

# **KKR INDIA ASSET FINANCE LIMITED**

## **CORPORATE GOVERNANCE POLICY**

## **1. PREAMBLE**

KKR India Asset Finance Limited (earlier known as KKR India Asset Finance Private Limited) ('KIAFL' or 'the Company') is a Non-Banking Financial Company ('NBFC') operating under Reserve Bank of India ('RBI') regulations/directions and its activities are governed by the various Indian laws and RBI regulations/directions. Over the years, KIAFL has created a niche place for itself in the Indian financial services market.

KIAFL is committed to and conducts its business activities lawfully and in a manner that is consistent with its compliance obligations. Activities of KIAFL are conducted in line with RBI / Company Law and prevailing local regulations/rules/laws/Acts. In the event this Policy is at variance with regulations/rules/laws/Acts at any stage due to omissions or changes in regulations/rules /laws/Acts, the regulations/rules/laws/Acts would prevail. If any clarifications are needed on these regulations/rules /laws/Acts, the same must be referred to Compliance Officer for its final opinion on the issue.

Sound governance practices and responsible corporate behaviour contribute to superior long-term performance of companies. A best practice on governance issues is an evolutionary and continuing process. Corporate governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the Board and senior management (as defined in the Nomination and Remuneration policy) to oversee the affairs of a company, ensure accountability, inculcate integrity and promote long-term growth and profitability.

The spirit of good corporate governance cannot be codified but is rather a state of mind that translates into actual practice. KIAFL has framed the following "Internal Guidelines on Corporate Governance" with the intent of following corporate governance in spirit as also letter of law.

## **2. BACKGROUND**

RBI has issued guidelines on Corporate Governance to non – deposit taking NBFCs in order to enable the adoption of best practices and greater transparency in their operations. In view of the RBI guidelines, the Company has set out the following set of guidelines / corporate governance practices to create value for stakeholders such as the shareholders, employees, customers etc.

The affairs of the Company shall be conducted with integrity, fairness, accountability and transparency. All commitments in its dealings with stakeholders and regulatory authorities shall be met as set forth below.

## **3. IMPORTANT DECLARATIONS**

Board Members are expected to:

- (i) attend Board meetings regularly and participate in the deliberations and discussions effectively.
- (ii) study the Board papers and enquire the progress of any matter raised in previous meetings.
- (iii) review and approve key policies of KIAFL.
- (iv) ensure confidentiality of the KIAFL's agenda papers, notes and Minutes.
- (v) abstain in the event any any proposal relating to loans, investments, buildings or sites for KIAFL's premises, enlistment or empanelment of contractors, architects, auditors, doctors, lawyers and other professionals etc is related to any person or entity that may be considered a related party for the concerned Board Member.

- (vi) Provide employees with adequate autonomy within a well defined and controlled operational framework to discharge their responsibilities and perform their duties in a disciplined manner with utmost integrity and through good conduct.

#### 4. INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

##### a) Constitution of various Committees with frequency of meetings

With the objective of attaining accountability, transparency and fairness, the following Committees are specifically constituted by the Board of Directors for the below mentioned purposes to act in accordance with terms of reference specified by the Board of Directors:

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
<b>Audit Committee</b>	<p>1. To review periodic and annual financial statements before submission to the Board focusing primarily on:</p> <ul style="list-style-type: none"> <li>• any changes in accounting policies and practices;</li> <li>• major accounting entries based on exercise of judgment by the management;</li> <li>• significant adjustments arising out of the audit;</li> <li>• compliance with accounting standards;</li> <li>• any related party transactions i.e. transactions of KIAFL of material nature, with promoters or the management, their subsidiaries or associates or relatives etc. that may have potential conflict with the interest of KIAFL at large;</li> <li>• Qualifications in the draft audit report;</li> </ul> <p>2. To discuss the appointment, performance of the statutory auditor and recommending audit fees payable to the statutory</p>	Minimum three directors with independent directors forming majority.	Mandatory	Minimum 4 meetings in a financial year.	April 28, 2015

