

## 1. INTRODUCTION

Corporate Governance Guidelines (these “Guidelines”) are set forth in line with the applicable Master Directors of RBI with respect to the basic concepts, framework, and operation policy of corporate governance in the Company.

The Company’s Board of Directors will continue to examine the appropriateness and effectiveness of these Guidelines and revise them as necessary.

Nissan Renault Financial Services India Private Limited (NRFSI) is a Non-Deposit taking Systematically Important Non-Banking Finance Company (ND- SI - NBFC) registered with the Reserve Bank of India, NRFSI is a captive finance company engaged in retail and wholesale financing including financing of Nissan, Renault and Datsun models. Effective 01<sup>st</sup> October 2022, as per the **Scale Based Regulation for Non-Banking Financial Companies, NRFSI shall be categorised as NBFC - Middle Layer (NBFC-ML)**. The Company is registered with Insurance Regulatory and Development Authority of India (IRDAI) to act as Corporate Agent (Composite) to leverage its relationship as a platform for cross-selling insurance products along with Vehicle financing.

## 2. OUR BASIC CONCEPT OF CORPORATE GOVERNANCE

The Company follows a philosophy that a good corporate governance system is necessary condition to ensure its long-term success and sustainability. The Company's Corporate Governance is founded upon a fair, ethical and transparent governance practices in all our dealings and deliver what is promised to be delivered in customer’s interest

## 3. BOARD OF DIRECTORS

The Board is responsible to exercise its business judgment to act in what they reasonably believe to be in the best interest of the Company and its shareholders.

The Board of Directors along with its constituted Committees provide direction and guidance to the Company’s Leadership Team and further direct, supervise as well as review the performance of the Company. Further, 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. Further, the Board shall be responsible for overseeing the policies, implementation, strategic issues that are crucial for long term development of organisation.

The Board shall define the role of various committees and effectiveness of the committees shall be reviewed by the Board annually. The board delegates the powers (as deemed necessary) to its sub committees as defined in this policy.

## 4. COMMITTEES OF THE BOARD

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 operate as per the directions of the Board. The minutes of the discussions and decisions taken by the Committees in their meetings are placed in the subsequent meeting of the Board for its review and approval.

## NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

As per the applicable RBI guidelines on Corporate Governance, the existence and the functioning of the following committees are required to be overseen by the Board:

- a. Audit Committee
- b. Nomination and Remuneration Committee
- c. Risk Management Committee
- d. Asset Liability Management Committee
- e. IT Strategy Committee
- f. IT Steering Committee
- g. Management Committee

The above sub committees are having an ongoing oversight on all the Governance matters applicable to those committees.

**a. AUDIT COMMITTEE:**

The primary objective of the Audit Committee shall be to oversee and provide effective supervision of the Management's financial reporting process with a view to ensure accurate and proper disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The Committee shall advise, guide and suggest measures to add value and improve the organisation's operations, internal audit system, and strengthen governance processes. The Audit Committee shall give directions to the management in the areas that needs to be strengthened.

**Constitution:**

The Audit Committee shall be constituted in line with the RBI Master Directions, 2016, consisting of not less than three Directors as members. The Audit Committee constituted under the Directions shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

All members of Audit Committee shall be financially literate and at least one member shall have accounting or relevant financial management expertise.

The term "financially literate" means possessing a working familiarity with the basic finance and accounting practice.

A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a Chief Executive Officer, Chief Financial Officer or other senior officer with financial oversight responsibilities.

- The Chairman of the Audit Committee shall be elected, by the members from amongst themselves or may be elected as per the Articles of Association or the constitution document of the Company.
- The Company Secretary shall act as the secretary to the Committee.
- The Audit Committee may invite such of the executives as it considers appropriate to be present at the meetings of the Committee.

As per the RBI Master Directions, 2016, the Audit Committee shall 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 NBFC.

### **Meetings:**

The Committee may meet as often as it may decide/desire, but it shall compulsorily meet for review of financial statements. The quorum shall be either two members or one third of the total strength of the members of the Committee whichever is greater.

### **Role & Responsibilities:**

- a) To oversee company's financial reporting process and the disclosure of its financial information to ensure that the financial statement(s) are correct, sufficient, and credible,
- b) To review with the management the annual financial statements before submission to the Board for approval,
- c) Management discussion and analysis of financial condition and results of operations,
- d) Statement of significant related party transactions, submitted by management and approval for any subsequent modification of transactions of the company with related parties;
- e) Management letters / letters of internal control weaknesses issued by the statutory auditors;
- f) Statement of use/application of funds raised through an issue (public / private issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g) Review accounting policies/standards and Monitor Compliance;
- h) Review findings of internal investigations /fraud /irregularities, etc. and
- i) Overseeing the vigil mechanism through the Committee and if the Audit Committee members have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand.
- j) Audit Committee shall have an oversight on the AML compliance.
- k) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- l) In case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:
- m) in case any transaction involving any amount not exceeding One Crore Rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:
- n) scrutiny of inter-corporate loans and investments;
- o) valuation of undertakings or assets of the company, wherever it is necessary;
- p) monitoring the end use of funds raised through public offers and related matters.
- q) The Committee may 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 may also discuss any related issues with the internal and statutory auditors and the management of the company.
- r) obtain professional advice from external sources and have full access to information contained in the records of the company.

