

**AXIS FINANCE LIMITED**

**POLICY ON CORPORATE GOVERNANCE**

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## 1. Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders. The Company believes that all its operations and actions must serve the underlying goal of enhancing long-term shareholder value. In our commitment to practice sound governance principles, the Company is guided by the following core principles:

- **Transparency:** To maintain the highest standards of transparency in all aspects of our interactions and dealings.
- **Disclosures:** To undertake timely dissemination of all price sensitive information and matters of interest to our stakeholders.
- **Empowerment and Accountability:** To demonstrate the highest levels of personal accountability and to ensure that employees consistently pursue excellence in everything they do.
- **Compliances:** To comply with all the laws and regulations applicable to the Company.
- **Ethical Conduct:** To conduct the affairs of the company in an ethical manner.

## 2. Objective

In order to enable Non-Banking Financial Companies ('NBFCs') to adopt best practices and greater transparency in their operations, Reserve Bank of India ('RBI') has in its Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Ref: RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, as amended from time to time, advised all applicable NBFCs to frame their internal guidelines on corporate governance with the approval of the Board of Directors. In pursuance of the same, the Company has framed the internal guidelines on Corporate Governance.

## 3. Scope

The Framework includes Company's corporate structure, culture, policies and the manner in which it deals with various stakeholders. The Framework also covers the responsibilities, authority and administration of the Board of Directors.

Corporate Governance is a framework through which an organization directs and controls itself and the people associated with it. The timely and accurate disclosure of information regarding the financial situation, performance, board constitution, ownership of the Company is an important part of Corporate Governance.

## 4. Board and its Committees

### 4.1. Board of Directors

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

a) Composition:

The Board of Directors of the Company shall have an optimum combination of Executive and Non-Executive Directors, with at least 1 (one) woman director and not less than 50% of them being Non-Executive Directors. In case of a Non-Executive Chairman, at least one-third of the Board should consist of Independent Directors and, in case of an Executive Chairman, one-half of the Board should consist of Independent Directors. Further, where the Non-Executive Chairperson is a promoter of the Company or is related to any promoter or person occupying management positions at the level of Board of Director or at one level below the board of directors, at least half of the Board of Directors of the Company shall consist of Independent Directors.

b) The Company shall provide the periodical information and reports to Board and Committees as per various reporting requirements (internal as well as statutory).

c) Non-executive Director's compensation and disclosures:

All fees/compensation paid to Non-executive Directors, including independent directors shall be as per the remuneration policy adopted by the Company.

d) Evaluation of performance of all Directors should be undertaken annually. In this regard the Company should implement a system of evaluating performance of the Board of Directors and of its Committees and individual Directors on the basis of a structured questionnaire which comprises evaluation criteria taking into consideration various performance related aspects.

e) Code of Conduct:

The Board has adopted code of conduct and ethics of the Company. All the Board members shall affirm compliance with the code on an annual basis. Additionally, Schedule IV of the Companies Act, 2013 specifies the conduct, role, functions and duties of the Independent Directors. The Independent Directors shall affirm compliance with the code.

f) Meetings of Board:

The Board should meet at least once in a quarter and the gap between the two meetings shall not be more than one hundred and twenty days. The Company shall follow the secretarial standard for convening of Board and Committee meetings. The Company Secretary shall act as a Secretary to the Board.

g) Functions of the Board:

The Board functions as per the charter approved by the Company and as per the various provisions of the Companies Act, 2013 and relevant rules made thereunder, Master Directions issued by RBI and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations').

## **4.2. Audit Committee**

a) Constitution:

The Audit Committee shall be constituted in accordance with the provisions of the Companies Act, 2013, the Listing Regulations and Master Directions as issued by RBI.

b) Composition:

- i. The Committee shall comprise of at least three directors as members.
- ii. At-least 2/3<sup>rd</sup> (two-third) of the total strength shall be independent Directors.

All Members of the Committee shall have the ability to understand all financial statements as well as the notes / reports attached thereto and at least one Member of the Committee shall have requisite professional expertise / qualification in financial accounting or financial management [e.g., experience in application of accounting standards and practices, including internal controls around it].

c) Quorum:

The quorum for the Committee shall be two members or 1/3<sup>rd</sup> (one-third) of the members of the Committee, whichever is greater, with at-least 2 (two) Independent Directors.

d) Invitees:

The Chief Financial Officer shall be the permanent invitee to all Audit Committee meetings and the Chief Audit Executive and Chief Compliance Officer shall be permanent invitees to all Audit Committee meetings (except meetings for considering financial results).

