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Reliance Capital Limited

Policy on Corporate Governance Framework

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1. Introduction

1.1 Preamble Reliance Capital Limited (RCL) (the "Company"), an unlisted Non-Banking Financial Company - Core Investment Company (NBFC-CIC) registered with the Reserve Bank of India (RBI), is steadfastly committed to upholding the highest standards of Corporate Governance. This Corporate Governance Framework Policy (the "Policy") is established to ensure the Company's operations are conducted with integrity, transparency, accountability, and in full compliance with all applicable laws, regulations, and best industry practices. The Company believes that robust governance is fundamental to building stakeholder trust, achieving sustainable growth, and enhancing long-term value.

1.2 Objectives The primary objectives of this Policy are to:

- Lay down a comprehensive governance framework that aligns with the specific requirements of an NBFC-CIC under RBI regulations and the Companies Act, 2013.
- Ensure that the Board of Directors provides effective leadership, oversight, and strategic guidance, while the management remains accountable for daily operations.
- Define the roles, responsibilities, and composition of the Board and its committees to promote effective decision-making and risk oversight.
- Establish strong internal controls, risk management systems, and a robust compliance framework.
- Promote ethical conduct, transparency, and accountability across all levels of the organization.
- Safeguard the interests of all stakeholders, including shareholders, customers, employees, lenders, and regulators.
- Ensure timely and accurate disclosures of all material information.

1.3 Applicability This Policy applies to:

- The Board of Directors of **RCL.**
- All Board Committees
- Key Managerial Personnel (KMP)
- Senior Management
- All employees whose roles impact the Company's governance, compliance, and risk management functions.

1.4 Core Principles The Company's Corporate Governance Framework is guided by the following core principles:

- **Transparency:** Openness in financial reporting, disclosures, and operational conduct.
- **Accountability:** Clear definition of responsibilities and accountability for actions and decisions.
- **Fairness:** Equitable treatment of all stakeholders.
- **Independence:** Objective decision-making, particularly concerning Board and Committee functions.
- **Responsibility:** Commitment to ethical conduct, regulatory compliance, and sustainable business practices.

2. Regulatory Framework

This Policy is framed and shall be adhered to in strict compliance with, but not limited to, the following key regulatory provisions and guidelines issued by the Reserve Bank of India (RBI) and the Ministry of Corporate Affairs (MCA):

- **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as amended from time to time):** This is the overarching framework for NBFCs, categorizing them into different layers (Base Layer, Middle Layer, Upper Layer) and prescribing enhanced governance, risk management,

and disclosure requirements based on asset size and other criteria. As a CIC, the Company's governance framework will be guided by the requirements applicable to its respective SBR layer.

- **RBI Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016 (as amended from time to time):** Specific guidelines governing the operations, investments, and leverage of CICs.
- **RBI Master Direction – Information Technology Framework for the NBFC Sector, 2017 (as amended from time to time):** Provides guidance on IT governance and cybersecurity.
- **Companies Act, 2013, and relevant rules thereunder:** Especially provisions related to:
    - **Section 134:** Board's Report and Directors' Responsibility Statement.
    - **Section 149:** Company to have Board of Directors; number of Directors, independent Directors.
    - **Section 166:** Duties of Directors.
    - **Section 177:** Audit Committee.
    - **Section 178:** Nomination and Remuneration Committee and Stakeholders Relationship Committee.
    - **Section 186:** Loan and Investment by Company.
    - **Section 188:** Related Party Transactions.
- **Secretarial Standards (SS) issued by ICSI:** For Board and General Meetings, serve as best practices.
- Any other circulars, notifications, prudential norms, or guidelines issued by the RBI or any other statutory authority concerning corporate governance or NBFC operations.

3. Definitions

For the purpose of this Policy, the following definitions shall apply:

- **Company:** Refers to **Reliance Capital Limited (RCL)**
- **Board:** The Board of Directors of RCL.
- **NBFC-CIC:** Non-Banking Financial Company - Core Investment Company, as defined by RBI.
- **SBR:** Scale Based Regulation, the revised regulatory framework for NBFCs issued by RBI.
- **KMP (Key Managerial Personnel):** As defined under the Companies Act, 2013, typically includes CEO, Managing Director, Manager, Company Secretary, Chief Financial Officer, and whole-time directors.
- **Senior Management:** Officers and personnel of the Company who are members of core management team, excluding Board of Directors, comprising all members of management one level below the Executive Director (excluding Company Secretary and Chief Financial Officer).
- **Independent Director:** A non-executive director who satisfies the criteria of independence as prescribed under the Companies Act, 2013, and/or RBI guidelines for NBFCs (if applicable to the Company's SBR layer).
- **Related Party Transaction (RPT):** As defined under the Companies Act, 2013, and IND-AS 24.
- **Fit and Proper Criteria:** The criteria prescribed by RBI for assessing the suitability of Directors.

