

MEENAKSHI MERCANTILES LIMITED

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

PREAMBLE AND COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interest of Stakeholders. In sum, Corporate Governance is to achieve business excellence and dedicate itself to transparency in all its dealings and places and business efforts. The Company firmly believes in the spirit of Corporate Governance and the same has influenced its decisions and policies long before the guidelines became mandatory.

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 ethics, accountability to its customers, regulators and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Company also believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of effective Framework, Policies and Procedures, which is mandated and regularly reviewed by the Board or the Committees of the Board.

Accordingly, this internal guidelines on Corporate Governance are framed in the spirit of the aforesaid circular of RBI and is approved by the Board of Directors of Company on 12.02.2025

1. RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to adopt practices enhancing transparency in the operations of the Company and in compliance with the Governance Guidelines issued under Chapter XI of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023, as amended from time to time, the Company has framed and adopted the "Internal Guidelines on Corporate Governance".

2. SCOPE

These guidelines would formalise the existing Corporate Governance framework and practices across the functions and operations of the Company.

3. DEFINITIONS



In this Framework, unless the context otherwise requires:

‘Act’ means the Companies Act, 2013 and rules thereunder includes any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;

‘Audit Committee’ means the Audit Committee of the Board constituted pursuant to Section 177 of the Companies Act, 2013;

‘Board of Directors’ or ‘Board’, in relation to the Company, means the collective Board of the Directors of the Company;

‘Company’ means ____Meenakshi Mercantiles Limited

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‘Directions’ means Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023, as amended from time to time.

‘Directors’ means the Board of directors of the Company;

‘Independent Director’ means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder and any other applicable laws for the time being in force;

‘Nomination and Remuneration Committee’ means the Nomination and Remuneration Committee of the Company, constituted and re-constituted by the Board from time to time;

‘Risk Management Committee’ means the Risk Management Committee of the company constituted and re-constituted by the Board from time to time;

‘Corporate Social Responsibility Committee’ means the Corporate Social Responsibility Committee of the Company constituted and re-constituted by the Board from time to time;

‘Stakeholders Relationship Committee’ means the Stakeholders Relationship Committee of the Company constituted and re-constituted by the Board from time to time;

‘Asset Liability Management Committee’ means the Asset Liability Management Committee of the Company constituted and re-constituted by the Board from time to time;

‘Investment and Finance Committee’ means the Investment and Finance Committee of the Company constituted and re-constituted by the Board from time to time;

‘Information Technology Strategy Committee’ means the Information Technology Strategy Committee of the Company constituted and re-constituted by the Board from time to time;



'Senior Management' means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads as defined in the Companies Act, 2013.

4. GOVERNANCE STRUCTURE:

A. 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.

Composition of the Board:

The Board's strength shall be as per the limit specified in the Companies Act, 2013, the Articles of Association of the Company.

The Board shall have an optimum combination of Executive, Non-executive, Independent Directors and Women Director in line with the requirements of the provisions of the Companies Act, 2013, other Applicable Laws and the Articles of Association of the Company.

Meetings and Quorum:

The board of directors shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

Quorum for the Board meetings would be pursuant to the applicable provisions of the Companies Act, 2013.

B. COMMITTEES OF THE BOARD:

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board.

The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting. Accordingly, the core Committees constituted by the Board in this connection are as follows:

1. AUDIT COMMITTEE:

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013, RBI regulations, and other applicable laws.



Composition of the Committee:

The composition of the Audit Committee shall be in accordance with applicable provisions of the Companies Act, 2013 and other applicable laws.

Meetings & Quorum:

The Audit Committee shall meet as and when required by the Board or by the Committee itself, but it shall meet at least four times in a year and not more than 120 days shall elapse between two meetings. The quorum for the Audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with atleast two independent directors in attendance. The Company Secretary shall act as Secretary to the Committee. The Internal Auditors, Statutory Auditors of the Company are invited to attend the Audit Committee meetings. The Committee also invites Key Management Personnel and senior executives (if required), as it considers appropriate, to be present at the meetings of the Committee.

