

## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

### **1. Preamble:**

The Reserve Bank of India ('RBI') vide its Circular RBI/2014-15/299 DNBR (PD) CC.No. 002/03.10.001/2014-15 dated 10<sup>th</sup> November 2014 read with Master Circular RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated 1<sup>st</sup> July 2015 requires NBFCs to frame their internal guidelines on corporate governance with the approval of the Board of Directors. The corporate governance guidelines of Caterpillar Financial Services India Private Limited ("Company") set the framework for the governance of the Company's business by adopting best practices that ensures transparency, accountability and integrity in conduct of the Company's business.

The Board of Directors ("the Board") of the Company has adopted the following internal guidelines on corporate governance ("the Guidelines") to ensure that the Company follows highest standards of corporate governance in all its activities and processes.

### **2. Board of Directors and its composition:**

The Board of the Company is constituted in compliance with the provisions of Indian Companies Act, 2013 read with the relevant rules and regulations made thereunder. The composition of the Board of the Company may consist of both executive and non-executive Directors.

The Board of the Company will provide leadership and guidance to the management of the Company and will direct, supervise, monitor and control the performance of the Company.

The meetings of the Board shall be held at least four times a year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

### **3. Committees constituted by Board:**

The Board of the Company has constituted the following committees to monitor the operations of the Company –

**3.1. Audit Committee:** This committee will consist of a minimum of three Directors of the Board (as per the Companies Act 2013 requirement) and will act in accordance of Section 177 of the Companies Act, 2013, advising the Company in all financial and related transactions. The Committee shall review and monitor the performance of the Auditor and ensure effectiveness of the audit process. The Committee shall also monitor the related party transactions entered into by the Company and ensure that all such transactions are executed with the approval of the

Committee. The Committee shall also ensure adequacy of internal financial controls and risk management systems.

**3.2 Compliance committee-** The Compliance Committee shall ensure adherence to the all required compliance governing the NBFC business in India including Indian Companies Act, 2013 requirements and also ensure adherence to the Company's policies and procedures as may apply to conduct of Company's business in India.

**3.3. Risk Management and Governance committee:** This committee will assess all internal and external risk factors including any regulatory challenges and possible action to mitigate such risk. The Committee shall also evaluate the effectiveness of the existing risk management policies.

**3.4. Asset and Liability committee-** This Committee shall ensure that the Asset and Liability Policy of the Company is reviewed on a regular basis. The Committee is also responsible for deciding on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, establishing controls for managing liquidity risk and overseeing the overall liquidity position of the Company.

In addition to the aforesaid statutory level committees, the Company has the following management level committees to monitor the business on day to day /regular basis–

- i. MD Governance monthly once
- ii. VP Governance quarterly once
- iii. Compliance Committee

The composition, frequency of meeting and the responsibilities of these committees are defined by the management in consultation with Board of the Company.

#### **4. Key Managerial Personnel (KMP):**

In Compliance with the provisions of Section 203 of the Companies Act, 2013, the Company has appointed the following whole-time KMPs –

- i. Managing Director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

#### **5. Policies/Codes formulated by the Company:**

Being a direct subsidiary of Caterpillar Financial Services Corporation, headquartered in Nashville, Tennessee, United States of America and an indirect subsidiary of Caterpillar Inc., headquartered in Deerfield, Illinois, United States of America ( collectively referred to as "Parents"), the Company is governed by policies and procedures of the Parents as they may generally apply to the business of the Company. Examples of these would be the relevant Enterprise Procedures,

policies and procedures specifically mandated by Caterpillar Financial Services Corporation as may apply to the Company's business etc. In addition to the above, the Company has formulated various policies/codes in compliance with the provisions of the Companies Act, 2013, guidelines of the Reserve Bank of India, other applicable laws and also as a matter of good corporate governance practices. Some of the important policies required under RBI regulation are as under:

**5.1. Policy on Anti-Money Laundering (AML):** This policy is framed in compliance with the KYC Guidelines and AML Standards prescribed by RBI. The purpose of this policy is to instruct Company employees on recognizing anti-money laundering activities and transactions and abide by the reporting procedures highlighted under the policy. The policy also covers the procedures to be followed for customer identification before entering into a transaction. A Principal Officer has been appointed under this policy to oversee and ensure overall compliance with regulatory guidelines.

**5.2. Fair Practices Code (FPC):** This code is framed in compliance with the guidelines on FPC prescribed by the RBI. The purpose of FPC is to provide the Company's customers an overview of fair practices which will be followed by the Company in respect of all the financing and lending facilities and services offered by the Company. The FPC will apply to any loan that the Company may sanction and disburse to its customers.

**5.3. Policy on Interest Rate:** This policy has been framed in compliance with the RBI guidelines for setting of interest rates on loans offered to the customer. This policy explains the procedures to be followed by the Company with respect to the setting of interest rates on loan offered to the customer.

**5.4. Grievance redressal mechanism and Ombudsman policy:** This policy has been framed in compliance with the RBI guidelines to enable customers to escalate their grievance for suitable redressal.

**5.5. Asset-Liability Management Policy:** This includes regular identification, measurement and management of the various risks associated with asset and liability mismatches in accordance with this policy.

## **6. Review:**

The Board shall, as and when required, assess the adequacy of the above policies and make necessary amendments to ensure it remains compliant with the RBI guidelines and other applicable laws, Board's objectives, Company's policies and best market practices.

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