



# CORPORATE GOVERNANCE POLICY

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AUTHORITY: BOARD OF DIRECTORS

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### CORPORATE GOVERNANCE POLICY GUIDELINES

**Tattva Fincorp Limited** as its name suggests is a Non-Banking Financial Company which does business and carries out financial operations by keeping organisational value system and corporate governance practices on a high pedestal. Having completed just one year in the market of high competition, the Company has already carved a niche for itself by achieving a growth rate which stands higher than that of industry in which it operates in.

Having started its operations in April 2017 only, by the end of the first financial year, the company has expanded its operational wing into the neighbouring state of Tamil Nadu with 05 branches operating in the state of Kerala.

The management thinks big, so does the men and women of the Company with its feet on the best corporate governance practices...hence the policy.

### DECLARATION:

We, at "Tattva", adhere to the best of 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 core elements of our Corporate Governance Principles are

- Code of conduct for all
- Strategy setting by the Board

- Professional execution by Management Team
- Implementation of risk management policies
- Adherence to ethical standards
- Fulfilment of social and community obligations

**ORGANISATIONAL SET UP:**The Ultimate decision-making body of the Company is the Board of Directors, who always takes decisions keeping a view on the interests of Clients and Stakeholders. The Board of Directors is helped by various Committees that look into specified areas where they have expertise and knowledge and advise the Board on the given issues. They play supplementary and complementary roles to the functions of the Board.

The Administrative functions are divided into various Departments and they are led by professionally qualified Heads. There is an inbuilt intra/inter departmental communication system in place for a smooth flow of information and data.

**DUTIES AND RESPONSIBILITIES OF THE BOARD:**

- Establish Vision and Mission for “Tattva”.
- Provide strategic Direction and Advice.
- Overseeing the implementation of Decisions.
- Appointment and evaluation of Directors and senior level staff.
- Maintaining good stakeholder relationship.
- Formulation of Risk mitigation policies and implementation.
- Profit and wealth maximisation of the stakeholders.

**PRIMARY RESPONSIBILITY OF THE CHAIRMAN:** The Board is led by Chairman. The primary duty of the Chairman is to lead the Board and ensure its effectiveness. His role includes:-

Setting the Board agenda, ensuring that the Directors receive accurate, timely and clear information to enable them to make sound decisions ensuring that sufficient time is allowed to think over contentious issues.

Encouraging the active participation of all the members.

Providing sufficient leverage to members to utilise or execute their expertise and acumen for the benefit of the Company.

Ensure that there is a free flow of information and communication from stakeholders to Directors and vice versa.

**THE RESPONSIBILITY OF THE BOARD:** The Board carries out a fiduciary function and exercise their powers for the benefit of the Company. Board is responsible for the direction, control, management and supervision of Companies affairs.

**The Board’s responsibility towards the company is as follows:-**

To act in the best interests of the company.

To help the company to increase its profits and turn over.

To build goodwill for the company.

To ensure that the company has means and systems to utilise its resources to generate wealth.

**The Board's responsibility towards management is as follows:-**

- To give guidance, support and direction to the management.
- To inspire and motivate the management to perform to their best capacity.
- To encourage compliance and disclosures.
- Trust the management and give it the freedom to act.
- Take decisions in an objective manner.
- Ensure that everybody follows the code of conduct.

**The Board's responsibility towards stakeholders is as follows:-**

- To ensure that every decision helps in enhancing the stakeholder's value.
- To ensure that there is a proper system to address the grievances of stakeholders.
- To disclose all policies to stakeholders.
- To build up a long term relationship between company and stakeholders based on trust and confidence.

**Responsibility towards Government:-**

- To comply with all the laws applicable whether they are central or state laws.
- To ensure that, there are systems and mechanisms for compliance.
- To ensure that all dues to the Government are paid on time.
- To help the Government in promoting the welfare of society and the Nation.

**COMMITTEES UNDER BOARD:** Deriving powers from the Board, various Committees are formed based on the scope and functions. Since Committees are more focused and specialized, they improve the effectiveness and efficiency of the Board. They enhance the objectivity and independence of the Board's judgment.

Keeping in view of the requirements at "Tattva", the following committees have been formed up.

