

**AGRIWISE FINSERV LIMITED**

**INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

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<b>Agriwise Finserv Limited</b>	
Policy Title	Internal Guidelines on Corporate Governance
Reviewing & Approving Authority	Board of Directors
Version No.	1.1
Date of approval	29 <sup>th</sup> January 2016
Date of updated version	17 <sup>th</sup> April 2023
Review Cycle	Annually or as recommended by the Board of Directors
Nature of Document	For internal circulation & Compliance purpose only

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## **1 COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Agriwise Finserv Limited (Erstwhile StarAgri Finance Limited) (hereinafter referred to as "AFL" OR "The Company") is committed to conducting its business in accordance with applicable laws, rules and regulations and the highest standards of Corporate Governance, business ethics and ethical conduct through transparency and accountability. Corporate Governance is all about the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

The Company ensures good governance through the implementation of effective policies and procedures, and the Company is constantly striving to better them and adopt the best practices.

## **2 GUIDELINES ON CORPORATE GOVERNANCE**

In order to enable Company to adopt best practices and greater transparency in their operations, RBI and the Ministry of Corporate Affairs has issued guidelines on Corporate Governance, from time to time. In pursuance of the aforesaid guidelines, the Company has framed the following internal guidelines on Corporate Governance.

## **3 BOARD OF DIRECTORS & ITS STRUCTURE**

As per Article 67 of the Articles of Association of the Company, the Board of Directors shall comprise of minimum of three Directors and a maximum of fifteen Directors.

A Director shall not hold the office of Director in more than 20 companies and the maximum number of directorships in public companies shall not be more than 10. None of the Directors on the Company's Board shall be a Member of more than 10 Board Committees and Chairperson of more than 5 Board Committees (Committees being Audit Committee and Stakeholders Relationship Committee) across all companies in which they are Directors. All the Directors shall make the necessary annual disclosure regarding their change in concern or interest in any company or companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

The Directors shall act in accordance with the duties as provided under the Companies Act, 2013 ("the Act") and the Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act.

The Company' Board has a primary role of trusteeship to protect and enhance stakeholders value through supervision and strategic inputs. The Board along with Committees provides supervision and exercises appropriate controls and in addition

to basic governance issues, the Board lays down strong emphasis on transparency and integrity.

The Board of Directors of the Company shall have an optimum combination of Executive, Non- Executive directors and Independent Directors from the different areas/fields particularly from the financial services space. The Nomination and Remuneration Committee will recommend all the persons to be proposed by the Board to the Company's shareholders for election or any person to be elected or appointed by the Board to fill interim director vacancies on the Board. The Company shall adhere to and follow the procedures stated in the policy as mandated by the Board for appointment, remuneration and evaluation of Directors.

The Company shall comply with the term and directorship limitations for Board members as mandated by law. All the Directors shall make the necessary annual disclosure and declarations regarding their directorships and Committee positions and shall intimate changes as and when they take place.

#### **4 FUNCTIONS AND RESPONSIBILITIES OF THE BOARD**

The Board shall meet at least once in a quarter for considering various business and operational matters and also periodically review compliances of all laws applicable to the Company.

Board's responsibilities inherently demand the exercise of judgment. The Board necessarily has to be vested with a reasonable level of discretion. While corporate governance may comprise of both legal and behavioral norms, no written set of rules or laws can contemplate every situation that a director or the board collectively may find itself in. Besides, existence of written norms in itself cannot prevent a director from abusing his position while going through the motions of proper deliberation prescribed by written norms.

The Board of Directors has to exercise strategic oversight over business operations while directly measuring and rewarding management's performance. Simultaneously the Board has to ensure compliance with the legal framework, integrity of financial accounting and reporting systems and credibility in the eyes of the stakeholders through proper and timely disclosures.

The Companies Act, 2013 ('Act') for the first time has laid down the duties of directors in unequivocal terms in section 166. In summary, the general duties of directors under the Act are as follows:

- to act in accordance with the articles of the company, in other words, to act within powers;
- to act in good faith in order to promote the objects of the company for the benefit of its members as a whole;
- to act in the best interest of the company, its employees, shareholders, community and for the protection of environment;
- to exercise due and reasonable care, skill and diligence and independent judgment;
- to avoid direct or indirect conflicts of interest;
- to avoid undue gain or advantage either to himself or relatives, partners or associates; and
- not to assign his office to any other person;

The provisions relating to duties and Responsibilities of Directors are contained in the following sections of the Act.

- Chapter - XI - Appointment and Qualifications of Directors (Sections 149 to 172)
- Chapter - XII - Meetings of Board and its powers (Sections 173 to 195).
- Chapter - XIII - Appointment and Remuneration of Managerial Personnel (Sections 196 to 205).

