

VFS CAPITAL LIMITED
(FORMERLY VILLAGE FINANCIAL SERVICES LIMITED)
INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Applicable Regulation

Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Version	Board Meeting date	Subject	Department	Approved by
1	25-04-2023	Internal Guidelines on Corporate Governance	Compliance – as Custodian	Board

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Internal Guidelines on Corporate Governance

Company Philosophy and Corporate Governance

In terms of the RBI Master Direction – Non Banking Financial Company– Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“Directions”) amended and updated from time to time, every Non-Banking Financial Company (NBFCs-ND- SI) (“NBFCs-ND-SI”) should frame internal guidelines on corporate governance with the approval of the Board of Directors, enhancing the scope of the guidelines without sacrificing the spirit underlying the Directions and it shall be published on the company's website, if any, for the information of various stakeholders. The Company, being an NBFC– ND- SI, is accordingly covered by the aforesaid Directions.

The Company is committed to adopt good practices and standards of corporate governance. The principles of corporate governance standards of the Company place strong emphasis on transparency, accountability and integrity.

Corporate Governance is a continuous process. It is about commitment to values and ethical business conduct. Systems, policies, and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment.

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has vide the provisions of the aforementioned Directions, requiring all applicable NBFCs to frame internal guidelines on Corporate Governance.

In pursuance of the aforesaid Directions issued by the RBI, the Company has framed these Internal Guidelines on Corporate Governance (“Guidelines”).

Company

The Company is NBFCs - Middle layer (NBFCs-BL), categorized as an Micro Finance Institution and is registered with the Reserve Bank of India (RBI).

BOARD OF DIRECTORS

The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company ("Board") and in accordance with the provisions of Memorandum of Association (MoA) and Articles of Association (AoA) of the Company. The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues.

Composition:

The Board's strength shall be minimum 3 and the maximum number of directors be as per the limit specified in the Companies Act, 2013 ("the Act") and the AoA of the Company.

The Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the Act and the AoA of the Company.

Meetings:

The Board Meetings of the Company shall be held as per the requirements prescribed under the Act and other applicable laws and AoA.

Subject to the provisions of Section 173 of the Act, the Board shall meet no less frequently than 4 (four) times per year and once every 120 (one hundred and twenty) days.

The Company shall comply with all the procedural norms, including the quorum requirements, provided under the Act, any other applicable law(s), AoA for smooth conduct of the meetings.

All the proceedings of the meetings shall be duly recorded in the minutes, which shall be prepared, signed and circulated as per the provisions of Act.

The Company's Board currently consists of 6 Directors, comprising 3 Independent Directors.

The composition of the Board is as follows:

Sr. No.	Name of Director	Designation
1.	Mr. Ajit Kumar Maity	Chairman
2.	Mr. Kuldip Maity	Managing Director & CEO
3.	Mr. Pradipta Kumar Jena	Independent Director
4.	Dr. Tapan Kumar Mukhopadhyay	Independent Director
5.	Ms. Shivanjali Mehta	Independent Director
6.	Dr. Sankar Datta	Director

The Directors bring to the Board a wide range of experience and skills which include banking, micro finance, human resource, law, accounting, and economics.

Quorum:

The quorum for a Board meeting of the Company shall be one-third of its entire strength or two Directors, whichever is greater. The Directors' participation in the meeting via video conferencing or other audio-visual methods must also be counted for the purpose of quorum.

Board Committees

The Company has established Board Level Committees and Management Committees with specific terms of reference/scope in accordance with the requirements of the Companies Act, 2013, RBI regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), to focus effectively on the issues and ensure expedient resolution of diverse matters.

The committees shall operate as per the terms of reference approved by the Board as detailed below:

A. Audit and Risk Management Committee

The Company has in place an Audit and Risk Management Committee in accordance with the provisions of the Companies Act 2013, RBI regulations, and SEBI Listing Regulations as amended from time to time. The powers and terms of reference of the Committee shall include the requirements set out in Section 177 of the Act and the relevant Rules framed thereunder.

Chairman	The Chairman of the Committee shall be a Non-Executive Director. The Chairman or any other member of the Committee authorized by the Chairman, shall attend the Annual General Meeting to answer shareholders' queries.
Composition	<p>The Committee shall comprise of such number of members, as appointed by the Board.</p> <p>The majority of members of the Committee including its Chairman shall be persons with ability to read and understand the financial statements.</p> <p>The Company Secretary shall act as the secretary to the Committee.</p>
Meetings and Quorum	The Committee shall meet at least four times in a year and the gap between two meetings shall not exceed 120 days. The quorum for the Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.
Role and responsibilities	The Committee shall have the roles and responsibilities as per the charter approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

The Committee consists of:

Sr. No.	Particulars	Designation	Chairman / Member
1	Mr. Pradipta Kumar Jena	Independent Director	Chairman
2	Dr. Tapan Kumar Mukhopadhyay	Independent Director	Member
3	Mr. Kuldeep Maity	Managing Director & CEO	Member

The Audit & Risk Management Committee charter is in line with the Companies Act 2013, RBI guidelines and SEBI Listing Regulations. All the members are financially literate and have accounting or financial management expertise.

