

# **CORPORATE GOVERNANCE FRAMEWORK (HIFSL)**

**Version 1.3**

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## Document History

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### Version History

Date	Version	Status	Prepared by	Comment
18/04/2018	1.0	Final	Sneha Doshi	To comply with RBI Master Directions
08/02/2021	1.1	Final	Sneha Doshi	Addition of few policies and Committees.
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### Document Reviewer / Approver

Role	Name	Email
Approver	Board of Directors	-

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## **HSBC INVESTDIRECT FINANCIAL SERVICES (INDIA) LIMITED**

### **GUIDELINES ON CORPORATE GOVERNANCE**

#### **1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

Corporate governance is the system by which companies are directed and controlled. Boards are responsible for the governance of their companies. The shareholders' role in governance is to satisfy themselves that an appropriate governance structure is in place and is effective. Corporate governance is about what the board of a company does and how it sets the values of the company, and is to be distinguished from the day to day operational management of the company by executives under the delegated authority of the board.

#### **2. RBI GUIDELINES ON CORPORATE GOVERNANCE**

As per Master Direction – Non Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 every Systemically Important Non-Banking Finance Companies (NBFCs) shall frame internal guidelines on Corporate governance to adopt best practices and greater transparency in their operations. In pursuance of the aforesaid Guidelines, HSBC InvestDirect Financial Services (India) Limited (the Company) has framed the following internal Guidelines on Corporate governance.

#### **3. BOARD OF DIRECTORS**

The role of the Board is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Company and delivery of sustainable value to shareholders. It sets the strategy and risk appetite for the Company and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

##### **3.1 COMPOSITION**

- a) The Board should be of sufficient size to discharge its responsibilities and allow changes to the Board's composition to be managed without undue disruption.
- b) The Board should comprise a balance of executive and non-executive Directors such that no individual or small group of individuals can dominate the Board's decision-making. The Board should appoint independent directors as required under Companies Act, 2013 and the directions issued by RBI.
- c) The Board should possess, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. The Board collectively should have adequate knowledge and expertise relevant to each of the material business activities that the Company pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight. Directors shall commit sufficient time and effort and to contribute actively to the work of the Board in order to discharge their responsibilities. As part of the appointment process, the Company Secretary will obtain confirmations from each prospective independent

Director that he / she is able to commit sufficient time and effort to fulfill their responsibilities effectively.

- d) It is expected that independent Directors will typically serve two three-year terms and subject to rigorous review, may serve an additional three year term at the invitation of the Board. Thereafter, independent Director may serve further one-year term at the invitation of the Board.
- e) The Company is committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board considers that its diversity, including gender diversity, is a vital asset to the business.
- f) The Board shall ensure appropriate plans for orderly succession in respect of appointments to the Board and to senior management.

### 3.2 **RESPONSIBILITIES OF THE BOARD**

The Board has the ultimate responsibility for the operations and the financial soundness of the Company. In discharging its responsibilities, it should take into account the legitimate interests of shareholders and other relevant stakeholders. Directors should act bona fide in the interest of the Company, and on an informed and prudent basis, in accordance with the applicable laws and regulations.

The key responsibilities of the Board include:

- (i) setting and overseeing the objectives of the Company and the strategies for achieving those objectives;
- (ii) risk governance;
- (iii) appointment and oversight of senior management;
- (iv) setting corporate values and standards;
- (v) ensuring a suitable and transparent corporate structure;
- (vi) ensuring effective audit functions; and
- (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Company.

### 3.3 **MATTERS RESERVED TO THE BOARD**

In addition to items reserved to the Board by law and the Articles of Association, the following items specifically require Board approval:

- (i) strategic plans, operating plans, risk appetite and performance targets for the Company;
- (ii) the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- (iii) recovery plan;
- (iv) authority or delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realization and creation of a new venture;

- (v) appointments to the positions of Chairman, Deputy Chairman, Director, Chief Executive, Alternate Chief Executive, Chief Financial Officer and Company Secretary; and
- (vi) any substantial change in the policies established from time to time by the Board for balance sheet management including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration both geographically and by sector.

