



TRUCAP FINANCE LIMITED

Internal Guidelines on Corporate Governance

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Version Control:

Sr. No.	Details of Changes	Date of Creation/Change	Department	Version No.	Approved by
1.	Original Document	August 13, 2024	Compliance and Secretarial	Version 1.0	Board of Directors



1. INTRODUCTION

TruCap Finance Limited (“**Company**”) is a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (“**RBI**”). The equity shares of the Company are listed on BSE Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”).

The Company believes in adopting the ‘best practices’ that are followed in the field of Corporate Governance. The Company emphasises the need for full transparency and accountability and conducting its business in a highly professional and ethical manner, thereby enhancing trust and confidence of all its stakeholders. The comprehensive Corporate Governance practices followed by the Company ensures that the Company always works optimally, protecting the best interests of the stakeholders and withholding the reputation and status of the Company.

2. OBJECTIVES

In terms of Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023, as amended (“**Master Directions**”), and other applicable directions, circulars, notifications, as amended, issued by RBI, a NBFC with an asset size of more than Rs.1,000 Crores shall be classified as a Middle Layer NBFC and is required to formulate a Board approved internal guidelines on Corporate Governance.

Since the asset size of the Company is more than Rs.1,000 Crores, the Company is classified as a middle layer NBFC and accordingly the Board of Directors of the Company at its meeting held on August 13, 2024, have formulated this Internal Guidelines on Corporate Governance (“**Guidelines**”).

3. GOVERNANCE STRUCTURE

Being a Company listed with BSE and NSE and registered with the RBI, the Company is required to comply with the provisions of the Companies Act, 2013 (“**Act**”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and Master Directions issued by RBI.

a. Board of Directors

At the topmost layer, the Company shall have Board of Directors (“**Board**”) with an optimum composition as required in the Act, Listing Regulations and the Master Directions.

The Company’s Board has a primary role to protect and enhance stakeholders’ value through supervision and strategic inputs.

The Board shall have an optimum combination of Executive, Non-Executive, Independent and Woman Director and the composition of the Board shall be pursuant to the Articles of Association of the Company read with the applicable provisions of the Act, the Listing Regulations and the Master Directions. The Directors shall possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other allied fields to enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company and shall meet the ‘fit and proper’ criteria as prescribed by the RBI and the Company’s Policy on fit and proper criteria for appointment of Directors of the Company.

All the Directors on the Board (except Independent Directors and Nominee Directors) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting



of the Company, who shall be eligible for re-appointment. All the Directors shall make the necessary disclosures with respect to their concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions on an annual basis and shall intimate changes as and when they take place.

b. Board Independence

The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board shall fulfil the criteria of independence as set out under the provisions of the Act, Listing Regulations and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

c. Meetings of the Board

The meetings of the Board of Directors shall be held at least four times a year, with a maximum time gap of not more than one hundred and twenty days between any two consecutive meetings. The minimum information to be statutorily made available to the Board, pursuant to the applicable guidelines, Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) shall be furnished to the Directors. Every Director holds a fiduciary position and shall be required to attend and actively participate in the meetings of the Board and its Committee(s) in which they are a member and conscientiously fulfil his/her obligations as Director of the Company.

d. Disclosures

An annual declaration on confirmation in respect of fit and proper criteria shall be furnished by the Directors. The Company has a Board approved Code of Conduct for Directors and Senior Management of the Company (“Code”) wherein they shall affirm compliance with the Code on an annual basis.

Further, the Directors shall not disclose any confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

e. Committee(s)

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of committees with specific terms of reference/scope (“Committee(s)”) as detailed below as per the Master Directions, the Act and the Listing Regulations. The Committee(s) shall operate as empowered agents of the Board as per their Charter/ terms of reference. The Board along with its Committee(s) shall not only exercise effective supervision and appropriate controls, but also ensure a strong emphasis on transparency, accountability and integrity.



i. Audit Committee:

In compliance with the provision of the Act, Listing Regulations and Master Directions issued by RBI, the Audit Committee shall comprise of minimum of three Directors and at least two-thirds of the members of Audit Committee shall be Independent Directors. The Chairperson of the Audit Committee shall be an Independent Director. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Audit Committee shall meet at least four times in a financial year and not more than one hundred and twenty days shall elapse between two meetings. The quorum for the meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two Independent Directors. The Committee shall be governed by the provisions of the Act, SEBI Listing Regulations, RBI guidelines and terms of reference of the Committee.

ii. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee (NRC) shall be responsible to deal with nomination, appointment/re-appointment and remuneration of Directors, Key Managerial Personnel and Senior Management. The NRC shall be comprised of not less than three Directors and at least two-thirds of the Directors shall be Independent Directors. All the Directors of the NRC shall be Non-Executive Directors. The Chairperson of the NRC shall be an Independent Director. The Chairperson of the Company may be appointed as a member of the NRC however shall not chair such Committee. The NRC may meet as and when necessary, minimum of one such meeting shall be held in each financial year. The composition and the terms of reference of the NRC shall be in line with the Act, read with Listing Regulations and Master Directions, as amended from time to time.