B. Nomination and Remuneration Committee:

The Company has in place a Nomination and Remuneration Committee (“NRC”) constituted in accordance with the applicable Regulations contained in the Directions and the applicable provisions of the Act. The powers and terms of reference of the NRC shall include the requirements set out in Section 178 of the Act and the Rules framed thereunder. The Committee shall primarily be responsible for assisting the Board 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	The Chairman of the NRC shall be an independent director.
Composition	The Committee shall be comprised of three or more non-executive directors out of which not less than one-half shall be independent director. chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

	The Company Secretary of the Company shall be the Secretary of the NRC (the “Secretary”).
Meetings and Quorum	The NRC shall meet at least twice in a year with not more than 6 months shall elapse between two NRC meetings. The quorum for the NRC meeting shall be one-third of its total strength (any fraction contained in that one-third berounded off as one) or two members, whichever is higher.
Role and responsibilities of the NRC	The NRC shall have the roles and responsibilities as per the charter approved by the Board and such other functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

The NRC consists of:

Sr. No.	Particulars	Designation	Chairman/ Member
1	Mr. Pradipta Kumar Jena	Independent Director	Chairman
2	Ms. Shivanjali Mehta	Independent Director	Member
3	Mr. Ajit Kumar Maity	Chairman & Non-Executive Director	Member

The NRC ensures formulation of the remuneration policy of the Company and sets out criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board a policy and changes thereof, relating to the remuneration of the directors, key managerial personnel (KMP) and other employees. The Committee is responsible for ensuring ‘fit and proper’ status of proposed/ existing directors. The Committee shall formulate the criteria for conducting the Board evaluation process and the performance of Board, Committees, Chairman, and the Directors in accordance with Section 178 of the Companies Act, 2013.

C. Corporate Social Responsibility (CSR) Committee

The Company believed that profitability must be complemented by a sense of responsibility towards all stakeholders. The CSR Committee, as mandated under Section 135(3) of the Companies Act, 2013 formulated and recommended to the Board, a CSR Policy which indicates the activities to be undertaken by the Company as specified in Schedule VII of the Act and recommends the amount of expenditure to be incurred on the said activities. The is vested with necessary powers, as laid down in its charter to achieve its objectives.

Composition	<p>The Committee may be comprised of a minimum of three directors, out of which at least one director shall be an independent director.</p> <p>The Company Secretary of the Company shall be the Secretary of the Committee.</p>
Meetings and Quorum	<p>The Company shall convene at least one meeting of the Corporate Social Responsibility Committee in a financial year.</p> <p>The quorum for the Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.</p>
Role and responsibilities of the Committee	<p>The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.</p>

The CSR Committee consists of:

Sr. No.	Particulars	Designation	Chairman/Member
1	Ms. Shivanjali Mehta	Independent Director	Chairperson
2	Dr. Sankar Datta	Director	Member
3	Mr. Kuldip Maity	Managing Director & CEO	Member

D. IT Strategy Committee

The Company has in place an IT Strategy Committee as required by the guidelines issued by the RBI in Master Direction - Information Technology Framework for the NBFC Sector (“IT Framework”). The constitution, functions and meetings of the Committee is in line with the requirements of the RBI guidelines.

Chairman	The Chairperson should be an Independent Director.
Composition	The Committee may be comprised of such stakeholders as may be decided by the Board along with CTO and CIO as and when appointed by the Company. The Company Secretary of the Company shall be the Secretary of the Committee.
Meetings and Quorum	The Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The quorum for the IT Strategy Committee meeting shall be one-third of its total strength (any fraction contained in that one-third be rounded off as one) or two members, whichever is higher.
Role and responsibilities of the Committee	The Committee shall undertake such functions as may be delegated by the Board and/or mandated by any regulatory provisions from time to time.

The IT Strategy Committee comprises of

Sr. No.	Name	Designation	(Chairman/Member)
1.	Dr. Tapan Kumar Mukhopadhyay	Independent Director	Chairman
2.	Dr. Sankar Datta	Director	Member

3.	Mr. Kuldip Maity	Managing Director & CEO	Member
4.	Mr. Arindam Chakraborty	Chief Technical Officer (CTO)	Member

The focus of the IT Strategy Committee is on the IT framework that includes IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning, and IT Services Outsourcing. This Committee shall review and amend the IT strategies in line with the corporate strategies, and cyber security arrangements, approve the annual IT budget, monitor IT services, and any other matter related to IT Governance.

B. Asset-Liability Committee (ALCO)

The ALCO is a decision-making body responsible for integrated balance sheet management from the risk-return perspective and includes the strategic management of interest rate and liquidity risks.

