



Internal Guidelines on Corporate Governance

Of

ORIX Leasing & Financial Services India Limited

(CIN: U74900MH2006PLC163937)

V.4

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I Background:

ORIX Leasing & Financial Services India Ltd. (“OLFS”/“Company”) is registered with the Reserve Bank of India (RBI) as Non-Banking Financial Company (“NBFC”) and is categorized as Middle Layer NBFC as per the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and

OLFS is direct subsidiary of ORIX Auto Infrastructure Services Ltd. (“OASIS”) and step-down subsidiary of ORIX Corporation, Japan (“ORIX”). ORIX believes that a robust corporate governance system is essential for ensuring objective management and carrying out appropriate business activities in line with its core policies.

OLFS has therefore established a sound and transparent corporate governance system and has accordingly framed this Guideline to adopt best practices and in compliance with Chapter XI of the Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, as amended from time to time and in line with philosophy of ORIX on governance related aspect.

This Guidelines are also the compilation of compliant practices adopted so far and to put in place compliant oversight through various Committees, Applicable Laws, audits, reporting, disclosures, policies, business processes etc.

II Philosophy, Purpose and Scope:

The Company believes that sound governance practices are the bedrock for its functioning and for creation of value for its stakeholders on a sustainable and long-term basis. This philosophy guides us in maintaining an ethical framework within which we operate.

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The shareholder's philosophy has strong emphasis on transparency, accountability and integrity with the highest standards of compliance with all laws, morals and a transparent corporate culture.

III Definitions:

In these Guideline, unless the context otherwise requires:

- (1) “Act” means the Companies Act, 2013 and the rules made thereunder including any statutory modification(s), enactment(s) or re-enactments(s) thereof for the time being in force.
- (2) “Applicable Laws” means and includes any other statute, law, standards, regulations or other governmental instruction relating to corporate governance and applicable to the Company.

- (3) “Approval Authority Matrix ("AAM")” means the authority matrix adopted by the Board of Directors of the Company and as may be amended from time-to-time defining the authority of shareholders, Board of Directors, Committees, Managing Director, Senior Management Personnel etc.
- (4) “Articles of Association (AoA)” means Articles of Association adopted by the Company and as may be amended from time-to-time.
- (5) “Board of Directors” or “Board” means the Directors of the Company.
- (6) “Company” or “OLFS” means ORIX Leasing & Financial Services India Limited.
- (7) “Committees” means committees of Board of Directors constituted by virtue of Act, Secretarial Standards and the RBI Guidelines.
- (8) “Employees” means employees on the pay roll or on fixed term contract with the Company.
- (9) “Independent Directors” means an independent director defined in Section 2(47) of Act or any modification or re-enactment made thereunder and Applicable Laws.
- (10) “RBI Guidelines” includes the following circulars issued by the RBI and as may be amended from time-to-time:
 - (a) Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023; and
 - (b) Any other guidelines/circulars issued by the RBI for NBFCs and applicable to the Company.
- (11) “Secretarial Standards (SS)” means standards on meeting of Board of Directors or general meeting and issued and amended, from time to time, by ‘The Institute of Company Secretaries of India’ (ICSI).
- (12) “Senior Management Personnel” for this purpose shall mean employees of the Company who are members of its core management team which is known as Executive Committee of Management (not being Committee formulated by the Board). It would comprise of all members of management one level below the Managing Director of the Company, which shall include all Business Heads and Functional Heads.

IV Legislative Framework of the Corporate Governance:

- (1) Companies Act, 2013: The Companies Act 2013 (“Act”) regulates the formation and functioning of corporations or companies in India. The Company Secretary of the Company (Classified as KMP) ensures compliance of various provisions of the Act with regard to appointment of the Directors, convening meetings of the Board, Committees and Shareholders, filing of returns with Ministry of Corporate Affairs, etc.

- (2) The Reserve Bank of India (For OLFS): OLFS, being registered with RBI as Non-Deposit taking, NBFC, is required to comply with the applicable provisions of RBI Regulations including filing of the returns and other submissions with RBI, as are applicable to it. OLFS is categorized as an Investment and Credit Company.

