the integrated risk which includes credit risk, liquidity risk, operational risk, interest rate risk and such other functions as may be assigned to it by the Board of the Company. Further, the Risk Management Committee shall ensure that a progressive risk management system and risk management policy and strategy followed by the Company are put in place.

The Risk Management Committee shall have a minimum of three members with majority of them being members of the board of directors, including at least one independent director. The risk management committee shall meet quarterly.

The role of the Risk Management committee shall, inter alia, include the following:

- a) Oversee the development, implementation and maintenance of the Company's overall risk management framework and its appetite, strategy, principles and policies, to ensure they are in line with emerging regulatory, corporate governance and industry best practice;
- b) Oversee the Company's risk exposures, risk/return and proposed improvements to the Group's risk management framework and its risk appetite, strategy, principles, policies and standards;
- c) Provide formal sign-off for the Board Risk Report and other risk related sections within the Annual Reports & Accounts.

- d) Facilitate effective contribution and involvement of non-executives and aid their understanding of risk issues and the Company's risk management framework.
- e) Provide input to the Remuneration Committee on the alignment of remuneration to risk performance.
- f) Review new risk principles and policy and material amendments to risk principles and policy recommended by the Head-Risk, for approval by the Board;
- g) Oversee adherence to Company's risk principles, policies and standards and any action taken resulting from material policy breaches, based upon reports from the Head-Risk;
- h) Periodically review and update its own terms of reference to reflect best practice, requesting Board approval for all proposed changes and, at appropriate intervals, evaluate its own performance against the terms of reference.
- i) Review periodically the report of ORMC/ Asset Liability Management Committee and to suggest on improvements, actions to be taken.

(iv). Corporate Social Responsibility Committee (CSR)

The Company shall have a Corporate Social Responsibility Committee of the Board consisting of three or more Directors, out of which at least one director shall be an independent director. CSR Committees shall meet atleast once in a year. Constitution of CSR shall be applicable as required under the Companies Act, 2013.

The role of the committee shall, interalia, include the following:

- a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company on activities as specified in Schedule VII];
- b) Recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- c) Monitor the Corporate Social Responsibility Policy of the Company from time to time.

(v). Information Technology Strategy Committee (ITSC)

The company is required to have an IT Strategy committee whose chairman shall be an independent director. The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out 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. Its deliberations may be placed before the Board. The IT Strategy Committee shall meet at an appropriate frequency. It shall be ensured that not more than six months would have elapsed between two meetings.

Some of the major roles and responsibilities include:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;

- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

5. Passing of Resolution by Circulation

Business or transactions are to be approved only at Meetings of the Board or Committees. However, other business that requires urgent decisions can be approved by means of Resolutions passed by circulation. Resolutions passed by circulation are deemed to be passed at a duly convened Meeting of the Board and have equal authority.

6. Minutes

Every company shall keep Minutes of all Board and Committee Meetings in a Minutes Book. Minutes kept in accordance with the provisions of the Act evidence the proceedings recorded therein. Minutes help in understanding the deliberations and decisions taken at the Meeting. Minutes Books, if maintained in loose-leaf form, shall be bound periodically depending on the size and volume and coinciding with one or more financial years of the company.

7. Vigil Mechanism:

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company shall framed "Vigil Mechanism" to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct. The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

8. Disclosure and transparency

The following information will be provided to the Board of Directors on quarterly basis:

- ❖ Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance.
- ❖ the progress made in putting in place a progressive risk management system and risk management policy and strategy followed.
- ❖ Updates/Minutes of the various committees meetings from time to time.

The following information shall be disclosed by the Company in its Annual Report:

- ❖ Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators.
- ❖ Ratings assigned by credit rating agencies and migration of ratings during the year;
- ❖ Penalties, if any, levied by any regulator;
- ❖ Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries;
- ❖ Corporate governance section including Composition of the Board, breach of covenant, divergence in asset classification and provisioning.
- ❖ 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 Master Direction and Scale Based Regulation.
- ❖ Disclosures in the financial statements shall be in accordance with RBI Master Direction, Scale Based Regulation, applicable accounting standards, laws, and regulations.

9. Policies adopted by the Company.

The following policies have been framed and adopted by the Company, viz.

- ❖ Fair Practices Code
- ❖ Asset Liability Management Policy
- ❖ Investment Policy
- ❖ Policy on Interest and Penal Charges
- ❖ Policy on 'Fit and Proper Criteria' for Directors
- ❖ Related Party Transaction Policy
- ❖ Policy on Outsourcing of Financial Services
- ❖ Cyber Security Policy
- ❖ Information Security Policy
- ❖ Information Systems Audit Policy
- ❖ Information Technology Policy
- ❖ Liquidity Risk Management Framework
- ❖ Expected Credit Loss Policy
- ❖ Policy on appointment of Statutory Auditors
- ❖ Risk Management Policy
- ❖ Policy Guidelines on Know Your Customer Norms and Anti - Money Laundering Measures
- ❖ Product wise Credit Policy

The above policies may be reviewed from time to time.

10. Appointment of Statutory Auditors

The Company shall appoint Statutory Auditors as per the provisions of the Companies Act, 2013 and the RBI Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs dated April 27, 2021, as applicable. The Statutory Auditors shall be appointed for a period of three continuous years subject to the audit firm satisfying the prescribed eligibility norms under RBI Guidelines every year. The performance of the auditors will be reviewed every year. The Company will accordingly adopt and place in public domain its policy on appointment of statutory auditors in alignment with regulatory prescriptions.

11. 'Fit and Proper Criteria' for the Directors

The Company shall:

- (i) ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the 'fit and proper' criteria of the directors at the time of appointment as well as on a continuing basis along with a declaration and undertaking from the directors giving additional information on the directors.
- (ii) obtain a Deed of Covenant signed by the directors, which shall be in the format as prescribed by RBI.
- (iii) furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the NBFC that 'fit and proper criteria' in selection of the directors has been followed. The statement must reach the Regional Office of the Department of Supervision of the Reserve Bank where the company is registered, within 15 days of the close of the respective quarter. The statement submitted by NBFC for the quarter ending March 31, shall be certified by the auditors. Provided that 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 NBFC irrespective of the asset size of such NBFCs.

Obtain annually as on 31st 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 them forthwith.

12. Independent Director

Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. Further, the Board of the Company shall ensure that there is no conflict arising.

13. Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs

In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, the Company has a Nomination & Remuneration Policy which inter alia includes:

- (i) Constitution of a Remuneration Committee
- (ii) Remuneration of Managing Director, Whole Time Director, Manager, Non-Executive Directors, KMPs and SMPs
- (iii) Principles for fixed/variable pay structures, and
- (iv) Malus/clawback provisions.

14. Interaction with the Regulator

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator. The Board shall review its functioning and effectiveness periodically.