

Corporate Governance Policy

Introduction

Arohan Financial Services Private Limited recognizes its role as a corporate citizen and endeavour to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government 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.

In pursuing its Mission of “empowering the underserved by offering a range of financial services, in a manner sustainable for all stakeholders” Arohan has been balancing its dual objectives of “social” and “financial goals, since its inception.

Arohan's Values

The core principles of Corporate Governance emerge from the cornerstones of Arohan's values, namely employee engagement, transparency, honesty & integrity, innovation, customer centricity and shareholder value focus. Arohan believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed in a manner that fulfils the purpose of Corporate Governance.

- **Employee Engagement**

Arohan treats its employees as a major stakeholder and hence its processes and systems are designed to ensure employee satisfaction, development and high morale.

- **Transparency**

Arohan's products and processes are transparent to its clients such that the information communicated to them is clear, sufficient and timely in a manner and language clients can understand so that clients can make informed decisions. It is also transparent in its communication to, and transactions with all other stakeholders, and employees.

- **Honesty and Integrity**

Led by exemplary governance, Arohan maintains high standards of integrity in its delivery, products and processes. Arohan has zero tolerance for unethical practices. It strives to behave with honesty in all its internal and external communication, and dealings with all stakeholders.

- **Innovation**

Arohan strives to maintain a creative culture in the organisation, where employees are encouraged to learn and innovate in their day to day work, while adhering to Arohan's standards of business and conduct. Also, product, process and business model innovation are integral to Arohan.

- **Customer Centricity**

Since customers are considered important stakeholders, Arohan’s products and processes are designed keeping customer needs and realities in mind. Arohan strives to serve customer needs in an effective and efficient manner and behave in a dignified and respectful manner with its customers at all times.

- **Shareholder Value Focus**

Arohan recognizes its shareholders to be an important stakeholder whose interests it strives to protect, and to whom it seeks to deliver value by focusing on sustainability, profitability and growth of the business.

Laws & Regulations

Arohan shall operate in compliance with the legal, regulatory and supervisory framework as applicable from time to time avoiding any conflicts of interest.

Governance Structure

Arohan’s Corporate Governance structure, systems and processes are based on two core principles viz. (a) Management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) This freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company the following governance level will be followed in Arohan:

Governance Level	Broad Responsibility	Responsible
Level 1	Strategic Supervision	Board of Directors
Level 2	Strategic Management	Core Management Committee
Level 3	Executive Management	Head of the Departments

At the apex level, the general body of Shareholders of the Company shall elect the Board of Directors at the Annual General Meeting and the Board appoints the Managing Director and Chief Executive Officer of the Company, who in turn will appoint the various other management executives of the company.

Shareholder Participation through Annual General Meeting

This is the institution's highest governing body. Good governance requires participation from maximum number of shareholders/ members in the Meeting, to take decisions, in order to benefit the institutions.

Convening

The Board is under the obligation of convening the Annual General Meeting at least once every fiscal year. The convened Annual General Meeting will assemble to (a) review and approve corporate management (b) review and approve the financial statement and (c) adopt resolutions on any other matter included in the agenda.

In addition to the Annual general Meeting, the Board of Directors can also convene an Extra Ordinary General Meeting (EGM) whenever it deems necessary on behalf of the institution's interests.

Right to Information

Once the AGM has been announced, the institution will provide shareholders/ members with documents and other information related to the matters that will be discussed at the meeting. Further before the AGM is held, shareholders can ask the Board of Directors for any information or clarifications they consider necessary regarding the items on the agenda, and they can ask any questions they consider relevant.

Delegation & Representation

Any shareholders can be represented by another person at the AGM, even if they are not a shareholder. The representative powers must be conferred specifically for each meeting, which can always be revoked should the represented person attend the meeting in person.

Meeting Minutes

The deliberations and resolutions at the meeting will be recorded in a minutes document. The minutes should reflect everything discussed and be approved at the Annual General Meeting and also record the participation of the shareholders.

