



**CORPORATE GOVERNANCE POLICY
OF
CRISS FINANCIAL HOLDINGS LIMITED**

Version 1 - August 28, 2020

COMPANY PHILOSOPHY AND CORPORATE GOVERNANCE

INTRODUCTION

Criss Financial Holdings Limited ('the Company' / 'CFHL') believes that a good corporate governance system is necessary condition to ensure its long term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board of Directors ('the Board') or the committees of the members of the Board.

The Board of CFHL has enumerated the following broad principles in relation to the corporate governance:

"The Board appreciates the growing demand for accountability, honesty and transparency in fulfilling its fiduciary duties towards various stakeholders of the Company."

"The Board believes that the observance of generally accepted governance standards provides a company with legitimacy, reduces its vulnerability to a financial crisis, and broadens and deepens its access to capital."

These corporate principles, adopted by CFHL, together with the charter of the Asset Liability Management Committee, Audit Committee, Corporate Social Responsibility Committee, Executive Committee, Nomination and Remuneration Committee, Risk Management Committee, , and policies like Customer Grievance Policy, Fair Practices Code, Know Your Customer Policy, Policy on Workplace Harassment, Risk Management Policy, Whistle Blower Policy provide the framework for the governance of CFHL.

The objective of the policy is to ensure compliance with legal requirements and set standards for Business Governance/Conduct so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. All the concerned are expected to read and understand these guidelines to uphold these standards in day-to-day activities and comply with all applicable policies and procedures.

1. GOVERNANCE STRUCTURE

A. REGULATORS

CFHL, being a company incorporated under the provisions of the Companies Act, 1956 and deemed to exist within the purview of the Companies Act, 2013; and registered with Reserve Bank of India (RBI) as Non-Banking Financial Company (NBFC) has two main regulators, namely Ministry of Corporate Affairs (MCA) and RBI.

B. SHAREHOLDERS

The major shareholder of CFHL is Spandana Sphoorty Financial Limited, whose equity shares are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). In view of this, some of the affairs of CFHL are also regulated by regulation prescribed by Securities and Exchange Board of India (SEBI).

The Board of the Company is elected by and is responsible to the shareholders. CFHL's business is

conducted by its employees, managers and officers, under the direction of the Board to enhance the long-term value of the Company for its shareholders.

C. BOARD OF DIRECTORS

The Board is responsible to exercise its business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board along with its constituted Committees provides direction and guidance to the Company's employees and further direct, supervises as well as reviews the performance of the Company.

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.

In addition to the aforesaid, the Board shall periodically review the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

D. COMPOSITION OF THE BOARD OF DIRECTORS

The Company is conscious of the need to maintain an appropriate mix of skills and experience on the Board, and to progressively review its composition over time. CFHL, being a public limited company, required to ensure compliance with the provisions of its Articles of Association, Companies Act, 2013 (including the applicable provisions of the erstwhile Companies Act, 1956) collectively referred to as "the Act".

As per provisions of the Act and Article 99 of the Articles of Association of CFHL, the Board of CFHL will have at all times a minimum of 3 (three) Directors and the total number of Directors shall not be more than 15 (fifteen).

The current Board of CFHL comprises 6 (six) Directors, including 2 (two) Independent Directors, 2 (two) nominees of holding Company and 2 (two) Non-Executive Director.

Board Procedures

The Board is presented with relevant information on various matters relating to the working of the Company especially those that require deliberation at a strategic level, ahead of each Board meeting. All statutory and material information is placed before the Board to enable them in effective and efficient decision-making. The functional heads are invited to the Board and Committee meetings to appraise the Board on various issues concerning the operations of the Company.

In addition to the aforesaid, the following reports/documents/information is submitted to the Board for its noting and/ or approval.

1. Annual operating plans/ budgets;
2. Quarterly results of the Company;

3. Minutes of meetings of the Audit Committee and other Committees of the Board;
4. The information on recruitment and remuneration of senior officers just below the Board level, including appointment/ removal of the Chief Financial Officer and the Company Secretary;
5. Show-cause/ demand/ prosecution and other notices, which are materially important;
6. Any material default in financial obligations to and by the Company;
7. Any issue which involves possible public or product liability claims of substantial nature;
8. Details of any joint venture or collaboration agreement;
9. Any significant development in Human Resources;
10. Details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material;
11. Non-compliance of any regulatory, statutory requirements

E. COMMITTEES OF THE BOARD AND EXECUTIVES

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 per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for approval in subsequent meeting.