Responsibilities:

The role and terms of reference of the Audit Committee covers the matters specified for Audit Committee under Section 177 of the Companies Act, 2013 and other applicable laws.

2. NOMINATION AND REMUNERATION COMMITTEE:

The Company has constituted a 'Nomination and Remuneration Committee' in compliance with the provisions of Section 178 of the Companies Act, 2013 and other applicable laws.

The Company has a Board approved Nomination, Remuneration and Compensation Policy in place.

Composition:

The composition of the Nomination and Remuneration Committee shall be in accordance with applicable provisions of the Companies Act, 2013 and other applicable laws.

Meetings and Quorum:

The Committee shall meet at least once in a year. The quorum for the Nomination and Remuneration Committee meeting shall either be two members or one third of the members of the Committee, whichever is greater, with at least one independent director in attendance. The Company Secretary shall act as Secretary to the Committee

Responsibilities:

The terms of reference of the Nomination and Remuneration Committee cover all the areas mentioned under Section 178 of the Companies Act, 2013 and other applicable laws.

3. RISK MANAGEMENT COMMITTEE:

This Committee is constituted in compliance with the provisions of the Companies Act, 2013, RBI regulations, and other applicable laws. The Company has a Board approved Risk Management Policy in place.

Composition:

The Risk Management Committee shall have minimum of three members with majority of them being members of the Board of Directors, including at least one independent director. However, the Chairperson of the Committee shall be an independent director. The Company Secretary shall act as Secretary to the Committee.

Meetings & Quorum:

The Risk Management Committee shall meet atleast twice in a year in such a manner that on a continuous basis not more than 180 days shall elapse between any two consecutive meetings. The quorum for a meeting of the Committee shall be either two members or one third of the members of the Committee, whichever is higher, including atleast one member of the board of directors in attendance.

Responsibilities:

The Terms of Reference and Role of the Risk Management Committee cover the matters as specified under the Companies Act, 2013 and other applicable laws.

4. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company has constituted a Corporate Social Responsibility Committee in compliance with the provisions of Section 135 of the Companies Act, 2013. The Company has a Board approved Corporate Social Responsibility Policy in place.

Composition:

The composition of the Corporate Social Responsibility Committee shall be three or more directors, out of which at least one director shall be an independent director.

Meetings and Quorum:

The Committee shall meet as and when required with at least one meeting in a year. The quorum for the Committee meeting shall either be two members or one third of the members of the Committee, whichever is greater. The Company Secretary shall act as Secretary to the Committee.

Responsibilities:

The terms of reference of the Corporate Social Responsibility Committee is to comply with the requirements of Section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility) Rules, 2014 and all other relevant compliances.



5. ASSET LIABILITY COMMITTEE (ALCO):

The Company has constituted the Asset Liability Management Committee in accordance with the Guidelines on Liquidity Risk Management Framework as directed in Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023, as amended from time to time. The Company has a Board approved Asset Liability Management Policy in place.

Composition:

The composition of the Asset Liability Management Committee shall be at all times be in compliance under applicable laws.

Meetings and Quorum:

The Committee shall meet as and when required with at least one meeting in a year. The quorum for the Committee meeting shall either be two members or one third of the members of the Committee, whichever is greater. The Company Secretary shall act as Secretary to the Committee.

Responsibilities:

Responsibilities of the ALCO shall inter alia include followings:

- (a) Liquidity Risk Management;
- (b) Management of market risks;
- (c) Fund and capital planning;
- (d) Forecasting and analysing 'What if scenario' and preparation of contingency plans; etc.

6. Information Technology (IT) Strategy Committee

The Company has constituted the Information Technology Strategy Committee in accordance with the provisions of RBI Master Direction No. DNBS.PPD.NO.04/66.15.001/2016-17. The Company has a Board approved IT Policy in place.

Composition:

The composition of the Information Technology (IT) Strategy Committee shall be at all times in compliance under applicable laws.

