

# NIIF INFRASTRUCTURE FINANCE LIMITED

## INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

### Applicable Regulation

**Master Circular – Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 and Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, updated from time to time.**

### Reviewing & Approving Authority

Authority	Designation
Prepared By	Chief Compliance Officer and General Counsel (“CCO & GC”)
Reviewed By	Chief Executive Officer
Approved By	Board of Directors
Last reviewed	November, 2022

NIIF INFRASTRUCTURE FINANCE LIMITED

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**NIIF IFL – Internal Guidelines on Corporate Governance**

**I. Company Philosophy and Corporate Governance**

The Reserve Bank of India (**'RBI'**) vide its Circular No. DNBR (PD) CC.No.029/03.10.001/ 2014- 15 dated April 10, 2015, and Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, updated from time to time notified Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 (**"RBI Circular"**) which requires NBFCs to frame Internal Guidelines on Corporate Governance.

Being a professionally run enterprise with National Investment and Infrastructure Fund II ('NIIF Fund II') holding a controlling stake, effective board oversight and sound Corporate Governance practices are fundamental to the Company's quest of delivering long-term value to all its stakeholders.

Corporate Governance is a continuous process at NIIF Infrastructure Finance Limited. It is about commitment to values and ethical business conduct. Systems, policies, and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment.

**II. Company**

The Company is NBFC-ND-SI (Non-Banking Financial Company- Non-Deposit taking- Systemically Important) categorized as an Infrastructure Debt Fund and is registered with Reserve Bank of India.

**III. Board**

The Company's Board currently consists of 6 Directors, comprising three nominee Directors of NIIF Fund II, and three Independent Directors.

The members of the Board are as follows:

<b>Sr. No.</b>	<b>Name of Director</b>	<b>Designation</b>
1.	Mr. Prakash Rao	Nominee Director of NIIF Fund II
2.	Mr. Rajiv Dhar	Nominee Director of NIIF Fund II
3.	Mr. A K T Chari	Nominee Director of NIIF Fund II
4.	Mr. Ashwani Kumar	Independent Director
5.	Ms. Rosemary Sebastian	Independent Director
6.	Mr. Prashant Kumar Ghose	Independent Director

The Directors bring to the Board a wide range of experience and skills which include banking, global finance, law, accounting, and economics.

## **Committees**

I. Following are the Board level Committees of the Company:

### **A. Audit Committee**

The Company has in place the Audit Committee in accordance with the provisions of the Companies Act 2013, RBI Guidelines, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time. The terms of reference of the Audit Committee are as follows:

a. The role of the audit committee shall include the following:

- (1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient, and credible;
- (2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - (a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - (b) changes, if any, in accounting policies and practices and reasons for the same;
  - (c) major accounting entries involving estimates based on the exercise of judgment by management;
  - (d) significant adjustments made in the financial statements arising out of audit findings;
  - (e) compliance with listing and other legal requirements relating to financial statements;
  - (f) disclosure of any related party transactions;
  - (g) modified opinion(s) in the draft audit report;
- (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- (6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public 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 utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- (7) reviewing and monitoring the auditor's independence and

- performance, and the effectiveness of the audit process;
- (8) approval or any subsequent modification of transactions of the listed entity with related parties;
  - (9) scrutiny of inter-corporate loans and investments;
  - (10) valuation of undertakings or assets of the listed entity, wherever it is necessary;
  - (11) evaluation of internal financial controls and risk management systems;
  - (12) reviewing, with the management, the performance of statutory and internal auditors, adequacy of the internal control systems;
  - (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
  - (14) discussion with internal auditors of any significant findings and follow up there on;
  - (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
  - (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
  - (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
  - (18) to review the functioning of the whistle blower mechanism;
  - (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
  - (20) Carrying out any other function as is mentioned in the terms of reference of the audit committee.
  - (21) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.
  - (22) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

- b. The audit committee shall mandatorily review the following information:
- (1) management discussion and analysis of financial condition and results of operations;
  - (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
  - (4) internal audit reports relating to internal control weaknesses; and
  - (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
  - (6) statement of deviations:
    - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
    - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

The Audit Committee consists of:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Designation</b>	<b>Chairman/Member</b>
1	Mr. Ashwani Kumar	Independent Director	Chairman
2	Mr. Rajiv Dhar	Non – Executive Director	Member
3	Ms. Rosemary Sebastian	Independent Director	Member

All the members are financially literate and at least one member has accounting or financial management expertise. The CFO and the representatives of the Statutory Auditors and Internal Auditors are permanent invitees to the Audit Committee Meetings. The Company Secretary of the Company acts as the Secretary to the Audit Committee. The Audit committee charter is in line with the Companies Act 2013, RBI guidelines and SEBI Listing Regulations.