The Company has in place an Asset Liability Committee as required by the guidelines issued by the RBI. The constitution, functions and meetings of the Committee is be in line with the requirements of the RBI guidelines, Charter of Asset Liability Management Committee and Asset Liability Management Policy, as approved by the Board and amended from time to time.

Chairman	Managing Director & CEO of the Company shall chair the ALCO meeting.
Composition	Membership: Managing Director & CEO, CFO, COO, CBO. The Company Secretary will act as a Secretary to ALCO.
Meetings and Quorum	Meeting frequency: Minimum quarterly. In addition, need-based meetings of the ALCO could be conducted as and when required. Quorum: Any two of the Committee members to be

	present.
Role and responsibilities of the Committee	The Committee shall have the roles and responsibilities as per the charter approved by the Board and such other functions as may be delegated by the Board and/or

The ALCO comprises the following:

Sr. No.	Name	Designation	Chairman/Member
1.	Mr. Kuldip Maity	Managing Director & CEO	Chairman
2.	Mr. Priyanka Gathani	Chief Financial Officer (CFO)	Member

C. Borrowing & Investment Committee

The Borrowing and Investment Committee carries out the Board's overall responsibility with respect to defining strategies and oversee the effectiveness and materiality of the fund requirements and investment activities of the Company. The Committee also oversee the Company's evaluation of contemplated investments and also financial portfolios including developing policies and monitoring compliance with those policies as they relate to the organization's borrowing and investment portfolio. Borrowing & Investment Committee administers extensive management of the financial assets and adherence to the principle of statutory compliance. As specified under section 177 of the Companies Act 2013, the Borrowing & Investment Committee is accountable for borrowing and investment of the Company. The Committee monitors and reviews the long-term investment and financial exposures; efficacy of the borrowing and investment schemes; examines the fair value and status of the loans and investments of the company. The Committee is liable for outlining policies and management of borrowing, investment, the lending procedure, approval and rejection of loans and analyses of the associated risk factors.

The Committee comprises of:

Sr. No.	Name of the Director	Designation	Chairman / Member
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1	Mr Ajit Kumar Maity	Chairman, Non-Executive Director	Chairman
2	Mr. Kuldip Maity	Managing Director & CEO	Member

4. Rotation of partners of the Statutory Auditors /Audit Firm

Rotation of partners of the Statutory Auditor/Audit Firm will be done in accordance with the provisions of the Companies Act, 2013, and the extant RBI Guidelines issued in this regard.

The auditors/audit firms, entities will have to be appointed subject to the firms satisfying the eligibility norms each year. While removing the Auditors before the completion of their tenure, the Company shall inform the concerned Senior Supervisory Manager / Regional Office at RBI about it along with reasons/justification for the same, within a month of such a decision being taken.

5. Fair Practices Code:

Pursuant to the guidelines on the Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on the Fair Practices Code which is posted on the website of the Company. A regular review of the implementation of the same is conducted by the Board of Directors.

6. Code of conduct

The Company has adopted a code of conduct and Ethics of the Company and due care is taken that the same is being adhered to.

7. Whistle Blower Policy

The Board of Directors of the Company approved the Vigil Mechanism and amended the existing Whistle Blower Policy of the Company to bring it in line with the provisions of the Companies Act, 2013. The Whistle Blower Policy is disclosed on the website of the Company. The vigil mechanism is designed for the directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. The Company

adheres to the highest standards of ethical, moral and legal conduct of business operations and has thus established the policy to facilitate employees to report concerns of any unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct and also provide adequate safeguards against victimization of persons who use this mechanism.

8. Disclosures and transparency

The Board of the Company reviews, records and adopts the minutes of all the above-Board level committee meetings.

As part of the Corporate Governance, a compliance requirement has been put in place, wherein a quarterly report regarding compliance with all laws applicable to the Company is placed before the Board for their review.

The Board shall be apprised with the following information at regular intervals as may be prescribed by the Board 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., composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.; and
- Disclosures of such information, as may be prescribed by RBI from time to time, in the annual financial statements of the Company.

9. Fit and Proper Criteria

The Company has a policy in place for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The Nomination and Remuneration Committee reviews the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria.

The Nomination and Remuneration Committee should obtain such declarations / undertakings, deed of covenant from the Directors and shall scrutinize the furnished statement and certificates as may be prescribed for determining Fit and Proper Criteria in line with the guidelines issued by the RBI for the time being in force.

A quarterly statement on change of directors and a certificate by the Managing Director/Whole-time Director of the Company certifying that 'fit and proper' criteria in selection of Directors has been followed by the Company should be furnished to the Regional Office of the RBI within 15 days of the close of each quarter. Further, the statement for the quarter ending March 31 should also be certified by the statutory auditors.

10. Review

These guidelines shall be reviewed periodically based upon decisions taken by the Board or its Committees.

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