V **Governance of Board:**

- (1) Role of the Board:
 - (a) 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.
 - (b) The Board shall be responsible for exercising its objective business judgments to act in what it reasonably believes to be in the best interests of the Company and its stakeholders. The Board of Directors and Committees shall provide direction and guidance to the Company's management and shall further supervise and review the performance of the Company.
 - (c) As Directors occupy fiduciary position, they shall attend the Board and its Committee meetings thereof, on which they serve regularly and fulfill their obligations with full responsibility.
 - (d) The Board shall be responsible for overall compliance and monitoring the effectiveness of the Company's governance practices and shall periodically review compliance reports of all Applicable Laws prepared by the Company as well as steps taken by the Company to rectify instances of non-compliance, if any.
 - (e) The Board shall also ensure on one hand the integrity of Company's accounting and financial reporting systems, including the independent audit, appropriate systems of control, system of risk management, internal control over financial reporting and other operational controls and on the other hand shall ensure compliance with the Act, SS, RBI Guidelines and relevant accounting standards.
 - (f) The Board shall conduct themselves in a manner to maintain confidentiality of information in order to foster a culture of good decision-making and in doing so, the Board must act honestly, in good faith and in the best interests of the Company.
 - (g) The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

- (h) Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of Act, SS and RBI Guidelines. The Company Secretary shall obtain an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.
- (i) The Board shall have the powers as specified in the Act, AoA and those specified in AAM. In case of any inconsistency, the Act shall prevail over AOA and AAM.

(2) Board Composition and Size:

The composition of the Board of Directors shall be as determined in the AOA. All the Directors shall meet the 'fit and proper' criteria as prescribed in the RBI Guidelines.

(3) Directorship in other Companies:

Number of companies including public companies in which a Director can hold directorship shall be as specified under the Act. The Independent Director shall hold the directorship in other NBFCs as per the limit specified in RBI Guidelines.

(4) Disclosures from Directors:

The Directors shall submit the following disclosures as required under the provisions of Act and RBI Guidelines:

Sr. No.	Forms	Frequency
(a)	Intimation for directorship in other Companies in past 3 years in Form DIR-8 as specified under Section 164 of the Act.	At the time of appointment and on an annual basis at the end of every financial year.
(b)	Declaration for no disqualification under section 164 of the Act.	At the time of appointment and on an annual basis at the end of every financial year
(c)	Notice of interest in other Companies in Form MBP-1 as specified under Section 184 of the Act.	At the time of appointment, a on an annual basis at the end of every financial year and as any when any change occurs.
(d)	Declaration and Undertaking (RBI) as specified under RBI Guidelines.	At the time of appointment and on an annual basis at the end of every financial year.
(e)	Deed of Covenants as specified under RBI Guidelines.	At the time of appointment and on an annual basis at the end of every financial year.
(f)	Declaration for no conflict of	At the time of appointment

	interest required as per RBI Guidelines	and on an annual basis at the end of every financial year.
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(5) Meetings of the Board and Quorum:

The Board Meetings of the Company shall be held as per the requirements prescribed under the Act, AoA, SS or as may be decided by the Board of Directors.

The quorum of the Board meetings shall be as per the requirements of the Act, AoA and SS. Moreover, urgent matters shall be transacted through resolution by circulation. Resolutions passed by circulation shall be deemed to be passed at a duly convened meeting of the Board as per the Act and SS.

(6) Information to be placed before Board and its Committees Meeting:

To enable the Board/Committee members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director/Committee member well in advance, as mentioned under the SS or as may be advised by ORIX from time-to-time. All items of the agenda shall be discussed in detail, during the Board or its Committee meetings. The Board/Committee members shall have complete access to any information within the Company. At the meetings, the Board/Committee members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board/Committee.

(7) Circular Resolution:

In the absence of the provisions in the Act or the AOA, requiring that the exercise of the particular power of the Directors should be only at the Board meeting, the Directors may exercise the power to approve resolutions/matters requiring approval of the Board of Directors or Committee thereof by way of the circular resolution pursuant to the provisions of the Section 175 of the Act and Secretarial Standards.

The resolutions shall be passed by the Board of Directors or Committees constituted by the Board of Directors in line with Section 175 of the Companies Act, 2013 and Secretarial Standards issued by the Institute of Company Secretaries of India.

