



Bussan Auto Finance India Pvt. Ltd.

(Registered & Head Office)

4th Floor, Videocon Tower, E-1, Jhandewalan Extn. New Delhi - 110 055. India • Tel No. : 011-43611111, Fax No. : 011-43611139

Corporate Governance – Internal Guidelines

Date of Approval: June 29, 2016

Effective Date: June 29, 2016

Date of 1st Revision: September 29, 2016

Date of 2nd Revision: March 23, 2018

Approval Authority: Board of Directors

Bussan Auto Finance India Private Limited (hereinafter referred to as “BAF India”), in pursuance of the directions issued by the RBI for Non-Banking Financial Companies (NBFCs), has adopted the internal guidelines on Corporate Governance.

A. Introduction

Corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders.

Corporate governance is primarily the responsibility of the Board as a group. The Board performs its duties with the support of managerial staff. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organisation. Consequently, the organisation is able to enhance the trust and confidence of the stakeholders.

B. Corporate Governance Philosophy and Practice

The Company believes in adopting, adhering and benchmarking itself against the best recognized corporate governance practices. Good corporate governance practices stem from the culture and mindset of the organisation. While practicing good corporate governance, Company strives to communicate, all the material developments and its financial performance in a timely, meaningful and truthful manner. The Company has infused the philosophy of corporate governance into all its activities.

Further, the Company believes that an active, well-informed Board is necessary to ensure the highest standards of Corporate Governance. The Board shall oversee the performance of the company and should ensure shareholders' protection and maximization of their long term values.



C. Corporate Governance Structure

Company has a well defined and embedded governance structure, which fully supports the Corporate Governance as a whole. It is further aligned to the Company's goals and objectives and complies with all the applicable laws and regulations.

The governance structure can be broadly categorized as follows:

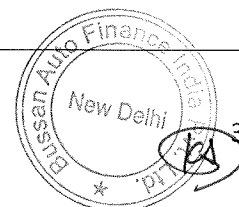
Board Level/Statutory: Ensuring full compliance with the various applicable laws and regulations, Company has following governance set-up:

- Board of Directors
- Audit Committee
- Nomination Committee
- Corporate Social Responsibility Committee

Details on the scope of work, constitution and frequency of the above Committees including Board are attached herein below:

Board/Committee	Description	Scope of Work
Board of Directors	<p>Constitution: Minimum Directors shall not be less than 3 (three) and the maximum shall not be more than 12 (twelve).</p> <p>Company Secretary: Secretary to the BOD</p> <p>Periodicity and Quorum: At least 4 (four) meetings shall be held in every calendar year. Gap between two meetings should not exceed 120 days.</p> <p>Minimum 3 Directors shall constitute the quorum of the meeting to transact any business.</p>	<ul style="list-style-type: none"> ▪ Review of the Minutes of the meetings of Audit Committee, CSR Committee and ALM Committee. ▪ To take note of the disclosure of Directors' Interest and disqualification, if any on annual basis. ▪ To adopt the un-audited financial statements of the previous quarter. ▪ To take note of the Auditors' Report. ▪ Calling of the Annual General Meeting of the Company. ▪ To avail the credit facility from various banks. ▪ To approve the delegation of Authority. ▪ To approve the major policies of the Company. ▪ To discuss the laws & regulations having the direct impact on the