In compliance with the applicable provisions of the Act, RBI guidelines on Corporate Governance and in order to meet business exigencies, the Company has constituted Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be aligned based on the changes in the regulations and business requirements with the approval of Board.

1. ASSET LIABILITY MANAGEMENT COMMITTEE

In compliance with the requirements under the Code of Corporate Governance framed by the RBI, the Board has constituted the Asset Liability Management Committee.

Chairman	The Board shall appoint a Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board from time to time.
Meetings and Quorum	The Committee shall meet as and when necessary. The quorum shall be at least two Directors.
Terms of reference	As per Annexure I.

2. AUDIT COMMITTEE

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013.

Chairman	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the members of the Audit Committee.
Composition	The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority

Meetings and Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.</p> <p>The Committee shall also meet as and when a fraud involving an amount of Rs. 25 lakh and above has been detected.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two Independent members present.</p>
Terms of reference	As per Annexure II.

3. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board has constituted a Corporate Social Responsibility Committee in compliance with the provision of Section 135 of the Companies Act, 2013.

Chairman	The Board shall appoint a Chairman of the Committee.
Composition	The Corporate Social Responsibility Committee shall consist of a minimum three directors and at least one shall be an independent director.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	As per Annexure III.

4. EXECUTIVE COMMITTEE

The Board has constituted the Executive Committee with power to borrow up to specified limits.

Chairman	The Board shall appoint a Chairman of the Committee.
Composition	The Committee shall consist of members as may be determined by the Board.
Meetings and Quorum	The Committee shall meet as and when required in consonance with the funding and borrowing requirement of the Company. The quorum shall be at least two Directors.
Terms of reference	Annexure IV.

5. NOMINATION AND REMUNERATION COMMITTEE

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Nomination and Remuneration Committee with all Non-Executive Directors to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future stakeholders and to ensure 'fit and proper' credentials/ status of proposed/ existing Directors of the Company.

Chairman	<p>The Board shall appoint a Chairman of the Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of the Committee.</p>
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Composition	The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two Directors.
Terms of reference	As per Annexure V.

6. RISK MANAGEMENT COMMITTEE

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Risk Management Committee for monitoring the risk and to strategize action to mitigate risks associated with the Company.

Chairman	The Board shall appoint a Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board.
Meetings and Quorum	The Committee shall meet once as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.
Terms of reference	As per Annexure VI.

Annexure I

Terms of reference of Asset Liability Management Committee

1. To manage the Balance Sheet of the Company within the risk parameters laid down by the Board of Directors or a Committee thereof, with a view to manage the current income as well as to take steps for enhancing the same;
2. To review the capital & profit planning and growth projections of the Company in line with the business plan and ensure that the same is reported to the Board of the Company;
3. To put in place an effective liquidity management policy, including, inter alia, the funding strategies, liquidity planning under alternative crisis scenarios, prudential limits and to review the same periodically;
4. To articulate the interest rate view of the Company and decide the pricing methodology for advances in line with extant regulatory guidelines;
5. To oversee the implementation of the Asset Liability Management (ALM) system and review the functioning periodically and to ensure that the decisions taken on financial strategy are in line with the objectives of the Committee;
6. To consider and recommend any other matter related to liquidity and market risk management to the Board of Directors of the Company for suitable action;
7. To forecast and analyze the 'What if scenario' and preparation of contingency plan.

Annexure II

Terms of reference of Audit Committee

1. Overseeing the Company's financial reporting process and disclosure of its financial
2. information to ensure that the financial statement is correct, sufficient and credible;
3. Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
4. Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
5. Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;
6. 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 stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) 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. Disclosure of any related party transactions; and
 - f. Qualifications and modified opinions in the draft audit report.
7. Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
8. Scrutiny of inter-corporate loans and investments;
9. Valuation of undertakings or assets of the Company, wherever it is necessary;
10. Evaluation of internal financial controls and risk management systems;
11. Approval or any subsequent modification of transactions of the Company with related parties;
Explanation: The term "related party transactions" shall have the same meaning as provided in the applicable Indian Accounting Standards and/or the Companies Act, 2013.
12. 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;
13. Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
14. Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
15. 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;
16. Discussion with internal auditors on any significant findings and follow up thereon;
17. 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;

18. Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
19. Looking 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;
20. Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
21. Carrying out any other functions as provided under the Companies Act and other applicable laws;
22. To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
23. To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;
24. To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
25. To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
26. To report, on a quarterly basis, the key findings of the quarter , as well as the action taken report on the same for previous quarters, to the Board of Directors.
27. To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
28. To monitor and review all frauds that may have occurred in the Company involving an amount of Rs. 0.1 million and above or as decided from time to time.
29. To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
30. To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.
31. To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.
32. To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.
33. Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and
34. Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;
35. Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws.