Meetings and Quorum:

The Committee shall meet atleast twice in a year in such a manner that on a continuous basis not more than 180 days shall elapse between any two consecutive meetings. The quorum for the Committee meeting shall either be two members or one third of the members of the Committee, whichever is greater. The Company Secretary shall act as Secretary to the Committee.

Responsibilities:



Responsibilities of the Information Technology (IT) Strategy Committee shall inter alia include followings:

A. GENERAL

- a) Approving IT strategy and policy documents;
- b) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- c) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- d) 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;
- e) Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls.

B. FOR OUTSOURCED OPERATIONS

- a) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
- b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- f) Periodically reviewing the effectiveness of policies and procedures;
- g) Communicating significant risks in outsourcing to the Company's Board on a periodic basis;
- h) Ensuring an independent review and audit in accordance with approved policies and procedures;
- i) Ensuring that contingency plans have been developed and tested adequately;
- j) Company should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. To adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis."

C. PERFORMANCE EVALUATION

The Nomination and Remuneration Committee and the Board of Directors of the Company shall evaluate the performance of every director in accordance with the provisions of section 134 and 178 of the Companies Act, 2013.



D. FIT & PROPER CRITERIA

In compliance with the Chapter XI-Governance Guidelines, of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023, the Company has a Board approved Fit & Proper Policy in place and required disclosures to the effect are made from time to time.

Every individual at the time of his / her appointment / re-appointment and on annual basis, as Director of Company, provides a Fit & Proper declaration in the manner and format as may be prescribed by RBI from time to time.

In case there is no change to the information already provided by the director, declaration to that effect shall be furnished to the Company.

Every Individual, once appointed as Director of the Company shall enter into a Deed of Covenant, as prescribed by RBI, with the Company.

E. DISCLOSURE AND TRANSPARENCY

The Company shall put up to the Board of Directors or its Committee, at regular intervals, as may be prescribed by the Board in this regard, the following:

- 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.

The following shall also be disclosed in the Company's Annual Financial Statements:

- Details of all material transactions with related parties shall be disclosed in the 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 and
- 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 the Company as also securitization/ assignment transactions and other disclosures, as may be prescribed by RBI from time to time.

F. STATUTORY AUDITORS

The Board and the Audit Committee shall be responsible for the appointment of the Statutory Auditors who demonstrate professional eligibility and independence as per the Guidelines for



Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) bearing reference no. RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 read with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Master Direction – Scale Based Regulation) dated October 19, 2023,. Declaration to be obtained every year from the Statutory Auditors affirming their eligibility for being appointed as Statutory Auditors of the Company.

G. INTERNAL AUDITORS

The Company shall comply with RBI guidelines from time to time, and with the applicable provisions under Companies Act, 2013 for appointment of Internal Auditors who shall perform independent and objective assessment of internal controls, processes and procedures instituted by the Company.

H. SECRETARIAL AUDITORS

The Board shall appoint independent Company Secretary in Practice, in accordance with the provisions of Section 204 of the Companies Act, 2013 and Rules made thereunder to conduct the Secretarial Audit of the Company.

I. ADOPTION OF POLICIES

The Company shall frame and adopt such policies forming part of its corporate governance framework. The Board shall review the same from time to time, amend and/or adopt new policies as per the requirements of the Act, RBI guidelines and such other regulatory laws as may be applicable to the Company.

J. CHIEF COMPLIANCE OFFICER (CCO)

The Company has appointed a CCO leading the compliance function with specified role and responsibilities in terms of the RBI circular bearing Ref.No.DoS.CO.PPG./SEC.01/11.01.005/2022-23 on Compliance Function and Role of Chief Compliance Officer (CCO) - NBFCs dated April 11, 2022 read with the RBI guidelines on 'Scale Based Regulation'.

K. REVIEW OF GUIDELINES

These guidelines shall be reviewed by the Board of Directors at such intervals as and when deemed necessary, in order to align the same with the prevalent regulatory and emerging best practices with a view to enhancing the Company's governance.