		<p>accounting & regulatory requirements.</p> <ul style="list-style-type: none"> ▪ To take note of the various regulatory circulars for due compliance with Reserve Bank of India from time to time. ▪ To approve the Annual Financial Statements of the Company. ▪ To take note of the Compliance status with respect to applicable laws. ▪ Calling of the Statutory Auditors, as and when desired. ▪ Other matters as per Companies Act, 2013 or as desired.
<p>Audit Committee</p>	<p>Constitution: Minimum 3 members, at least 2/3rd should be non-executive Directors.</p> <p>Chairman of the Committee to be a non-executive Director.</p> <p>Chairman to be present at AGMs.</p> <p>Company Secretary: Secretary to the Audit Committee.</p> <p>Periodicity and Quorum: At least 4 (four) meetings shall be held every year. Gap between two meetings should not to exceed 120 days.</p>	<ul style="list-style-type: none"> ▪ Review of the Minutes of the Compliance Committee and Internal Control & Risk Management Committee. ▪ Recommend appointment of external auditor and set fees, including approval of any payments for non-audit work ▪ Review of Annual Financial Statements before submission to the Board, with particular ref. to: <ul style="list-style-type: none"> – Changes in accounting policies – Major accounting entries involving estimates and judgments – Significant adjustments arising out of audit findings – Compliance with RBI and other legal requirements relating to financial statements – Qualifications by auditors ▪ Review quarterly financial statements before submission to the Board



	At least 3 Directors shall constitute the quorum the meeting.	<ul style="list-style-type: none"> ▪ Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems. ▪ Discussion with statutory or internal auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems. ▪ To review the functioning of the Whistle Blower mechanism, in case the same is existing. ▪ Other matters as decided
Nomination Committee	Audit Committee acts as Nomination Committee as and when required.	<ul style="list-style-type: none"> ▪ To identify persons who are qualified to become Directors with the criteria laid down under the 'Fit & Proper Policy' of the Company and recommend to the Board their appointment.
Corporate Social Responsibility Committee	<p>Constitution:</p> <p>Minimum 3 members of the Board of the Directors.</p> <p>Chairman of the Committee to be a non-executive Director.</p> <p>Company Secretary: Secretary to the Audit Committee.</p> <p>Periodicity and Quorum:</p> <p>At least 4 (four) meetings shall be held every year.</p>	<ul style="list-style-type: none"> ▪ To recommend CSR Policy to the Board. ▪ Identify the projects/activities to be undertaken by the Company for CSR. ▪ Recommend to the Board CSR Activities to be undertaken along with detailed plan, modalities of execution, implementation schedule, monitoring process and amount to be incurred on such activities. ▪ Monitoring CSR Policy time to time. ▪ Ensure compliance of CSR Policy and Rules.

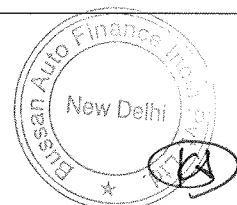
	<p>Gap between two meetings should not to exceed 120 days.</p> <p>At least 2 Directors shall constitute the quorum the meeting.</p>	
--	---	--

Business Level / Standing Committees: It comprises of business level standing Committee(s) to ensure full oversight over all business and operation risk. It comprises of the following committees:

- Compliance Committee
- Internal Control and Risk Management Committee
- Asset Liability Management Committee (ALM)
- Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Committee

Details on the scope of work, constitution and frequency of the above Committees including Board are attached herein below:

Committee	Description	Scope of Work
Compliance Committee	<p>Chairman: Managing Director & CEO</p> <p>Periodicity: Quarterly</p> <p>Minutes to be reviewed by: Audit Committee</p>	<ul style="list-style-type: none"> ▪ To appoint Ombudsperson to handle the Whistle Blower matters. Also managing the Ombudsperson network. ▪ To propose, regulate, establish and guiding in line with Mission, Vision and Values (MVV), the management policies and the Government laws. ▪ Arrange Training and Awareness Programmes about Whistle Blower Mechanism and how to prevent sexual harassment at work place. ▪ Handling complaints under Whistle Blower Mechanism ▪ Propose and Schedule all matters defined under the Whistle Blower Policy. ▪ Monitor, supervise and the implementation of such policy, strategy, regulation and rules in the Company.