Board of Directors

It is the body responsible for administering the organization with all the necessary powers. Good governance therefore places an emphasis on the importance of the Board of Directors as a governing body which channelizes the structure and operation of the organization's corporate bodies in its interests.

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

Composition

The size and composition of the Board of Directors shall be in accordance with the size of the institution and will seek to satisfy the following:

- (a) 50% of the total directors should be non-executive directors
- (b) there should be at least one women director and
- (c) 1/3 of the total directors should be independent directors

The structure of the Board will seek to be balanced in terms of member experience, qualifications and independence so as to undertake different tasks and inherent responsibilities.

Also, it will be ensured that a member of the Board is not be involved in a legal procedure on the grounds of prohibition or incompatibility. Further if the manager sits on the Board of Directors, he will have the right to speak but not to vote to ensure that the administration and management functions are separated.

The shareholders of the company will be responsible for determining the exact number and composition of Board members at the Annual General Meeting, subject to applicable legal regulations and to the institution's bylaws.

Duties & Responsibilities

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company will have the following duties:-

- Helping define the strategy that will increase the institution's value, guiding the management by assimilating information that affects the organization's performance and creating a planning document and annual budget for the following year.
- Selecting, appointing, supporting and reviewing the performance of the Management's performance based on the organization's objectives
- Formulating the remuneration policy with an emphasis on how this policy is related to the performance of key members of the management
- Ensuring that the management team has all of the necessary resources to implement the achieve organization's goal
- Establishing a policy based governance system to guide its own actions and the actions of the management for achieving the business and social goals of the organization.
- Defining the board's method of operation, i.e. the members, their selection, evaluation and changeovers or rotation, in order to guarantee a strong structure.
- Reviewing all risks faced by the Company and making appropriate strategies for implementation of appropriate policies to ensure risk mitigation.
- Ensuring that compliance with applicable laws, regulations, policy and processes and also supervising the internal control systems of the organization through internal and statutory auditors.
- Establishing a code of ethics for all employees, including the board of directors and also ensuring adherence of such code of ethics.
- Establishing the mechanisms to manage a situation fairly where employees as well as directors may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

Appointment/Re-election

The appointment and re-election of the Board of Directors falls on the Annual General Meeting. Once chosen, the Board members must represent the institution's interests. They must perform their duties in good faith, objectively and independently, with due care and diligence, so that their decisions are always aimed at the institution's best interests.

The resolutions that the Board of Directors adopts in relation to the re-election of members and its deliberations in this regard shall take place in the absence of the Director whose re-election is proposed. If the Director is at the meeting, he must leave the room. Where established in the country's legal regulations, the appointment of the Board of Directors members will also be subject to approval from the regulatory or supervisory body.

Duration of Office

Directors shall remain in office for the term defined by the Annual General Meeting. If they have been co-opted, they shall work out the term of office remaining to the director whose vacancy they have covered through co-option, unless the AGM establishes a longer term on ratifying the appointment agreed by the Board of Directors. Board of Directors members will remain in office until their successors are chosen, unless their powers are revoked or they are disqualified beforehand.

End of Term

Directors shall resign from their office when the term for which they were appointed has expired, or when the Annual General Meeting decides so. The Board of Directors has the power to revoke a member at any time, even if their term of office has not expired.

When a Board member ceases to occupy his position before his term of office ends, through resignation or any other cause, he must explain the reasons in a letter to all of the members, and, regardless of whether this end of term of office is reported as a significant event, the reason should be included in the Annual Corporate Governance Report.

Remuneration

The Annual General Meeting must establish the remuneration policy for the Directors, taking the necessary measures in order to maintain, correct or improve it and to adapt this policy to the principles of moderation and the institution's performance. The remuneration that the Board members receive must be transparent. The Board of Directors must include information on the total and global amount that the Board members receive in the annual information and in the Annual Corporate Governance Report.