#### **B. Nomination and Remuneration Committee**

The Company has in place, the Nomination and Remuneration committee of the Company. The Nomination and Remuneration Committee has been re-constituted as follows:

<b>Sr. No.</b>	<b>Particulars</b>	<b>Designation</b>	<b>Chairman/Member</b>
1	Mr. Ashwani Kumar	Independent Director	Chairman
2	Mr. Prakash Rao	Nominee Director of NIIF Fund II	Member

3	Ms. Rosemary Sebastian	Independent Director	Member
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Mr. Rajiv Dhar shall be permanent invitee to NRC Committee meetings.

The Committee ensures formulation of the remuneration policy and sets out criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees; The Committee is responsible to ensure 'fit and proper' status of proposed/ existing directors. The Committee shall formulate the criteria for conducting the Board Evaluation process and the performance of Board, Committees, Chairman, and the Directors in accordance with Section 178 of the Companies Act, 2013.

The terms of reference of the Nomination and Remuneration Committee are as follows:

1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, appointment, the remuneration of the directors, key managerial personnel and other employees keeping in consideration various factors viz qualification, expertise, diversity etc;
- (1A). For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge, and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
  - a. use the services of an external agencies, if required;
  - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
  - c. consider the time commitments of the candidates.
2. formulation of criteria for evaluation of the performance of independent directors and the board of directors;
3. devising a policy on diversity of the board of directors;
4. identifying persons who are qualified to become directors and who may be appointed in senior management/ KMP in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
5. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. recommend to the board, all remuneration, in whatever form, payable to senior management.

### C. Stakeholders Relationship Committee

As per the latest SEBI (LODR) Regulations, 2015 as amended on September 07, 2021, Regulation 20 states that every 'High Value Debt Listed Company' is required to formulate a Stakeholder Relationship Committee.

The company has proposed to constitute the Stakeholder and Relationship Committee as follows:

Sr. No.	Particulars	Designation	Chairman /Member
1.	Mr. Ashwani Kumar	Independent Director	Chairman
2.	Mr. Prakash Rao	Nominee Director of NIIF Fund II	Member
3.	Mr. Rajiv Dhar	Nominee Director of NIIF Fund II	Member

The terms of reference of the role of Stakeholder Relationship Committee are as follows:

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

### D. Risk Management Committee

The Board-level Risk Committee monitors risk management of the Company on a regular basis. The Risk Management Committee consists of:

Sr. No.	Particulars	Designation	Chairman/Member
1	Mr. Ashwani Kumar	Independent Director	Chairman
2	Mr. Rajiv Dhar	Nominee Director of NIIF Fund II	Member
3	Mr. A K T Chari	Nominee Director of NIIF Fund II	Member



The Risk Management Committee ("**RM**C") reviews and monitors risks across the organization: credit risk, market risk, operational risk and portfolio level risk. The Risk Management Committee meets on a quarterly basis and updates the Board on the various reviews made and risk management policy.

The following are the terms of reference of the RMC Committee:

1. To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information technology including business continuity plan, cyber security risks, market risk or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee the implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
7. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

#### **E. Corporate Social Responsibility ("**CSR**") Committee**

NIIF Infrastructure Finance Limited believed that profitability must be complemented by a sense of responsibility towards all stakeholders. The CSR Committee, as mandated under Section 135(3) of the Companies Act, 2013 formulated and recommended to the Board, a CSR Policy which indicates the activities to be undertaken by the Company as specified in Schedule VII of the Act and recommends the amount of expenditure to be incurred on the said activities.

The CSR Committee consists of:

Sr. No.	Particulars	Designation	Chairman/Member
1	Mr. Ashwani Kumar	Independent Director	Chairman
2	Mr. Prakash Rao	Nominee Director of NIIF Fund II	Member
3	Ms. Rosemary Sebastian	Independent Director	Member

II. Following are the few important Executive/Management Committees of the Company from the point of view of compliance and governance:

**A. Credit Committee**

As specified in the Credit Policy, all financing proposals are submitted to the Credit Committee for its approval. The Credit Committee meets as may be required, to consider and approve proposals. In case of urgency, it takes up proposals for approval by circulation.

The Credit Committee consists of:

Sr. No.	Particulars	Designation	Chairman /Member
1	Mr. Prakash Rao	Director	Member
2	Mr. A K T Chari	Director	Member
3	Ms. Varsha Purandare	Independent external Member	Member
4	Chief Executive Officer	Chief Executive Officer	Member
5	Mr. Nilesh Shrivastava	NIIF Fund II Representative	Member

The quorum of the Credit Committee Meeting is any three members present at the Meeting in person or by Video Conferencing or by any other allowable mode

**B. ALCO Committee**

The ALCO is a decision-making body responsible for integrated balance sheet management from the risk-return perspective and includes the strategic management of interest rate and liquidity risks.

