



**NEDFi's
Corporate Governance Policy
(NCGP)**

Doc No: NEDFi/Policy/NCGP
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**NEDFi's
Corporate Governance Policy
(NCGP)**

(Version. 3.0)



Initiated by: 
Company Secretary Section

Approved by:
Board of Directors

Issued by:
Risk Management Department

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Corporate Governance Policy
(NCGP)**

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Company Secretary Section

Approved by:
Board of Directors



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1. Short Title and Commencement

- a) This policy shall be called NEDFi's Corporate Governance Policy (NCGP).
- b) This policy shall come into force from the date of approval by the Board of Directors.

2. Rationale

Corporate Governance deals with laws, practices and implicit rules that determine a Corporation's ability to take informed managerial decision vis-à-vis its Stakeholders – in particular, its shareholders, customers, government and employees. The management of the Corporation always tries to act for the interest of all stakeholders and has adopted good Corporate Governance practices to benefit the greatest number of Stakeholders.

The Reserve Bank of India ("RBI") has issued the Master Circular- "Non-Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2015" dated July 1, 2015 vide Notification No. DNBR (PD) CC.No.053/03.10.119/ 2015-16 ("Master Circular"), as amended from time to time, which applies inter alia to every non-deposit accepting Non-Banking Financial Company (NBFC) with an asset size of Rs.500 Crore and above, classified as Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI), as per its last audited balance sheet and the Master Direction- Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("Master Direction") dated September 1, 2016 and amended from time to time.

NEDFi is registered with RBI as a non-deposit accepting Non-Banking Financial Company ("NBFC"). Further, it is classified as Systemically Important Non-Deposit taking NBFC (NBFC-ND-SI) and the above mentioned Master Circular and Directions are applicable to it. In terms of the Master Circular and the Master Direction, the Corporation is required to frame internal guidelines on Corporate Governance with the approval of the Board of Directors of the Corporation and accordingly the Corporation has put in place this policy on Corporate Governance ("Corporate Governance Policy").

The Corporation has framed this Corporate Governance Policy with the intent of strictly following corporate governance in accordance with the regulatory and statutory guidelines/ directives. NEDFi's Philosophy on Corporate Governance envisages attainment of the high level of transparency and accountability in the functioning and the conduct of its business. This includes close interaction with the Shareholders, Employees, Customers, Government agencies and Regulators with due emphasis on all legal and regulatory compliances.

The Corporation believes that a good corporate governance system is necessary condition to ensure its long term success. The Corporation shall ensure good governance through the implementation of effective policies and procedures, which is mandated and shall be regularly reviewed by the Board or the Committees of the members of the Board.





3. Objective

The objective of this Policy is to ensure compliance with legal requirements and set standards for corporate governance so that the Corporation and its employees act in accordance with the highest standards of Corporate Governance and further so that the affairs of the Corporation can be conducted with integrity, fairness and transparency. The Corporation's philosophy on code of governance is to have adequate control system in operation and provide information to the Board on a timely basis in a transparent manner so as to enable the Board to monitor the performance and ensure accountability of the Management. All the concerned employees of the Corporation are expected to read and understand this Corporate Governance Policy in order to uphold the standards and to comply with all applicable policies and procedures in day to day operations and activities of the Corporation.

4. Governance Structure

- a) Board of Directors
- b) Committees of the Board
- c) Internal Committees of the Corporation

5. Board of Directors

The Board of Directors along with its constituted Committees shall provide direction and guidance to the Corporation's Management. The Management shall act in accordance with the supervision, control and direction by the Board of Directors of the Corporation.

The Board shall be responsible for overall compliance with the Corporate Governance of the Corporation and oversees the business affairs. Further, the Board shall have a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

The Board shall periodically review the compliances of all applicable laws in the Corporation as well as steps taken to rectify the instances of non-compliance, if any. The Board is primarily responsible for:

- Establishing vision, mission & values and determining, reviewing the goals, policy of the Corporation from time to time.
- Setting strategy and structure and deciding the means to implement and support them.
- Delegating to management, determining monitoring criteria to be used and ensuring effectiveness of internal controls.
- Exercising accountability to shareholders and be responsible to relevant stakeholders.
- Management & Control.





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Composition:

The Corporation's Board shall have an optimum combination of Executive, Non-Executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 and Articles of Association of the NEDFi, as amended from time to time.

