

IDFC Limited

INTERNAL GUIDELINES

ON

CORPORATE GOVERNANCE

Company Philosophy and Corporate Governance

Being a professionally run enterprise with no single promoter or promoter group, effective board oversight and sound Corporate Governance practices are fundamental to IDFC's quest of delivering long-term value to all its stakeholders. Good Corporate Governance is intrinsic to the management of the affairs of IDFC.

Corporate Governance is a continuous process at IDFC. It is about commitment to values and ethical business conduct. Systems, policies and frameworks are regularly upgraded to meet the challenges of rapid growth in a dynamic external business environment.

Company

The Company is a Non Deposit taking Non Banking Financial Company ("NBFCs")- Investment Company registered with the Reserve Bank of India.

Board

Currently, IDFC's Board consists of 9 Directors, comprising (i) One Managing Director & CEO; (ii) Five Independent Directors; (iii) one Nominee Director of an institution which has invested in the Company and (iv) Two Nominee Directors of the Government of India. The Directors bring to the Board a wide range of experience and skills which include banking, global finance, law, accounting and economics.

The members of the Board are as follows:

| Sr. No. | Name of Director | Designation |
|----------------|-------------------------|------------------------------------------------------------|
| 1. | Mr. Vinod Rai | Non- Executive Chairman & Independent Director |
| 2. | Mr. Manish Kumar | Nominee of Ministry of Finance, Government of India |
| 3. | Mr. Soumyajit Ghosh | |
| 4. | Mr. Chinta Mani Bhagat | Nominee of Domestic and Foreign Institutional Shareholders |
| 5. | Mr. Gautam Kaji | Independent Directors |
| 6. | Mr. S. S. Kohli | |
| 7. | Mr. Donald Peck | |
| 8. | Ms. Marianne Økland | |
| 9. | Mr. Sunil Kakar | Managing Director & CEO |

Audit Committee

The Company has in place the Audit Committee in accordance with the provisions of the Companies Act 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) and RBI Guidelines, as amended from time to time.

The Audit Committee consists of:

| Sr No | Particulars | Designation | Chairman/Member |
|--------------|---------------------|----------------------|------------------------|
| 1 | Mr. Gautam Kaji | Independent Director | Chairman |
| 2 | Ms. Marianne Økland | Independent Director | Member |
| 3 | Mr. Vinod Rai | Independent Director | Member |

All the members are financially literate and at least one member has accounting or financial management expertise. The CFO and the representatives of the Statutory Auditors and Internal Auditors are permanent invitees to the Audit Committee Meetings. The Company Secretary of the Company acts as the Secretary to the Audit Committee. The Audit committee charter is in line with the Companies Act, 2013, read with Listing Regulations as amended from time to time and the same is disclosed in the Annual Report of the Company every year.

Nomination and Remuneration Committee

The Company has in place, the Nomination and Remuneration committee of the Company, in accordance with the provisions of the Companies Act 2013. The Committee comprises of the following directors

| Sr No | Particulars | Designation | Chairman/Member |
|--------------|--------------------|----------------------|------------------------|
| 1 | Mr. Donald Peck | Independent Director | Chairman |
| 2 | Mr. Gautam Kaji | Independent Director | Member |
| 3 | Mr. Vinod Rai | Independent Director | Member |

The Committee ensures formulation of the remuneration policy and sets out criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees; The Charter of the Committee is in line with the Companies Act 2013 read with Listing Regulations as amended from time to time and the same is disclosed in the Annual Report of the Company every year.

Risk Management Committee

IDFC has in place mechanisms to inform the Board about its risk assessment and minimization procedures with periodical reviews to ensure that the Executive Management controls risk through a Board approved properly defined framework. This is done through its Board-level Risk Committee and it monitors risk management of the Company on a regular basis.

| Sr No | Particulars | Designation | Chairman/Member |
|--------------|---------------------|-------------------------|------------------------|
| 1 | Ms. Marianne Økland | Independent Director | Chairman |
| 2 | Mr. Gautam Kaji | Independent Director | Member |
| 3 | Mr. Vinod Rai | Independent Director | Member |
| 4 | Mr. S. S. Kohli | Independent Director | Member |
| 5 | Mr. Sunil Kakar | Managing Director & CEO | Member |

The Risk Committee reviews and monitors mainly four types of risks across the organization and Group: credit risk, market risk, liquidity risk and operational risk. This is done under the overall framework of the Enterprise Risk Management System.

