

RELIANCE RETAIL FINANCE LIMITED

Internal Guidelines on Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

2. Objective

The following are the objectives of the guidelines on Corporate Governance:

- a. Complex environment has mandate the need for good corporate governance.
- b. Greater transparency enabling stakeholders in having a better understanding.
- c. Building investors' confidence in the company.
- d. Adopt best practices.

3. RBI Guidelines on Corporate Governance

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Board of Directors of the Company has framed the following internal Guidelines on Corporate Governance at its meeting held on January 14, 2015.

The Board of Directors of the Company at its meeting held on July 22, 2020 has reviewed and revised the Guidelines in accordance with the provisions of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The revised Guidelines is effective from July 22, 2020.

Pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations, if there is any change in any of the

parameter(s) framed by the Board, then the act / regulation will have overriding effect on the parameter(s).

4. Board of Directors

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The role of the Board is to determine the overall strategic direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is determined by various provisions of the laws and the Articles of Association of the Company. In performing its duties, the Board meets regularly and act in the best interests of the Company including its shareholders, customers and creditors.

The Board's primary responsibility is on the direction, control and governance of the Company and in particular, to articulate and commit to a corporate philosophy and governance that will shape the level of risk adoption, standards of business conduct and ethical behaviour of the Company.

The Board shall periodically review Compliance Reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance.

5. Composition of Board:

1. As a public company, RRFL shall have a minimum of three directors, with atleast one woman director.
2. RRFL shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year.
3. RRFL shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.

Explanation.—For the purposes of this sub-section, any fraction contained in such one-third number shall be rounded off as one.

4. An independent director of RRFL in relation to a company, shall be a director other than a managing director or a whole-time director or a nominee director,—
 - (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - (b)
 - (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;
 - (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - (c) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
 - (d) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
 - (e) who, neither himself nor any of his relatives— (i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed; (ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of— (A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or (B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm; (iii) holds together with his relatives two per cent. or more of the total voting power of the company; or (iv) is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding,

subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

(7) Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided. Explanation.—For the purposes of this section, —nominee director means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

(8) The company and independent directors shall abide by the provisions specified in Schedule IV of the Companies Act 2013.

(9) Notwithstanding anything contained in any other provision of the Companies Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

(11) Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director: Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly. Explanation.—For the purposes of sub-sections (10) and (11), any tenure of an independent director on the date of commencement of this Act shall not be counted as a term under those sub-sections.

(12) Notwithstanding anything contained in the Companies Act 2013,— (i) an independent director; (ii) a non-executive director not being promoter or key managerial personnel, shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

(13) The provisions of sub-sections (6) and (7) of section 152 Companies Act 2013 in respect of retirement of directors by rotation shall not be applicable to appointment of independent directors.

The independent board members of RRFL should ideally have significant experience in retail banking or Financial institution and taxation and audit.

6. Board Meetings

Meetings of the Board of Directors shall be held at least four times a year, with a minimum one meeting in a quarter.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The Board shall constitute a set of Committees with specific terms of reference / scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees shall operate as empowered agents of the Board as per their terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting.

The following shall be adhered to while maintain the quorum of the board meetings:

(1) The quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.

(2) The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company and for no other purpose.

(3) Where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength of the Board of Directors, the number of

directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

Explanation.—For the purposes of this sub-section, —interested directorll means a director within the meaning of sub-section (2) of section 184 Companies Act 2013.

(4) Where a meeting of the Board could not be held for want of quorum, then, unless the articles of the company otherwise provide, the meeting shall automatically stand adjourned to the same day at the same time and place in the next week or if that day is a national holiday, till the next succeeding day, which is not a national holiday, at the same time and place.

Explanation.—For the purposes of this section,—

- (i) any fraction of a number shall be rounded off as one;
- (ii) total strength shall not include directors whose places are vacant.