**A. Statutory Audit:**

- a. To recommend the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and recommend the audit fees of Statutory Auditors to the Board.
- b. To approve engagement and payment to statutory auditors or connected entities or firms of statutory auditor for any other services rendered by them to the Company or its subsidiaries.
- c. To conduct pre-audit discussions with the statutory auditor(s) about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- d. To review with statutory auditor, any audit problems or difficulties and management's response.
- e. To resolve any disagreements of the statutory auditor with the management's response.
- f. To review any qualification in the Auditor' report and management response thereto.

**B. Internal Audit:**

- a. To review on a regular basis the adequacy of internal audit function, including the internal audit charter, the structure of the internal audit department, approval of the audit plan and its execution, reporting structure, budget, coverage and frequency of internal audit.
- b. To review the regular internal reports to management prepared by the internal audit department as well as management response thereto.
- c. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of material nature and reporting the matter to the Board.
- d. To review Internal Audit reports relating to internal control weaknesses.
- e. To review with the management, statutory and internal auditors, and the adequacy of internal control systems including computerized information system, controls and security and ensure adherence thereto.
- f. To review performance of internal auditors.

**b. NOMINATION AND REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee (NRC) shall be constituted in line with the RBI Master Directions, 2016. The NRC shall consist of three or more non-executive directors and shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013. The Company Secretary shall act as the secretary to the Committee. The powers of the committee includes:

- a. identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
- b. specify the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- c. 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.
- d. NRC shall, while formulating the policy ensure that:
  - (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the company successfully;
  - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- (iii) remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:
- (iv) formulate succession plan for the Board and Senior managerial personnel

### **c. RISK MANAGEMENT COMMITTEE**

The Risk Management Committee (RMC) shall be constituted in line with the RBI Master Directions, 2016. The RMC plays a vital role by helping the Company's business to identify the inherent risks, assess, evaluate and monitor these risks continuously and undertake effective steps to manage these risks. RMC is responsible for putting in place a progressive risk management system, risk management policies and strategy followed by the Company.

#### **Constitution:**

- Managing Director
- Chief Financial Officer & Head ISIT
- Chief Risk Officer
- Head - Sales, Marketing & Insurance
- Head / Senior Manager – Retail Risk
- Head / Senior Manager – Risk Management
- Manager – Commercial Credit – Risk Management

The quorum for the meeting is 4 voting members.

The Managing Director shall be the Chairman of the Committee.

Frequency of the meeting is Quarterly.

#### **Roles and Responsibilities:**

The Risk Management Committee shall manage the integrated risk, inform the Board about the progress made in implementing a risk management system and review periodically the Risk Management Policy and strategy followed by the Company. Senior management of the Company shall apprise the Risk Management Committee and the Board of the major risks as well as the movement in the profile of the high-risk category, the root causes of risks and their impact, key performance indicators, risk management measures and the current controls being exercised to mitigate these risks. The Risk Management Committee shall perform such other duties, as are required to be performed by the Committee, under the applicable laws, Guidelines which includes but not limited to:

- a) Review risk reporting on significant risks, including the amount, nature, characteristics, concentration, and quality of the credit portfolio, as well as all significant exposures to credit risk through reports on significant credit exposure presented to the Committee.
- b) To review and track the annual objectives of the Risk department vs corporate objectives
- c) Review, modify, recommend, and approve the proposals for various funding products and programs.
- d) To review and remediate the audit findings, including, but not limited to internal audit, Statutory audit, regulatory audit, and Global audit pertain to Risk function.
- e) To review on periodic basis the NCL projections for the loan accounts, Live credit programs and zone wise NCL trend, top 10 states
- f) To formulation, modify, review, and recommend the policy and process documents pertaining to risk department, as applicable under various regulatory requirements from time to time.

- g) To review the portfolio delinquency details on periodic basis.
- h) To review the Approval Authority wise portfolio quality, disbursement details and Exceptional (L4) approvals within board approved policy limits.
- i) To review the First Payment Default Analysis, Non-starter Analysis, vintage analysis and Rejection Analysis.
- j) To review the bounce trend of payment instrument on periodic basis.
- k) To review the foreclosure account details on periodic basis.
- l) To review the Quick Mortality Accounts along with NPA along with root cause analysis.
- m) To review and validate the various risks as applicable to the company from time to time, including but not limited to Credit Risk, Market Risk, Operational Risk, IT risk, Compliance Risk, Reputation Risk, Insurance Risk, Legal Risk and External Risk.
- n) To review the Floor plan portfolio, along with the details of High DPD cases on a periodic basis.
- o) To review the Bank Guarantee renewal status on periodic basis.
- p) To review the Stock Insurance and property insurance renewal status on periodic basis.
- q) To review the SOT details and Stock Audit MIS on periodic basis.
- r) To review the status of the wholesale dealer under legal on periodic basis.