The ALCO comprises the following:

Sr. No.	Particulars	Chairman/Member
1.	Chief Executive Officer	Chairman
2.	Chief Business Officer	Member
3.	Chief Financial Officer	Member

4.	Chief Risk Officer	Member
5.	Director-Resources	Member

Head – IT will be an invitee to the ALCO meetings. NIIF Representative will be invited as an observer to the ALCO Meetings. The quorum for ALCO will be 3 (three) members, which must include the CEO, CFO, and CRO. The ALCO will meet at least once in two months. The Chairman of the ALCO may convene an ALCO meeting on a more frequent basis.

ALCO has also constituted the Asset Liability Management Support Group- which consists of operating staff from the Risk, Accounts, and Resources group, which analyse/monitor liquidity profile, and limits & report to ALCO & RBI.

**C. Investment Committee**

The Investment committee comprises of the following

- Chief Executive Officer
- Chief Business Officer
- Chief Financial Officer
- Chief Risk Officer
- Chief Compliance Officer and General Counsel

The scope of the Investment Committee is:

- Overall monitoring of the Treasury Activities
- Powers to fix and vary limits within the delegated powers of this Policy
- Set and review Strategies
- Review Treasury operations

The Investment Committee meets as and when the need arises.

**D. Finance Committee**

The Finance Committee comprises the following:

- Chief Executive Officer
- Chief Business Officer
- Chief Risk Officer
- Chief Financial Officer

The Finance Committee is authorized to negotiate and finalize the terms of all the borrowings and sign the relevant documents and other agreements and such other related documents with reference to the above borrowings.

**E. Allotment Committee**

The Allotment Committee comprises of the following:

- Mr. Prakash Rao-Chairman
- Chief Executive Officer
- Chief Financial Officer

Allotment Committee is authorized to perform all acts/actions in relation to the issuance and allotment of shares.

The quorum of the Credit Committee Meeting is any three members present at the Meeting in person or by Video Conferencing or by any other allowable mode. The Allotment Committee meets as and when need arises.

**F. IT Strategy Committee**

The IT Strategy Committee comprises of

<b>Sr. No.</b>	<b>Particulars</b>	<b>Designation</b>	<b>Chairman/Member</b>
1	Ms. Rosemary Sebastian	Chairperson	Independent Director
2	Mr. Rajiv Dhar	Non- Executive Director	Member
3	Chief Executive Officer	Chief Executive Officer	Member
4	Chief Risk Officer	Chief Risk Officer	Member
5	Head - IT	Head - IT	Member
6	Chief Financial Officer	Chief Financial Officer	Member

RBI vide it’s Master Direction on June 08, 2017, Direction requiring NBFCs to comply with requirements relating to Information Technology Framework (“IT Framework”).

The focus of the IT Framework is on IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning, and IT Services Outsourcing. This committee shall review and amend the IT strategies in line with the corporate strategies, and cyber security arrangements, approve the annual IT budget, monitor IT services, and any other matter related to IT Governance.

The quorum necessary for the IT Strategy Committee meeting is any three members present, in person or by Video Conferencing or by any other allowable mode, and one of whom shall be the Chairperson. The committee should meet at an appropriate frequency but not more than six months should elapse between two meetings.

IT Strategy Committee has also constituted IT Steering Committee (Procurement Committee) which consists of CEO, CFO, CRO and Director – IT which focuses on priority setting, procurement, resource allocation and project tracking

**IV. Rotation of partners of the Statutory Auditors /Audit Firm**

Rotation of partners of the Statutory Auditor/Audit Firm will be done in

accordance with the provisions of the Companies Act, 2013, and the extant RBI Guidelines issued in this regard.

The auditors/audit firms, Entities will have to be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. While removing the Auditors before the completion of three years tenure, the Company shall inform the concerned Senior Supervisory Manager / Regional Office at RBI about it along with reasons/justification for the same, within a month of such a decision being taken.

**V. Fair Practices Code:**

Pursuant to the guidelines on the Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on the Fair Practices Code which is posted on the website of the Company. A regular review of the implementation of the same is conducted by the Board of Directors.

**VI. Code of conduct**

The Company has adopted a code of conduct and Ethics of the Company and due care is taken that the same is being adhered to.

**VII. Whistle Blower Policy**

The Board of Directors of the Company approved the Vigil Mechanism and amended the existing Whistle Blower Policy of the Company to bring it in line with the provisions of the Companies Act, 2013. The Whistle Blower Policy is disclosed on the website of the Company [www.niiffl.in](http://www.niiffl.in). The vigil mechanism is designed for the directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

**VIII. Disclosures and transparency**

The Board of the Company reviews, records and adopts the minutes of all the above-Board level committee meetings.

As part of the Corporate Governance, a compliance requirement has been put in place, wherein a quarterly report regarding compliance with all laws applicable to the Company is placed before the Board for their review.

**IX. Review**

These guidelines shall be reviewed periodically and may be amended as per the changes in the constitution or terms of reference of Committees and related matters as stated in the guidelines based on decisions taken by the Board or its Committees.