4. Board of Directors

The Board of Directors is at the core of the Company's corporate governance structure, providing strategic guidance and oversight.

4.1 Role and Responsibilities of the Board: The Board is responsible for the overall governance of the Company, including:

- Setting the Company's strategic direction, vision, mission, values, and overall risk appetite.
- Approving and overseeing the implementation of key policies, including this Corporate Governance Policy, Investment Policy, Outsourcing Policy, Risk Management Policy, etc.
- Ensuring compliance with all applicable laws, regulations, and internal policies.
- Overseeing the integrity of the Company's financial reporting and internal control systems.
- Appointing, overseeing, and periodically evaluating the performance of the CEO/MD, KMPs, and Senior Management.
- Ensuring an effective succession planning framework for KMPs.
- Reviewing and guiding the Company's major plans of action, risk management policies, annual budgets, and business plans.
- Monitoring corporate performance against strategic goals and objectives.
- Ensuring effective communication with shareholders and other stakeholders.

4.2 Board Composition and Diversity:

- The Board shall be composed of a mix of executive and non-executive directors (including Independent Directors, if applicable to the Company's SBR layer or chosen as best practice) to ensure balance and independence in decision-making.
- The composition shall comply with the requirements of the Companies Act, 2013, and RBI Master Directions (e.g., SBR guidelines on independent directors and minimum number of directors).

- The Board endeavors to maintain a diverse composition with a range of skills, experience, perspectives, and gender representation, relevant to the Company's business and strategic needs. The Board shall maintain a skill matrix to identify expertise gaps.

4.3 Appointment and Re-appointment of Directors:

- All appointments and re-appointments of Directors shall be based on a transparent process, adhering to the "Fit and Proper Criteria" prescribed by the RBI (Section 4.4) and the Companies Act, 2013.
- The Nomination and Remuneration Committee (NRC) shall play a crucial role in identifying, evaluating, and recommending candidates for Board appointment.

4.4 Fit and Proper Criteria for Directors:

- The Company shall have a Board-approved "Policy on Fit and Proper Criteria for Directors," which shall be strictly adhered to for appointment and on a continuing basis.
- Directors are required to submit declarations and undertakings regarding their 'fit and proper' status at the time of appointment and annually thereafter.
- The Company shall submit a quarterly statement to the RBI on changes in directorship and provide a certificate from the Managing Director/CEO confirming adherence to the fit and proper norms. The March 31st statement shall additionally be certified by the statutory auditors.

4.5 Board Meetings and Effectiveness:

- The Board shall meet at least once in every three months and at least four times a year, with a maximum gap of 120 days between two consecutive meetings, in compliance with the Companies Act, 2013.
- Detailed agenda papers shall be circulated in advance to enable informed decision-making.

- Minutes of Board meetings shall be accurately recorded and circulated in a timely manner.
- The Board shall periodically assess its own effectiveness and that of its committees and individual directors, identifying areas for improvement.

4.6 Code of Conduct for Directors and Senior Management:

- The Board shall adopt a comprehensive "Code of Conduct" for all Directors and Senior Management.
- All Directors and Senior Management shall affirm compliance with the Code of Conduct annually.
- The Code shall promote ethical behavior, integrity, avoidance of conflicts of interest, and adherence to legal and regulatory requirements.

5. Board Committees

The Board constitutes various committees to effectively discharge its responsibilities and ensure focused attention on critical areas. The constitution and functions of these committees shall be in compliance with the Companies Act, 2013, and RBI guidelines, particularly the SBR framework (where applicable to the Company's layer).

5.1 Audit Committee:

- **Constitution:** Shall be constituted in accordance with Section 177 of the Companies Act, 2013, and relevant RBI guidelines. It shall comprise a majority of Independent Directors (if applicable).
- **Role and Responsibilities:**
    - Oversight of the Company's financial reporting process and the disclosure of its financial information.
    - Review of the effectiveness of the Company's internal financial controls and risk management systems.

- Review of the independence and performance of statutory and internal auditors, and approval of their remuneration.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity.
- Monitoring and reviewing the framework for identifying, managing, and reporting Related Party Transactions.
- Reviewing the functioning of the Whistleblower mechanism.
- Reviewing reports from statutory auditors and internal auditors.
- Evaluating internal control systems.