The participation of directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognizing the participation of the directors and of recording and storing the proceedings of such meetings along with date and time: Provided that the Central Government may, by notification, specify such matters which shall not be dealt with in a meeting through video conferencing or other audio visual means

7. Committees of the Board of Directors

The Board has constituted the following committees to deal with specific matters and delegated powers for different functional areas namely, the Audit Committee, Asset Liability Management Committee, Nomination and Remuneration Committee and Risk Management Committee have been constituted in accordance with the provisions of the Companies Act, 1956 and / or Guidelines issued by the Reserve Bank of India from time to time. Terms of references and functioning of all committees shall be decided by the Board in accordance with the provisions of Companies Act, 1956, Companies Act, 2013 and Guidelines issued by the Reserve Bank of India.

7.1. **Audit Committee.**— The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority: Provided that majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement. The Audit Committee shall act in accordance with

the terms of reference specified in writing by the Board which shall, inter alia, include,—

- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (iii) examination of the financial statement and the auditors' report thereon;
- (iv) approval or any subsequent modification of transactions of the company with related parties: 1 [Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed;]
- (v) scrutiny of inter-corporate loans and investments;
- (vi) valuation of undertakings or assets of the company, wherever it is necessary;
- (vii) evaluation of internal financial controls and risk management systems;
- (viii) monitoring the end use of funds raised through public offers and related matters.

The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company. The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) of section 177 Companies Act 2013 or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company. The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote. The Board's report under sub-section (3) of section 134 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be

disclosed in such report along with the reasons therefor. RRFL shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed. The vigil mechanism under sub-section (9) section 177 Companies Act 2013 shall provide for adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases: Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.

It is to be noted that the independence of the audit committee is maintained with direct reporting to the board.

7.2. Nomination and Remuneration Committee:

NRC shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors: Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination and Remuneration Committee shall, while formulating the policy under subsection (3) Section 178 Companies Act 2013 ensure that—

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals: Provided that such policy shall be disclosed in the Board's report.

7.3. Risk Management Committee

To manage the integrated risk, all RRFL shall form a Risk Management Committee, besides the Asset Liability Management Committee.

8. Role of Senior Management:

The major task of the senior management is implementation of policies that prohibit activities and relationships that diminish the quality of corporate governance, such as conflicts of interest, self-dealing and preferential dealings with related parties. They shall also adhere to the clear lines of responsibility and accountability throughout the organization set by the board, as appropriate. The senior management should also highlight any risks that are envisaged in the organizational activities in regular intervals.

9. Disclosure and transparency:

9.1. Disclosure of interest by director.—

(1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

(2) Every director of RRFL who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into— (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. Shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or (b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting: Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

(3) A contract or arrangement entered into by the company without disclosure under sub-section (2) above or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

(4) If a director of the company contravenes the provisions of sub-section (1) or subsection (2) above, such director shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees, or with both.

(5) Nothing in this section— (a) shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the company; (b) shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than two per cent. Of the paid-up share capital in the other company.

The following information will be provided to the Board of Directors on quarterly basis:

- Progress made in putting in place a progressive risk management system, and risk management policy and strategy followed.
- Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance.
- Updates of the various committees meetings from time to time.

9.2. The following shall also be adhered to by RRFL in it's Annual Report:

- 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 profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as given in Annexure 1.

10. Rotation of partners of the Statutory Auditors Audit Firm

RRFL 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 for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of RRFL after an interval of three years, if the Company so decides. RRFL shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

11. Policies adopted by the Company

The following policies have been framed and adopted by the Company, viz.

- Fair Practices Code; A Customer Grievance redress policy should be in place.

- Know Your Customer Policy;
- Asset Liability Management Policy;
- Investment Policy;
- Interest rate Policy;
- Loan Policy; and
- Concentration of credit and investment Policy.
- Related Party Transaction Policy
- Outsourcing Agreement Policy
- Information Security Policy
- Cyber Security Policy
- Business Continuity Planning Policy
- Information Technology Strategy Policy

The above policies may be reviewed at periodicity as approved by the Board.