Present composition of the Board of Directors of the Corporation consists of 11 (eleven) Directors, including 1 (one) Whole-time Director, i.e. Chairman and Managing Director (CMD); 3 (three) nominee Directors from State Bank of India, LIC of India and IDBI Bank; 1 (one) Representative from the Ministry of DoNER; Chief Secretary of 2 (two) North Eastern States on rotation for a period of 2 (two) years; 1 (one) Secretary, North Eastern Council Shillong; 2 (two) Independent Directors and 1 (one) Woman Director.

Quorum and Meeting:

The quorum for meetings of the Corporation shall be as per the requirements of the Companies Act, 2013 and as prescribed in the Articles of Association of the Corporation. The Directors shall strive to attend all meetings of the Board and its Committees. The participation of the Directors by video conferencing or by audio visual means in the Board shall also be counted for the purpose of quorum subject to the provisions of Companies Act, 2013. In case a Director is unable to attend specific Board Meeting, he or she shall obtain leave of absence from the Board.

The Board shall meet at least four times in a year, with a maximum time gap of four months between any two consecutive meetings.

6. Committees of the Board

For better monitoring and control, the Board shall endeavour to constitute a set of Board Level Committees with specific terms of reference / scope. The Committees shall operate as per the guidelines approved by the Board. The Board shall form the following committees:

- A. Audit Committee of the Board (ACB)
- B. Nomination and Remuneration Committee (NRC)
- C. Risk Management Committee of the Board (RMCB)
- D. Corporate Social Responsibility Committee (CSR)
- E. Sanctioning Committee (SC)
- F. IT Strategy Committee (ITSC)

The participation of the Directors by video conferencing or by audio visual means in sub-Committees of the Board shall also be counted for the purpose of quorum subject to the provisions of Companies Act, 2013.

The minutes of the meetings of all Committees of the Board shall be placed before the Board in the subsequent meeting of the Board.



A. Audit Committee

The Corporation shall have in place an Audit Committee of the Board (ACB) constituted in accordance with the provisions of the Section 177 of the Companies Act, 2013 and the Rules framed thereunder and applicable provisions of the RBI Directions. The constitution, powers, functions and duties of the Audit Committee shall be in compliance with Section 177 of the Companies Act, 2013.

Terms and Conditions of the Audit Committee

a) Composition

- The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority;
- The Chairperson of the Committee shall be Independent Director.
- Majority of members of Audit Committee including its Chairperson shall be persons with the ability to read and understand the financial statements.
- The Company Secretary shall be the Convener of the Meeting of the Audit Committee.
- The Chairperson of the Audit Committee shall attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the shareholders of the company.
- The statutory Auditor, Head of Internal Audit and Chief Financial Officer (CFO) shall also attend the meeting of the audit Committee, but shall not have the right to vote.

b) Meeting of the Committee

- The Committee shall meet at least three times in a year, and once in six months.
- One meeting of the Committee shall be held before the finalization of the Annual Accounts of the Company.
- The quorum for the meetings of the Committee shall be of two (2) members or 1/3rd (one-third) of the members of the Audit Committee, whichever is higher.

c) Power of the Committee

The Committee shall have the following powers:

- To investigate any activity / matter within its terms of reference
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.



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d) Terms of Reference of the Audit Committee

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the fixation of audit fee of the Statutory Auditors and also approval for payment for any other services.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with the accounting standard.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions i.e., transactions of the company of material nature, with the promoter or the management, or their subsidiaries or relatives, etc. that may have potential conflict with the interest of company at large.
- Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussions with the internal auditors any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussions with external auditors before the audit commences, nature and scope of audit as well as to have post-audit discussion to ascertain any area of concern.
- Reviewing the company's financial and risk management policies.
- Look into the reasons for substantial defaults in the payment to the depositors (if any), debenture holder, shareholders (in case of non-payment of declared dividend(s) and creditors.
- Review the half-yearly and annual financial statements before submission to the Board.
- Ensure compliance of internal control systems.
- Ensure an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Corporation.





B. Nomination and Remuneration Committee

The Corporation shall have in place a Nomination and Remuneration Committee (NRC) constituted in accordance with the provisions of the Section 178 of the Companies Act, 2013 and the Rules framed thereunder and applicable provisions of the RBI Directions. The powers, functions and duties of the Nomination and Remuneration Committee shall be in compliance with Section 178 of the Companies Act, 2013.