		<ul style="list-style-type: none"> ▪ Recommend the Audit Committee the direction, solution and the penalty & sanction in the case of violation, trouble by the employees. ▪ To take note of the Legal matters. ▪ To appoint the Members of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Committee.
Internal Control and Risk Management Committee	<p>Chairman: Managing Director & CEO</p> <p>Periodicity: Monthly</p> <p>Minutes to be reviewed by: Audit Committee</p>	<ul style="list-style-type: none"> ▪ Govern the matters in relation to the Company's Compliance with Financial Reporting, Internal Control Structure, efficiency and effectiveness of operations, risk management systems and the process control systems. ▪ Recommendations of the Internal Audit Department will be reviewed and discussed with the Committee Members with follow up plans & also reported to the Audit Committee as required.
Asset Liability Management Committee (ALM)	<p>Chairman: Chief Financial Officer</p> <p>Periodicity: Monthly</p> <p>Minutes to be reviewed by: Board of Directors</p>	<ul style="list-style-type: none"> ▪ To review the Asset liability position, cost of funds, sensitivity analysis of forecasted cash flow statement, interest rate analysis over short and long term horizon and recommending corrective actions. ▪ Recommending the Audit Committee prudent asset/liability management policies and procedures. ▪ Will access inflow and outflow under liquidity position, anticipated loan demands, anticipated funding needs, mismatches in the balance sheet and the year to date operating results.
Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Committee	<p>Constitution: One - Chairperson (Female) Two - Female Members Two - Male Members One - External Advisor</p> <p>Periodicity:</p>	<ul style="list-style-type: none"> ▪ To provide protection against sexual harassment of women at workplace and for the prevention and redressal of complaints of sexual harassment and for matters connected therewith or incidental thereto.

	As and when required	
--	----------------------	--

D. Policies and Rules

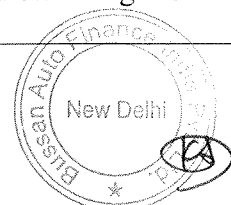
The Company has formulated the following Policies and Rules with their detailed description and reviewed the same from time to time:

Policy	Description
Whistle Blower Policy	<p>The Whistle Blower Policy of the Company is drawn to achieve the highest business and personal, ethical and legal standards. The Policy is designed to enable an employee of the Company to raise concerns internally and at high level and to disclose information, which individual believes shows serious malpractice, impropriety, abuse or wrongdoing within the organisation.</p> <p>BAF India has formulated a Whistle Blower Policy with Board approval. The policy comprehensively provides an opportunity for any employee/Director of the Company to raise any issue concerning breaches of law, accounting policies or any act resulting in financial or reputation loss and misuse of office or suspected or actual fraud.</p> <p>The policy provides for a mechanism to report such concerns to the Audit Committee through specified channels. Amongst the channels, one of the channels is to report independently of BAF India Management directly to Ombudsperson.</p> <p>The policy is periodically communicated to the employees and also put on the notice board of the Company's offices across India. The Whistle Blower Policy complies with the requirements of Vigil mechanism as stipulated under Section 177 of the Companies Act, 2013. In terms of the Whistle Blower Policy of the Company, no employee of the Company has been denied access to the Audit Committee.</p> <p>The details of establishment of the Whistle Blower Policy/Vigil mechanism have been disclosed on the website of the Company.</p>
Policy on Fit and Proper Criteria for Directors	<p>The Company has incorporated a policy for ascertaining the 'Fit and Proper' criteria at the time of appointment of Director(s) and on a continuing basis. The Nomination Committee shall review the appointment/re-appointment of Directors considering their</p>