**d. ASSET LIABILITY MANAGEMENT COMMITTEE**

The Asset Liability Management (ALM) Committee shall be constituted in line with the RBI Directions, 2016 consisting of the senior management and shall be responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the NBFC (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives. The Committee shall be responsible for integrated balance-sheet management from the risk-return perspective including the Capital adequacy and its assessment from time to time, strategic management of interest-rate and liquidity risks within the parameters set by the Board and/or regulatory guidelines. The constitution, roles and responsibilities, management have been provided in detail in the ALM policy document of the Company.

**e. IT STRATEGY COMMITTEE**

The IT Strategy Committee shall be constituted in line with the applicable RBI Master Directions to support and align the IT Strategic initiatives towards company's business Goal, Vision and Strategy. The committee shall meet on a quarterly basis and shall report to the Board. The Committee shall work in partnership with other Board committees and Senior Management and provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance. Its deliberations may be placed before the Board. The constitution, roles and responsibilities, management have been provided in detail in the IT Governance policy document of the Company.

**f. IT STEERING COMMITTEE**

The IT Steering Committee shall be constituted in line with the applicable RBI Master Directions to operate at an executive level consisting of the development team and other stakeholders to provide oversight and monitoring of the progress of the project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable. The primary focus of the committee shall be on priority setting, resource allocation and project tracking. The committee shall meet on a

quarterly basis and shall report to the Board. The constitution, roles and responsibilities, management have been provided in detail in the IT Governance policy document of the Company.

### **g. MANAGEMENT COMMITTEE**

The Management Committee (MC) shall be constituted as subcommittee of the Board and shall be responsible for taking decisions on critical matters which may have impact on the day-to-day management and operations of the company based on the directions given by the Board. The committee shall constitute of the Managing Director, Chief Financial Officer and Head ISIT, Chief Risk Officer, Head of Marketing and Services and Operations, Head of Sales and Collections and Head of Human Resources. The Company Secretary shall act as the secretary to the Committee. The powers of the committee include:

- i. Formulation, review, recommendation and/ or approval of the policies and processes of the company in line with the guidelines and directions of the various government bodies and to ensure that the policy and process documents are updated and implemented on regular intervals; These changes would be placed to the Board for review and approval once a year.
- ii. Recommendation to the Board from time to time, on all matters with respect to functioning of the company;
- iii. Recommendation to various committees of the Board and other sub-committees on strategy and policy matters;
- iv. To ensure that operational issues and problems are dealt with as they arise and provide the necessary support and assistance;
- v. Monitoring the activities of the all the departments of the company and to ensure they are in line with the objectives of the company;
- vi. To formulate various committees, sub-committees and groups for specific purpose, general issues, new projects, or for handling ongoing work and to support the Management committee.
- vii. Appoint consultants/ obtain legal opinions/valuation reports as and when required to evaluate and make decisions on regulatory or business matters.
- viii. Authorise company officials to liaison with Regulators, Auditors and Bankers/Consultants.
- ix. Review Compliance risk assessments, risk review reports from time to time.
- x. MC review the Outsourcing arrangements and arrangements with 03<sup>rd</sup> Parties.

## **5. FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company has formulated 'Fit and Proper' Policy in accordance with the Directions issued by RBI. The Nomination and Remuneration Committee (NRC) shall ensure Fit and Proper status of proposed/existing Directors. The Committee shall obtain a declaration and undertaking from the Directors, giving certain information relating to them. The declaration and undertaking shall be on the lines of the format prescribed by RBI from time to time.

## **6. FAIR PRACTICES CODE**

Pursuant to the guidelines on Fair Practices Code issued by the Reserve Bank of India (RBI), the Company has adopted a policy on Fair Practices Code, which shall be implemented and reviewed on a regular basis.

## 7. DISCLOSURES AND TRANSPARENCY

All applicable disclosures shall be made in line with the applicable Master Direction laid down by RBI from time to time,

## 8. AUDITORS

### a. Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company. Further, the Company shall rotate the Chartered Accountant firm(s) conducting the statutory audit, every three years. However, the firm so rotated will be eligible for conducting the audit of the Company after an interval of six years, if the Company, so decides.

### b. Internal Auditor

The Board and the Audit Committee of the Company shall appoint Internal Auditors in accordance with the provisions of Companies Act, 2013 and regulations, who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness. The reports of the Internal Audit shall be placed before the Audit Committee and the Board for their review.

### c. Secretarial Auditor

The Board shall appoint an independent company secretary in practice, in accordance with the provisions of the Act to conduct a secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the Act. The Secretarial Audit Report shall be annexed to the Board's Report which shall be circulated to the members.