A Director is part of a collective body of Directors called the Board, which is responsible for the superintendence, control and direction of the affairs of the company. Under common law rules and equitable principles, director's duties are largely derived from the law of agency and trusts (i.e., set of contractual, quasi-contractual and non-contractual fiduciary relationships with the Company).

## **5 COMMITTEES OF THE BOARD**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their charter / terms of reference. The minutes of the meetings or periodical updates about the decisions taken by such Committees of the Board shall be placed before the Board for discussions / noting.

While the RBI Guidelines mentioned above, require the setting up of an Audit Committee, Asset Liability Supervisory Committee, Risk Management Committee and Nomination & Remuneration Committee, various other Committees under the provisions of Act are also been constituted for improving board effectiveness and efficiency in areas where more focused, specialized and technically oriented discussions are required.

## **6 DETAILS OF THE VARIOUS COMMITTEES ARE AS UNDER :**

### **6.1 Audit Committee**

The Company has in place an Audit Committee in accordance with the provisions of Clause 68 of the Master Direction No. DNBR. PD. 008/03.10.119/2016-17 on Guidelines on Corporate Governance issued by the RBI and the composition and terms of reference of the Audit Committee shall meet with the requirements of Section 177 of the Act and the Rules framed thereunder and Regulation 18(1) of the Listing Regulations, as amended from time to time.

The terms of reference, composition, roles and duties, frequency of meetings and quorum thereof etc. shall be as encompassed by and in the Act, applicable guidelines and as may be suggested by the Board from time to time.

### **6.2 Nomination and Remuneration Committee**

As envisaged in Section 178 of the Act and applicable guidelines of RBI on Corporate Governance, a Nomination and Remuneration Committee has been constituted consisting of Non- executive directors for election of members of the Board of Directors, and in handling matters within its scope of responsibility that relate to the conditions of employment and remuneration of senior management, and to management's and personnel's remuneration and incentive schemes.

The Committee shall be responsible to carry out such duties as enlisted in the Act and RBI guidelines in accordance with the policies as mandated by the Board. The Company has in place the Nomination and Remuneration Policy for matters relating to appointment, removal, remuneration, and increments of directors and Senior Management and a Performance Evaluation policy for the purpose of evaluation of each of the Directors, the Board as whole and its Committees.

### **6.3 Asset Liability Management Committee**

Pursuant to the applicable guidelines the Company has constituted Asset Liability Management Committee which shall be responsible for monitoring the asset liability gap and strategize action to mitigate the risk associated with the business of the Company from time to time. Also the Committee shall oversee the implementation of the Asset Liability Management system and review its functioning.

### **6.4 Risk Management Committee**

The constitution and the terms of reference of the Risk Management Committee shall be in compliance with the provisions of Regulation 21 of the Listing Regulations, Guidelines on Corporate Governance issued by Reserve Bank of India and such other applicable laws.

The Company is exposed to various kind of risk such as strategic risk, data security risk, fiduciary risk, credit risk, liquidity risk, reputational risk, environmental risk, competition risk, fraud risk, technological risk etc. Thus as required by applicable guidelines a Risk Management Committee shall be constituted to assist the Board in managing integrated risk by establishing risk management policy, overseeing and monitoring its implementation.

The Company also has a structured framework to satisfy that it has sound policies, procedures and practices are in place to manage the key risks and to convert a risk into an opportunity under risk framework of the company.

#### **6.5 Credit/Executive Committee**

Credit/Executive Committee consisting of Directors and Key Management Personnel have been constituted to consider the lending proposals as per the credit policy approved by the Board. The said Committee also considers other routine matters as delegated by the Board. The minutes of the meeting and/or proposals approved by the Committee are also placed before the Board.

#### **6.6 Finance Committee**

The Company being an NBFC has constituted a Finance Committee to consider and approve the investment and borrowing proposals for the business requirements of the Company within the limits approved by the Board of Directors. The minutes of the meeting and/or proposals approved by the Committee are also placed before the Board.

#### **6.7 IT Strategy & Steering Committee**

The constitution and the terms of reference of the Information Technology (“IT”) Strategy Committee shall be in compliance with the Master Direction NBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 on Information Technology Framework for the NBFC Sector, issued by Reserve Bank of India, as amended from time to time.

#### **6.8 Corporate Social Responsibility Committee**

The Company has constituted a Corporate Social Responsibility Committee, in accordance with Section 135 of the Act, read with Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended from time to time.

The terms of reference, composition, roles and duties, frequency of meetings and quorum thereof etc. shall be as encompassed by and in the Act and as may be suggested by the Board from time to time.