The Committee shall apart from other things review the appointments and removals of Directors and senior management, the compensation related matters of the Directors and senior management, evaluation of Directors performance, etc.

a) Composition of Nomination and Remuneration Committee

- Three or more non-executive directors out of which not less than one half shall be independent directors.
- The chairperson of the Corporation may be appointed as a member of the Committee but shall not chair such Committee.

b) Meeting of the Committee:

- The Committee shall meet as and when required by the Board of Directors or as determined by the Committee itself.
- The quorum for the meetings of the Committee shall comprise of two (2) members or 1/3rd (one-third) of the members of the committee, whichever is higher.

c) Roles and Responsibilities of Nomination and Remuneration Committee

- To assist Board in ensuring that Board retains an appropriate structure, size, skills to support the objectives of the Corporation;
- Identifying the person who is 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;
- Carry out evaluation of every director's performance;
- Ensure 'fit and proper' status of the proposed/ existing directors of the Board of Directors of the Corporation;
- Formulate the criteria for determining qualifications, positive attributes and independence of a director;
- Recommend to the Board, a policy relating to remuneration for the Directors, Key managerial personnel (KMPs) and other employees.





C. Risk Management Committee of the Board (RMCB)

The Corporation shall have Risk Management Committee of the Board (RMCB) comprising of members from the Board of Directors to oversee identification, formulation, measurement, monitoring, control and review of risk profile of the Corporation.

RMCB shall ensure that the risks associated with the business/ functioning of the Company are identified, controlled and mitigated and shall also lay down procedures regarding managing and mitigating the risks through integrated risk management systems, strategies and mechanisms.

a) Composition

- The RMCB shall consist of a minimum of three directors. The members of the Committee will be appointed by the Board of Directors of the Corporation.
- The Committee shall appoint one of its members as the Chairman of the Committee.

b) Meeting of the Committee

- The Committee shall meet as and when required by the Board of Directors or as determined by the Committee itself. However, the Committee shall meet at least twice a year.
- The quorum for the meetings of the Committee shall comprise of two (2) members or one third (1/3rd) of the members of the committee, whichever is higher.

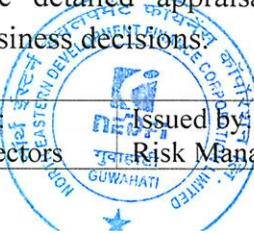
c) Roles and Responsibilities of the Committee

The role of the Risk Management Committee, inter-alia, shall include the following:

- Identification, monitoring and measurement of the risk profile of the Company (including credit risk, market risk, operational risk, compliance risk, etc.);
- Overseeing its integrated risk measurement system;
- Analyse the critical decision for investments and corporate lending;
- Perform such other act, including the acts and functions stipulated by RBI and any other regulatory authority, as prescribed from time to time.

D. Credit Committee/ Sanctioning Committee

The Corporation shall have various Credit Committees with different delegation of power to take the Corporation's credit/ business decisions. The primary responsibility of these Credit Committees shall be to assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note prepared by the Credit Departments and take the credit/ business decisions.





The Corporation shall have a Sanctioning Committee (SC) of the Board comprising of members from the Board of Directors for sanctioning the credit proposals of loan amount of more than Rs.1 crore.

a) Composition:

- The Sanctioning Committee shall have minimum four directors, out of which at least two directors shall be an independent director.
- The members of the Committee shall be appointed by the Board of Directors.
- The Chairman and Managing Director of the Corporation shall be the Chairman of the Committee.

b) Meeting of the Committee:

- The Committee shall meet as and when required.
- The quorum for the meetings of the Committee shall comprise of two (2) members or one third (1/3rd) of the members of the committee, whichever is higher.

E. Corporate Social Responsibility (CSR) Committee

The Board shall constitute a Corporate Social Responsibility (CSR) Committee to meet the requirements of Section 135 of the Companies Act, 2013. The Committee will be vested with necessary powers, as laid down in its charter to achieve its objectives.

a) Composition:

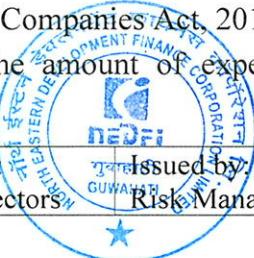
- The CSR Committee shall have minimum three directors, out of which at least one director shall be an independent director.
- The members of the CSR Committee shall be appointed by the Board of Directors.
- The Committee shall appoint one of its members as the Chairman of the Committee.

b) Meeting of the Committee:

- The Committee shall meet as and when required.
- The quorum for the meetings of the Committee shall comprise of two (2) members or one third (1/3rd) of the members of the committee, whichever is higher.

c) Role of the Committee:

- Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Corporation as specified in Schedule VII to the Companies Act, 2013;
- Making recommendation on the amount of expenditure to be incurred on CSR activities;



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- Instituting a transparent monitoring mechanism for implementation of the CSR activities to be undertaken by the Corporation;
- Monitor the Corporate Social Responsibility Policy of the company from time to time and Such other tasks as may be entrusted to it by the Board of Directors from time to time.