Annexure III

Terms of reference of Corporate Social Responsibility Committee

1. The Board shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.
2. The company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities.
3. The following are regarded as activities relating to Corporate Social Responsibility:
 - a. Eradicating extreme hunger and poverty;
 - b. Promotion of education;
 - c. Promoting gender equality and empowering women
 - d. Reducing child mortality and improving maternal health;
 - e. Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
 - f. Ensuring environmental sustainability;
 - g. Employment enhancing vocational skills;
 - h. Social business projects;
 - i. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and Slum Area Development.

Annexure IV

Terms of reference of Executive Committee

1. To identify/select class of person /investor to whom such Securities to be issued;
2. to determine the terms of the issue including issue size, tranches, face value, issue price, number of NCDs to be allotted, rate of interest, premium/ discount, tenor, redemption period, rating, security, mode of issuance, objects of the issue, etc.;
3. negotiate, approve of and decide the terms and conditions of the issue of the said debentures;
4. execute term sheet/s,
5. finalize terms and conditions of the appointment of an arranger, a debenture trustee, a registrar and transfer agent, a credit rating agency, a depository and such other intermediaries as may be required to be appointed, including their successors and their agents,
6. secure, if required, the amounts to be raised pursuant to the issue of the Debentures, together with all interest and other charges accrued thereon as may be required in terms of the issuance of the Debentures,
7. the appointment of National Securities Depository Limited (“NSDL”) and/or Central Depository Services (India) Limited (“CDSL”) as the depositories for the proposed issuance of the Debentures
8. authorise various persons from time to time to sign and execute the transaction documents to be executed in relation to the Debentures
9. decide upon the date of opening and closing of the debenture issue and the period for which the aforesaid issue will remain open,
10. finalize the date of allocation and deemed date of allotment of the debentures;
11. negotiate, execute, file and deliver any documents, instruments, deeds, amendments, papers, applications, notices or letters as may be required in connection with the debenture issue and deal with regulatory authorities in connection with the debenture issue including but not limited to SEBI, Registrar of Companies, Ministry of Corporate Affairs, Company Law Board, Stock Exchange(s) and such other authorities as may be required,
12. including without limitation, approve, negotiate, sign, execute, amend, supplement and / or issue the following:
 - a. information memorandum / private placement offer letter/ shelf disclosure document /disclosure document for the Debenture Issue (the “Information Memorandum”);
 - b. tripartite agreement between the Company, the depository and the registrar and transfer agent;
 - c. the memorandum of understanding between the Company and the registrar and transfer agent;
 - d. debenture certificate for the debentures;
 - e. debenture trust deed, mortgage, deed, deed of hypothecation and other requisite documents for the creation of a security over the Company’s movable properties and assets, (including any powers of attorney in connection thereto);
 - f. documents for opening of bank accounts and issuing instructions of bank accounts related thereto in connection with the Debentures including without limitation for the

purposes of recognizing the rights of the debenture trustee to operate such bank accounts;

g. any other documents required for the purposes of the debenture issue and the transactions contemplated thereby, including but not limited to letters of undertaking, declarations, agreements, reports; and

h. any other document designated as a security document by the debenture trustee.

13. approve allotment of the NCDs

14. buy back / redeem / repurchase of the NCDs in case of put option and reissue of same to the new investors

15. do all acts necessary for the proposed listing of the debentures in accordance with the terms set out in the Information Memorandum, wherever applicable

16. delegate any of the powers so conferred upon the Committee in respect of the issuance of NCDs on private placement to any directors or officers of the Company, including by the grant of power of attorney;

17. seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India and any other consents that may be required in connection with the issue and allotment of the NCDs; and

18. do all other acts, deeds and things as may be deemed necessary to give effect to the foregoing and the other terms of this resolution.

Annexure V

Terms of reference of Nomination and Remuneration Committee

1. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;
2. Formulation of criteria for the performance of evaluation of independent directors and the Board;
3. Devising a policy on Board diversity;
4. Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;
5. To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company.
6. "Senior executive to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders."
7. To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.
8. To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.
9. To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses).
10. To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel
11. Determining the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
12. Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas.
13. Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and
14. Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.

Annexure VI

Terms of reference of Risk Management Committee

1. To review company's risk management policies in relation to various risks;
2. To review the risk return profile of the Company, Capital adequacy based on risk profile of the balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementations of enterprise risk management.
3. To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.