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>auditor and approving payments for any other services to the Board.</p> <ol style="list-style-type: none"> <li>3. To review and monitor the auditors independence and performance, and effectiveness of audit process</li> <li>4. To review adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits.</li> <li>5. To discuss with internal auditors and statutory auditors regarding the scope of audit and their observations.</li> <li>6. To review the functioning of the whistle-blower mechanism.</li> <li>7. To review with management, external and internal auditors, the adequacy of internal financial control system and risk management systems.</li> <li>8. To review the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.</li> <li>9. To discuss and confirm that KIAFL is in compliance with risk</li> </ol>				

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>management policies, procedures and risk reporting mechanisms.</p> <p>10. To review end use of funds raised through public offers and related matters.</p> <p>11. To review the findings of Information System Audit ('ISA') of the internal systems and processes) and ensure that ISA is conducted at least once in two years.</p> <p>12. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.</p>				
<b>Asset Liability Management Committee (ALCO)</b>	<ol style="list-style-type: none"> <li>1 To monitor the asset liability gap and strategize action to mitigate the risk associated.</li> <li>2 To confirm that CRAR is in compliance with RBI Guidelines for previous half year.</li> <li>3 To review and confirm periodic return/reports/statements to be submitted by KIAFL with RBI/any other statutory authorities.</li> <li>4 To review and discuss the balance sheet of the KIAFL from assets and liability management perspective.</li> <li>5 To deliberate on achieving optimal return on capital employed.</li> <li>6 To review currency risk, market risk and liquidity</li> </ol>	<p>ALCO shall comprise of members as nominated by the Board from time-to-time. Generally, it would comprise of the following:</p> <ul style="list-style-type: none"> <li>• CEO</li> <li>• Chief Risk Officer</li> <li>• Other members of Management and relevant sectoral experts nominated by the Board from time to time</li> <li>• If required, technology team can be an invitee.</li> </ul>	<p>Mandatory</p>	<p>Minimum 4 meetings in a financial year on a quarterly basis.</p>	<p>April 28, 2015</p>

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>risk management, interest rate risk and address concerns regarding exposure, if any.</p> <p>7 To review debt composition and plan of KIAFL for fund raising and tenor of the liabilities.</p> <p>8 To confirm compliance with RBI Prudential Norms/Directions/Guideline for Asset Liability Management.</p>				
<b>Investment Credit Committee</b>	The Committee has been constituted to discuss requests for loans / advances or investments in the nature of loans and advances as also requests for restructuring, if any. .	Delegation would be exercised by Board / Management Members in line with Board approved delegation matrix.	Non Mandatory	The Committee will meet as and when required.	April 28, 2015
<b>Risk Management Committee</b>	<ol style="list-style-type: none"> <li>To review the existing framework / polices for measuring, monitoring and managing risks.</li> <li>To discuss if there is any significant risk to the valuation/recovery of the investment made/loans extended as well as review of risk categorization of all outstanding accounts and corrective steps / mitigating strategies (if required).</li> <li>To deliberate on various types of risks including operational, regulatory, IT risks and other risks faced.</li> </ol>	The Committee will comprise of members of Board and Management and relevant sectoral experts nominated by the Board from time to time.	Mandatory	Minimum quarterly in a financial year	May 8, 2015

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<ol style="list-style-type: none"> <li>4. To assess business contingency plan, risk and possible solutions / implementation aspects.</li> <li>5. To discuss and obtain functional update from Company Officials on challenges and issues faced by the divisions and potential and inherent risk involved.</li> <li>6. To review processes and procedures to ensure the effectiveness of internal systems of control.</li> <li>7. To discuss external developments and the reporting of specifically associated risk, including emerging and prospective impacts.</li> <li>8. To deliberate over implementation of risk and other policies including Anti Money Laundering and KYC (Know your Customer) Policies.</li> </ol>				
<b>Nomination Committee</b>	<ol style="list-style-type: none"> <li>1. To ensure that the general character of the management shall not be prejudicial to the interest of its present and future stakeholders.</li> <li>2. To discuss and confirm that existing Directors are of 'fit and proper' status.</li> <li>3. To confirm that directors are nominated and remunerated based on the parameters set by the</li> </ol>	<p>Minimum — directors. [the chairperson of the Company (whether executive or non-executive) may be appointed as a member but shall not chair such Committee]</p>	Mandatory	Minimum once a year in a financial year.	April 28, 2015