F. IT Strategy Committee (ITSC)

The Corporation shall establish a Board-level IT Strategy Committee (ITSC).

a) Composition

While constituting the ITSC, the Corporation shall ensure:

- i. Minimum of three directors as members;
- ii. The Chairperson of the ITSC shall be an independent director and have substantial IT expertise in managing/ guiding information technology initiatives; and
- iii. Members are technically competent.

b) Meeting of the Committee

- The Committee shall meet as and when required by the Board of Directors or as determined by the Committee itself. However, the Committee shall meet at least on a quarterly basis.
- The quorum for the meetings of the Committee shall comprise of 2 (two) members.

c) Roles and responsibilities

- i. Ensure that the Corporation has put an effective IT strategic planning process in place.
- ii. Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Corporation towards accomplishment of its business objectives.
- iii. Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;
- iv. Ensure that the Corporation has put in place processes for assessing and managing IT and cybersecurity risks.
- v. Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Corporation's IT maturity, digital depth, threat environment and industry standards and are utilized in a manner intended for meeting the stated objectives; and
- vi. Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Corporation



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Apart from the above committees, the Board may constitute such other committees as it may deem fit, if required.

7. Internal Committees of the Corporation

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Corporation shall constitute a set of Internal Committees with specific terms of reference / scope. The Committees shall operate as per the guidelines approved by the Management/ Board. The Corporation shall have the following Internal Committees:

- A. Management Committee (MC)
- B. Asset Liability Management Committee (ALCO)
- C. Internal Risk Management Committee (IRMC)
- D. IT Steering Committee
- E. Corporate Credit Committee – I
- F. Corporate Credit Committee – II
- G. Corporate Credit Committee – III
- H. Branch Credit Committee
- I. Premises Committee

A. Management Committee

The Corporation shall form a Management Committee to assist the CMD to formulate strategies, policies, rules and to interpret, modify, alter and implement these, to render advice to him on major management and policy decisions. The Management Committee shall consist of the Top Management of the Corporation (CMD/ ED/ GMs). The CMD will chair the meeting and the functional head of HR Department shall be the Member Secretary. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher.

B. Asset Liability Management Committee (ALCO)

The Corporation shall form an Asset Liability Management Committee (ALCO) with the objective to monitor the asset liability gap and strategize action to mitigate the risk associated. The ALCO shall provide direction on interest rate and liquidity exposures, based on advises of RMCB/ Board and shall be responsible for ensuring adherence to the risk tolerance/ limits set by the RMCB/ Board as well as for deciding the business strategy of the Corporation (on the asset and liabilities side) in line with the Corporation's budget and decided risk management objectives. The ALCO shall have the role and responsibility as set out in the Guidelines for Asset Liability Management (ALM) system in NBFCs, as contained in RBI Master Direction.

The CMD/ Executive Director (ED) should head the Committee and it shall comprise GMs, Functional Head of Credit Departments and F & A Department, and others members as nominated by the Chairperson of the Committee. In addition, the Head of the





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Information Technology (IT) shall also be an invitee for building up of MIS and related computerization.

ALCO shall meet quarterly or more frequently as determined by the ALCO itself. The quorum for a meeting of the ALCO shall be one third of its total strength or 2 (two) members, whichever is higher. The Minutes of the ALCO Meetings shall be placed before the Risk Management Committee of the Board (RMCB).

C. Internal Risk Management Committee

The Corporation shall constitute an Internal Risk Management Committee (IRMC) with the objective to ensure the effective implementation and monitoring of Risk Management System in the Corporation. The IRMC shall consist the Corporation's Top Management, Head of Functional Departments and officer(s) from RMD.

The IRMC will oversee the implementation of various risk management policies and will manage various types of risks such as credit risk, market risk, operational risk, compliance risk, etc. in the Corporation and guide all the functional departments on issues related to identification, assessment, monitoring, reporting and control & mitigation of various risks. Internal Risk Management Committee shall meet quarterly or more frequently when required to review risk management system of the Corporation and shall report to the Risk Management Committee of the Board (RMCB).