Conflict of Interest

A conflict of interest is any situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the [person's self-interest](#) and [professional interest](#) or [public interest](#) or can also be defined as a situation in which a [party's responsibility](#) to a second-party [limits](#) its [ability](#) to [discharge](#) its responsibility to a [third-party](#).

In this regard Board members must inform the Board of Directors, or whichever committee is responsible, as soon as there is possibility or chances of any direct or indirect conflict that could go against the institution's interests, providing the necessary information so that an unbiased and informed decision can be taken.

Board Procedures

The Company's Governance Policy requires the Board to meet at least four times in a year. The intervening period between two Board meetings shall not exceed 120 days as per the Companies Act 2013. The annual calendar of meetings is broadly determined at the beginning of each year.

Board Meeting Agenda

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are circulated at least seven working days prior to the Board meeting.

The Board is presented with relevant information on various matters relating to the working of the Company. The functional heads are invited to the Board and Committee meetings to apprise the Board on various issues concerning the operations of the Company. The following information shall be presented to the Board for periodic review / information / approval:

- **Business Updates:** This includes trend of business growth, business performance in terms of budget, branch expansion, product diversification, quality of portfolio and also growth plan for the next quarter/year.
- **Financial Updates:** The quarter ended financials, budget comparison, and projection for next quarter, reasoning for financial outcomes, annual budget etc. shall be the part of financial updates.

- Internal Control System: Management shall be responsible for updating the board about the overall internal control system of the organization and ensure that process & policy is being followed accordingly.
- Risk Management Updates: The chairman of Risk Management Committee shall updates the board about the risk related issues and suggest measures for risk mitigation.
- Regulatory Compliance: Compliance officer shall update the Board about the status of compliance related issues and also propose further course of actions wherever necessary.
- Audit Observations:The chairman of Audit Committee shall update the board about the audit grading and the compliance level of the organization. He/she should also suggest the proposed course of corrective measures suggested by the internal as well as statutory auditors.
- HR Updates: The chairman of HR & Compensation Committee shall updates the board about the HR related issues which may include status of recruitment vis a vis the budget, employee engagement initiatives, staff attrition and other HR challenges etc.
- Admin Updates: Board shall also be updated about the admin related issues of head office as well as branch offices, challenges and other relevant information as required.
- IT Updates: The status of application development in terms of original plan, capital investment, and plan for next quarter shall be considered relevant information for the board members. In addition of that road map of IT shall also be approved by the board.
- Others: In addition of above management shall also updates board about legal suits (if any), show-cause/ demand/ prosecution and other material notices, details of any joint venture or collaboration and any other material decision/information which may be important in terms of the interest of the Company.

Good Governance in Management

A good governance practice advocates a full separation between administration and management duties so that each body carries out its duties with the highest efficiency. The Board of Directors are responsible for the general strategy, control and supervision.

However, the separation between management and governance duties and administration duties must never result in important decisions or measures being taken by the institution's management bodies without the Board of Director's intervention.

Managing Director and Chief Executive Officer

The Managing Director and the Chief Executive Officer are the institution's legal representative. They are appointed by the Board of Directors and shall be responsible for putting in place procedures to implement all the Board's policies, strategies and systems.

They will actively participate in the sessions, with the right to speak but not vote, in order to give their input on the items of the agenda or any other matter requested by them.

Core Management Committee

Core Management Committee is a committee at senior management level formed by the Managing Director of the Company. The members of the committee are selected by the Managing Director and should be AVP level (Assistant Vice President) or above. Other senior members may also be invited by the MD based on the topics of discussion. The Core Management Committee shall be responsible for making strategic as well as other material decision of the Company.