The Group Chief Compliance Officer and Group Chief Audit Executive of Axis Bank Limited shall be the permanent invitees to all the Audit Committee meetings of the Company.

A representative of the Statutory Auditor shall be present as invitee at the meetings of the Audit Committee whenever the review of quarterly / half-yearly / annual financial results of the Company takes place, and as and when required as per the discretion of the Audit Committee.

The Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company.

e) Meetings:

- i. 4 (Four) meetings of the Committee shall be convened after end of every quarter, to *inter alia* review the unaudited / audited quarterly / half-yearly/ annual financial results of the Company.
- ii. Four to six meetings of the Committee shall be convened to *inter alia* review matters relating to and arising from internal audits, RBI inspections, concurrent audits, frauds etc. and other matters apart from financial results / statements.

f) Terms of Reference:

The Committee is governed by the charter adopted by the Company.

#### **4.3. Nomination and Remuneration Committee**

a) Constitution:

The Nomination and Remuneration Committee ('NRC') shall be constituted in accordance with the provisions of the Companies Act, 2013, the Listing Regulations and Master Directions as issued by RBI.

b) Composition:

- a. At least three directors, all of whom shall be Non-executive Directors and out of which at-least two-third shall be Independent Directors;
- b. The Chairperson of the Committee shall be an Independent Director.
- c. The Chairman of the Board shall not be the Chairperson of the Committee; and
- d. At least one Independent Director of the NRC Committee shall be a member of the Risk Management Committee of the Company.

c) Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be either 2 (two) members or 1/3rd (one-third) of the members of the Committee whichever is higher, including at least one (1) Independent Director and one shall be a member of the Risk Management Committee.

d) Frequency:

The NRC Committee shall meet as and when required with at-least one meeting held half-yearly.

e) Terms of Reference:

The Committee is governed by the charter adopted by the Company.

#### **4.4. Risk Management Committee**

a) Constitution:

The Risk Management Committee ('RMC') is constituted in compliance with the provisions of the Companies Act, 2013, the Listing Regulations and Master Directions issued by RBI.

b) Composition:

- i. At least 3 (three) directors, majority of the members shall comprise of members of the Board of Directors, including 1 (one) Independent Director. Managing Director & CEO shall be one of the members of the Committee.
- ii. The Chairperson of the Committee shall be a member of the Board of Directors.
- iii. The senior executives (including Heads of Risk Verticals) may be the members of the Committee.
- iv. At least one member shall have professional expertise/ qualification in Risk Management.
- v. The Chairman of the Board may be a member of the Committee only if he / she has the requisite Risk Management expertise.

c) Quorum:

The quorum shall be either 3 (three) members or 1/3<sup>rd</sup> (one-third) of the members of the Committee whichever is higher, including at-least 1 (one) member of the Board of Directors of the Company in attendance.

d) Frequency:

The RMC shall meet at least once a quarter and as and when deemed appropriate by the Chairman of the RMC.

e) Functions of the Committee:

The Committee is governed by the charter adopted by the Company.

#### **4.5. Asset Liability Management Committee**

a) Constitution:

This Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 applicable for on Systematically Important Non-Deposit taking NBFC's. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

b) Composition:

The ALCO members would constitute as under (quorum will be any 3 members):

1. MD & CEO (Chairman)
2. ED-Retail
3. Chief Risk Officer
4. Chief Financial Officer & Head-Treasury
5. President – Corporate Banking

In addition, the CTO shall also be an invitee for building up of MIS and related computerization.

c) Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be three members of the Committee.

d) Frequency:

The Committee shall meet on a monthly basis or as and when required or as stipulated by Board.

e) Functions of the Committee:

The ALCO functions as the strategic decision making body for managing the assets and liabilities of company within the risk tolerance/limits/stock approach ratios set by the Board. ALCO reviews the regulatory returns as well as implementing the liquidity risk management strategy. The role of the ALCO with respect to liquidity risk shall include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk. The regulatory returns regarding the ALM position shall be reviewed by the ALCO on a monthly basis.

#### **4.6. Corporate Social Responsibility Committee**

a) Constitution:

The Corporate Social Responsibility ('CSR') Committee is constituted in compliance with the provisions of section 135 of the Companies Act, 2013. The Company has a Board approved CSR Policy in place and required disclosures to the effect are made from time to time.

b) Composition:

This Committee shall comprise of three or more Directors out of which at least one Director shall be Independent Director.

c) Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is greater.

d) Meeting:

The Committee shall meet half – yearly and as and when required or as stipulated by Board from time to time.

e) Functions of the Committee:

The Committee is governed by the charter adopted by the Company.