12. Interaction with the Regulator

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator.

The Internal Guidelines on Corporate Governance shall come into effect from July 22, 2020.

The Board should review its functioning and effectiveness periodically.

Annexure 1: Annex 4 of Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015”

Indicative List of Balance Sheet Disclosure for NBFCs with Asset Size Rs.500 Crore and Above and Deposit Taking NBFCs

S. Minimum Disclosures

At a minimum, the items listed in this Annex should be disclosed in the NTA by all applicable NBFCs. The disclosures listed are intended only to supplement, and not to replace, other disclosure requirements as applicable.

2. Summary of Significant Accounting Policies

NBFCs should disclose the accounting policies regarding key areas of operations at one place along with NTA in their financial statements. A suggestive list includes – Basis of Accounting, Transactions involving Foreign Exchange, Investments – Classification, Valuation, etc, Advances and Provisions thereon, Fixed Assets and Depreciation, Revenue Recognition, Employee Benefits, Provision for Taxation, Net Profit, etc.

3.1 Capital

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
i)	CRAR (%)		
ii)	CRAR – Tier I Capital (%)		
iii)	CRAR – Tier II Capital (%)		
iv)	Amount of subordinated debt raised as Tier-II capital		
v)	Amount raised by issue of Perpetual Debt Instruments		

3.2 Investments

(Amount in Rs.crore)			
Particulars		Current Year	Previous Year
(1)	Value of Investments		
	(i) Gross Value of Investments		
	(a) In India		
	(b) Outside India,		
	(ii) Provisions for Depreciation		
	(a) In India		
	(b) Outside India,		
	(iii) Net Value of Investments		
	(a) In India		

	(b)	Outside India.		
(2)		Movement of provisions held towards depreciation on investments.		
	(i)	Opening balance		
	(ii)	Add : Provisions made during the year		
	(iii)	Less : Write-off / write-back of excess provisions during the year		
	(iv)	Closing balance		

3.3 Derivatives

3.3.1 Forward Rate Agreement / Interest Rate Swap

		(Amount in Rs crore)	
Particulars		Current Year	Previous Year
(i)	The notional principal of swap agreements		
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
(iii)	Collateral required by the NBFC upon entering into swaps		
(iv)	Concentration of credit risk arising from the swaps \$		
(v)	The fair value of the swap book @		
Note: Nature and terms of the swaps including information on credit and market risk and the accounting policies adopted for recording the swaps should also be disclosed.			
\$ Examples of concentration could be exposures to particular industries or swaps with highly geared companies.			
@ If the swaps are linked to specific assets, liabilities, or commitments, the fair value would be the estimated amount that the NBFC would receive or pay to terminate the swap agreements as on the balance sheet date.			

3.3.2 Exchange Traded Interest Rate (IR) Derivatives

		(Amount in Rs.crore)	
S. No.	Particulars	Amount	
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)		
	a)		
	b)		
	c)		
(ii)	Notional principal amount of exchange traded IR derivatives outstanding as on 31 st March (instrument-wise)		
	a)		
	b)		
	c)		
(iii)	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)		
	a)		
	b)		

	c)		
(iv)	Mark-to-market value of exchange traded IR derivatives outstanding and not “highly effective” (instrument-wise)		
	a)		
	b)		
	c)		

3.3.3 Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure

NBFCs shall describe their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:

- a) the structure and organization for management of risk in derivatives trading,
- b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,
- c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and
- d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.

Quantitative Disclosures

(Amount in Rs. Crore)			
Sl. No.	Particular	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	For hedging		
(ii)	Marked to Market Positions [1]		
	a) Asset (+)		
	b) Liability (-)		
(iii)	Credit Exposure [2]		
(iv)	Unhedged Exposures		

3.4 Disclosures relating to Securitisation

3.4.1 The NTA of the originating NBFCs should indicate the outstanding amount of 16 securitized assets as per books of the SPVs sponsored by the NBFC and total amount of exposures retained by the NBFC as on the date of balance sheet to comply with the Minimum Retention Requirements (MRR). These figures should be based on the information duly certified by the SPV's auditors obtained by the originating NBFC from the SPV. These disclosures should be made in the format given below.

