



JM FINANCIAL CAPITAL LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

July 2021

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I. INTRODUCTION

JM Financial Capital Limited ('the Company') is a wholly owned subsidiary of JM Financial Services Limited. As part of the JM Financial Group, the Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices. The Company also believe that the sound Corporate Governance practices are bedrock for the function of the Company and for creation of value for its stakeholders on sustainable and long terms basis.

The Company recognizes 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 Chapter XI of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as updated from time to time, issued Guidelines on Corporate Governance and mandated all NBFC-ND-SI to frame an Internal Guidelines on Corporate Governance.

In pursuance of the aforesaid directions issued by the RBI, the Board of Directors have framed the Internal Guidelines on Corporate Governance and have published the same on the Company's website on www.jmfl.com.

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.

A Director shall not hold the office of Director including any alternate directorship in more than 20 companies at the same time and the maximum number of directorships in public companies shall not be more than 10. The Directors shall make the necessary annual disclosure/declarations regarding their change in concern or interest in any

company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place and shall also submit other disclosures/declaration as required under applicable laws to the Company and codes and polices adopted by the Company from time to time.

The Directors shall act in accordance with the duties as provided under the Companies Act 2013 ('the Act') as amended from time to time and rules made there under or any other regulation/law as applicable and the Independent Directors shall also abide by the Code for Independent Directors under Schedule IV of the Act.

All the Directors shall meet eligibility criteria including the 'fit and proper' person criteria, for appointment on the Board of the Company, as prescribed under Section 72 - Fit and Proper Criteria Chapter XI – Corporate Governance of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

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 the Act and the rules framed thereunder. The Company shall ensure that all the Directors of the Company shall meet fit and proper' criteria as contained in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and in accordance with polices of the Company.

Meetings:

The Board of Directors shall meet as and when required, but shall meet at least four times in a year in such a manner that not more than 120 (one hundred and twenty) days shall elapse between two successive Board Meetings. The agenda for the Board meeting should be circulate well in advance to all Board members along with detailed background note and relevant information for facilitating meaningful and focused discussion at the meeting.

B. COMMITTEES OF THE BOARD

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

The Committees operate as per the terms of reference approved by the Board. The

minutes of the meetings of all Committees of the Board are placed before the Board for noting in subsequent meeting.

1. AUDIT COMMITTEE

The Company has constituted the Audit Committee in accordance with Section 177 of the Act and the Rules framed thereunder and shall be the Audit Committee for the purpose of the Section 70 (1) Chapter XI- Corporate Governance of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Chairman	The Audit 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 Audit Committee. The Company Secretary shall act as Secretary to the Audit Committee Meetings.
Composition	The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.
Quorum	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.
Meetings	The Audit Committee shall meet as and when required, but shall meet at least four times in a year
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"> - recommending appointment, remuneration and terms of appointment of Statutory Auditors and/or Internal Auditors of the company; - reviewing and monitoring the auditor's independence and performance and effectiveness of audit process; - examining the financial statement and the auditors' report thereon; - approving or subsequently modifying transactions of the company with related parties; - scrutinizing inter-corporate loans and investments; - valuating undertakings or assets of the company, wherever it is necessary; - evaluating internal financial controls and risk management systems; - monitoring the end use of funds raised through offers of securities and related matters; -

2. NOMINATION COMMITTEE

The Nomination Committee ('the NC Committee') is constituted in accordance with Section 178 of the Act and shall be the NC for the purpose of Section 70 (2) Chapter XI of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016,. The Committee will 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 NC 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 NC Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of the NC Committee.</p>
Composition	The NC Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors.
Quorum	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.
Meetings	The Committee shall meet as and when required, but shall meet at least once in a year.
Terms of reference	<p>The terms of reference of the Nomination 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; - to appoint Chief Operating Officer (COO), Chief Financial Officer (CFO) and Chief Risk Officer (CRO); - evaluation of Directors' performance; - such other tasks as may be entrusted to it by the Board of Directors from time to time.

3. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The CSR Committee is constituted in accordance with the provisions of Section 135(1) of the Companies Act, 2013. The Committee will be primarily responsible to formulate and recommend the CSR policy and make recommendation on the CSR expenditure.

Chairman	The Committee shall appoint one of its members as the Chairman
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	of the Committee.
Composition	The Committee shall consist of three members out of which one member shall be an Independent Director.
Quorum	The quorum for all the meetings of the CSR Committee shall be at least two members present.
Meetings	The Committee shall meet as and when required, but shall meet at least once in a year.
Terms of reference	<p>The terms of reference of the CSR Committee shall inter alia, include the following:</p> <ul style="list-style-type: none"> - Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013; - Making recommendation on the amount of expenditure to be incurred on CSR activities; - Instituting a transparent monitoring mechanism for implementation of the CSR activities to be undertaken by the Company; and - Such other tasks as may be entrusted to it by the Board of Directors from time to time.