(8) Minutes:

The minutes of all meetings of the Board and the Committees shall be prepared and circulated to the Board and member of the Committees respectively in compliance with SS. The minutes of the previous Board and/or Committees meetings shall be placed in subsequent Board and Committee meetings whereas minutes of Committee meetings shall also be placed before the next meeting of the Board of Directors. Minutes of the Board and Committees of the Company shall also be placed before the meeting of the Board of OASIS in accordance with the timelines mentioned in the SS.

(9) Directors' appointment and Compensation Review:

The appointment and remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Nomination and Remuneration Policy.

(10) Independent Director:

Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. There shall be no restriction to directorship on the Boards of NBFCs- BL, subject to provisions of Companies Act, 2013.

(11) Sitting fees to Directors:

No sitting fees will be paid to Managing Director or Director representing ORIX on the Board of the Company whereas Independent Directors shall be paid sitting fees for attending each meeting of the Board or Committees as approved by the Board of Directors subject to overall ceiling as prescribed under the Act.

VI Committees of the Board:

The Board has constituted several Committees to deal with specific matters and for operational convenience, delegated in powers for different functional areas to different Committees in accordance with the Act, SS, AAM, RBI Guidelines for internal requirements/operational convenience.

The Board of Directors have constituted various Committees as stated below and defined/codified their respective powers in the charter of respective Committee:

(1) **Audit Committee:**(a) Composition:

- (i) The Audit Committee shall consist of a minimum of three directors with Independent Directors forming a majority.
- (ii) Majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.

(b) Quorum: The quorum for the Committee meeting shall be minimum 2 members one of whom shall be Independent Director.(c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

(2) **Treasury and Asset-Liability Management Committee (T&ALM):**

(a) Composition:

(i) The Committee shall consist of three or more members Directors. The CEO/ MD or the Executive Director (ED) shall head the Committee. The Members of the Committee shall be appointed by the Board.

(b) Quorum: The Quorum for the Committee shall be Minimum two members.

(c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

(3) **Risk Management Committee:**

(a) Composition:

(i) The Committee shall consist of three or more members Directors.

(ii) The Members of the Committee shall be appointed by the Board.

(b) Quorum: The Quorum for the Committee shall be Minimum two members.

(c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

(4) **Nomination and Remuneration Committee (NRC):**

(a) Composition:

(i) The Committee shall consist of three or more non-executive Directors out of which not less than one-half shall be Independent Directors. The Chairman of the company (whether executive or non-executive) may be appointed as a member of the NRC but shall not chair such Committee.

(ii) The Members of the Committee shall be appointed by the Board.

(b) Quorum: The Quorum for the Committee shall be minimum two members or one-third of the members, whichever is higher. At least one member shall compulsorily be the Director representing ORIX Corporation.

(c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

- (5) **Corporate Social Responsibility (CSR) Committee**
- (a) Composition:
 - (i) The Committee shall consist of three or more directors, out of which at least one director shall be an independent director.
 - (ii) The Members of the Committee shall be appointed by the Board.
 - (b) Quorum: The quorum for the Committee meeting shall be any two members.
 - (c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.
- (6) **Executive Committee:**
- (a) Composition:
 - (i) The Committee shall consist of three or more members.
 - (ii) The Members of the Committee shall be appointed by the Board.
 - (b) Quorum: The Quorum for the meeting shall be Minimum two members.
 - (c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.
- (7) **IT Strategy Committee:**
- (a) Composition:
 - (i) The Composition of the Committee shall be as per the RBI – Master Direction on Information Technology for NBFC Sector’ dated June 08, 2017 (RBI Master Direction on IT), as may be amended from time to time.
 - (ii) As per the RBI – Master Direction on IT, the Chairman of the IT Strategy committee shall be an Independent Director and Chief Information Officer and Chief Technology Officer should be a part of the Committee.
 - (iii) The Members of the Committee shall be appointed by the Board.
 - (b) Quorum: The Quorum for the Committee shall be one-third of the total strength of the members, of which the presence of Chief Information Officer shall be mandatory.

