

**TAMIL NADU TRANSPORT DEVELOPMENT FINANCE CORPORATION LIMITED,  
CHENNAI - 600 002.**

**Corporate Governance Policy**

Tamilnadu Transport Development Finance Corporation (TDFC) Ltd. commenced functioning on 25.03.1975 with the purpose of moping up of funds from general public for Capital & Working Capital requirement of the STUs by way of mobilising deposits without depending upon the budgetary support from Government. TDFC Ltd. has been registered as a Non-banking Finance Company (Deposit taking) with the Reserve Bank of India.

TDFC was formed with an object of establishing an independent special purpose vehicle to meet the financial requirement (capital and working capital) of all the nationalized Transport Corporations situated and operated in Tamil Nadu without depending upon the budgetary support from the Government of Tamil Nadu. TDFC after examining various alternative for mobilizing funds it has decided upon the deposit mobilizing scheme which in the longer run will be of beneficial to the organization, unlike the issue of bonds, debentures, etc., where the repayment of loan and the payment of interest will be bulk and also on one particular day. Whereas in the case of deposits, the commitment is spread over the period of time and it will be easier for the finance company to plan to meet its commitment without any difficulty.

**2. PURPOSE**

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy lays down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India from time to time in this regard.

The Policy on Corporate Governance will be reviewed as and when deemed fit and necessary by the Board in the context of changing regulation and emerging best practices with a view to enhancing the Company's governance.

**3. GUIDELINES ON CORPORATE GOVERNANCE**

Reserve Bank of India (RBI) in order to enable NBFCs to adopt best practices and greater transparency in their operations, has vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 issued directions on Corporate Governance known as Non-Banking Financial

Companies Corporate Governance (Reserve Bank) Directions, 2015 and vide Master Directions No. RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016 (as applicable to Government Companies and as amended from time to time) and in terms of the same requires all NBFC-ND-SI to frame internal guidelines on Corporate Governance. In compliance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed by the Board of Directors.

#### **4. GOVERNANCE STRUCTURE**

##### **(a) BOARD OF DIRECTORS (BoD)**

The Board of Directors (BoD) shall provide the leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and directions by the BoD. The BoD plays a vital role in matters relating to formulation of various policies, its implementation and strategic issues which are crucial for the long term development of the Company.

Keeping in mind the unique business model of the Company, the Board shall oversee compliance with all relevant policies and procedures by which the Company operates and ensuring that the Company operates at all times in compliance with all applicable laws and regulations, adhering to the highest ethical and moral standards. The Board monitors the "Financial Performance" of the Company and shall ensure that the financial results are prepared in accordance with the applicable laws and accounting standards and reported to shareholders and regulators regularly and on time.

##### **COMPOSITION**

The Company's Board is broad based having an optimum combination of Nominee and Independent Directors. The Company shall ensure that all its Directors meet the fit and proper criteria as contained in the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

The Composition of the BoD shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 and the rules framed thereunder. The

Directors shall act in accordance with the responsibilities and duties as provided under the Companies Act, 2013 and the Rules framed therein. Meetings of the BoD shall be held at-least four times a year, such that not more than one hundred and twenty days shall intervene between two consecutive BoD meetings.

## **(b) BOARD COMMITTEES**

The functioning of the Board shall be further supplemented by its various committees. The Directors, Management and Auditors deal with matters relating to financial reporting obligations, internal controls, review of accounting policies and management of financial risks.

As per Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Board has constituted the following Committees.

### **(i) Audit Committee**

The Audit Committee constituted by the Company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. and the Audit Committee thus constituted shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

The Audit Committee must ensure that an Information System (IS) Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

The Audit Committee consists of the following Members

- 1) Finance Director, Finance Department
- 2) Independent Director, TDFC Ltd
- 3) Woman cum Independent Director, TDFC Ltd.

### **(ii) Nomination and Remuneration Committee**

The Company shall constitute a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors as contained in Annexure IX to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Nomination and Remuneration Committee shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

The Nomination Committee constituted with the following Members

1. Finance Director, Finance Department
2. Joint Managing Director of TDFC Ltd.
3. Independent Director of TDFC Ltd.
4. Independent cum Woman Director of TDFC Ltd.

### **(iii) Stakeholders Relationship Committee**

The Company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as decided by the Board. The main objective of this Committee is to resolve the grievances of deposit holders of the company. This Committee consists of the following Members:

1. Finance Director, Finance Department
2. Joint Managing Director of TDFC Ltd.
3. Independent Director of TDFC Ltd.
4. Independent cum Woman Director of TDFC Ltd.