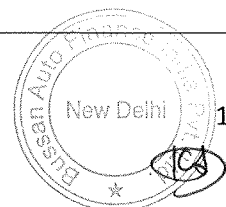
	<p>qualifications, expertise, track record, integrity and other 'fit and proper' criteria.</p> <p>The Nomination Committee should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed for determining Fit and Proper Criteria in line with the Guidelines issued by the RBI for the time being in force.</p> <p>Currently, Audit Committee of the Company is functioning as Nomination Committee for the purposes of Compliances under the Nomination Committee.</p> <p>A quarterly statement on change of directors and a certificate by the Managing 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 in terms of the Guidelines issued by the RBI for the time being in force.</p>
<p>Corporate Social Responsibility Policy</p>	<p>The Company has incorporated a Board Level Committee which is known as CSR Committee and within its domain the Board has formulated a CSR Policy which is termed as "<i>Corporate Social Responsibility Policy</i>" and it shall govern and administer the Company's Corporate Social Responsibility ('CSR') program. The Company shall also comply with the provisions of Companies Act, 2013, to the extent applicable in this regard.</p> <p>The details of CSR Policy have been disclosed on the website of the Company.</p>
<p>Risk Management Policy</p>	<p>BAF India has formulated the Risk Management Policy which covers the following:</p> <ul style="list-style-type: none"> - Purpose, responsibility & accountability and end of year reporting. - Risk Identification, measurement & control. - Guidelines & procedures to be followed with respect to revaluation and monitoring of positions. - Name & designation of officials authorized to undertake transactions and limits assigned to them. - Accounting Policy and disclosure norms with respect to derivative transactions. - Requirement to disclose the MTM valuation appropriately.

<p>Fair Practices Code</p>	<p>BAF India has formulated in line with the guidelines issued by the Reserve Bank of India (RBI) as amended, the Fair Practice Code which sets the fair practices standards when dealing with customer(s) and to serve as a part of best corporate practices.</p> <p>It lays down the following procedures/practices in dealing with the business transactions:</p> <ul style="list-style-type: none"> - Non Discriminatory Policy - Key Commitments by BAF - Sales Origination - Applicability - Disbursement of loan including changes in terms & conditions - Confidentiality - Marketing and Product Synergy - General - Grievances Redressal Mechanism <p>The details of Fair Practices Code have been disclosed on the website of the Company.</p>
<p>Regulations – Data Protection and Privacy Policy</p>	<p>The Information Technology Act, 2000 and Information Technology (Reasonable Security Practices & Procedures and Sensitive Personal Data or Information) Rules, 2011 (“Data Protection Laws”) mandate BAF India to formulate and implement a Privacy Policy.</p> <p>BAF India is committed to data protection and respecting the privacy of information providers therefore BAF India formulated the Regulations – Data Protection and Privacy Policy.</p> <p>Objective of this policy is the safekeeping of all Data, Information, Sensitive Personal Data or Information; collected, received, stored, transferred and/or transmitted by BAF India during the normal course of business or otherwise.</p>
<p>Rules on Personal Information Security</p>	<p>The Company has formulated the Rules on Personal Information Security to ensure the proper protection of personal information handled in the operation of the Company.</p> <p>These rules shall apply to all employees and officers of the Company. In addition, when any operation that involves the handling of personal information is outsourced to an outsider, efforts are made to ensure adequate protection of such information pursuant to the purpose of the present rules.</p>

<p>Rules on Management of Documents & Safety Box Administration</p>	<p>To promote the efficiency of administrative operations by establishing the standards for the management of documents in the Company and to ensure the accuracy and smoothness of document control, the Company has formulated the Rules on Management of Documents & Safety Box Administration.</p>
<p>Know Your Customer (KYC) and Anti Money Laundering (AML) Policy</p>	<p>Company has formulated Know Your Customer (KYC) and Anti Money Laundering (AML) Policy with the objective of preventing the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.</p> <p>KYC procedures also enable the Company to know/ understand their customers and their financial dealings better which in turn help them manage their risks prudently.</p> <p>The details of Know Your Customer (KYC) and Anti Money Laundering (AML) Policy have been disclosed on the website of the Company.</p>
<p>Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Committee Charter</p>	<p>Government of India (GOI) through its official Gazette of India make it mandatory for Companies to form an Internal Complaints Committee to redress the issues related to sexual harassment of women at workplace. In this regard, GOI formulated a new Act named as “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 which has received the President of India assent on April 22, 2013 and published in the official Gazette of India on April 23, 2013.</p> <p>The objective of the Act to provide protection against sexual harassment of women at workplace and for the prevention and redressal of complaints of sexual harassment and for matters connected therewith or incidental thereto.</p> <p>In line with the directions under the said Act, BAF India formulated the above Committee on June 26, 2013 with the approval of the Board on the recommendations given by Compliance Committee and Audit Committee.</p> <p>The details of establishment of the above Policy have been disclosed on the website of the Company.</p>
<p>Policy on Insurance</p>	<p>In line with the Directions issued by Insurance Regulatory and Development Authority of India (IRDAI), the Company formulated Policy on Insurance on the manner of soliciting and servicing insurance products as a Corporate Agent.</p>