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>Committee in the policy.</p> <p>4. To discuss every Director's performance, the structure, size and composition. To evaluate current position of Directors and make recommendations, if any, to the Board with regard to any changes.</p> <p>5. To discuss the succession planning for Directors.</p> <p>6. To confirm that the proposed appointees (if any) have given their consent in writing to KIAFL.</p> <p>7. To review existing nomination and remuneration policy.</p> <p>8. To discuss remuneration of Senior Officials of the company.</p>				
<b>Corporate Social Responsibility Committee</b>	<p>1. To discuss and recommend CSR projects, which are in line with the activities specified in Schedule VII, to be undertaken by the Company.</p> <p>2. To review monitoring mechanism for the implementation of the CSR Projects or programmes or activities undertaken by the Company.</p> <p>3. To consider annual report on the CSR activities carried out by the Company</p>	<p>3 or more directors, out of which at least one director shall be independent director</p>	<p>Mandatory, as it fulfils the criteria mentioned in section 135 of Companies Act, 2013</p>	<p>As and when required</p>	<p>September 6, 2016</p>



Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>4. To discuss that the Company is in compliance with section 135 of the companies Act with regard to quantum of expenditure on CSR and to discuss and recommend the amount of expenditure to be incurred on CSR projects.</p> <p>5. To consider and approve CSR project and authorize signing of the Memorandum of Understanding with the Agencies.</p> <p>6. To review existing CSR policy.</p>				
<b>Prevention of Sexual Harassment (POSH) Committee</b>	<p>1. Provide a safe working environment at the workplace which shall include safety from the persons coming into contact at the workplace.</p>	<p>As mentioned in the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013</p>	<p>Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013</p>	<p>As and when required</p>	<p>September 6, 2016</p>
<b>IT Strategy Committee</b>	<p>The purpose of the IT Strategy Committee is to oversee the strategy development, approval, implementation, review and reporting to the Board.</p> <p>The Committee shall have principal responsibilities as follows:</p> <p>1. Formulate and recommend to an IT Strategy for NBFC and align with KKR global IT strategy.</p> <p>2. Oversight and</p>	<p>The Committee will comprise of the independent director, chief information officer, chief technology officer and such other directors or officials as nominated by the Board from time to time</p>	<p>Directions issued by the Reserve Bank of India on Information Technology Framework for NBFC sector vide circular no. DNBS.PPD.No. 04/66.15.001/2 016-17 dated June 08, 2017</p>	<p>Minimum two meetings, however the gap between the two meetings shall not be more than six months</p>	<p>February 23, 2018</p>

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>continuous improvement of the NBFC strategic planning processes and framework</p> <ol style="list-style-type: none"> <li>3. Agree and prioritize the allocation of resources to ensure delivery of the IT Strategy.</li> <li>4. Manage and oversee a rolling long term investment programme.</li> <li>5. Ensure the provision of key business applications and processes.</li> <li>6. Review and approve IT Standards and Policies.</li> <li>7. Assess major IT related projects, investments and changes and identify associated risks and impacts.</li> <li>8. Review the IT strategy and progress in semi-annually basis</li> </ol>				
<b>Information Technology Steering Committee</b>	<p>The main role and responsibility of the members of the said Committee will be as follows:</p> <ol style="list-style-type: none"> <li>1. Providing support, guidance and overseeing and monitoring the progress of implementation of the Company's various Information Technology projects</li> </ol>	<p>The Committee will comprise of the business owners, development team and other officials as nominated by the Board from time to time</p>	<p>Directions issued by the Reserve Bank of India on Information Technology Framework for NBFC sector vide circular no. DNBS.PPD.No. 04/66.15.001/2016-17 dated June 08, 2017</p>	<p>As and when required</p>	<p>June 29, 2018</p>

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	<p>(such as the Company's proposed Loan Management Solution on the SAP platform) and</p> <p>2. To identify deficiencies and defects at the system design, development, implementation and testing phases.</p>				
<b>Borrowing Committee</b>	<p>The Board has delegated the following powers of the Board of</p> <ol style="list-style-type: none"> <li>1. Raising funds by way of loan or by way of issuance of commercial paper</li> <li>2. Opening/closing and operating one or more scheduled commercial banks</li> <li>3. Undertake banking transactions through internet based remote access / online banking and to grant view-only rights in relation to internet based remote access / online banking to any employee or other person who needs view-only access for the benefit of the Company and</li> <li>4. Any other activities to be undertaken in relation to the above mentioned activities delegated by</li> </ol>	<p>The Committee will comprise of the officials of the Company as nominated by the Board from time to time.</p>	<p>Formed in accordance of Section 179 of the Companies Act, 2013</p>	<p>As and when required</p>	<p>May 14, 2018</p>

Committees	Functions	Members	Requirements	Periodicity of Meetings	Date of First Formation
	the Board.				