5.2 Nomination and Remuneration Committee (NRC):

- **Constitution:** Shall be constituted in accordance with Section 178 of the Companies Act, 2013, and relevant RBI guidelines.
- **Role and Responsibilities:**
  - Formulating criteria for determining qualifications, positive attributes, and independence of a director and recommending to the Board a policy on Board diversity.
  - Identifying persons who are qualified to be directors and who may be appointed in senior management, and recommending their appointment and removal to the Board.
  - Formulating the criteria for performance evaluation of independent directors and the Board.
  - Formulating a policy on the remuneration for directors, KMP, and other employees.
  - Ensuring that remuneration policies align with RBI guidelines on sound remuneration practices, particularly avoiding excessive risk-taking.

- Overseeing succession planning for KMP and senior management roles.

5.3 Risk Management Committee (RMC):

- **Constitution:** As mandated by SBR for Middle and Upper Layer NBFCs, or adopted as a best practice for Base Layer. The Committee shall comprise members of the Board, with a majority of them being non-executive directors.
- **Role and Responsibilities:**
  - Formulating and implementing the Company's overall risk management framework, including policies and procedures for identification, measurement, monitoring, and mitigation of all key risks (credit, market, operational, liquidity, IT, etc.).
  - Reviewing the Company's risk appetite framework and ensuring it is aligned with its strategic objectives.
  - Monitoring the Company's risk profile and ensuring that appropriate risk limits are established and adhered to.
  - Overseeing the Company's compliance with risk management guidelines issued by the RBI.
  - Reviewing significant risk exposures and the steps taken to control them.
  - Reviewing the adequacy of the Company's capital in relation to its risk profile.

5.4 Other Committees (if applicable): The Board may constitute other committees as deemed necessary to address specific areas of responsibility, such as an IT Strategy Committee or CSR Committee, in line with regulatory requirements or best practices.

6. Key Management Personnel (KMP) and Senior Management

6.1 Role of Key Managerial Personnel: KMPs and Senior Management are responsible for the day-to-day management of the Company's affairs, implementing the strategies approved

by the Board, and operating within the defined risk appetite. They are accountable to the Board for the performance of their respective functions.

6.2 Appointment of Chief Risk Officer (CRO):

- For NBFCs classified as Middle and Upper Layer under SBR, a Chief Risk Officer (CRO) shall be appointed with adequate experience in risk management.
- The CRO shall have direct reporting lines to the CEO/MD and functionally to the RMC/Board.
- The CRO's role shall be distinct and independent from other functional roles (e.g., business, audit, compliance), ensuring objectivity in risk assessments. The appointment/removal of the CRO shall be with the approval of the Board/RMC.

6.3 Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification: The CEO and CFO shall provide annual certifications to the Board regarding the integrity of the financial statements, adequacy of internal controls, and compliance with laws and regulations.

7. Compliance Function

The Company shall establish a robust and independent Compliance Function to ensure adherence to regulatory and statutory requirements.

- **Independence:** The Compliance Department shall function independently, with direct access to the Audit Committee and Board.
- **Chief Compliance Officer (CCO):** CCO shall be appointed, with responsibility for overseeing regulatory compliance. The CCO shall have a fixed tenure and reporting lines to the CEO/MD and/or Audit Committee.
- **Responsibilities:**
    - Advising the Board and Senior Management on regulatory obligations and potential compliance risks.

- Developing and implementing a comprehensive Compliance Policy and Compliance Manual.
- Conducting regular compliance risk assessments and testing.
- Monitoring adherence to internal policies, codes of conduct, and external laws/regulations.
- Reporting significant compliance breaches or issues to the Board/Audit Committee and, if required, to the RBI.
- Serving as a reference point for staff seeking clarifications on regulatory guidelines.

- **Adequacy of Resources:** The Compliance Function shall be adequately staffed with competent personnel and provided with necessary resources.

8. Internal Control and Audit Framework

The Company shall maintain a robust internal control and audit framework to safeguard assets, ensure accuracy of financial information, and promote operational efficiency.

- **Internal Financial Controls:** The Board is responsible for ensuring that adequate and effective internal financial controls over financial reporting are in place and operating effectively, in line with Section 134(5)(e) of the Companies Act, 2013.
- **Internal Audit Function:** The Company shall have an independent and robust internal audit function that provides objective assurance on the effectiveness of risk management, internal controls, and governance processes.
- **Reporting:** The Internal Auditor shall report to the Audit Committee, ensuring independence from management.
- **Risk-Based Audit Plan:** Internal audit shall follow a risk-based approach, and the audit plan shall be approved by the Audit Committee.

9. Risk Management Framework

While a detailed Risk Management Policy will exist separately, this Corporate Governance Policy emphasizes the Board's role in overseeing the comprehensive risk management framework.