	<p>In terms of above Policy, the Company while acting as a Corporate Agent shall take adequate steps for Redressal of grievances of its clients within 14 days of receipt of such compliant and keep the authority informed on the number, nature and other particulars of the Compliant received from such client in format and manner as may be specified by the Authority.</p>
<p>Policy for Dealing with Related Party Transactions of the Company</p>	<p>The Company has incorporated a Policy namely, “Policy for Dealing with Related Party Transactions” with regard to contracts or arrangements with a Related Party.</p> <p>This policy has been formulated in compliance with the RBI Directions, Companies Act, 2013, and other applicable laws meant to lay down principles that will guide the transactions among related parties.</p> <p>The purpose of this Policy is to ensure proper approval, disclosure and reporting of transactions as applicable between the Company and any of its related parties to ensure transparency in the conduct of Related Party Transactions in the best interests of the Company and its stakeholders.</p> <p>The details of Policy for Dealing with Related Party Transactions have been disclosed on the website of the Company.</p>
<p>Outsourcing Policy</p>	<p>The Company engages certain service providers which provides financial services and hence is exposed to risks involved in outsourcing. The failure of a service provider in providing a specified service as per the established standards, a breach in security/confidentiality, or non-compliance with legal or regulatory requirements by the service provider could lead to financial losses or loss of reputation for BAF and systemic risks.</p> <p>To protect the interest of its customers and to ensure that BAF has appropriate control over the activities of its service providers and access to relevant books, records and information pertaining to the outsourced activities, the Company has formulated an “Outsourcing Policy” in compliance of Directions issued by RBI.</p> <p>The Outsourcing Policy is concerned with managing risks in outsourcing of financial services and are not applicable to technology-related issues and activities not related to financial services, such as usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc.</p> <p>The Company would not require prior approval from RBI to outsource financial services. However, such arrangements would be subject to on-site / off- site monitoring and inspection / scrutiny by RBI.</p>



Rules on Information Technology Functions & its Protection	<p>Pursuant to RBI Directions and given the critical and competitive nature of the business of the Company, the rules are enacted for the purpose of ensuring smooth operations of information technology function and ensuring internal control process in place on risk management, protection & safeguard of information against threats.</p> <p>These rules and policies shall apply to the entire organization, including that of employees, third party associates, service providers, software and hardware suppliers.</p>
---	---

E. DISCLOSURE IN THE FINANCIAL STATEMENTS

In addition to the disclosures required to be made as per the Applicable Laws, the following additional disclosures shall be made in the annual financial statements in terms of the RBI Directions:

- 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, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.

F. APPOINTMENT AND ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

Subject to the provisions contained in the Companies Act, 2013, the Statutory Auditors of the Company shall be appointed by the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the Company based on the recommendation of the Audit Committee of the Company. The Auditors can be appointed for a period of 5 years and such appointment shall be ratified by the shareholders every year at the Annual General Meeting. The Auditors can be appointed for a two consecutive term of 5 years.

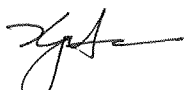
As contained in RBI Corporate Governance Directions, the Company is required to rotate the partner of the Chartered Accountant firm conducting the audit, every three years so that the same partner does not conduct audit of the company continuously for more than a period of three years. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.



G. APPOINTMENT OF INTERNAL AUDITOR

Subject to the provisions contained in the Companies Act, 2013, Internal Auditor of the Company shall be appointed by the Board of Directors of the Company based on the recommendation of the Audit Committee.

For Bussan Auto Finance India Private Limited


Koji Arai
Managing Director