**b) In addition to the above, KIAFL shall follow the following guidelines for due compliance:**

- (i) All the employees are obliged to carry out their duties in an honest, fair, diligent and ethical manner, within the scope of the authority conferred upon them and in accordance with the laws, rules, regulations, agreements, guidelines, standards and internal policies and procedures.

The Board of Directors of the Company is entrusted with the fiduciary responsibility of oversight of the affairs of the Company. As Directors of the Company, they have a duty to make decisions and implement policies in the best interest of the Company and its stakeholders.

The Directors and employees are required to act in accordance with the highest standards of personal and professional integrity, honesty, ethical and legal conduct, when acting on behalf of the Company or in connection with the Company's business or operations and at social events. An honest conduct is considered as such when a conduct is free from fraud or deception. KIAFL considers ethical conduct to be confirming to the accepted professional standards of conduct and include ethical handling of actual or apparent conflicts of interests between personal and professional relationships.

**The Directors and employees shall:**

- Act honestly, fairly, ethically, with integrity and loyalty and conduct themselves in a professional, courteous and respectful manner;
  - Act in the best interests of the Company and in a manner to enhance and maintain the reputation of the Company, and fulfill their fiduciary duties to the stakeholders of the Company.
  - Act in good faith, with responsibility, due care, competence, diligence and independence.
  - Treat their colleagues and other associates of the Company with dignity.
- (ii) The Directors and Senior Management personnel will avoid and disclose any activity or association that creates or appears to create a conflict between the personal interest and the Company's business interest. A conflict of interest exists where the interest or benefits of one person or entity conflict with the interests or benefits of the Company. Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect the independent and sound judgment on behalf of the Company. Directors and the Senior Management personnel are required to disclose to the Board any situation that may be, or appear to be, a conflict of interest.
- (iii) Executive Directors and Senior Management personnel shall not work for or receive payments for services from any competitor, customer, distributor or supplier of the

Company without approval of the Board. (Further provisions regarding dual employment will be governed by the Employee Handbook of the company)

- (iv) Directors and Senior Management personnel shall not use personal influence to make the Company do business with a company/institution in which his or her relatives are interested. As a general rule, Directors and Senior Management personnel shall avoid conducting Company's business with a relative or with an entity in which a relative is associated in any significant role. In case of conflicts, disclosure shall be made to the Board of Directors and a prior approval shall be obtained.
- (v) Employees shall neither accept gifts, services or other items of more than Rs 5,000 (Rs. Five Thousand) per year from any person or entity that does or seeks to do business with the KKR Group without prior approval of Group CCO. Employees are also not permitted to give/or offer any gift of more than nominal value of Rs. 10,000 (Rupees Ten Thousand) in accordance with the practices adopted and prescribed globally by KKR. Similar guidelines would be applicable to gratuities or any offer, payment, promise to pay, or authorization to pay any money, or anything of value that could be interpreted to adversely affect business decisions or likely to compromise their personal or professional integrity. Gift items of nominal value, such as small promotional items bearing another company's name, business meals, gifts received because of personal relationships and not because of official position, mementos received because of attending a widely held gatherings as panelist/speaker and other customary gifts may be allowed with prior approval from Compliance (Gifts are not always physical objects - they might also be services, favors or other items of value). Use of personal funds to purchase a gift for any entity that the Company is doing, or seeking to do, business with, is prohibited where such a gift would otherwise be prohibited if made by the Company.
- (vi) Employees may provide or accept a business entertainment event, such as a meal or a sporting event, so long as the expense of the entertainment is reasonable in value, and only if the Employee or entity providing the entertainment is present. Hospitality or entertainment that is provided to business relationships where an Employee is not in attendance is considered a gift, and subject to the rules and requirements for gifts specified above.
  - Any single business entertainment event provided with a value equal to or greater than Rs. 18,000 (Rs. Eighteen Thousand) per person must be approved via Concur by the employee's supervisor.
  - Any single business entertainment event accepted with a value equal to or greater than Rs. 18,000 per person must be reported to the employee's supervisor via email.
  - Any single business entertainment event provided or accepted with a value equal to or greater than Rs. 45,000 per person (or Rs. 30,000 per person for employees associated with a broker dealer) must be pre-cleared with Compliance via PTCC.
- (vii) Directors and Senior Management personnel shall not divert business opportunities of the Company, by exploiting for their own personal gain, business opportunities that are discovered through the use of corporate propriety information or position. However the Directors and Senior Management personnel may pursue such business opportunities provided Compliance has provided approval and once they are fully disclosed to the company and the company declined to pursue such opportunities.