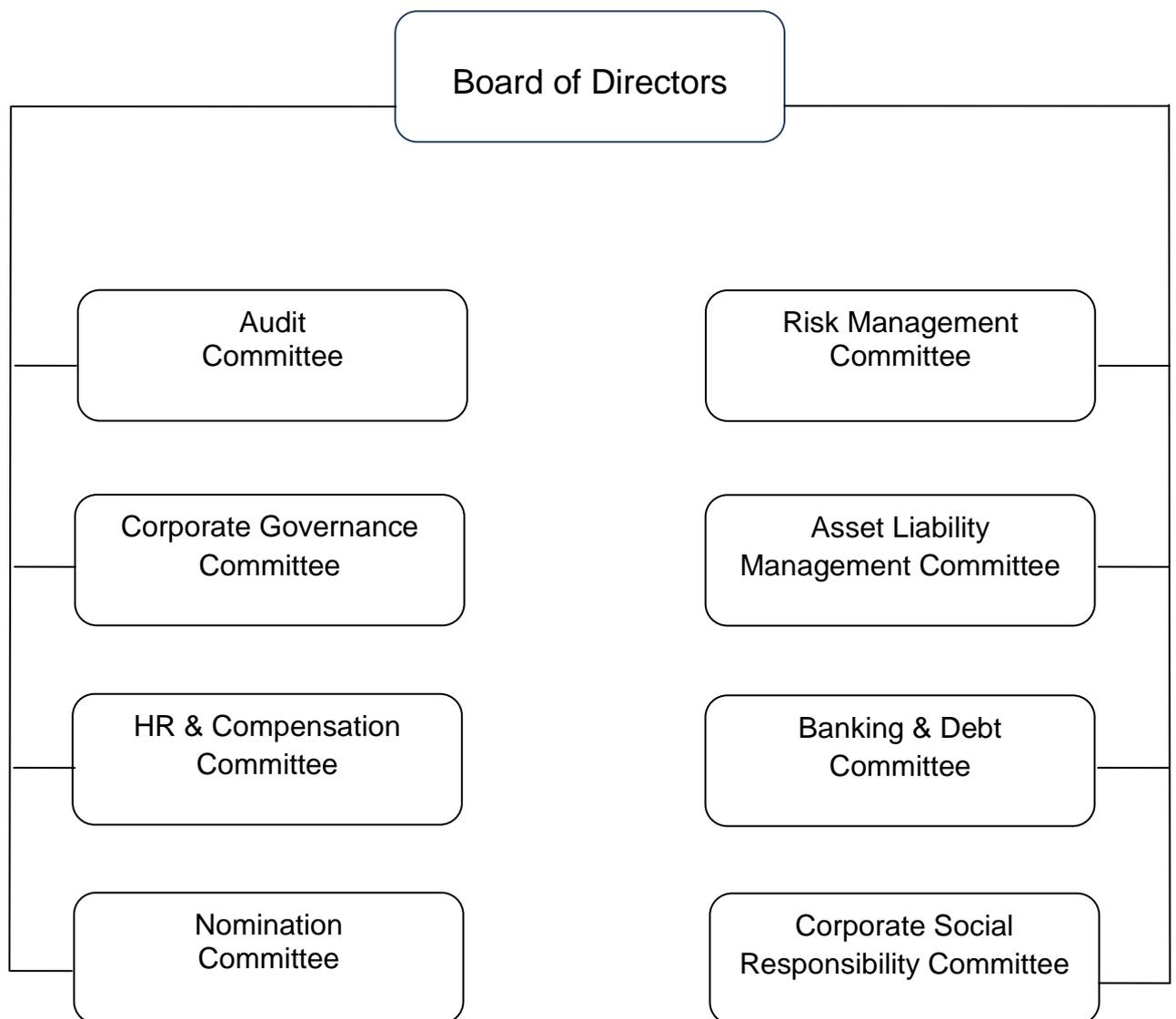
All the members of the Core Management Committee shall review Company performance at least once in every month. The representative of the each department in the Committee present their monthly updates to the other members of the Committee.

Board Committees

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. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for approval in subsequent meeting.

