

CORPORATE GOVERNANCE POLICY & CODE

INTRODUCTION

Mulamoottil Financiers Ltd, hereinafter referred to as “The Company” recognizes the role of corporate citizen and envisages to adopt the best practices of Governance and Higher standards of operations through transparency, ethics and to be accountable to the shareholders, customers, government and others, as per the legal and obligatory provisions and policies of the company.

RBI GUIDELINES ON CORPORATE GOVERNANCE

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines and Master Circular- “Non-Banking Financial Companies- Corporate Governance (Reserve Bank) Directions, 2015, the Company has framed the following internal Guidelines on Corporate Governance.

The Company is in compliance with guidelines issued on Corporate Governance with regard to constitution of Committees of the Board, fit and proper criteria in selection of Directors, disclosure and transparency requirements and rotation of the partners of statutory audit firm. The Company has framed various policies encompassing corporate governance framework of the Company.

However as a good governance practice, the company summarizes the various internal policies in this consolidated policy on corporate governance for the information of all the stakeholders.

The need for adoption of good corporate governance practices continues to engage the regulator and stakeholder attention.

Board of Directors

The Board's primary responsibility is to act in the best interests of the Company and its shareholders. In fulfilling their duties, Directors must adhere to the Code of Conduct adopted by the Board. The Board composition should ideally comprise a balanced mix of executive and non-executive directors, including at least one independent woman director. Additionally, no less than fifty percent of the board of directors should consist of non-executive directors. If the regular non-executive chairperson is a promoter of the Company or related to any promoter, at least half of the board of directors of the listed entity should comprise independent directors.

Board Meetings

Board meetings shall be convened at least four times annually, with a maximum gap of one hundred and twenty days between consecutive meetings. Statutorily required information, per the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), must be provided to the Directors.

DUTIES AND RESPONSIBILITIES OF THE BOARD

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties:-

1. A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, and the community and for the protection of environment.
2. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
3. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
4. A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
5. A director of a company shall not assign his office and any assignment so made shall be void.

Committees of the Board

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference.

While the RBI Guidelines mentioned earlier require the setting up of an Audit Committee, Asset Liability Committee, Risk Management Committee and Nominations Committee, The Companies Act, 2013 requires the Company to constitute an Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

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 several other committees.

The Roles and responsibilities and Functional terms of references of the Board & the various committees have been categorically defined and further aligned as per the requirements of the company's operations with the approval of the Board.

The Company complies with all the required committees as per the Statutory / Regulatory requirements and has the following Board committees.

Audit Committee: The Audit Committee shall consist of not less than two-third members as Independent directors with Chairman also being an independent director. The Committee shall meet at least four times a year, with a maximum time gap of not more than one hundred and twenty days between any two meetings. The quorum for the meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors. The Committee shall be governed by the provisions of the Act, RBI guidelines and terms of reference of the Committee.

Nomination and Remuneration Committee: The Nomination and Remuneration Committee shall consist of at least three non-executive directors with not less than two-third being independent directors including the Chairperson. The Committee shall meet at least once in a year. The quorum for a meeting shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance. The Committee shall be governed by the provisions of the Act, RBI guidelines and terms of reference of the Committee.

Stakeholders Relationship Committee: The Company shall constitute a Stakeholders Relationship Committee to look into various aspects of interest of shareholders, debenture holders and other security holders. The Committee shall consist of not less than three directors, with at least one Independent director and Chairman being a Non-executive director. The Committee shall meet at least once in a year. The Committee shall be governed by the provisions of the Act, and terms of reference of the Committee..

Risk Management Committee: The Committee shall have a minimum of three members with majority of them being members of the board of directors, including at least one independent director. The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee. The Committee shall meet at least twice a year and not more than one hundred and eighty days shall elapse between any two consecutive meetings. The quorum for a meeting of the committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance. The Committee shall be governed by the provisions of the Act, RBI guidelines and terms of reference of the Committee.

Corporate Social Responsibility Committee: The Committee shall have three or more Directors, out of which at least one director shall be an independent director. The Committee shall formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company.

IT Strategy Committee: Mandated by the Master Direction - Information Technology Framework for the NBFC Sector. The Chairperson must be an independent director, with meetings held at prescribed intervals.

Asset Liability Management Committee (ALCO): The Committee shall consist of the Company's top management and shall be responsible for ensuring adherence to the risk tolerance/ limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The Managing Director shall head the Committee.

In addition, the Board may constitute such other Committees in line with the best practices and operational requirement, from time to time.

Vigil Mechanism

The Company will formulate a vigil mechanism or whistleblower policy enabling directors and employees to report ethical concerns, fraud, or violations of the Company's Code of Conduct. This mechanism ensures individuals can report violations without fear of reprisal and will be published on the Company's website.

Fit & Proper Criteria

The Company shall have in place a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The Company must obtain a declaration and undertaking from the directors giving additional information on the directors and a Deed of Covenant signed by the directors, in the format prescribed. The Company shall furnish to RBI, a quarterly statement on change of directors, and a certificate that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Department of Supervision of the Bank where the company is registered, within 15 days of the close of the respective quarter. The statement submitted by applicable NBFC for the quarter ending March 31, shall be certified by the auditors.

COMPLIANCE

The Board of Directors are responsible for overseeing the Management of the Company's Compliance approach and is responsible, among other things, for promoting and monitoring that the organization operates with integrity and in compliance with applicable, laws, regulations and internal policies.

The Company's senior management is responsible for establishing a written compliance approach and policies that contain the basic principles to be followed by the board,

management and staff, and explains the main processes by which compliance risks are to be identified and managed through all levels of the organization.

Senior management advises staff on compliance laws, rules and standards, including keeping them informed of developments in the area. They help to educate staff about compliance issues, act as a contact point within the organization for compliance queries from staff members, and provide guidance to staff on the appropriate implementation of compliance laws, rules and standards in the form of policies and procedures.

The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. These terms shall be incorporated appropriately in the letter of appointment of the firm of auditors.

These provisions shall be read with the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs)' dated 27 April 2021, issued by Reserve Bank of India and as amended from time to time.

The Managing Director & CEO and the CFO shall, as per the provisions of the Act and applicable regulations of SEBI Listing Regulations, make the necessary certifications regarding the Financial Statements, internal controls, etc. to the Board. The Company shall abide by the RBI's directions on Internal Guidelines on Corporate Governance, Listing Regulations, and provisions of the Act pertaining to Corporate Governance.

DISCLOSURE AND TRANSPARENCY

The Company shall put up to the Board of Directors or its Committee, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
- ii. 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.

The Company shall also disclose the following in their Annual Financial Statements:

- i. i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. Penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and

- v. Asset-Liability maturity, extent of financing of parent company products, credit impaired loans and movement of credit impaired loans, details of all off-balance sheet exposures, structured products issued by the Company as also securitization/ assignment transactions and other disclosures, as may be prescribed by Reserve Bank of India from time to time.

The policy shall be subject to review by the Board from time to time.