- Risk Management Committee
- Audit Committee
- Nomination and Remuneration Committee
- Business Strategies Committee
- Internal Control Committee
- Compliance Management Committee

**Risk Management Committee:** "Tattva", being a major player in the highly competitive field of the capital market, it should always have a proactive approach to convert every risk into an opportunity. Any business, for that matter, is exposed to various kinds of risks. It is important for the Company to have a structured framework like sound policies, procedures and practices to manage any risk that may appear at the doorstep as an unwelcome guest at a most inopportune time. Having said that, the potential risks that may be faced by the Company can be generally classified as follows:-

- Industrial Risks
- Management and Operations Risk
- Market Risk
- Credit and Liquidity Risk
- Systems/ Technology Risk

- Legal and Compliance Risk

Our Risk Management Policy consists of the following steps:

- Identification of Risk
- Evaluation of Risk
- Handling of Risk
- Implementation of Risk Management decisions
- Monitor and Review
- Corrective Actions

**Audit Committee:-** The Audit Committee is one of the main pillars of the Corporate Governance system in public companies. The duty of oversight of financial reporting and disclosures rest with the Audit Committee. It also focuses on the effectiveness of the audit process, evaluation of internal financial control, related party transactions and more importantly end use of funds raised from the public.

**Nomination and Remuneration Committee:** It is the role of the Nomination and Remuneration Committee to identify talented and suitably qualified individuals to be appointed in senior management and leadership posts and carry out their performance evaluation. The Committee formulates the criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board policy guidelines relating to remuneration for the Directors, Key Managerial Personnel and other employees.

It also ensures that the policy followed by the Company in this regard is sufficient enough to spot, hold and retain talent in the Company.

**Business Strategies Committee:** - In the dynamic world of business, each step should be preceded by a well thought out plan. This well thought out plan to achieve the target is called strategy which can be of two types i.e. long term and short term strategy. We have a strategic planning mechanism where there is a horizontal and vertical flow of ideas and concepts without any kind of constraints and the best is selected no matter from where it comes.

**Internal Control Committee:** The meaning of Internal Control in a Corporate Body is controlling and synchronizing various elements so that an objective of the organization is achieved and these elements include:

- o Resources of the Company
- o Systems of the Company
- o Process of the Company
- o Culture of the Company and
- o Structure of the Company

It has been proved beyond doubt that a proper Internal Control System in a Company-

- enhances the effectiveness and efficiency of operations
- strengthens external and internal reporting
- ensures compliance with applicable laws and regulations including internal policies and guidelines.

**COMPLIANCE MANAGEMENT MECHANISM:** It is the mechanism designed and adopted by the management of a company, by which it manages the entire compliance process. This process includes a compliance programme, compliance Audit and compliance report. Compliance with various laws is an integral part of the management of the Company. To ensure its efficiency, we have insisted on the participation of Senior Management staff. Company Secretary of the Company is the nodal officer for complying with the various legislation and regulations.

The advantages of Compliance Management are as follows.

- a) It prevents unintended prosecutions against the Company.
- b) It saves costs by avoiding penalties.
- c) Better brand image and positioning of the Company in the market.
- d) Enhanced credibility of the Company
- e) Enhanced goodwill among the stakeholders.
- f) Recognition as a Good Corporate Citizen.

Our Compliance management covers the following areas of regulations:

- 1) Corporate Laws:
  - a) Companies Act 2013
  - b) Secretarial Standards
  - c) Emblems and Names(Prevention of improper use) Act 1947
  - d) Foreign Exchange Management Act
  - e) COFEPOSA
  - f) Competition Act
  - g) Intellectual Property Rights Act
  - h) Right To Information Act
  - i) Prevention of Money Laundering Act -2002
- 2) Commercial Laws
  - a) Indian Contract Act
  - b) Transfer of Properties Act
  - c) Negotiable Instruments Act
  - d) Sale of Goods Act
- 3) Labour Laws
  - a) Minimum Wages Act
  - b) Payment of Bonus Act
  - c) Payment of Gratuity Act
  - d) Employees Provident Fund and (Miscellaneous Provisions) Act
  - e) Employees State Insurance Act
  - f) Factories Act
  - g) Employees Compensation Act
  - h) Maternity Benefit Act
  - i) Industrial Disputes Act

- 4) Fiscal Laws
  - a) Income Tax Act
  - b) Central Excise Act
  - c) Customs Act
  - d) VAT
  - e) Service Tax
  
- 5) Industry Specific Acts
  - a) RBI Guidelines
  - b) SEBI Guidelines

**Corporate Compliance Reporting:** All functional Heads should be aware of the legal compliances which they have to adhere to as per the period specified. Any deviation from the procedure or any kind of delay in compliance should be reported to the Board of Directors at the earliest. The Company Secretary would be the nodal officer for ensuring compliance. A Corporate Compliance Report (CCR) may also be prepared on half yearly basis and submitted to the Board of Directors.

**COMMUNICATION MECHANISM:** The way a Corporate House communicates carries a direct impact on the image of that company. It promotes

- Strong corporate culture
- Build a corporate image
- Builds corporate brand or reputation

Corporate Communication includes an internal communication mechanism and external communication mechanism. A proper and timely internal communication mechanism influences the attitude of an employee towards the workplace and promotes an atmosphere of trust and confidence towards management.