- The Board, through the Risk Management Committee (RMC), shall define the Company's risk appetite and ensure that a sound risk management framework is in place for identifying, assessing, measuring, monitoring, and mitigating all significant risks, including credit risk, market risk, operational risk, liquidity risk, IT risk, compliance risk, and reputational risk.
- The framework should be commensurate with the Company's size, complexity of operations, and risk profile.

10. Conflict of Interest and Related Party Transactions

The Company is committed to conducting its business with the highest standards of integrity, avoiding actual or perceived conflicts of interest.

- **Policy:** The Company shall have a Board-approved policy on "Conflict of Interest" for its Directors and Senior Management.
- **Disclosure:** Directors and Key Managerial Personnel shall periodically disclose any potential conflicts of interest, including those related to their directorships, committee memberships, employment, or significant shareholdings in other entities.
- **Related Party Transactions (RPTs):** All RPTs shall be conducted at arm's length, in the ordinary course of business, and shall be subject to the approval of the Audit Committee and/or the Board, and shareholders (if required), in accordance with the Companies Act, 2013, and IND-AS 24.
- **Register:** A register of contracts or arrangements in which directors are interested shall be maintained as per statutory requirements.

11. Whistleblower Policy (Vigil Mechanism)

The Company is committed to a culture of openness and transparency and encourages its employees and other stakeholders to report genuine concerns about unethical behavior, actual or suspected fraud, violation of laws, or any other wrongdoing.

- **Policy:** The Company shall have a Board-approved Whistleblower Policy (Vigil Mechanism) in compliance with the Companies Act, 2013, providing a mechanism for directors and employees to report concerns.
- **Protection against Retaliation:** The policy shall ensure adequate safeguards against victimization or retaliation for whistleblowers who report concerns in good faith.
- **Oversight:** The Audit Committee shall oversee the Vigil Mechanism and ensure its effective functioning.

12. Stakeholder Engagement and Customer Protection

The Company recognizes its responsibility to all stakeholders and is committed to protecting their interests.

- **Fair Treatment:** Treat all shareholders fairly and equally.
- **Customer Grievance Redressal:** Maintain a robust and accessible grievance redressal mechanism to ensure timely and fair resolution of customer complaints, as stipulated in the Company's "Grievance Redressal Policy."
- **Employee Welfare:** Promote a fair and safe working environment, fostering employee development and engagement.
- **Transparency with Lenders/Investors:** Provide timely and accurate information to lenders and other investors.

13. Disclosures and Transparency

The Company is committed to timely, accurate, and comprehensive disclosures to its stakeholders and regulators.

- **Annual Report:** The Annual Report shall provide comprehensive disclosures on the Company's financial and operational performance, corporate governance practices, risk management policies, director remuneration, Related Party Transactions, and other relevant information as required by the Companies Act, 2013, and RBI guidelines.
- **Regulatory Disclosures:** Ensure timely and accurate submission of all prescribed returns and disclosures to the RBI and other regulatory authorities.
- **Website Disclosures:** Maintain an updated website with key information, including this Policy, financial results, investor relations contact details, and other material disclosures.

14. IT Governance

The Board recognizes the increasing importance of Information Technology (IT) in the Company's operations and is committed to ensuring sound IT governance.

- The Board, either directly or through a designated committee (e.g., Risk Management Committee or a dedicated IT Strategy Committee), shall oversee the Company's IT strategy, IT spending, IT infrastructure, and information security.
- Ensure that the Company's IT systems support its business objectives, enhance operational resilience, and protect sensitive data.
- Adhere to the RBI's "Information Technology Framework for the NBFC Sector" and "Cyber Security Framework for NBFCs."

15. Policy Review and Amendment

This Corporate Governance Framework Policy is a dynamic document and shall be subject to regular review and necessary amendments to maintain its effectiveness and alignment with the evolving regulatory landscape, business environment, and best practices.

- **Review Frequency:** This Policy shall be reviewed at least **annually** by the Company Secretary and Compliance Department, in consultation with other relevant departments.
- **Triggers for Immediate Review:** The Policy shall also be reviewed immediately upon the occurrence of any of the following events:
    - Any significant change or amendment in the Companies Act, 2013, or RBI Master Directions (especially SBR and CIC regulations).
    - Major changes in the Company's business model, structure, or strategic objectives.
    - Significant findings from internal or external audits related to governance.
    - Best practice recommendations from regulatory bodies or industry associations.
- **Approval:** Any amendments or revisions to this Policy shall be thoroughly reviewed by the Audit Committee (and/or other relevant committees) and Senior Management, and subsequently approved by the **Board of Directors**.
- **Communication:** All approved changes to this Policy shall be promptly communicated to all relevant employees, departments, and stakeholders.