PREFACE

To ensure sound corporate governance, effective risk management, and compliance with RBI guidelines, it is mandatory for NBFC's to establish specific committees.

These committees play a crucial role in overseeing key aspects of the business such as gold loans, business loans, mortgage loans, group loans, and other financial services.

Below are the committees that must be formed with their objectives, functions, and relevance to the specific business activities of the Company.

1. Audit Committee of the Board (ACB)
2. Risk Management Committee (RMC)
3. Nomination and Remuneration Committee (NRC)
4. Asset-Liability Management Committee (ALCO)
5. Customer Grievance Redressal Committee
6. IT Strategy Committee
7. Credit Committee
8. Vigilance Committee (Whistle blower Policy)
9. Corporate Social Responsibility (CSR) Committee (if applicable)

1. Audit Committee of the Board (ACB):

Objective:

The Audit Committee is responsible for ensuring the accuracy of financial reporting, the effectiveness of internal control systems, and compliance with legal and regulatory requirements.

Key Functions:

- Review the financial statements before submission to the Board.
- Oversee the appointment, performance, and independence of external auditors.
- Ensure compliance with legal and regulatory requirements.
- Monitor the effectiveness of internal audits and risk management practices.
- Ensure compliance with RBI guidelines, especially regarding loan disbursements, asset classification, and provisioning.

Composition:

- Must consist of **non-executive directors**, with at least one director having expertise in finance and accounting.

Conclusion:

The Audit Committee ensures transparency and accuracy in financial reporting, which is essential for investor confidence and compliance with RBI norms.

2. Risk Management Committee (RMC):

Objective:

The RMC is tasked with identifying, assessing, and mitigating various types of risks like credit risk, market risk, liquidity risk, and operational risk that the Company may face in its operations.

Key Functions:

- Formulate and oversee the implementation of risk management policies.
- Monitor credit risk, market risk, liquidity risk, operational risk, and other types of risks.
- Ensure the alignment of the company’s risk appetite with its business strategies.
- Oversee the asset-liability management (ALM) strategy to ensure liquidity.

Composition:

- Members of the Board and senior management with relevant expertise in risk management.

Conclusion:

The Risk Management Committee is critical for maintaining the financial health and stability of the Company by ensuring that all lending products operate within acceptable risk levels.

3. Nomination and Remuneration Committee (NRC):

Objective:

The NRC manages the appointment and remuneration of directors, key managerial personnel (KMP), and senior management, ensuring that their compensation aligns with the company’s performance and industry standards.

Key Functions:

- Ensure that the remuneration of directors and key personnel is aligned with the company's performance and market standards.
- Set guidelines for the recruitment, promotion, and compensation of directors and senior management.
- Ensure that the company complies with corporate governance best practices.

Composition:

- Composed of **non-executive directors**, with a majority of them being independent directors.

Conclusion:

The NRC ensures that the right leadership is in place, which is essential for strategic decisions related to lending, risk management, and compliance.

4. Asset-Liability Management Committee (ALCO):

Objective:

The ALCO is responsible for managing the company's balance sheet by ensuring that assets and liabilities are optimally matched in terms of maturities and interest rates.

Key Functions:

- Monitor and manage the liquidity risk and interest rate risk.
- Oversee the balance between assets and liabilities and their maturities.
- Review interest rates, capital adequacy, and borrowing plans.
- Review the product mix to ensure profitability without overexposure to certain assets, such as gold loans or business loans.
- Implement strategies for raising funds through bonds, debentures, or other financial instruments.

Composition:

- Senior management members, typically including the Chief Financial Officer (CFO) and heads of treasury, risk, and credit departments.

Conclusion:

The ALCO ensures that the Compnay remains financially stable by managing liquidity and interest rate risks, crucial for its long-term viability, especially in a diversified loan portfolio.

5. Customer Grievance Redressal Committee:

Objective:

To provide a structured mechanism for addressing and resolving customer complaints in a fair and timely manner, in accordance with RBI's Fair Practices Code.

