

## MADURA CORPORATE GOVERNANCE CODE

### **A. CORPORATE GOVERNANCE**

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers, financiers, government and the community within which it operates. This corporate governance code will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure.

### **B. OBJECTIVE**

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The philosophy has strong emphasis on transparency, accountability and integrity.

Reserve Bank of India (RBI) vide its master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 directed NBFCs to frame internal guidelines on corporate governance approved by the Board of Directors. Accordingly, this Corporate Governance Code of Madura Micro Finance Limited (Company) is framed in the spirit of the said circular of RBI and is approved by the Board of Directors of Company.

### **C. 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. As per the Company's Articles of Association, the Board shall, unless agreed to by the founders and investors, consist of not more than ten (10) members. The Board shall meet a minimum of four (4) times in a year, at least once in each quarter in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Board of Directors of the Company shall have an optimum combination of Executive and Non-Executive directors and at least one-third of the Board should consist of Independent Directors

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The current composition of the Board of Directors is detailed below:

#	Name of the Director	Designation
1.	Ms. Tara Thiagarajan	Chairman & Managing Director
2.	Mr. N C Sarabeswaran	Independent Director
3.	Mr. R Ramaraj	Non-Executive Director
4.	Mr. Ashok Mirza	Non-Executive Director
5.	Mr. Sandeep Farias	Non-Executive Director
6.	Mr. Ajit Thomas	Non-Executive Director
7.	Mr. F S Mohan Eddy	Whole-time Director
8.	Ms. Siva Kameswari Vissa	Independent Director
9.	Ms. Kavitha Vijay	Independent Director

#### D. DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

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 have the following duties: -

- (a) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.
- (b) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- (c) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- (d) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- (e) A director of a company shall not assign his office and any assignment so made shall be void.

#### E. CONSTITUTION OF COMMITTEES

1. **AUDIT COMMITTEE:** The constitution of this Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013 and RBI Master circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance.

Composition	The Audit Committee shall comprise of at least three non-executive directors with independent directors forming a majority. Majority of the members of the Committee including its Chairperson shall be persons with ability to read and understand the financial statements.
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	<p>The members of the Committee shall elect a Chairperson from amongst themselves, who shall necessarily be an Independent Director.</p> <p>The Company Secretary shall act as the Secretary to the Committee.</p>
Quorum	The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two Independent members present.
Meetings	The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
Powers	<p>The Audit Committee shall act and have powers in accordance with the terms of reference specified in writing, by the Board, which shall inter alia include the following:</p> <ul style="list-style-type: none"> <li>(a) To investigate any activity within its terms of reference.</li> <li>(b) To seek information from any employee.</li> <li>(c) To obtain outside legal or other professional advice.</li> <li>(d) To secure attendance of outsiders with relevant expertise, if so considered necessary.</li> </ul>
Responsibilities	<p>The Audit Committee shall have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the audited / unaudited half-yearly and annual financial statements before submission to the Board and also oversee compliance of internal control systems. Its responsibilities shall inter alia include:</p> <ul style="list-style-type: none"> <li>(a) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;</li> <li>(b) review and monitor the auditor's independence and performance, and effectiveness of audit process;</li> <li>(c) examination of the financial statement and the auditors' report thereon;</li> <li>(d) approval or any subsequent modification of transactions of the company with related parties;</li> <li>(e) scrutiny of inter-corporate loans and investments;</li> <li>(f) valuation of undertakings or assets of the company, wherever it is necessary;</li> <li>(g) evaluation of internal financial controls and risk management systems;</li> <li>(h) monitoring the end use of funds raised through public offers and related matters.</li> <li>(i) call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and also discuss any related issues with the internal and statutory auditors and the management of the company.</li> <li>(j) shall have authority to deal with or investigate into any matter in relation to the items herein or referred to it by the Board of Directors of the Company, Reserve Bank of India, Securities Exchange Board of India and for this purpose shall have power to obtain professional advice</li> </ul>

