CORPORATE GOVERNANCE POLICY

1. PREAMBLE

Daimler Financial Services India Private Limited (DFS India) is a wholly owned subsidiary of Daimler AG, Germany, and is a Non Deposit Accepting – Systemically Important Non-Banking Finance Company (“NBFC-ND-SI”) registered with the Reserve Bank of India (“RBI”).

DFS India draws its philosophy from its parent Daimler AG, adopting the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The objective of the policy is to ensure compliance with legal requirements and set standards for Corporate Governance. The Company has framed various policies broadly covering the corporate governance framework.

2. PURPOSE

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy lays down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India from time to time in this regard.

The Policy on Corporate Governance will be reviewed as and when deemed fit and necessary by the Board in the context of changing regulation and emerging best practices with a view to enhancing the Company’s governance.

3. GUIDELINES ON CORPORATE GOVERNANCE

Reserve Bank of India (RBI) in order to enable NBFCs to adopt best practices and greater transparency in their operations, has vide its Notification No. DNBR 019/CGM (CDS)-2015 dated April 10, 2015 and vide Master Circular No. DNBR (PD) CC.No.053/03.10.119/2015-16 dated June 3, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and in terms of the same requires all NBFC-ND-SI to frame internal guidelines on Corporate Governance. In compliance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

4. GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS (BoD)

DFS India Board of Directors (BoD) shall provide the leadership and strategic guidance to the Company’s management. The Company’s management shall act in accordance with the supervision, control and direction by the BoD.

The BoD plays a vital role in matters relating to formulation of various policies, its implementation and strategic issues which are crucial for the long term development of the Company.
Composition

The Composition of the BoD shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 and the rules framed thereunder. In terms of the Articles of Association, DFS India BoD’s strength is required to be a minimum of two Directors and a maximum of twelve Directors. The Directors shall act in accordance with the responsibilities and duties as provided under the Companies Act and the Rules framed therein. Meetings of the BoD shall be held at least four times a year, such that not more than one hundred and twenty days shall intervene between two consecutive BoD meetings.

B. COMMITTEES OF THE BOARD

In order to effectively focus on the issues and ensure expedient resolution of diverse issues, the BoD shall constitute a set of Committees duly specifying their scope / terms of reference.

AUDIT COMMITTEE

In terms of the Para 3 (1) of the Non-Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2015, DFS India is required to constitute an Audit Committee consisting of not less than three members of its Board of Directors. Such Audit Committee constituted shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013.

Chairman

The members of the Committee shall elect one of them as the Chairman of the Committee.

Composition

The Audit Committee shall consist of a minimum of three members or as may be decided by the Board.

Meetings and Quorum

The Audit Committee shall meet as and when required, but shall meet at least three times in a year. Ad-hoc meetings may be held from time to time. The quorum shall be either two members or one third of the members of the Committee whichever is higher. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
**Terms of reference**

The terms of reference of the Audit Committee, *interalia*, shall include the following:
- recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- review and monitor the auditor’s independence and performance, and effectiveness of audit process;
- examination of the financial statement and the auditors’ report thereon;
- approval or any subsequent modification of transactions of the Company, if any, with related parties;
- scrutiny of inter-corporate loans and investments, if any;
- valuation of undertakings or assets of the company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- monitoring the end use of funds, if raised through public offers and related matters.
- ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks, if any, faced by the Company.
- Review of Frauds – on a quarterly basis
- perform such other act, including the acts and functions stipulated by the Board of Directors, Companies Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

The Audit Committee shall meet in person. However, in case of extraordinary circumstances, the Committee may meet through video conferencing or other audio visual means.

The minutes of the meetings of the Audit Committee shall be duly recorded and maintained properly.

The Audit Committee may invite non-members and such other persons as it may deem appropriate to be present at its meetings.
NOMINATION COMMITTEE

In terms of the Para 3 (2) of the Non - Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2015, DFS India is required to constitute a Nomination Committee. Such Nomination Committee constituted shall have the same powers, functions and duties as laid down in Section 178 of the Companies Act, 2013.

Chairman

The members of the Committee shall elect one of them as the Chairman of the Committee.

Composition

The Committee shall consist of a minimum of three members or as may be decided by the Board.

Meetings and Quorum

The Committee shall meet as and when required, but shall meet at least once in a year. Ad-hoc meetings may be held from time to time.

The quorum shall be either two members or one third of the members of the Committee whichever is higher.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Terms of reference

The terms of reference of the Nomination Committee shall interalia include the following:
- Identify the persons who are qualified to be appointed as Directors and recommend to the BoD for their appointment and removal.
- To ensure ‘fit and proper’ status and credentials of proposed/existing directors
- perform such other act, including the acts and functions stipulated by the Board of Directors, Companies Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

The Nomination Committee shall meet in person. However, in case of extraordinary circumstances, the Committee may meet through video conferencing or other audio visual means.
The minutes of the meetings of the Nomination Committee shall be duly recorded and maintained properly.

The Nomination Committee may invite non-members and such other persons as it may deem appropriate to be present at its meetings.
RISK MANAGEMENT COMMITTEE

The DFS India Risk Management Committee (RM Committee) shall ensure to look into identifying, assessing and prioritizing the major risks faced by the Company and developing strategies to minimize, monitor, and control the probable and/or impact of unfortunate events.

Chairman

The members of the Committee shall elect one of them as the Chairman of the Committee.

Composition

The Committee shall consist of such number of members as may be determined by the Board.

Meetings and Quorum

The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company.