- (c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

(8) IT Steering Committee:

- (a) Composition:
 - (i) The Composition of the Committee shall be as per the RBI – Master Direction on IT, as may be amended from time to time.
 - (ii) As per the RBI – Master Direction on IT, the Committee shall be consisted of business owners, the development team and other stakeholders
 - (i) The Members of the Committee shall be appointed by the Board.
- (b) Quorum: The Quorum for the Committee shall be one-third of the total strength of the members, of which the presence of Chief Information Officer shall be mandatory.
- (c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

(9) Collection Committee:

- (a) Composition:
 - (i) The Committee shall consist of two or more member
 - (ii) The Members of the Committee shall be appointed by the Board.
- (b) Quorum: The Quorum for the meeting shall be shall be minimum two members or one-third of the members, whichever is higher
- (c) Frequency of the meeting: The frequency of this Committee shall be as mentioned in its charter approved by the Board.

VII Chief Risk Officer:

In order to strive and follow best practices in risk management of the Company, the Board of Directors have designated one of the SMP as Chief Risk Officer of the Company. The CRO functions independently and ensures highest standards of the risk management.

VIII Key Managerial personnel (KMP):

The Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-Middle Layer (ML) or NBFC-Upper Layer (UL). However, they can assume directorship in NBFC-Base Layer (bl).

IX Businesses of the Company:

The Company shall carry out business as specified in the Memorandum of Association of the Company.

Notwithstanding the above, there shall be laid down the process of conducting/regulating the business as well as functions [Standard Operating Procedure (“SOP”)] and business policies. The Senior Managerial Personnel shall ensure that the business/functions are regulated strictly in terms of the SOP and business policies of their respective departments.

X Approval Authority Matrix (AAM):

The Company is 100% step down subsidiary of ORIX Corporation, Japan and hence all matters relating to governance aspect of the Company are governed by “Detailed Rules for Overseas ORIX Group of Global HQ, East Asia HQ and Global Transportation Services HQ Process Authorization (Rules)”. The AAM has been prepared in alignment with these Rules through which various authorities of the Board are delegated to either various Committees of the Board or Managing Director or SMP (classified as Head of Department)

XI Risk Governance and Control Framework:

In terms of Compliance Charter and Framework, Risk Management is a function which is jointly managed by First Line of Defense (Business or a Functional Unit Heads) and Second Line of Defense (Compliance Department). Adequacy of Risk Management function is determined by Third Line of Defense (Internal Auditor) and finally certified by Statutory Auditors (Internal Control over Financial Reporting and Accuracy or Appropriateness of Accounting), Secretarial Auditors (Certifying Compliances of Companies Act, 2013), Tax Auditors (On all Direct / Indirect Tax related matters).

(1) Compliance Risk and its management:

- (a) The Board of Directors has set up an independent Compliance Department and the Audit Committee of the Company has appointed Chief Compliance Officer of the Company in their meeting held on November 19, 2021. The roles and responsibilities of the Compliance Department is laid down in Compliance Charter and Framework as adopted by the Board of Directors. Compliance Function is supervised by Global Compliance Department and suggestions of GGCO are obtained beforehand on all key compliance related areas such as framing of new compliance policies or amendment in existing compliance policies before approaching Committee or Board for seeking their approval.
- (b) In terms of Compliance Charter three lines of defense is specified for ensuring compliance of process / policies:
 - (i) First line of defense is the concerned Business or a Functional Head
 - (ii) Second Line of Defense is the Compliance Functions
 - (iii) Third Line of Defense is the Internal Auditor

(2) **Internal Audit (IA):**

- (a) ORIX India Entities have established an internalized independent IA function since FY 13-14
- (b) Internal Audit Manual has been prepared basis guidance from Global Internal Audit Department (GIAD) of ORIX and is in place and IA Function is carried out in line with the IA Manual.
- (c) Head of IA has dotted line reporting to Director-in charge, Internal Auditor Audit Committee and GIAD. All IA reports shall be placed before the Audit Committee and are being sent simultaneously to GIAD.
- (d) Best international method and practice of IA shall be followed basis guidance received from GIAD. Risk based Audit approach is followed.