ALCO Committee

The Asset Liability Committee (ALCO) is a decision making body responsible for integrated balance sheet management from risk-return perspective and includes the strategic management of interest rate and liquidity risks.

The responsibilities of the ALCO are defined by the Board and typically comprise:

- a. Monitoring the market-risk levels on the balance sheet across Treasury, Loan /Investment and Portfolio assets, and ensuring compliance with the risk limits prescribed by the Board;
- b. Articulating the institutional view on interest rates as well as defining the future direction of interest rate movements;
- c. Evolving operating strategy based on interest rate outlook and other business parameters;
- d. Formulating the business strategy by taking a holistic view of both assets and liabilities, interest rates, risk tolerance and risk philosophy.
- e. Reviewing the results of and progress in implementing the decisions made at previous ALCO meetings.

Investment Committee

The Investment committee comprises of the following

- Mr. Vinod Rai
- Mr. Sunil Kakar
- Mr. S.S.Kohli
- Mr. Donald Peck

The Investment Committee would take an informed decision about the proposed investments up to Rs. 50 crores to be made by IDFC, having regard to factors like long term value creation and/or business growth/diversification benefits and/or supplementing client strategy etc.

CSR Committee

The Committee comprises of

Mr. Sunil Kakar
Mr. Donald Peck
Mr. S. S. Kohli

The purpose of the Committee is to formulate and monitor the CSR policy of the Company as prescribed under the Companies Act, 2013 and rules made thereunder.

Stakeholders' Relationship Committee

The Committee comprises of

Mr. Vinod Rai
Mr. S S Kohli
Mr. Sunil Kakar

The Committee is empowered to perform the functions of the Board in relation to handling of shareholders' and other investors' complaints and grievances. It primarily focuses on:

(i) Review of investor complaints and their redressal (ii) Review of queries received from investors. (iii) Review of work done by the share transfer agent. (iv) Review of corporate actions related to investor issues.

Fair Practices Code:

Pursuant to the guidelines on Fair Practices Code issued by the Reserve Bank of India, the Company has adopted a policy on Fair Practices Code which is posted on the website of the Company and also a regular review on the implementation of the same is conducted.

Code of conduct for directors & senior management personnel:

The Company has adopted a code of conduct for directors & senior management personnel of the Company and due care is taken that the same is being adhered to.

Whistle Blower Policy

The Board of Directors of the Company, at its meeting held on June 3, 2014, adopted the Vigil Mechanism and amended the Whistle Blower Policy of the Company to bring it in line with the provisions of the Companies Act, 2013 and SEBI Corporate Governance Circular dated April 17, 2014, as amended from time to time. The details of the establishment of the mechanism are disclosed on the website of the Company www.idfc.com and are disclosed in the Board's Report. The vigil mechanism is designed for the directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

Disclosures and transparency

The Board of the Company reviews, records and adopts the minutes of all the above Board level committee meetings along with subsidiary companies minutes.

The Risk Committee meets on a quarterly basis and updates the Board on progress made in putting in place a progressive risk management system, and risk management policy and strategy followed.

As part of the Corporate Governance, a compliance requirement has been put in place, wherein a quarterly report regarding compliance with all laws applicable to the Company is placed before the Board for their review. The CEO i.e. the Managing Director and the CFO make necessary certifications regarding the Financial Statements, internal controls, etc. to the Board on quarterly and annual basis.

The Management Discussion & Analysis Report of the Company is duly included in the Boards' Report covering necessary matters of concern as a part published by the Company and the Segment – wise reporting as per the Accounting Standard 17 (AS 17) is duly included in the Annual Report of the Company

Post demerger of the Financing Undertaking of IDFC Limited into IDFC Bank Limited, the Privately Placed Debentures, which were listed on the 'National Stock Exchange of India Limited, Mumbai' have been transferred to IDFC Bank Limited. Accordingly the Company does not have any Privately Placed Debentures as on date. However, as and when the Company would issue Privately Placed Debentures, the Company shall ensure transparent and good governance relating to the same.

Connected Lending

Other than loans and advances that may be granted to Directors who are working as whole time employee of the Company and at par with other employees as per the Company's human resource policy / rules, no other loan/credit facility is extended to the Directors of the Company and their relatives.

Review

This policy shall be reviewed periodically and may be amended by the Managing Director & CEO of the Company, as may be deemed necessary.