

Internal Guidelines on Corporate Governance

1. INTRODUCTION

Tamil Nadu Industrial Development Corporation Limited (TIDCO) was established in May 1965 as a Government of Tamil Nadu enterprise. TIDCO is registered as Deposit accepting – Systemically Important NBFC registered with Reserve Bank of India.

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and has required all NBFC-ND-SI to frame internal guidelines on Corporate Governance.

2. OBJECTIVE OF GUIDELINES ON CORPORATE GOVERNANCE

In pursuance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

TIDCO carries its activities in accordance with good corporate practices and is constantly striving to better them by adopting the best practices.

To manage affairs with integrity, fairness, accountability and transparency, the Company lays down the following set of guidelines / corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large etc.

3. GOVERNANCE STRUCTURE

A. Board of Directors

The Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors of the Company.

The Board shall be responsible for overall compliance with the corporate governance of the Company and oversee the business affairs, in doing so the Board shall act honestly, in good faith and in the best interests of the Company. Further the Board shall have 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.

Composition:

The Company's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 and the Articles of Association of the Company.

Quorum and Meetings:

The quorum and meetings of the Company shall be held as per the requirements of the Companies Act, 2013 and as prescribed in the Articles of Association of the Company.

The Directors shall strive to attend all meetings of the Board and its Committees. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

B. Committees of the Board

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference/scope.

The Committees shall operate as per the terms of reference approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting.

a) AUDIT COMMITTEE

The Company shall have in place an Audit Committee of the Company constituted in accordance with the provisions of the Section 177 of the Companies Act, 2013 and the Rules framed there under and applicable provisions of the RBI Directions. The Audit Committee constitution and functioning shall be in compliance with the provisions of the Companies Act, 2013.

Composition:

The Audit Committee of the Company shall have minimum of three Directors with Independent Directors forming majority as prescribed by the Companies Act, 2013. They shall meet all applicable legal requirements with respect to independence, financial literacy, accounting or related financial expertise, etc. The members of the Audit Committee shall be constituted by the Board of Directors.

The Audit Committee Meeting shall be attended by;

- 1) Members of the Audit Committee
- 2) Internal Auditors
- 3) Statutory Auditors as and when invited
- 4) Such other invitees at the discretion of the Chairman of the Committee
- 5) Company Secretary, who shall act as the secretary to the Committee

Quorum and Meetings:

Quorum shall comprise of two members or one third of the Members of the Audit Committee whichever is higher. Audit Committee shall meet once every quarter including one prior to the finalization of the Annual Accounts.

Role of the Committee:

The role of the Audit Committee, inter-alia, shall include the following:

- 1) recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- 2) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- 3) examination of the financial statement and the auditors' report thereon;
- 4) approval or any subsequent modification of transactions of the Company, if any, with related parties;
- 5) evaluation of internal financial controls and risk management systems;
- 6) to ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks, if any, faced by the Company;
- 7) to ensure compliance with regulatory guidelines, review accounting policies, review pending litigation, etc.

b) NOMINATION AND REMUNERATION COMMITTEE

The Company shall have in place a Nomination & Remuneration Committee to meet the requirements of section 178 of the Companies Act, 2013 and the Rules framed there under. The Committee shall apart from other things review the appointments and removals of directors and senior management, the compensation related matters of the directors and senior management, evaluation of Directors performance, etc.

Composition:

The Nomination & Remuneration is headed by a nominee director of government and consists of Chairman and Managing Director and 2 independent directors.

Quorum and Meetings:

Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Committee shall meet as and when required.