	<p>from external sources and have full access to information contained in the records of the company.</p> <p>(k) establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed.</p> <p>(l) review the Company's arrangements for its Directors and employees to report concerns about unethical behaviour, actual or suspected fraud, violation of the Company's code of conduct and terms of service. The Audit committee shall oversee the effective implementation of the vigil mechanism of the Company.</p> <p>(m) The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted, at least once in two years to assess operational risks faced by the Company.</p>
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## 2. NOMINATION AND REMUNERATION COMMITTEE

This Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013 and RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Nomination and Remuneration Policy in place and required disclosures to that effect are made from time to time.

Composition	<p>The Nomination and Remuneration Committee (NRC) shall consist of three or more non-executive directors out of which not less than one-half are independent directors.</p> <p>The members shall elect a Chairperson from amongst themselves.</p> <p>The Company Secretary shall act as the Secretary to the Committee Meetings</p>
Quorum	<p>The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher including one Independent Director. The committee shall meet at least once in a year and as when required.</p>
Responsibilities	<p>(a) To identify 'Fit &amp; Proper' persons who are qualified to become directors.</p> <p>(b) To recommend to the Board, appointment of Directors and removal whenever the need so arises.</p> <p>(c) To carry out director performance evaluation.</p> <p>(d) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a Policy, relating to the remuneration for the directors, key managerial personnel and other employees.</p> <p>(e) To review the overall compensation structure and policies with a view to retain and motivate the company's employees, and also review the company's positioning in the industry in relation to compensation levels, through compensation surveys etc.</p> <p>(f) To consider giving stock options to the employees in the form of equity shares of the Company and also consider</p>

	any other compensation related issues or matters relating to the company's employees.
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### 3. RISK MANAGEMENT COMMITTEE

This Committee is constituted in compliance with the provisions of the Companies Act, 2013 and RBI Master circular no. RBI/2015-16/12 DNBR (PD)CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Risk Management Policy in place and required disclosures to the effect are made from time to time.

Composition	The Committee shall consist of such number of members as may be determined by the Board. The Company Secretary of the Company shall act as the Secretary to the Committee.
Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher including one Independent Director. The committee shall meet at least once in a year and as and when required.
Responsibilities	(a) To monitor and review the risk management plan; (b) To review operational risk, information technology risk and any other risk associated with the business of the Company; (c) To take strategic actions to mitigate the risk associated with the nature of the business; (d) To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;

### 4. ASSET LIABILITY MANAGEMENT COMMITTEE

This Committee is constituted in compliance with the provisions RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 on Corporate Governance. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time.

Composition	The Committee shall consist of such number of members as may be determined by the Board. The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher including one Independent Director. The committee shall meet at least once in a every six months and as and when required.
Responsibilities	(a) Review and management of liquidity gaps and structural liquidity of the Company; (b) Review and management of interest rate sensitivity of the Company;

	(c) Develop a view on future direction on interest rate movements and decide on funding mixes
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**5. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE**

This Committee is constituted in compliance with the provisions of Section 135 of the Companies Act, 2013. The Company has a Board approved CSR Policy in place and required disclosures to the effect are made from time to time.

Composition	In terms of Section 135 of the Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of three or more directors, out of which at least one director shall be an Independent Director. The Company Secretary shall act as the Secretary to the Committee Meetings.
Meetings & Quorum	The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher. The committee shall meet at least once in a year and as and when required.
Responsibilities	(a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board; (b) To recommend the amount of expenditure to be incurred on the activities; (c) To implement a transparent monitoring mechanism for implementation of the CSR Projects or programs or activities undertaken by the Company.

**6. OTHER COMMITTEES:** In addition to the aforesaid committees, the Company has constituted the following committees.

- (a) IT Strategy Committee
- (b) Internal Complaints Committee
- (c) Borrowing Committee

**7. REVIEW:** This Code shall be reviewed by the Board of Director on an annual basis, in order to align with the prevalent regulatory and business requirements.