D. IT Steering Committee

The Corporation shall establish an IT Steering Committee with representation at Senior Management level from IT and business functions. The IT Steering Committee shall meet at least on a quarterly basis. The responsibilities of IT Steering Committee, *inter alia*, shall be to:

- i. Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- ii. Oversee the processes put in place for business continuity and disaster recovery;
- iii. Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
- iv. Update ITSC and CMD periodically on the activities of IT Steering Committee.

E. Corporate Credit Committee – I

The Corporate Credit Committee (CCC) – I comprising of CMD, ED and GMs will assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note presented before them and will sanction the credit proposals of loan amount of up to Rs.1 crore. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Minutes of the CCC-I Meetings shall be placed before the Sanctioning Committee of the Board for noting.





F. Corporate Credit Committee – II

The Corporate Credit Committee (CCC) – II comprising of GM (MSE) and DGMs will assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note presented before them and will sanction the credit proposals of loan amount of up to Rs.50 lakh. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Minutes of the CCC-II Meetings shall be placed before the Corporate Credit Committee - I for noting.

G. Corporate Credit Committee – III

The Corporate Credit Committee (CCC) – III comprising of DGM and AGMs/SMs of MSE-MF/ PFD Departments will assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note presented before them and will sanction the credit proposals of loan amount of up to Rs.10 lakh. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Minutes of the CCC-III Meetings shall be placed before the Corporate Credit Committee - II for noting.

H. Branch Credit Committee

The Branch Credit Committee (BCC) comprising the Branch Manager and other officer of Branch (Mgr/AM/ME) will assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note presented before them and will sanction the credit proposals of loan amount of up to Rs.5 lakh. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Minutes of the BCC Meetings shall be placed before the Corporate Credit Committee - II for noting.

I. Premises Committee

The Corporation shall form a Premises Committee comprising of Executive Director as Chairman and other officials as members to take decision on administrative and premises matters. The Committee shall meet as and when required.

8. Fit and Proper Criteria

The Corporation shall

- i. ensure that a policy is put in place with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines contained in Annex I;



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- ii. obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in Annex II;
- iii. obtain a Deed of Covenant signed by the directors, which shall be in the format as given in Annex III;
- iv. furnish to RBI a quarterly statement on change of directors, and a certificate from the Chairman and Managing Director that fit and proper criteria in selection of the directors has been followed. The statement must reach the Department of Non-Banking Supervision (DNBS), Regional Office of RBI, Guwahati, within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, shall be certified by the auditors.

9. Disclosure and Transparency

The Corporation shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Corporation;
- ii. 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.

The Corporation shall also disclose the following in their Annual Financial Statements:

- i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned, if any, 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 Annex IV.

10. Rotation of partners of the Statutory Auditors Audit Firm

All Applicable NBFCs are required to 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.

Since the Statutory Auditors for the Corporation are appointed by Comptroller and Auditor General (C&AG), this provision will not be applicable to the Corporation.





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11. Review of Policy

The Corporate Governance Policy shall be reviewed once in three (3) years or as and when deemed necessary and the review, along with necessary amendments/ additions, will be presented to the Board for approval.



Initiated by: 
Company Secretary Section

Approved by:
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Issued by:
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Annexure I

Policy on 'Fit and Proper' Criteria for Directors of NEDFi

Reserve Bank had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of NBFCs also. While the Reserve Bank does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that NBFCs put in place an internal supervisory process on a continuing basis.

Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, NBFCs shall ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- a) The Corporation shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. The Corporation shall obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex II.
- b) The process of due diligence shall be undertaken by the Corporation at the time of appointment / renewal of appointment.
- c) The Nomination and Remuneration Committee of the Corporation shall scrutinize the declarations.
- d) The Nomination and Remuneration Committee based on the information provided in the signed declaration shall decide on the acceptance or otherwise of the directors, where considered necessary.
- e) The Corporation shall obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- f) The Board of the Corporation must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format given in Annex III.