The quorum shall be at least two members.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee

Terms of reference

The terms of reference of the Risk Management Committee shall inter alia include the following:
- Generally oversee the risk management function including identification, monitoring and measurement of the risk profile of the Company;
- overseeing its integrated risk measurement system;
- perform such other act, including the acts and functions stipulated by the Board of Directors, Companies Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

The Risk Management Committee shall meet in person. However, in case of extraordinary circumstances, the Committee may meet through video conferencing or other audio visual means.

The minutes of the meetings of the Risk Management Committee shall be duly recorded and maintained properly.

The Risk Management Committee may invite non-members and such other persons as it may deem appropriate to be present at its meetings.
ASSET LIABILITY MANAGEMENT COMMITTEE

The DFS India Asset Liability Management Committee (ALM Committee) shall monitor the asset liability gap and strategize action to mitigate the risks associated with the business of the Company.

Chairman
The members of the Committee shall elect one of them as the Chairman of the Committee.

Composition
The Committee shall consist of such number of members as may be determined by the Board.

Meetings and Quorum
The Committee shall meet as and when required. The quorum shall be at least two members.

A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee

Terms of reference
The terms of reference of the ALM Committee shall interalia include the following:
- Generally oversee the Asset Liability Management function
- Review of the asset-liability profile of the Company with a view to manage the market exposure assumed by the Company;
- perform such other act, including the acts and functions stipulated by the Board of Directors, Companies Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.

The Asset Liability Management Committee shall meet in person. However, in case of extraordinary circumstances, the Committee may meet through video conferencing or other audio visual means.

The minutes of the meetings of the Asset Liability Management Committee shall be duly recorded and maintained properly.

The Asset Liability Management Committee may invite non-members and such other persons as it may deem appropriate to be present at its meetings.
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In terms of Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 and other applicable provisions of Companies Act, 2013, if any, Company has constituted Corporate Social Responsibility Committee. The DFS India Corporate Social Responsibility Committee (CSR Committee) shall be responsible for the Corporate Social Responsibility activities of the Company.

**Chairman**

The members of the Committee shall elect one of them as the Chairman of the Committee.

**Composition**

The Committee shall consist of such number of members as may be determined by the Board.

**Meetings and Quorum**

The Committee shall meet as and when required, but shall meet at least two times in a year. Ad-hoc meetings may be held from time to time. The quorum shall be at least two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

**Terms of reference**

The terms of reference of the CSR Committee shall *inter alia* include the following:
- Generally oversee the CSR Activities
- Formulate the CSR policy and recommend the same to the Board for its approval
- Recommend the amount of expenditure to be incurred on the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
- Monitor the Corporate Social Responsibility Policy of the Company from time to time;
- Adhere to Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 (including any statutory modifications, amendments or re-enactments thereto for the time being in force);
- Perform such other act, including the acts and functions stipulated by the Board of Directors, Companies Act, the Reserve Bank of India and other rules and regulations.
The Corporate Social Responsibility Committee shall meet in person. However, in case of extraordinary circumstances, the Committee may meet through video conferencing or other audio visual means.

The minutes of the meetings of the Corporate Social Responsibility Committee shall be duly recorded and maintained properly.

The Corporate Social Responsibility Committee may invite non-members and such other persons as it may deem appropriate to be present at its meetings.
5. **Fit and Proper Criteria**

In terms of RBI circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 and RBI Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015, the Company has in place a Board approved policy on ‘Fit and Proper Criteria for Directors’ (“the Policy”). Pursuant to the Policy, the Company obtains necessary disclosures from Directors from time to time. Further, the Company ensures compliance with the provisions laid down in the said Policy.

Further as required under the above referred RBI circulars, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. The same should be submitted to the Regional Office of RBI within 15 days of the close of the respective quarter and the statement for the quarter ending March 31, should be certified by the auditors.

6. **DISCLOSURE AND TRANSPARENCY**

DFS India shall make the disclosures required to be made under the Companies Act, 2013 and the Rules framed there under, the RBI Guidelines and such other laws and regulations as may be applicable to the Company from time to time.

The BoD of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory authorities or such other persons as maybe required under applicable laws / regulations.

7. **POLICIES ADOPTED BY THE COMPANY**

The Company shall adopt such policies, as may be required to adopt under the Companies Act, 2013, the RBI Guidelines and such other laws, regulations and Daimler Guidelines as may be applicable.

The policies adopted may be reviewed by the Board from time to time.

8. **INTERNAL GUIDELINES**

The internal guidelines set the framework to achieve Company’s goal by adopting best practices with emphasis to transparency, accountability and integrity. DFS India has framed various internal guidelines which is available on Intranet which is accessible to all the employees.

9. **ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

DFS India for the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partner of the Statutory Auditors are subject to rotation and is required to rotate in every three years. Also, the Company shall not appoint the Statutory Auditor for a period of more than five consecutive years, if the Auditor is an individual and for a period of more than ten consecutive years if the Auditor is a Firm or Limited Liability Partnership.
10. REVIEW OF THE POLICY

The internal guidelines and various policies encompassing corporate governance framework of DFS India are reviewed periodically and amended with the permission of Management/BoD as the case may be.

This policy is based on guidelines on Corporate Governance issued by RBI in Master Directions, in case of any changes in the provisions of these guidelines or any other regulations which makes any of the provisions of this policy inconsistent with the regulations or directions or circulars, then the provisions of regulations or directions or circulars issued by the Regulator would prevail over the policy and the provisions in the policy would be modified in the due course to make it consistent with the law.

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