This type of Committee will responds to the institution’s specific needs or one-off needs, fulfilling a specific duty at a given moment in time, without the Committee or its duties being required by the institution permanently.

Arohan shall comply with the above requirements of committee constitution and have the following committees of the Board:



The terms of reference, roles and responsibilities of the aforesaid Committees is enclosed in the annexure of this policy.

Annexure

1. AUDIT COMMITTEE

Chairman	The Chairman of the Audit Committee shall be an Independent Director and shall be elected by the members of the Audit Committee.
Composition	<p>The Audit Committee shall consist of at least three directors.</p> <p>All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The Audit Committee may invite such of the executives, as it considers appropriate 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. The Head of Accounts, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meeting of the Audit Committee.</p>
Secretary	The Company Secretary of the Company shall act as Secretary to the Audit Committee.
Meetings & Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The Committee shall also meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.</p>
Terms of Reference	<p>The Audit Committee makes recommendations to the Board of Directors regarding the appointment of external auditors and their remuneration, as well as the approval of annual financial statements and periodical statements.</p> <p>It also discusses the audit program and results with Auditors and ensures fulfillment with internal controls, accounting policies and financial information.</p> <p>The Audit Committee is responsible for ensuring that internal and external audit activities are carried out properly and that audit matters are given sufficient importance at the Board of Directors meetings.</p>

2. RISK MANAGEMENT COMMITTEE

Chairman	The Chairman of the Risk Committee shall be an Independent Director and shall be elected by the members of the Risk Committee.
Composition	<p>The Risk Committee shall consist of at least three directors.</p> <p>All members of the Risk Committee shall be financially literate and at least one member shall have related management expertise.</p> <p>The Risk Committee may invite such of the executives, as it considers appropriate 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. The Risk Manager shall also be present as invitees for the meeting.</p>
Secretary	The Company Secretary of the Company shall act as Secretary to the Risk Management Committee.
Meetings & Quorum	<p>The Risk Management Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The Committee shall also meet as and when necessary to review and monitor the risk associated with the business of the Company.</p> <p>The quorum shall be either two members or one third of the members of the Risk Management Committee whichever is greater.</p>
Terms of Reference	<p>The Risk Management Committee is responsible for analyzing matters relating to the institution's risk control and management strategy and policy, and assessing and approving risk operations that could be significant.</p> <p>The Risks Management Committee has powers over controlling financial risks generated by the business units. It must approve the methods and models to identify, measure, monitor, control, report and reveal different risk types.</p> <p>Its other duties include: reporting regularly to the Board of Directors on risk exposure and the measures taken to manage it; adjusting or authorizing overruns on exposure limits for the different risk types; and adopting, implementing and disseminating contingency plans in the event of acts of nature or force majeure to avoid breach of the set risk exposure limits.</p>

3. ASSET & LIABILITY COMMITTEE

Chairman	The Chairman of the Committee shall be a director and shall be elected by the members of the ALM Committee.
Composition	The Asset & Liability Committee shall consist of at least 2 members from the board of director and one from the core management committee. The Head of Finance & Risk Management Department shall be present as invitees for the meeting.
Secretary	The Company Secretary of the Company shall act as Secretary to the Asset & Liability Committee.
Meetings & Quorum	The Asset Liability Management Committee shall meet at least once in a month or as and when considered necessary. The quorum shall be either two members or one third of the members of the committee whichever is greater.
Terms of Reference	The committee shall be responsible to review the ALM statement at least for the next six months and recommend measures for managing asset liability mismatches. It shall include suggestions for liquidity management. In addition they are also responsible for reviewing different scenarios including the interest rate risk periodically.