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Annexure II

Name of NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)

I. Personal details of director	
a. Full name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address / Telephone Number	
h. Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to Directorship of the NBFC	
II. Relevant Relationships of director	
a. List of Relatives if any who are connected with the NBFC (Refer section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b. List of entities if any in which he/she is considered as being interested (Refer section 299(3)(a) and section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest within the meaning of prudential norms as prescribed in these Directions.	
d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f. Cases, if any, where the director or entities listed in II (b)	
III. Records of professional achievements	
a. Relevant professional achievements	
IV. Proceedings, if any, against the director	

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Company Secretary Section

Approved by:
Board of Directors



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a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d. Whether the director attracts any of the disqualifications envisaged under section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the director at any time been found guilty of violation of rules/ regulations/ legislative requirements by customs/ excise/ income tax/ foreign exchange /other revenue authorities, if so give particulars	
g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA. (Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc. and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	

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Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place:

Signature

Date:

VI. Remarks of Chairman of Nomination Committee/Board of Directors of NBFC

Place:

Signature

Date:



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Board of Directors

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Annexure III

Form of Deed of Covenants with a Director of an NBFC

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ BETWEEN _____, having its registered office at _____ (hereinafter called the 'NBFC') of the one part and Mr / Ms _____ of _____ (hereinafter called the 'Director') of the other part.

WHEREAS

- A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called 'the Board') and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

**NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH
AS FOLLOWS:**

1. The director acknowledges that his / her appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
2. The director covenants with the NBFC that:
 - (i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

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(ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the NBFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 to the extent the director is aware directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the NBFC:

- use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
- in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the NBFC;
- shall keep himself / herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him / her;
- attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as 'Board') with fair regularity and conscientiously fulfil his/ her obligations as director of the NBFC;
- shall not seek to influence any decisions of the Board for any consideration other than in the interests of the NBFC;
- shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- shall in exercise of his / her judgment in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgment; and
- shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgment;

(v) The director shall have:

- fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;





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- b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- c) duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall:

- a) not evade responsibility in regard to matters entrusted to him / her by the Board;
- b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
- c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the NBFC in his / her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

- (i) the NBFC shall apprise the director about:
 - a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - b) control systems and procedures;
 - c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - e) corporate policies and procedures;
 - f) insider dealing restrictions;
 - g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - h) appointments of Senior Executives and their authority;
 - i) remuneration policy,
 - j) deliberations of committees of the Board, and
 - k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC,



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Board of Directors

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delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

- (ii) the NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a directors of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;
- (iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following:
 - a) all relevant information for taking informed decisions in respect of matters brought before the Board;
 - b) NBFC's strategic and business plans and forecasts;
 - c) organisational structure of the NBFC and delegation of authority,
 - d) corporate and management controls and systems including procedures;
 - e) economic features and marketing environment,
 - f) information and updates as appropriate on NBFC's products;
 - g) information and updates on major expenditure;
 - h) periodic reviews of performance of the NBFC; and
 - i) report periodically about implementation of strategic initiatives and plans;
- (iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the director about the levels of authority delegated in matters placed before the Board.

4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The NBFC shall appoint a compliance officer who shall be a Senior Executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.





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6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorized representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

**IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS
AGREEMENT ON THE DAY, MONTH AND YEAR MENTIONED ABOVE.**

For the NBFC	Director
By	Name
Name:	
Title:	
In the presence of :	
1	2.

Initiated by:
Company Secretary Section

Approved by:
Board of Directors

Issued by:
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Indicative List of Balance Sheet Disclosure for non-deposit taking NBFCs with Asset Size ₹500 Crore and Above and Deposit Taking NBFCs (hereinafter called as Applicable NBFCs)

1. Minimum Disclosures

At a minimum, the items listed in this Annex shall 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

Applicable NBFCs shall 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		



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		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
	Notional principal amount of exchange traded IR derivatives undertaken during the year (instrument-wise)	
(i)	a)	
	b)	
	c)	
	Notional principal amount of exchange traded IR derivatives outstanding as on 31st March (instrument-wise)	
(ii)	a)	
	b)	
	c)	



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	Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
(iii)	a)	
	b)	
	c)	
	Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective" (instrument-wise)	
(iv)	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 securitised 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



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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
1	No of SPVs sponsored by the NBFC for securitisation transactions*	
2	Total amount of securitised 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	
	Off-balance sheet exposures	
a)	First loss	
	Others	
	On-balance sheet exposures	
b)	First loss	
	Others	
4	Amount of exposures to securitisation transactions other than MRR	
	Off-balance sheet exposures	
a)	Exposure to own securitizations	
	i) First loss	
	Loss	
	Exposure to third party securitisations	
i)	First loss	
	Others	
	On-balance sheet exposures	
b)	Exposure to own securitisations	
i)	First loss	
	Others	
	Exposure to third party securitisations	
ii)	First loss	
	Others	

*Only the SPVs relating to outstanding securitisation 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		





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3.4.3 Details of Assignment transactions undertaken by NBFCs