- (viii) The assets of the Company shall be used for legitimate business purposes and shall not be used for personal purposes. Incidental personal use, if reasonable does not amount to violation of these guidelines.
- (ix) It is the general obligation of the Directors & Employees to conduct the business and operations of the Company in accordance with the laws, rules, regulations, agreements, guidelines, standards including accounting standards governing its operations. The Directors and employees shall also comply with the internal policies and procedures of the Company to the extent applicable to them.
- (x) It is the Company's policy to ensure continuous, timely and adequate disclosure of Company's information. The Company is committed to full, fair, accurate, timely and understandable disclosure in reports and documents; it files with or submits to the regulatory authorities and in other public communications. The Directors and Senior Management personnel shall provide only public information to the analyst/research person/large investors like institutions. The Directors and Senior Management personnel must maintain the confidentiality of information relating to the affairs of the Company until and unless authorized or legally required to disclose such information; and shall not use confidential information for their personal advantage.
- (xi) The Directors and Senior Management personnel are obligated to deal fairly and honestly with each other, the Company's affiliates and with the Company's customers, suppliers, competitors and other third parties. Directors and Senior Management personnel shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing or practice. The Company is committed to free and open competition in the marketplace. Directors and Senior Management personnel shall avoid actions that could reasonably be construed as being anti-competitive, monopolistic or otherwise contrary to laws governing competitive practices in the marketplace, including antitrust laws. Such actions include misappropriation and/or misuse of a competitor's confidential information or making false statements about the competitor's business and business practices.
- (xii) It is the duty and obligation of every Director and Senior Management personnel to comply with these internal guidelines on corporate governance. Any violation of these internal guidelines on corporate governance shall be reported to the Board of the Company. These internal guidelines on corporate governance shall be posted on the website of the Company.
- (xiii) Personal Investments of every employee shall be governed by procedures, practices and policies relating to employee investments adopted globally.

## **5. MAINTENANCE OF INDEPENDENCE OF THE STATUTORY AUDITORS AUDIT FIRM**

KIAFL shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of KIAFL after an interval of three years, if KIAFL, so decides. KIAFL shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

## **6. DISCLOSURE AND TRANSPARENCY**

KIAFL is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors, Members or other stakeholders as may be required by the applicable laws and the codes / policies of KIAFL.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations

## **7. DISCLOSURE IN ANNUAL FINANCIAL STATEMENTS**

- (i) registration/ license/ 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, as given in the Appendices.

## **8. Review of Policy**

The Board or its Committee may review this policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.

**Appendix A - Proforma Information in respect of loans and advances sanctioned to the Directors of KIAFL, their relatives and other entities mentioned above:**

**Position as on:**

Sr. No	Name of the Customers (relationship)	Limits Sanctioned (Rs. in lakhs)						
		Date of Sanction/ Renewal	Type of Facility		Secured	Un-secured	Nature and Value of Security	Due Date/ Date of Maturity
			Funded	Non-funded				
1	2	3	4	5	6	7	8	9

Amount Outstanding (Rs. in Lakhs)				
Secured	Unsecured	Total (100% of Funded and 50% of Non-funded Limits)	Whether in excess of exposure norms/limits stipulated by RBI	Action initiated in case of Overdue/ NPA Accounts
10	11	12	13	14

**Note:** Different types of facilities sanctioned to a customer shall be indicated separately against columns 4 and 5.