4. HR & COMPENSATION COMMITTEE

Chairman	The Chairman of the HR & Compensation Committee shall be an Independent Director and shall be elected by the members of the committee.
Composition	The HR & Compensation Committee shall consist of atleast three Directors. The Head of HR shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.
Secretary	The Company Secretary of the Company shall act as Secretary to the HR & Compensation Committee.
Terms of Reference	The Compensation Committee shall annually review performance of the Managing Director & CEO of the company by evaluating their performance in terms of the corporate goals and objectives. They are responsible to review and approve the overall compensation of the employees in terms of salary, incentive and also ESOPs. Other responsibility includes, helping management to set a right organization structure, review and approve HR policies, oversee employee engagement & training programs and any other HR related issues.

5. BANKING & DEBT COMMITTEE

Composition	The Banking & Debt Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Banking & Debt Committee.
Meetings & Quorum	The Banking & Debt Committee shall meet as and when necessary to approve borrowings to be made by the Company. The quorum shall be at least two Directors. The Head of Finance shall be present as an invitee for the meeting.
Terms of Reference	<p>To authorise specific officers of the Company to operate bank accounts on behalf of the Company.</p> <p>To approve any borrowings to be made by the Company on behalf of the Board subject to the terms of Section 180 of the Companies Act, 2013.</p> <p>To create security in favour of lender/s by pledge, mortgage, charge or assigning and/or delivery on any terms, as security for money hereafter borrowed or credit hereafter obtained from the lender/s all or any of the assets of the Company including but not limited to book debts, bills receivable, accounts, mortgages, merchandise, and any other property held by or belonging to the Company with full authority to endorse, assign or guarantee the same in the name of the Company.</p>

6. NOMINATION COMMITTEE

Composition	The Nomination Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Nomination Committee.
Meetings & Quorum	<p>The Nomination Committee shall meet as and when necessary to determine the fit & proper criteria of Directors.</p> <p>The quorum shall be at least two Directors.</p>
Terms of Reference	<p>To formulate a criteria for determining qualifications, positive attributes and independence of Directors.</p> <p>To ensure a fit & proper status of proposed/existing Directors on an annual basis.</p> <p>To recommend to the Board the appointment and removal of Senior Management.</p> <p>To carry out evaluation of Director's performance and recommend to the Board appointment/ removal based on their performance.</p>

	<p>To recommend to the Board on:</p> <p>Policy relating to remuneration for Directors.</p> <p>To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;</p> <p>To develop a succession plan for the Board and to regularly review the plan.</p>
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7. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition	The Corporate Social Responsibility Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Corporate Social Responsibility Committee.
Meetings & Quorum	<p>The Corporate Social Committee shall meet at least once a year and as and when necessary to determine the CSR activities to be undertaken by the Company.</p> <p>The quorum shall be at least two Directors and the Head of Finance shall be present as an invitee for the meeting.</p>
Terms of Reference	<p>To review and establish the Company's CSR strategy and implementation in practice and to ensure that the Company's social, environmental and economic activities are aligned with each other.</p> <p>To consider and propose and annual budget for CSR activities to the Board and Audit Committee for approval.</p> <p>To ensure the company's website communicates and reports its CSR approach and performance in a timely, complete and coherent manner.</p> <p>Monitor compliance with the CSR Policies and to review the performance against agreed targets.</p>

8. CORPORATE GOVERNANCE COMMITTEE

Composition	The Corporate Governance Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Corporate Governance Committee.
Meetings & Quorum	The Corporate Governance Committee shall meet atleast once a year and as and when necessary to determine review the functioning of the Committee. The quorum shall be at least two Directors.
Terms of Reference	<p>Develop recommendations regarding the essential and desired experiences and skills for the potential directors, taking into consideration the Board's short term needs and long term succession plans.</p> <p>Recommend to the Board nominees for election as Directors of the Board.</p> <p>Assess the needs of the Board in terms of frequency and location of Board and Committee Meetings, meeting agendas, reports and information, and the conduct of the meetings and make recommendations to the Board as desired.</p> <p>Prepare recommendation for the Board regarding any report required or recommended on Corporate Governance.</p> <p>Periodically, in consultation with the Chair, review and recommend composition and Chairs of various Committees.</p>