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

3.4.4 Details of non-performing financial assets purchased / sold

NBFCs which purchase non-performing financial assets from other NBFCs shall be required to make the following disclosures in the NTA to their Balance sheets:

A. Details of non-performing financial assets purchased:

Particulars			Current year	Previous Year
1	(a)	No. of accounts purchased during the year		
	(b)	Aggregate outstanding		
2	(a)	Of these, number of accounts restructured during the year		
	(b)	Aggregate outstanding		

B. Details of Non-performing Financial Assets sold:

Particulars			Current year	Previous Year
1	No. of accounts sold			
2	Aggregate outstanding			
3	Aggregate consideration received			

3.5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

	Up to 30/31 days	Over 1 month upto 2 Month	Over 2 months upto 3 months	Over 3 month & up to 6 month	Over 6 Month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits									
Advances									



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Investments							
Borrowings							
Foreign Currency assets							
Foreign Currency liabilities							

3.6 Exposures

3.6.1 Exposure to Real Estate Sector

		(Amount in Rs. crore)	
		Category	Current Year
		Previous Year	
	Direct Exposure		
	Residential Mortgages -		
	(i) Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented		
	Commercial Real Estate -		
a)	(ii) 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		
	Investments in Mortgage Backed Securities (MBS) and other securitised 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		

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	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

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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.

4.3 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.

4.6 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:

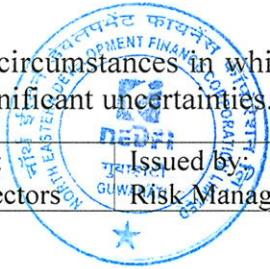
- a. Industry structure and developments.
- b. Opportunities and Threats.
- c. Segment-wise or product-wise performance.
- d. Outlook
- e. Risks and concerns.
- f. Internal control systems and their adequacy.
- g. Discussion on financial performance with respect to operational performance.
- h. Material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

4.7 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.

4.8 Revenue Recognition

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



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4.9 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	





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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 (%)		
	Movement of NPAs (Gross)		
	(a) Opening balance		
(ii)	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
	Movement of Net NPAs		
	(a) Opening balance		
(iii)	(b) Additions during the year		
	(c) Reductions during the year		
	(d) Closing balance		
	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance		
(iv)	(b) Provisions made during the year		
	(c) Write-off / write-back of excess provisions		
	(d) Closing balance		





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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	



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Board of Directors

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ANNEXURE-A

Policy Revision History

SN	Date of Revision	Ver. No.	Remarks/Amendments
1	28.05.2024	2	No Changes Proposed

SN	Date of Revision	Ver. No.	Remarks/Amendments
2	25.04.2025	3	No Changes Proposed

Clause	Description	Amendment/ Modification if any
5.	<p>Board of Directors Composition: Present composition of the Board of Directors of the Corporation consists of 11 (eleven) Directors, including 1 (one) Whole-time Director, i.e. Chairman and Managing Director (CMD); 3 (three) nominee Directors from State Bank of India, LIC of India and IDBI Bank; 1 (one) Representative from the Ministry of DoNER; Chief Secretary of 2 (two) North Eastern States on rotation for a period of 2 (two) years (<i>presently of Sikkim and Tripura</i>); 1 (one) Secretary, North Eastern Council Shillong; 2 (two) Independent Directors and 1 (one) Woman Director.</p>	<p>Board of Directors Composition: Present composition of the Board of Directors of the Corporation consists of 11 (eleven) Directors, including 1 (one) Whole-time Director, i.e. Chairman and Managing Director (CMD); 3 (three) nominee Directors from State Bank of India, LIC of India and IDBI Bank; 1 (one) Representative from the Ministry of DoNER; Chief Secretary of 2 (two) North Eastern States on rotation for a period of 2 (two) years; 1 (one) Secretary, North-Eastern Council Shillong; 2 (two) Independent Directors and 1 (one) Woman Director.</p>
6.	<p>Committees of the Board The Board shall form the following committees:</p> <ul style="list-style-type: none"> A. Audit committee of the Board (ACB) B. Nomination and Remuneration Committee (NRC) C. Risk Management Committee of the Board (RMCB) D. Corporate Social Responsibility Committee (CSR) 	<p>Committees of the Board The Board shall form the following committees:</p> <ul style="list-style-type: none"> A. Audit committee of the Board (ACB) B. Nomination and Remuneration Committee (NRC) C. Risk Management Committee of the Board (RMCB) D. Corporate Social Responsibility Committee (CSR)