### **(iv) Risk Management Committee**

This Committee is formed for evaluating the overall risk faced by the NBFC including liquidity risk. The Risk Management Committee shall ensure that the risk associated with the business / functioning of the company are identified, controlled and mitigated and shall also lay down

procedure regarding managing and mitigating the risk through integrated Risk Management Systems, Strategies and mechanism.

This Committee consists of the following Members:

1. Finance Director, Finance Department – Chairman of the committee
2. Joint Managing Director – Member of the committee
3. Independent Director – Member of the committee

**(v) Asset Liability Management Committee (ALCO)**

The ALCO is ensuring adherence to the risk tolerance / limits set by the Board as well as implementing the liquidity risk management strategy of the NBFC. The business issues that an ALCO would consider inter alia, included product pricing of both deposits and advances / Loans, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for the similar services / product etc

This Committee consists of following Members:

- |                                       |   |                           |
|---------------------------------------|---|---------------------------|
| 1. Finance Director, Finance Dept.    | – | Chairman of the committee |
| 2. Joint Managing Director, TDFC Ltd. | – | Member of the committee   |
| 3. Independent Director, TDFC Ltd.    | – | Member of the committee   |

**(vi) Corporate Social Responsibility Committee (CSR)**

The Corporate Social Responsibility Committee (CSR) was formed as per Section 135 of the Companies Act, 2013. The CSR policies formulated by the CSR Committee was approved by the Board in its meeting held on 19.12.2017. The Committee consists of following Members.

- 1) Finance Director, Finance Department
- 2) Woman cum Independent Director
- 3) Joint Managing Director, TDFC Ltd.

## **5. FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company shall ensure to:

- (i) Follow fit and proper criteria in the lines of the Guidelines contained in the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- (ii) obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- (iii) obtain a Deed of Covenant signed by the directors, which shall be in the format as given in the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- (iv) furnish to the Reserve Bank a statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Reserve Bank 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.

## **6. DISCLOSURE AND TRANSPARENCY**

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

- (i) minutes of the meeting of the Risk Management Committee, comprising of three Directors, wherein the Committee reviews that the Credit & Investment is done within the norms prescribed by the Board, risk parameters associated and risk monitoring mechanism of the company.

- (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 its Annual Financial Statement, if applicable:

- (i) registration/ licence/ authorization, by whatever name called, obtained from other financial sector regulators;
- (ii) ratings assigned by credit rating agencies and migration of ratings during the year, if any;
- (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, if any and
- (v) Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by it as also securitization/ assignment transactions and other disclosures, as given in the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

## **7. COMPLIANCE WITH LAWS AND ETHICAL STANDARDS**

The Company shall file such quarterly / half yearly / yearly reports / returns / statements on the on-line portal / by off-line communication as required from time to time. Presently, apart from submission of Annual Accounts and routine data related to change in directors, auditors and compliances related to them, the following returns / statements are required to be filed with RBI:

### **Monthly:**

Structural Liquidity Statement

Asset Liability Management Statement

### **Quarterly:**

- 1) NBS-1 Return (On Financial Indicators by deposit taking NBFCs)
- 2) NBS – 2 Return (On Prudential Norms by deposit taking NBFCs)
- 3) NBS – 3 Return (On Liquid Assets by deposit taking NBFCs)

**Half yearly:**

Statement of structural liquidity in format ALM [NBS-ALM2]

Statement of Interest Rate Sensitivity in format ALM [NBS-ALM3]

**Yearly:**

Statutory Auditor Certificate

The Company shall also file all such other returns / statements as may be required from time to time by RBI.

The systems and procedures shall be constantly reviewed to ensure due compliance with ethical standards of the highest order. Subject to keeping in mind the unique business model of the Company, all guidelines and regulations issued by the concerned regulators shall be strictly complied with in letter and spirit.

**8. STATUTORY COMPLIANCE REPORT TO BOARD OF DIRECTORS**

The respective Head of Departments (HoDs) of the Company shall give a quarterly Statutory Compliance Certificate to the Managing Director and based on the same, the Managing Director shall give a Statutory Compliance Certificate to Board of Directors.

**9. POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the RBI Guidelines and such other laws, regulations and Guidelines as may be applicable. The policies adopted may be reviewed by the Board from time to time.

This policy is based on guidelines on Corporate Governance issued by RBI in Master Directions, in case of any changes in the provisions of these guidelines or any other regulations which makes any of the provisions of this policy inconsistent with the regulations or directions or circulars, the provisions of regulations or directions or circulars issued by the Regulator would prevail over the policy and the provisions in the policy would be modified in the due course to make it consistent with the law, keeping in mind the unique business model of the Company.

(V.Venkatarajan)

**Joint Managing Director**