S. No.	Particulars	No. / Amount in ₹ crore
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1.	No of SPVs sponsored by the NBFC for 17ecuritized17on transactions*	
2.	Total amount of 17ecuritized assets as per books of the SPVs sponsored	
3.	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	a) Off-balance sheet exposures	
	First loss	
	Others	
	b) On-balance sheet exposures	
	First loss	
	Others	
4.	Amount of exposures to 17ecuritized17on transactions other than MRR	
	a) Off-balance sheet exposures	
	i) Exposure to own securitizations	
	First loss	
	Loss	
	ii) Exposure to third party securitisations	
	First loss	
	Others	
	b) On-balance sheet exposures	
	i) Exposure to own securitisations	
	First loss	
	Others	
	ii) Exposure to third party securitisations	
	First loss	
	Others	
*Only the SPVs relating to outstanding 17ecuritized17on transactions may be reported here		

3.4.2 Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

		(Amount in Rs. Crore)	
Particulars		Current year	Previous Year
(i)	No. of accounts		
(ii)	Aggregate value (net of provisions) of accounts sold to SC / RC		
(iii)	Aggregate consideration		
(iv)	Additional consideration realized in respect of accounts transferred in earlier years		
(v)	Aggregate gain / loss over net book value		

3.4.3 Details of Assignment transactions undertaken by NBFCs

		(Amount in Rs. Crore)	
Particulars		Current year	Previous Year
(i)	No. of accounts		

3.6 Exposures

3.6.1 Exposure to Real Estate Sector

			(Amount in Rs. Crore)			
Category		Current Year	Previous Year			
a)	Direct Exposure					
(i)	Residential Mortgages -					
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented					
(ii)	Commercial Real Estate -					
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits					
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures -					
	a. Residential					
	b. Commercial Real Estate					
Total Exposure to Real Estate Sector						

3.6.2 Exposure to Capital Market

			(Amount in Rs. Crore)		
Particulars		Current Year	Previous Year		
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;				
(ii)	advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;				
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;				
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;				
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;				

(vi)	loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;		
(vii)	bridge loans to companies against expected equity flows / issues;		
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)		
Total Exposure to Capital Market			

3.6.3 Details of financing of parent company products

3.6.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The NBFC should make appropriate disclosure in the NTA to the annual financial statements in respect of the exposures where the NBFC had exceeded the prudential exposure limits during the year. The sanctioned limit or entire outstanding, whichever is high, shall be reckoned for exposure limit.

3.6.5 Unsecured Advances

a) For determining the amount of unsecured advances the rights, licenses, authorisations, etc., charged to the NBFCs as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Hence such advances shall be reckoned as unsecured.

b) NBFCs should also disclose the total amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. has been taken as also the estimated value of such intangible collateral. The disclosure may be made under a separate head in NTA. This would differentiate such loans from other entirely unsecured loans.

4. Miscellaneous

4.1 Registration obtained from other financial sector regulators

4.2 Disclosure of Penalties imposed by RBI and other regulators

Consistent with the international best practices in disclosure of penalties imposed by the regulators, placing the details of the levy of penalty on the NBFC in public domain will be in the interests of the investors and depositors. Further, strictures or directions on the basis of inspection reports or other adverse findings should also be placed in the public domain. The penalties should also be disclosed in the NTA.

S.1 Related Party Transactions

- a. Details of all material transactions with related parties shall be disclosed in the annual report
- b. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

4.4 Ratings assigned by credit rating agencies and migration of ratings during the year

4.5 Remuneration of Directors

All pecuniary relationship or transactions of the non-executive directors vis-à-vis the company shall be disclosed in the Annual Report.