#### **4.7. Stakeholders Relationship Committee**

a) Constitution:

The Stakeholders Relationship Committee ('SRC') is constituted in compliance with the provisions of section 178 of the Companies Act, 2013 and the Listing Regulations.

b) Composition:

The Committee shall comprise of at least 3 (three) Directors as members of which 1 (One) shall be an Independent Director. The Chairperson of the Committee shall be a Non-Executive Director.

c) Quorum:

The quorum shall be 2 (two) members or 1/3<sup>rd</sup> (one-third) of the members of the Committee whichever is higher. The Chairperson shall be a Non-Executive Director.

d) Meeting:

The Committee shall meet at least once in a year or as and when required or as stipulated by Board from time to time.

e) Functions of the Committee:

The Committee is governed by the charter adopted by the Company.

#### **4.8. IT Strategy Committee**

a) Constitution:

The IT Strategy Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 on Information Technology Framework for the NBFC Sector.

b) Composition:

The Committee shall comprise of the following:

- a. At least 3 (three) Directors, one of which shall be an Independent Director;
- b. The Chairperson of the Committee shall be an Independent Director and have substantial IT expertise in managing / guiding information technology initiatives;
- c. The Chief Technology Officer (CTO) shall be part of the Committee;
- d. All members shall be technically competent



c) Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be two (three) members or 1/3<sup>rd</sup> (one-third) of the members of the Committee; whichever is higher.

d) Meeting:

The Committee shall meet at-least 4 (four) times in a year and not more than 4 (four) months should elapse between two meetings.

e) Functions of the Committee:

The Committee is governed by the charter adopted by the Company.

#### **4.9. Committee of Directors**

a) Composition:

The Committee shall comprise of the following members:

- a. at-least 3 (three) Directors of which majority members shall comprise of Non-Executive Directors;
- b. The Chairperson of the Committee shall be an Independent Director of the Company.

b) Quorum:

The quorum necessary for transacting business at a meeting of the Committee shall be two members or 1/3<sup>rd</sup> of the members of the Committee; whichever is higher, with presence of at-least one Independent Director.

c) Meetings:

The Committee shall meet as and when required.

d) Functions of the Committee:

The Committee is governed by the charter adopted by the Company.

#### **5. Rotation of Partners of the Statutory Auditors Audit firm**

In order to protect the independence of the auditors/audit firms, the Company will have to appoint the statutory auditors for a continuous period of three years. An audit firm would not be eligible for reappointment in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure.

#### **6. Disclosure and Transparency**

- a) The Company shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:
  - i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
  - ii. 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.

- b) The Company shall also disclose the following in its Annual Financial Statements:
- i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
  - ii. ratings assigned by credit rating agencies and migration of ratings during the year;
  - iii. penalties, if any, levied by any regulator;
  - iv. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and
  - v. 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.

## **7. Performance Evaluation**

- 7.1.** The Company recognizes the benefits of a Board that possesses a balance of skill, experience and expertise appropriate to the requirements of the business of the Company.
- 7.2.** The Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- 7.3.** In terms of the requirements of Schedule IV of the Act, the independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting. The meeting shall:
- a) Review the performance of non-independent directors and the Board as a whole;
  - b) Review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - c) Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
- 7.4.** Similarly, the performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

## **8. Policies Adopted by the Company:**

- a. Remuneration Policy
- b. Succession Policy
- c. Policy on Corporate Social Responsibility
- d. Policy on Fit and Proper Criteria
- e. Code of Conduct for Employees
- f. Whistle Blower Policy
- g. Fair Practice Code
- h. Grievance Redressal Policy
- i. Document Handling and Retention Policy
- j. Dividend Distribution Policy

## **9. CEO/CFO Certification**

The Managing Director & CEO and the CFO shall make the necessary certifications regarding the financial statements, internal controls, etc. to the Board.

## **10. Chief Compliance Officer**

The Chief Compliance Officer shall be primarily responsible to adhere to the requirements of this Code, as amended from time to time.

## **11. Chief Risk Officer**

- a) The Company shall appoint a CRO who shall be a senior official in the hierarchy of the Company and he shall possess adequate professional qualification/ experience in the area of risk management.
- b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision, RBI.
- c) The CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, at least on a quarterly basis. The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets. Further the CRO shall not be given any other responsibility.

## **12. Review**

This Policy shall be reviewed by the Board of Directors on a regular basis, in order to align with the prevalent regulatory and business requirements.

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