In the Internal Communication Mechanism, there will be a vertical and horizontal flow of information. At one level, information flows from the Board of Directors to Department Heads and to the heads of other Units and vice versa. This is Top to Bottom and Bottom to Top Communication (This is vertical communication).

The Inter-Departmental or Intra Departmental Communication will be horizontal communication.

As far as chain of order is concerned we follow Scalar chain of communication. It is a mode of communication where orders or communication of such nature flows from ultimate authority to lowest ranks. Every orders, instructions, messages, requests and explanation have to pass through this scalar chain. However, for the sake of convenience and to meet urgency this path is cut short.

External Communication Mechanism tries to maintain a positive relationship with the media and public and helps the company to always maintain a positive image or mitigate the negativism that may have crept into, against the image of the company inadvertently.

The mechanism policy marks out:

- Who shall speak on behalf of the Company
- Who shall handle the queries
- Who shall communicate with vendors/suppliers/distributors and
- Who will handle the meetings with external agencies

Among the various modes of communication, Corporate Blog is an important step forward. It promotes

a direct link between the Company and its Customers. It is advantageous because

- It promotes customer intimacy
- It influences public opinion
- Enhances brand visibility and credibility
- It makes the company a market leader.

Besides these, the Company has introduced a common addressing pattern and common correspondence style. Any employee of the Company, attending a telephone call has to say good morning/ good afternoon/ good evening, followed by 'Tattva'. While writing letters to any outside agency or from department to department, all concerned have to use the corporate style of writing (like – left alignment, using a common font and point to point content)

**DOCUMENTATION MECHANISM:** Documentation is nothing but preserving today's truth for tomorrow's reference. Executives and Employees may come and go. But the life of a corporate house moves on, hence the importance of documentation.

Our policy on documentation clearly narrates that each every document, since they are properties of the Company, should be preserved systematically with a subject tag or period tag or department tag on it. The mode of documentation may be of two-fold. Either in soft copy mode or Hard copy mode. However, as a matter of policy, the Company prefers documentation in both modes.

There are certain documents and certificates, especially issued by Government agencies, which are to be preserved permanently, and they have to be preserved so. Certain documents like financial reports and statements have to be preserved at least for 8 years in chronological order as per the existing rules.

Responsibility to ensure that documents are maintained and preserved as required lies with respective Department Heads.

**INSPECTION MECHANISM:** Having put the functional mechanism on track under the able guidance of managers and supervisors, the management has the responsibility to ensure that the man and machine work in tandem to achieve the task assigned to them.

Periodical on the field and off-field inspections under various Department Heads may be carried out and their findings may be reported to the Board. The inspecting team may try to get maximum feedback from the staff on the field so that any existing lacunae can be rectified at the earliest.

**INDUCTION AND ORIENTATION PROGRAMME TO THE NEW EMPLOYEES:** Talented and highly resourceful employees are the back bone of every successful business concerns. In the dynamic world of information and technology, there is no dearth of talented and motivated people. Tattva, as a principle, always try to induct young and fresh people with a lot of ideas and capacity to take challenges. However, there is a need for moulding these fresh inductees into a disciplined and target oriented workforce, capable of pursuing ethos and ethics of Tattva Fincorp Limited. To achieve this, every employee is required to undergo a week-long orientation programme after the appointment.

Employees, when they are inducted, irrespective of the location they are working, are to be issued with an "Induction Kit" (either a printed copy or through the mail).

The Induction Kit may consist of the following:

- \* Brief history of the Company
- \* Relevant policies and procedures

- \* Protocol, procedure and Dress Code
- \* Duties and responsibilities of the Inductee and
- \* What they can do for the company

**CODE OF ETHICS:** "Tattva" has defined its guiding value systems and formulated behavioural patterns to the organisation and its employees along with the systems and processes to ensure that they are followed in letter and spirit. Core principles of the Code of Ethics we follow are

- Trustworthiness
- Responsibility
- Respect
- Fairness
- Caring and
- Citizenship

It also includes:-

- \* Adherence to the company's values
- \* Avoidance of conflict of interests
- \* Accurate and timely disclosure of reports and documents to the higher authorities
- \* Compliance of applicable laws and regulations
- \* Maintenance of confidentiality of the company's affairs
- \* Maintenance of standard business practices

However, ethics is a culture that evolves over a period of time. What matters is setting an example by the top officials of the company, so that their subordinates imbibe them and emulate them and ultimately the company becomes an entity driven by a value system.

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For and on behalf of Board of Directors of Tattva Fincorp Limited  
As amended on 02.04.2018.