4. RISK MANAGEMENT COMMITTEE

The Risk Management Committee is constituted in accordance with Section 70(3) Constitution of Committees of the Board of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Risk Management Committee is primarily responsible to 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	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board.
Quorum	The quorum for all the meetings of the Risk Management Committee shall be at least two members present. However its shall consist Chief Executive Officer/Managing Director and head of various risk verticals of the Company.
Meetings	The Committee shall meet as and when required, but shall meet at least twice in a year.
Terms of reference	The terms of reference of the Risk Management Committee shall inter-alia include the following:

	<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; - reviewing the following: <ul style="list-style-type: none"> a. returns/ reports to the RBI; and b. periodic investment portfolio. - performing any other act, duty as stipulated by the Companies Act, Reserve Bank of India, Securities & Exchange Board of India, Stock Exchanges, and any other regulatory authority, as prescribed from time to time.
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5. ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee is constituted in accordance with Para 100 Asset Liability Management - Annex XXIII of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016..

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

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such members as may be decided by the Board.
Quorum	The quorum for all the meetings of the ALM Committee shall be at least two members present.
Meetings	The Committee shall meet as and when required, but shall meet at least four times in a financial year.
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"> - 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 - Performing such other functions in relation to the lending

activities such as to check the credit worthiness of the client, to approve loan and disbursement of loan and to renew loans from time to time.

6. ASSET LIABILITY MANAGEMENT SUPPORT GROUP:

The Asset Liability Management Support Group ('the ALM Support Group') is constituted in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Asset Liability Management Support Group is primarily responsible for analysing, monitoring and reporting the liquidity risk profile to the ALM Committee.

Chairman	The ALM Support Group shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board.
Meetings	The Committee shall meet as and when required, but shall meet at least four times in a financial year.
Terms of reference	The terms of reference of the ALM Support Group shall inter-alia include the following: analysing, monitoring and reporting the liquidity risk profile to the Asset Liability Management Committee.

7. 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	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such members as may be decided by the Board.
Quorum	The quorum for all the meetings of the Sponsorship and Credit Committee shall be at least two members present.
Meetings	The Committee shall meet as and when required, but shall meet at least six times in a year.
Terms of reference	The terms of reference of the Credit Committee shall inter-alia include the following: - scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal;

	<ul style="list-style-type: none"> - overseeing the Company's financial position and fund requirements for extending the same to its clients; - deciding the amounts to be borrowed by the Company through various borrowing instruments; - scrutinizing the proposal of purchasing/selling loan portfolio, NPAs etc; - perform such other allied functions including but not limited to reviewing the statement of overdues and NPAs as may be required from time to time.”
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8. ALLOTMENT COMMITTEE:

The Allotment Committee is primarily responsible to allot the securities issued by the Company.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such members as may be determined by the Board.
Quorum	The quorum for all the meetings of the Allotment Committee shall be at least two members present.
Meetings	The Committee shall meet as and when required.
Terms of reference	<p>The terms of reference of the Allotment Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - to consider and approve allotment of shares, transfer/transmission of shares, issue of duplicate shares and such other tasks as may be entrusted to it from time to time; - to do such other tasks as may be entrusted to it by the Board of Directors from time to time.” -

9. IT STRATEGY COMMITTEE & IT STEERING COMMITTEE:

The IT Strategy Committee & IT Steering Committee is constituted in accordance with the Master Direction on Information Technology Framework for the NBFC sector issued by the Reserve Bank of India.

A. IT STRATEGY COMMITTEE:

The IT Strategy Committee is primarily responsible to 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.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee. Provided that the Chairman should be an Independent Director
Composition	The Committee shall consist of such members as may be decided by the Board, provided that Chief Information Officer / Chief Technology Officer should be part of the Committee.
Meetings	The Committee shall meet at an appropriate frequency but not more than six months should elapse between two meetings.
Terms of reference	<p>The terms of reference of the IT Strategy Committee shall inter-alia include the following:</p> <ul style="list-style-type: none"> - approving the IT strategy and policy documents. - 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. - ensuring institute effective governance mechanism and risk management process for all IT outsourced operations. -

B. IT STEERING COMMITTEE:

The IT Steering Committee operates at an executive level and focuses on priority setting, resource allocation and project tracking to provide oversight and project tracking.

Chairman	The Committee shall appoint one of its members as the Chairman of the Committee.
Composition	The Committee shall consist of such members as may be decided by the Board.
Meetings	The Committee shall meet as and when required.
Terms of reference	To provide oversight and monitoring of the progress of the project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable.

IV. RISK MANAGEMENT FRAMEWORK

The Company being a Non-Banking Financial Company is exposed to credit risk, liquidity risk and interest rate risk. The Risk team of the Company, from time to time, identifies, assesses, monitors and strives to strengthen the controls to mitigate various risks associated with the business of the Company. The Risk Management Committee meets atleast twice in a year. Further, considering the nature of the business of the Company, credit proposals are sent to the Sponsorship and Credit Committee only after a detailed risk note is prepared by the Risk Team. Further, the Risk team monitors the loans accounts in the portfolio on a continuous basis.

A risk event update report, inter alia, containing the risk classification, assessment of impact and risk mitigation / remedial action for the risk identified is placed before the Board of Directors of the Company on half-yearly basis.

V. 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;
- 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.;
- Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework from time to time.

VI. 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.