S.1 Management

As part of the directors' report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the company's competitive position:

- a. Industry structure and developments.
- b. Opportunities and Threats.
- c. Segment-wise or product-wise performance.
- d. Outlook
- e. Risks and concerns.
- f. Internal control systems and their adequacy.
- g. Discussion on financial performance with respect to operational performance.
- h. Material developments in Human Resources / Industrial Relations front, including number of people employed.

S.1 Net Profit or Loss for the period, prior period items and changes in accounting policies

Since the format of the profit and loss account of NBFCs does not specifically provide for disclosure of the impact of prior period items on the current year's profit and loss, such disclosures, wherever warranted, may be made in the NTA.

S.1 Revenue Recognition

An enterprise should also disclose the circumstances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

S.1 Accounting Standard 21 -Consolidated Financial Statements (CFS)

NBFCs may be guided by general clarifications issued by ICAI from time to time.

A parent company, presenting the CFS, should consolidate the financial statements of all subsidiaries – domestic as well as foreign. The reasons for not consolidating a subsidiary should be disclosed in the CFS. The responsibility of determining whether a particular entity should be included or not for consolidation would be that of the Management of the parent entity. In case, its Statutory Auditors are of the opinion that an entity, which ought to have been consolidated, has been omitted, they should incorporate their comments in this regard in the "Auditors Report".

5. Additional Disclosures

5.1 Provisions and Contingencies

To facilitate easy reading of the financial statements and to make the information on all Provisions and Contingencies available at one place, NBFCs are required to disclose in the NTA the following information:

(Amount in Rs. Crore)		
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	Current Year	Previous Year
Provisions for depreciation on Investment		
Provision towards NPA		
Provision made towards Income tax		
Other Provision and Contingencies (with details)		
Provision for Standard Assets		

5.2 Draw Down from Reserves

Suitable disclosures are to be made regarding any draw down of reserves in the NTA.

5.3 Concentration of Deposits, Advances, Exposures and NPAs

5.3.1 Concentration of Deposits (for deposit taking NBFCs)

(Amount in Rs. Crore)	
Total Deposits of twenty largest depositors	
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	

5.3.2 Concentration of Advances

(Amount in Rs. Crore)	
Total Advances to twenty largest borrowers	
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	

5.3.3 Concentration of Exposures

(Amount in Rs. Crore)	
Total Exposure to twenty largest borrowers / customers	
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	

5.3.4 Concentration of NPAs

(Amount in Rs. Crore)	
Total Exposure to top four NPA accounts	

5.3.5 Sector-wise NPAs

Sl. No.	Sector	Percentage of NPAs to Total Advances in that sector
1.	Agriculture & allied activities	
2.	MSME	
3.	Corporate borrowers	
4.	Services	
2.	Unsecured personal loans	
3.	Auto loans	
4.	Other personal loans	

5.4 Movement of NPAs

(Amount in Rs. Crore)			
Particulars		Current Year	Previous Year
(i)	Net NPAs to Net Advances (%)		
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance		
	(b) Additions during the year		
	© Reductions during the year		
	(d) Closing balance		
(iii)	Movement of Net NPAs		
	(a) Opening balance		
	(b) Additions during the year		
	© Reductions during the year		
	(d) Closing balance		
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance		
	(b) Provisions made during the year		
	© Write-off / write-back of excess provisions		
	(d) Closing balance		

5.5 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

Name of the Joint Venture/ Subsidiary	Other Partner in the JV	Country	Total Assets

5.6 Off-balance Sheet SPVs sponsored

(which are required to be consolidated as per accounting norms)

Name of the SPV sponsored	
Domestic	Overseas

6. Disclosure of Complaints

6.1 Customer Complaints

(a)	No. of complaints pending at the beginning of the year	
(b)	No. of complaints received during the year	
(c)	No. of complaints redressed during the year	
(d)	No. of complaints pending at the end of the year	