#### 4. COMMITTEES

The Board has established and approved terms of reference for the following Committees:

- (i) Audit Committee

Role	<p>The role of the Audit Committee will be as laid down in the Companies Act, 2013 and the responsibilities as laid down by the Group which inter alia includes following matters.</p> <ul style="list-style-type: none"> <li>i. recommendation for appointment, remuneration and terms of appointment of auditors of the company;</li> <li>ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;</li> <li>iii. examination of the financial statement and the auditors' report thereon;</li> <li>iv. approval or any subsequent modification of transactions of the company with related parties;</li> <li>v. scrutiny of inter-corporate loans and investments;</li> <li>vi. valuation of undertakings or assets of the company, wherever it is necessary;</li> <li>vii. evaluation of internal financial controls and risk management systems;</li> <li>viii. monitoring the end use of funds raised through public offers and related matters.</li> </ul>
Composition	<p>Minimum of 3 directors</p> <p><b>Secretary of the Committee:</b> Company Secretary</p>
Frequency of meeting	Committees shall meet as often as necessary.
Quorum	Minimum of two members or one third, whichever is higher would be required to constitute quorum for the meeting and approval of any resolution through circulation would be passed by majority.

(ii) Committee of Directors

Role	The Committee of Directors shall undertake review and approval of day-to-day operational & administrative matters and any other matters as may be specifically delegated by the Board of Directors from time to time.
Composition	Minimum of 3 directors  <b>Secretary of the Committee:</b> Company Secretary
Frequency of meeting	Committees shall meet as often as necessary.
Quorum	Minimum of two members or one third, whichever is higher would be required to constitute quorum for the meeting and approval of any resolution through circulation would be passed by majority.

(iii) Nomination and Remuneration Committee

Role	The scope of the Nomination and Remuneration Committee will be as laid down in the Companies Act, 2013 including any additional responsibility that the Board may entrust to the Committee from time to time and as laid down in the Terms of Reference as approved by HSBC Group.
Composition	Minimum of 3 directors  <b>Secretary of the Committee:</b> Company Secretary
Frequency of meeting	Committees shall meet as often as necessary.
Quorum	Minimum of two members or one third, whichever is higher would be required to constitute quorum for the meeting and approval of any resolution through circulation would be passed by majority.

(iv) Corporate Social Responsibility Committee

Role	The scope of the Corporate Social Responsibility Committee will be as laid down in the Companies Act, 2013 including any additional responsibility that the Board may entrust to the Committee from time to time.
Composition	Minimum of 3 directors.  <b>Secretary of the Committee:</b> Company Secretary
Frequency of meeting	Committees shall meet at least once in a year.
Quorum	Minimum of two members or one third, whichever is higher would be required to constitute quorum for the meeting and approval of any resolution through circulation would be passed by majority.

(v) Information Technology (IT) Strategy Committee

Role	The scope of the IT Strategy Committee will be as laid down in the Master Direction - Information Technology Framework for the NBFC Sector issued by Reserve Bank of India.
Composition	Minimum of 3 directors of which at least one member is independent, if any. The independent director shall be a chairperson.  <b><u>Secretary of the Committee:</u></b> Company Secretary
Frequency of meeting	Committees shall meet at least twice in a year but not more than six months should elapse between two meetings.
Quorum	Minimum of two members or one third, whichever is higher would be required to constitute quorum for the meeting and approval of any resolution through circulation would be passed by majority.

(vi) Executive Risk Management Meeting

Role	The purpose of the Risk Management Meeting (RMM) is to exercise oversight of the risk framework for the Company. The Committee shall be accountable to the Audit Committee.
Composition	The composition of the RMM will be: <ul style="list-style-type: none"><li>✓ Chief Risk Officer – Chairman</li><li>✓ Managing Director</li><li>✓ Chief Financial Officer</li><li>✓ VP – Credit Risk - Secretary</li><li>✓ VP- FCC &amp; RC</li><li>✓ Legal Counsel, HIFSL</li></ul> <b><u>Regular Attendees</u></b> <ul style="list-style-type: none"><li>• Members of the Board of Directors</li><li>• Human Resource representative</li></ul>
Frequency of meeting	Meetings will be held with such frequency and at such times as the Chairman may determine. It is expected that RMM will be held not less than ten times each year.  The attendees shall meet face-to-face or through audio/video conference. At the discretion of the Chair, an Extraordinary Meeting of the Members may be called with not less than [five] working days' notice to Members. Notice requirements may be waived with the consent of the Chair. .