(3) **Internal Control over Financial Reporting (ICOFR)**

- (a) In terms of Section 177 of the Companies Act, 2013 ('the Act'), Audit Committee's terms of reference, amongst others, includes evaluation of Internal Financial Control (IFC) and Risk Management Systems.
- (b) An evaluation of the Company's Internal Financial Control (IFC) is a detailed process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
- (c) A detailed exercise shall be carried out each year to evaluate the entity level controls; business process level controls; testing, reporting and monitoring and Risk Management Systems of the Company so as to evaluate operating effectiveness of entity level controls on financial reporting process and put in place suitable remediation plan / compensatory control to minimise or eliminate risk of any nature.
- (d) The results of such testing are placed before the Audit Committee each year.
- (e) The Statutory Auditor also verifies the IFC and certifies through the report in IFC issued each year which is also placed before the Audit Committee.

(4) **External Audit**

(a) Statutory Audit:

The Statutory Auditor of the Company is appointed in compliance with Section 139 of the Companies Act, 2013 and Reserve Bank of India (RBI) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking RBI Master Direction, applicable ("RBI Regulations") including the tenure of their appointment. The stated process in line with the Companies Act, 2013 and Audit Committee Charter, the appointment and remuneration of the

Statutory Auditors are decided. The report of the Statutory Auditor on the financial statements, ICOFR and report as per RBI Regulations is placed before the Audit Committee.

(b) Secretarial Audit:

The Secretarial Auditor of the Company is appointed in compliance with Section 204 of the Companies Act, 2013. The Secretarial Audit is conducted independently without any involvement of the Management. The stated process in line with the Companies Act, 2013 and Audit Committee Charter, the appointment and remuneration of the Secretarial Auditors are decided. The report of the Secretarial Auditor on compliance of provisions of Companies Act, 2013 forms part of the Directors' Report.

(c) Tax Audit:

The Tax Auditor of the Company is appointed in compliance with Section 44AB of Income Tax Act. The stated process in line with the Audit Committee Charter is followed for the appointment and remuneration of the Tax Auditors.

XII Other Code(s) and Policy(ies):

The Company shall adopt such policies, as may be required under the Act, relevant RBI Guidelines, Applicable Laws and adhere to the same for the purpose of compliance. These shall be updated / revised as and when required as per the Act, RBI Guidelines, Applicable Laws and as deemed fit.

XIII Publication of policies and SOPs:

- (1) Internal (Local Intranet): All the SOP, Business and other policies shall be uploaded on the local intranet of the Company for the benefit and reference of Employees.
- (2) External (Website): The Company shall publish such policies on the website of the Company as required/mandated under the Act, RBI Guidelines and Applicable Laws and more particularly specified in the respective policies.

XIV Role of Employees and Directors

This guideline is applicable to all Employees and Directors of the Company and accordingly they shall individually be responsible for adhering to this Guideline and other code and policies of the Company as introduced/amended from time-to-time. The violation of the policies of the Company is dealt with in the respective policies/Code of Conduct/Employee Handbook of the Company.

XV Records Retention:

The Company shall maintain all required records for the period as per the Act and Applicable Laws.

XVI **Disclosure and Transparency:**

- (1) The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness, and continuity.

The Board of Directors of the Company or such other person authorized by the Board or under Applicable Laws or RBI Guidelines, shall ensure that all the disclosures statutorily required to make on behalf of the Company are duly made to the regulatory / statutory authorities or such other persons as maybe required under Act, RBI Guidelines and Applicable Laws.

- (2) The following information shall be placed before the Board of Directors on a semi-annual basis:
- (a) the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company; and
 - (b) 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.
- (3) Disclosures in the Annual Financial statements as stated by the RBI Guidelines shall be made.

XVII **Website**

This Guideline shall be made available on the website of the Company.

XVIII **Amendment:**

These Guidelines shall be reviewed by Corporate Secretary periodically, at least on an annual basis, and amendment as and when considered necessary shall be approved by the Board.

The Board reserves its right to amend or modify this Guideline in whole or in part, at any time, without assigning any reason whatsoever. However, no such amendment or modification shall be binding unless the same is notified in writing.

Revision History:

Revision date	Description	Revised by	Version #
July 27, 2010	Introduction	Corporate Secretarial Department	1.0
November 9, 2016	Revision	Corporate Secretarial Department	2.0
November 28, 2022	Revision	Corporate Secretarial Department	3.0
December 26, 2023	Revision	Secretarial Department	4.0