Role of the Committee:

The role of the Nomination & Remuneration Committee, inter-alia, shall include the following:

- 1) formulate the criteria for determining qualifications, positive attributes and independence of a director;
- 2) identify and recommend to the Board of Directors, the appointment of persons considered capable and fit for the role of a director based on the criteria so formulated and accordingly to ensure 'fit and proper' status of proposed/ existing directors;
- 3) evaluation of Directors' performance;
- 4) recommend to the Board of Directors a policy relating to the remuneration for the directors, key managerial personnel and other senior employees of the Company; and
- 5) such other tasks as may be entrusted to it by the Board of Directors from time to time.

c) ASSET LIABILITY MANAGEMENT COMMITTEE

The Board shall also constitute an Asset Liability Management Committee (ALCO) as required by the guidelines issued by the Reserve Bank of India (RBI). The constitution and functioning of the ALCO shall be in line with the requirements of the RBI guidelines and the ALM policy of TIDCO. The Committee inter alia, shall monitor the asset liability gap and strategize action to mitigate the risk associated.

Composition:

The Committee consist of Chairperson & Managing Director /Executive Director, 1 Director and 1 Independent Director.

Quorum and Meetings:

The quorum shall comprise of at least two members. The Committee shall meet once in a year. The minutes of the meetings shall be maintained by the Company Secretary.

Role of the Committee:

- 1) The ALCO is a decision-making unit responsible for balance sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks.
- 2) The role of the ALCO with respect to liquidity risk includes decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions.
- 3) To design, oversee and manage the Asset Liability Management System.
- 4) To decide the business and risk management strategy within the limit / parameters, if any, set by the Board.
- 5) To estimate and manage various components of assets and liabilities.
- 6) To manage credit risk, interest rate risk, liquidity risk, market risk and other operational risks.
- 7) Funding and capital planning.
- 8) Profit planning and growth projection.
- 9) Forecasting, analyzing and preparation of contingency plans and
- 10) Any other issues referred by the Board relating to ALMs, from time to time.

d) RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall ensure that the risks associated with the business/functioning of the Company are identified, controlled and mitigated and shall also lay down procedures regarding managing and mitigating the risks through integrated risk management systems, strategies and mechanisms.

Composition:

The committee consists of Chairperson and Managing Director, 1 Director, 1 Independent Director.

Quorum and Meetings:

The quorum shall comprise of at least two members. The Committee shall shall meet once in a year. The minutes of the meetings shall be maintained

by the Company Secretary.

Role of the Committee:

- 1) The Risk Management Committee shall oversee the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy.
- 2) The Risk Management Committee shall evaluate significant risk exposures of the Company and assess management's action to mitigate the exposures in a timely manner and shall ensure that the appropriate systems and controls for risk management are in place.
- 3) The Risk Management Committee shall ensure that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly.
- 4) The Risk Management Committee shall regularly monitor and evaluate the performance of management pertaining to this policy.
- 5) The Risk Management Committee shall report to the Board about any risk which is affecting the operations and business of the company or any other matter as may be deemed prudent by the Risk Management Committee.

f) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board shall constitute a Corporate Social Responsibility (CSR) Committee to meet the requirements of Section 135 of the Companies Act, 2013. The Committee will be vested with necessary powers, as laid down in its charter to achieve its objectives.

Composition:

The Committee is headed by a nominee director of government and consists of Chairman and Managing Director, 1 independent directors and a nominee director of the government.

Quorum and Meetings:

Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Committee shall meet as and when required.

Role of the Committee:

- 1) Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII to the Companies Act, 2013;

- 2) Making recommendation on the amount of expenditure to be incurred on CSR activities;
- 3) Instituting a transparent monitoring mechanism for implementation of the CSR activities to be undertaken by the Company;
- 4) monitor the Corporate Social Responsibility Policy of the company from time to time and Such other tasks as may be entrusted to it by the Board of Directors from time to time.
- 5) Apart from the above committees, the Board shall constitute such other committees as may be deemed fit by it, if required.

4. DISCLOSURE TO THE BOARD

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

- 1) progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;
- 2) conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

5. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

The Statutory Auditors are appointed and rotated by Comptroller and Auditor General of India (CAG) in line with the requirements of the companies act and RBI guidelines, as maybe applicable.