Further, NRC shall also be required to evaluate and review the evaluation of the performance of the Executive Director(s), Chairperson of the Company, Independent Directors, Non-Independent Directors, Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee and Board as a whole.

iii. Risk Management and Strategy Committee

As an NBFC, the Company is exposed to various risks which inter alia includes credit, liquidity, market, operational, interest rate risk and other risk associated with the business and the industry it operates in. The Board has constituted a Risk Management & Strategy Committee as required under Master Directions read with Regulation 21 of the Listing Regulations. The Risk Management Committee shall have minimum three members with majority of them being Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a Director and senior executives of the Company may be members of the committee. The risk management committee shall meet at least twice a year and not more than one hundred and eighty days shall elapse between any two consecutive meetings. The composition of RMC is in line with the Act, read with Listing Regulations and Master Directions issued RBI.

iv. Stakeholders relationship Committee

The Stakeholders Relationship Committee (SRC) shall be responsible to consider and resolve the grievances of the shareholders, debenture holders and other security holders of the Company and also to assist the Board and the Company in overseeing the existing



redressal mechanism in relation to stakeholders of the Company. The SRC shall consist of at least three Directors as a member with at least one being an Independent Director and the Chairperson of the SRC being a Non-Executive Director. The SRC may meet as and when necessary, minimum of one such meeting shall be held in each financial year. The composition of SRC and the terms of reference of the SRC is in line with the Act, read with Listing Regulations.

v. Corporate Social Responsibility

Pursuant to the requirement specified in Section 135(1) of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended and circulars and notifications issued by the Ministry of Corporate Affairs, a Corporate Social Responsibility (“CSR”) Committee was constituted to look after the CSR activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board for its consideration and approval. The CSR committee shall consist of three or more directors and out of which at least one member shall be Independent Director. The CSR Committee shall meet as frequently as it may deem necessary, minimum once a year, to approve the CSR budget, allocation and monitoring. Detailed terms of reference and functioning of the CSR Committee has been decided by the Board in accordance with the provisions of the Act and applicable laws, from time to time. The terms of reference and the composition of the CSR Committee is in line with the Act, read with Listing Regulations and Master Directions issued by RBI.

vi. Other Management Committees

- Asset Liability Management Committee (ALCO)

The ALCO shall, inter alia, monitor the asset liability composition of the Company’s business and determine actions to mitigate risks associated with the asset liability mismatches, approving investments, disinvestments and re-investments etc. The composition of ALCO is as follows:

- Managing Director and Chief Executive Officer;
- Chief Financial Officer;
- Chief Credit Officer;
- Vice President - Treasury.

- Credit Committee

The Credit committee is constituted by the Board and shall be inter alia responsible for product composition, approval of credit policies for various products, formulation, recommendation and implementation of various policies, approving and reviewing co-lending, business correspondent relationships etc. . The composition of the credit committee is as follows:

- Managing Director and Chief Executive Officer
- Chief Credit Officer and Principal Officer
- Chief Financial Officer
- Chief Compliance Officer and Legal Head



- Head - Operations
- Head - Collections

The ALCO of the Company meets at required periodicity.

- Finance Committee

The Finance Committee is constituted with the below members and is inter alia responsible for approving matters with respect to borrowings, allotments of securities, approving terms of issuances of securities, open and close bank accounts and approving and authorising officers of the Company for day to day matters of the Company.

- Managing Director and Chief Executive Officer
- Chief Credit Officer and Principal Officer
- Chief Financial Officer

The ALCO of the Company meets at required periodicity.

The terms of reference of all the committees shall be as approved/amended by the Board, which shall be made available on the website or Annual Report of the Company. The frequency of the Committee meetings and quorum shall be as prescribed under the Act, Listing regulations and RBI Master Directions. The minutes of all the committees shall be placed before the Board at their subsequent meeting for their due noting.

4. FIT AND PROPER CRITERIA

The Company have in place a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis and shall adhere to the same.

5. KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel of the Company shall not hold office/directorship except in its subsidiary, in any other NBFC-ML or NBFC-UL with effect from October 01, 2024.

6. INDEPENDENT DIRECTOR

A director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. The Board of Directors shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. The compliance with respect to the same shall be adhered to by October 01, 2024.

7. CHIEF RISK OFFICER

NBFCs with asset size of more than ₹5,000 crore in categories - NBFC-ICC, NBFC-IFC, NBFC-MFI, NBFC-Factors and IDF-NBFC shall be required to appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities. The CRO is required to function independently so as to ensure highest standards of risk management.

Since the Company has not crossed the asset size of Rs. 5,000 crores, hence the requirement of appointing the Chief Risk Officer is currently not applicable. Once the Company crosses an asset size of Rs. 5,000 crores, the Company shall appoint a Chief Risk Officer in terms of the Master Directions issued by RBI.



8. REVIEW/REVISION

The Guidelines shall be placed for review of the Board as and the management deems required. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended and accordingly from the effective date specified as per the Regulatory Provisions. The Managing Director or the Chief Compliance Officer reserve (s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.