Quorum	<p>The CRO will act as the Chair. In his absence, the Chief Executive Officer or any member designated by the CRO will act as Chair. The quorum for the RMM will comprise of majority of the members, one of whom must be either the CRO or his/her delegate Approval of any Resolution through circulation would be passed by majority. Only the members of the Committee shall have the right to attend the Committee meetings. However, other executives may be invited to attend all or part of any meetings as and when appropriate.</p> <p>Regardless of who acts as Chair in the CRO's absence, the CEO is the only person who can take decisions for which the CRO is the accountable executive</p>
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(vii) Asset Liability and Management Committee

Role	<p>The purpose of the ALCO Committee is as stated below:</p> <ul style="list-style-type: none"> <li>a. To provide forward looking directions on and monitor the Balance Sheet composition of the Company</li> <li>b. To provide forward looking direction on and monitor the liquidity and funding structure, and structural exposures under normal and stressed conditions.</li> <li>c. To monitor and assess material balance sheet risks that are incurred or proposed by the Company</li> <li>d. To review and approve the framework of limits and risk appetite that have been established, within the delegated authorities given by the Board, for the control of the material balance sheet risks, having regard to external market, economic and political factors.</li> <li>e. To review and approve policies and methodologies for the management of balance sheet risks for the Company, including the impact of accounting and regulatory changes.</li> <li>f. To advise the Board of the Company of key ALCO issues.</li> <li>g. To decide Base rate for future lending</li> <li>h. To give broad guidelines on borrowings</li> </ul>
Composition	<ul style="list-style-type: none"> <li>1)</li> <li>2) Managing Director - Chairman</li> <li>3) Chief Financial Officer</li> <li>4) Chief Risk Officer</li> <li>5) Directors nominated by Board if any</li> <li>6) AVP Manager Finance</li> </ul>



	7) The head of the technology division shall also be an invitee on need basis  <b><u>Secretary of the Committee:</u></b> Chief Financial Officer
Frequency of meeting	Meetings will be held monthly (or more frequently at the discretion of the Chairman). There will be at least 10 meetings held during the year.
Quorum	The quorum would be one- third or two members whichever is higher. Approval of any resolution through circulation would be passed by majority. Only the members of the Committee shall have the right to attend the Committee meetings. However, other executives may be invited to attend all or part of any meetings as and when appropriate.

## 5. POLICIES ADOPTED BY THE COMPANY

The following policies have been framed and adopted by the Company in terms of Companies Act, 2013, guidelines issued by RBI and HSBC Group guidelines.

- a) Global Anti-Bribery and Corruption Policy
- b) Corporate Governance Guidelines
- c) Corporate Social Responsibility Policy
- d) Customer Complaint Management Document
- e) Contingency Funding Plan
- f) Expected Credit Loss policy
- g) Fair Practices Code
- h) Fraud Monitoring Policy
- i) Fit and Proper Person Criteria Policy
- j) Global Anti Money laundering Programme, including local addenda and appendices
- k) Global Sanctions Policy
- l) Global Personal Account Dealing Policy, including local addenda
- m) Investment Policy
- n) Information Technology Framework
- o) Liquidity Policy
- p) Loan Policy
- q) Outsourcing Policy
- r) Policy on Internal Principles and Procedures for determining Interest Rates and processing and other charges
- s) Policy on Prudential framework for resolution of stressed asset
- t) Policy on Moratorium of loans
- u) Policy on relief measures in areas affected by natural calamities
- v) Related Party Policy
- w) Liquidity Risk Framework
- x) Stress testing of Liabilities Program
- y) Risk Assessment and Control Framework for ML and TF
- z) Whistle blowing policy

The above policies may be reviewed from time to time.