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	Committee (CSR) E. Sanctioning Committee (SC)	E. Sanctioning Committee (SC) <i>F. IT Strategy Committee (ITSC)</i>
6.A	Audit Committee – a) Composition The Statutory Auditor, Head of Internal Audit and <i>Director (Finance)</i> shall also attend the meeting of the audit Committee, but shall not have the right to vote.	Audit Committee – a) Composition The Statutory Auditor, Head of Internal Audit and <i>Chief Financial Officer (CFO)</i> shall also attend the meeting of the audit Committee, but shall not have the right to vote.
6.F		<p><i>IT Strategy Committee</i></p> <p><i>The Corporation shall establish a Board-level IT Strategy Committee (ITSC).</i></p> <p>a) Composition</p> <p><i>While constituting the ITSC, the Corporation shall ensure:</i></p> <ul style="list-style-type: none"> iv. <i>Minimum of three directors as members;</i> v. <i>The Chairperson of the ITSC shall be an independent director and have substantial IT expertise in managing/ guiding information technology initiatives; and</i> vi. <i>Members are technically competent.</i> <p>b) Meeting of the Committee</p> <ul style="list-style-type: none"> • <i>The Committee shall meet as and when required by the Board of Directors or as determined by the Committee itself. However, the Committee shall meet at least on a quarterly basis.</i> • <i>The quorum for the meetings of the Committee shall comprise of 2 (two) members.</i> <p>c) Roles and responsibilities</p> <ul style="list-style-type: none"> vii. <i>Ensure that the Corporation has put an effective IT strategic planning process in place.</i> viii. <i>Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Corporation</i>





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		<p><i>towards accomplishment of its business objectives.</i></p> <p>ix. <i>Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;</i></p> <p>x. <i>Ensure that the Corporation has put in place processes for assessing and managing IT and cybersecurity risks.</i></p> <p>xi. <i>Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Corporation's IT maturity, digital depth, threat environment and industry standards and are utilized in a manner intended for meeting the stated objectives; and</i></p> <p>xii. <i>Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Corporation</i></p>
7.	Internal Committee of the Corporation The Corporation shall have the following Internal Committees: A. <i>IT Strategy Committee</i> B. Management Committee (MC) C. Asset Liability Management Committee (ALCO) D. Internal Risk Management Committee (IRMC) E. Corporate Credit Committee -I F. Corporate Credit Committee-II G. Branch Credit Committee H. Premises Committee	Internal Committee of the Corporation The Corporation shall have the following Internal Committees: A. Management Committee (MC) B. Asset Liability Management Committee (ALCO) C. Internal Risk Management Committee (IRMC) D. <i>IT Steering Committee</i> E. Corporate Credit Committee -I F. Corporate Credit Committee-II G. <i>Corporate Credit Committee - III</i> H. Branch Credit Committee I. Premises Committee



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7.A	IT Strategy Committee	
7.D		<p>IT Steering Committee</p> <p><i>The Corporation shall establish an IT Steering Committee with representation at Senior Management level from IT and business functions. The IT Steering Committee shall meet at least on a quarterly basis</i></p> <p><i>The responsibilities of IT Steering Committee, inter alia, shall be to:</i></p> <ul style="list-style-type: none">v. <i>Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;</i>vi. <i>Oversee the processes put in place for business continuity and disaster recovery;</i>vii. <i>Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and</i>viii. <i>Update ITSC and CMD periodically on the activities of IT Steering Committee.</i>
7.G		<p>Corporate Credit Committee (CCC) – III</p> <p><i>The Corporate Credit Committee (CCC) – III comprising of DGM and AGMs/SMs of MSE-MF/ PFD Departments will assess the credit worthiness of the borrower including their repayment capacity based on the detailed appraisal note presented before them and will sanction the credit proposals of loan amount of up to Rs.10 lakh. The Committee shall meet as and when required. Quorum shall comprise of two members or one third of the members of the committee, whichever is higher. The Minutes of the CCC-III Meetings shall be placed before the Corporate Credit Committee - II for noting.</i></p>





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11	Review of Policy The Corporate Governance Policy shall be reviewed as and when deemed necessary and the review, along with necessary amendments/ additions, will be presented to the Board for approval.	Review of Policy The Corporate Governance Policy shall be reviewed once in three (3) years or as and when deemed necessary and the review, along with necessary amendments/ additions, will be presented to the Board for approval.
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Initiated by: 
Company Secretary Section

Approved by:
Board of Directors 

Issued by:
Risk Management Department 

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