#### **6.9 Separate meeting of Independent Director**

Independent Directors are required to evaluate the performance of Non-Independent Directors, Chairman and Board as a whole. The Independent Directors of MUDRA



shall hold at least one meeting in a financial year or on any other frequency as Board may decide or prescribed under the applicable laws, to review the performance of Non-Independent Directors, performance of the Chairperson of Agriwise and Board & Committees of the Board, as a whole, taking into account the views of Executive Directors and Non-Executive Directors.

**The Independent Directors at their separate meetings shall:**

- review the performance of Non-Independent Directors and the Board as a whole;
- review the performance of the Chairperson of Agriwise, taking into account the views of Executive and Non-Executive Directors;
- assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Similarly, the Board other than the member being evaluated shall evaluate the Independent Directors. Nomination Remuneration Committee shall co-ordinate the evaluation process.

## **6.10 Internal Complaint Committee**

The Company has constituted a Internal Complaint Committee, in accordance with POSH Act, 2013 The Parliament of India passed the “Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act,” in the year 2013. as amended from time to time.

The guidelines explicitly state the following,

“It shall be the duty of the employer or other responsible persons in workplaces to prevent or deter the acts of sexual harassment and provide the procedures for the resolutions, settlement, or prosecution of acts, of sexual harassment by taking all steps require.”

All Organizations having 10 or more employees are bound by the Supreme Court’s directive and the POSH Act, 2013. AFL is, also, committed to create and maintain work environment which is free of all forms of gender violence, sexual harassment and discrimination on the basis of sex/gender.

## **7 FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company shall ensure a Board approved Fit and Proper Criteria Policy for Directors, in line with the Reserve Bank of India Master Directions and other relevant circulars is in place and is complied with, in full, at all times.

Pursuant to the guidelines on Fair Practices Code issued by Reserve Bank of India, the Company shall adopt a policy on Fair Practices Code which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by Board.

## **8 DISCLOSURES AND CERTIFICATIONS**

The Company shall make such disclosures to the Board and in the Annual Report, as may be statutorily required under the various RBI guidelines and provisions of the Act. Periodical certifications about compliances of the applicable laws shall be placed before the Board meeting.

## **9 AUTHORITY DELEGATED TO SENIOR MANAGEMENT**

The Board has delegated to the Senior Management, authority over the day-to-day management of the Company and its operations. Among other things, this delegation of authority includes:

- Authorization in respect of Administrative function of the Company;
- Authorization for Product related matters with respect to Loan Products of the Company;
- Authorization for liaisoning with Statutory Authorities;
- Authority to file various documents with Regulatory Authorities towards day to day business;
- Authority to execute and sign various documents with respect to legal proceedings / litigations;
- Authorization to File E-Forms with Ministry of Corporate Affairs.

## **10 AUDITORS**

### **10.1 Statutory Auditors**

The Statutory Audit firm and its partners shall rotate periodically as required under the provisions of the Act and the RBI guidelines referred in this policy. However, the firm or its partners so rotated will be eligible for conducting the audit of the Company after expiry of the cooling off period as may be prescribed, if the Company, so decides. The Company shall also incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

### **10.2 Internal Auditors**

The Internal Auditors appointed by the Board and Audit Committee in accordance with the provisions of applicable laws shall perform independent and objective assessment of internal controls, processes and procedures as envisaged by the Management and to monitor its adequacy.

### 10.3 Secretarial Auditors

The Board shall appoint an independent Company Secretary in Practice, in accordance with the applicable provisions of the Act, to conduct secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in form and manner as prescribed under the governing laws. The report shall be placed before the Board for its noting and records and the same shall be annexed to the Board Report.

## 11 INTERNAL FINANCIAL CONTROLS

The Company's management is responsible for establishing and maintaining internal financial control based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("The Guidance Note) issued by the Institute of Chartered Accountant of India (ICAI). The responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## 12 CODE OF BUSINESS CONDUCT AND ETHICS

The Company, believes that independence, responsibility, transparency, professionalism, accountability and code of ethics are the basic tenets of corporate governance. The Company shall focus on corporate governance as a means to maximize long-term stakeholders' value through disciplined and sustained growth and value creation.

The Code of Business Conduct and Ethics helps to ensure compliance with legal requirements and standards of business conduct. The code of conduct for Directors and Employees is in place and is complied with, in full, at all times.

However, in performing Board and Committee functions, the directors shall:

- Not hold position of director/ advisor with a competitor Company
- In case a director/Member is on the Board of a company/is engaged in a related business, the Board shall specifically take note and approve of these interests.
- Inform the Company and the Chairman of changes in their interests that may interfere with their ability to perform their duties, and in the case of "Independent directors", impact their independence as a Board Member.

### **13 COMPLIANCE OFFICER**

The Company Secretary shall be the Compliance Officer of the Company.

### **14 POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the Listing Regulations, the RBI Guidelines applicable to the Company and such other laws and regulations as may be applicable. The Policies adopted may be reviewed by the Board from time to time.