Key Functions:

- Monitor the effectiveness of the grievance redressal mechanism.
- Implement a grievance tracking system to monitor recurring issues and systemic problems
- Provide quarterly reports to the Board on the status of grievances.

Composition:

- Senior management personnel, with periodic reporting to the Board on grievance redressal status.

Conclusion:

The Customer Grievance Redressal Committee ensures that the NBFC maintains customer trust and complies with RBI's fair practices by addressing customer concerns across all lending products.

6. IT Strategy Committee:

Objective:

The IT Strategy Committee oversees the implementation of the company's IT policies, with a focus on cybersecurity, data protection, and the integration of technology into business processes.

Key Functions:

- Formulate and approve IT policies, including cyber security measures.
- Review IT investment plans and ensure alignment with business objectives.
- Monitor the performance of IT systems and assess risks associated with technology.
- Develop and implement IT and cybersecurity policies to protect customer data.
- Monitor IT investments and align them with business goals.
- Ensure compliance with RBI's guidelines on IT and cyber risk management.

Composition:

- Members of the Board and senior management with expertise in technology.

Conclusion:

The IT Strategy Committee ensures that the Company's digital infrastructure is robust, secure, and capable of supporting business expansion, particularly in loan disbursements and customer interactions.

7. Credit Committee:

Objective:

To review and approve significant credit proposals, ensuring that credit risks are managed appropriately.

Key Functions:

- Review and approve credit proposals exceeding a certain threshold.
- Set credit risk policies and procedures.
- Ensure credit exposure is within prescribed limits.
- Monitor the overall quality of the loan portfolio and take corrective actions where necessary.

Composition:

- Senior management personnel with expertise in credit assessment and approval.

Conclusion:

The Credit Committee is integral to maintaining the quality of the loan portfolio, ensuring that lending is done prudently, whether for gold loans, business loans, or mortgages.

8. Vigilance Committee (Whistle blower Policy):

Objective:

The Vigilance Committee, established under the Whistle Blower Policy, is responsible for ensuring that complaints related to fraud, unethical practices, misconduct, and other violations are investigated in a fair and transparent manner. It serves as an independent mechanism to promote accountability and integrity within the Company.

Key Functions:

- Review complaints of misconduct, fraud, or any other unethical activity.
- Recommend corrective actions or disciplinary measures based on the findings of investigations. These may include suspension, termination, or legal action, depending on the severity of the violation.
- Submit periodic reports to the Board of Directors, summarizing the complaints received, investigations conducted, and actions taken to promote transparency in the vigilance process.
- Ensure the confidentiality and protection of whistle blowers to encourage employees and stakeholders to come forward with information about wrongdoing.
- Promote awareness of the Whistle Blower Policy and ethical standards across the company, ensuring all employees and stakeholders are aware of the process to report concerns.

Composition:

- Senior management, with an independent director or external expert for objectivity.

Conclusion:

The Vigilance Committee plays a crucial role in maintaining the integrity of the Company by providing a mechanism for reporting and addressing unethical practices, fraud, and misconduct. Its effective functioning ensures that business operations are conducted with transparency and fairness. This not only enhances the company’s reputation but also ensures compliance with RBI’s corporate governance and ethical standards.

9. Corporate Social Responsibility (CSR) Committee (if applicable):

Objective:

To formulate and oversee the implementation of the Company’s CSR policies in line with Section 135 of the Companies Act, 2013, if the NBFC meets the prescribed thresholds for CSR.

Key Functions:

- Identify CSR activities and ensure their implementation.
- Monitor the progress of ongoing CSR projects.
- Ensure compliance with legal and regulatory requirements related to CSR.

Composition:

- A committee of the Board consisting of at least **three directors**, including at least one independent director.

Conclusion:

The CSR Committee helps the Company in fulfilling its social responsibilities, while also enhancing its brand and reputation within the community.