



**INTERNAL GUIDELINES ON CORPORATE GOVERNANCE  
OF  
HIGHER EDUCATION FINANCING AGENCY**



## INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

### INTRODUCTION - BACKGROUND & REGULATORY FRAMEWORK

HEFA is registered with the Reserve Bank of India as Non-deposit taking and non-systemically important NBFC (NBFC-ND-Type II) w.e.f. 21.11.2017. It has recently crossed an asset size of Rs. 500 crores thereby attaining the status of Systemically Important NBFC in accordance with the para 112 of RBI's Master Direction No. DNBR.PD.008/03.10.119/2016-17 for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

In view of the above RBI master Directions, becoming applicable to HEFA; HEFA shall frame its internal guidelines on corporate governance with the approval of the Board of Directors. As per para 72 of the RBI master directions, such guidelines shall be published on the website of the Company for information of the various stakeholders.

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI 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 1, 2015 issued directions on Corporate Governance known as Non-Banking Financial Companies Corporate Governance (Reserve Bank) Directions, 2015 and has required all NBFC-ND-SI to frame internal guidelines on Corporate Governance.

In pursuance of the aforesaid directions issued by the RBI, the internal Guidelines on Corporate Governance have been formed for consideration by the Board of Directors.

### GOVERNANCE STRUCTURE

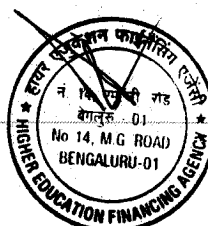
#### A. BOARD OF DIRECTORS

The Board of Directors along with its various Committees shall provide 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 Board of Directors of the Company.

The Board has 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 Company.

#### COMPOSITION

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed thereunder.



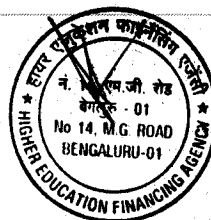
**B. COMMITTEES OF THE BOARD**

The Board of Directors of the Company shall constitute the following committees of the Board and these Committees shall operate as per the terms of reference approved by the Board.

**1. AUDIT COMMITTEE**

The Company shall have in place the Audit Committee in accordance with the provisions of Para 3 of the Non- Banking Financial Corporate Governance (Reserve Bank) Directions, 2015 and Section 177 of the Act and the Rules framed thereunder.

<b>Chairman</b>	The Committee shall appoint one of its members as the Chairman of the Committee.  Majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.
<b>Composition</b>	The Audit Committee shall consist of minimum of three directors.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Audit Committee shall meet as and when required, but shall meet at least four times in a year.  The quorum shall be either two members or one third of the members of the Committee whichever is higher, provided that at least one Independent Director shall be present at the meeting.
<b>Terms of Reference</b>	The terms of reference specified by the Board which shall, inter alia, include:  <ol style="list-style-type: none"><li>1. recommendation for remuneration;</li><li>2. review and monitor the auditor's independence and performance, and effectiveness of audit process;</li><li>3. examination of the financial statement and the auditors' report thereon;</li><li>4. approval or any subsequent modification of transactions of the company with related parties;</li><li>5. scrutiny of inter-corporate loans and investments;</li><li>6. valuation of undertakings or assets of the company, wherever it is necessary;</li></ol>

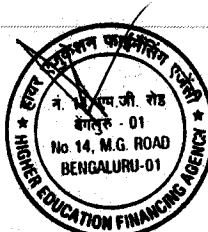
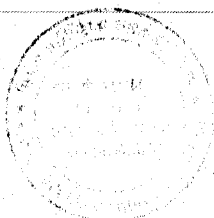


	<p>7. evaluation of internal financial controls and risk management systems;</p> <p>8. monitoring the end use of funds raised through public offers and related matters.</p> <p>9. ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.</p>
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**2. NOMINATION AND REMUNERATION COMMITTEE**

The Company shall have Nomination and Remuneration Committee to ensure 'fit and proper' status of proposed/ existing directors and this committee shall be constituted in accordance with the Section 178 of the Companies Act, 2013 and Rules framed thereunder.

<b>Chairman</b>	<p>The Committee shall appoint one of its members as the Chairman of the Committee.</p> <p>The Chairman of the Company shall not be appointed as the Chairman of this Committee.</p>
<b>Composition</b>	The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Committee shall meet as and when required, but shall meet at least once in a year.</p> <p>The quorum shall be either two members or one third of the members of the Committee whichever is higher, provided that at least one Independent Director shall be present at the meeting.</p>
<b>Terms of Reference</b>	<p>The terms of reference specified by the Board which shall, inter alia, include:</p> <ol style="list-style-type: none"> <li>1. To ensure 'fit and proper' status of the proposed / existing directors of the Company in accordance with the policy framed and adopted by the company.</li> <li>2. shall identify persons who are qualified be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal</li> <li>3. shall specify the manner for effective evaluation of performance of the Board and its committees and Senior Management.</li> <li>4. shall formulate the criteria for determining qualifications, positive attributes for Senior management and recommend to the Board a policy,</li> </ol>



	<p>relating to the remuneration for the key managerial personnel and other employees.</p> <p>‘senior management’ means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.</p>
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### 3. RISK MANAGEMENT COMMITTEE

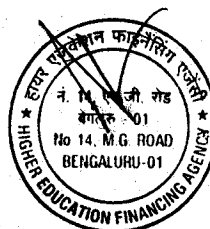
The Company shall have Risk Management Committee to manage the integrated Risks.

<b>Chairman</b>	The Committee shall appoint one of its members as the Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Committee shall meet as and when required, but shall meet at least twice in a year.</p> <p>The quorum shall be at least two members.</p>
<b>Terms of Reference</b>	<p>The terms of reference specified by the Board which shall, inter alia, include:</p> <ol style="list-style-type: none"> <li>1. Identification, monitoring and measurement of the risk profile of the Company (including market risk, operational risk and transactional risk);</li> <li>2. overseeing its integrated risk measurement system;</li> <li>3. review the minutes of meetings of the Asset Liability Committee;</li> <li>4. perform such other act, including the acts and functions stipulated by the Act, the Reserve Bank of India and any other regulatory authority, as prescribed from time to time.</li> </ol>

### 4. ASSET LIABILITY MANAGEMENT COMMITTEE

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

<b>Chairman</b>	The Committee shall appoint one of its members as the Chairman of the Committee.
<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board.

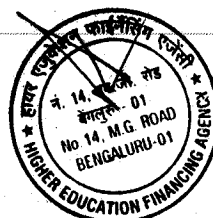


<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as and when required, but shall meet at least twice in a year.  The quorum shall be at least two members.
<b>Terms of Reference</b>	The terms of reference specified by the Board which shall, inter alia, include: <ol style="list-style-type: none"> <li>1. Management of the balance sheet of the Company;</li> <li>2. Review of the asset-liability profile of the Company;</li> <li>3. Perform such other allied functions as may be required from time to time</li> </ol>

**5. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)**

The Board shall constitute the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Company and monitor economic and social impact on customer

<b>Composition</b>	The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as and when required.  The quorum shall be at least two members.
<b>Terms of Reference</b>	The terms of reference specified by the Board which shall, inter alia, include: <ol style="list-style-type: none"> <li>1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;</li> <li>2. To recommend the amount of expenditure to be incurred on the activities;</li> <li>3. To Monitor the Corporate Social Responsibility Policy of the company from time to time; and</li> <li>4. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.</li> </ol>



### C. DISCLOSURE AND TRANSPARENCY

In order to practice the policy of Disclosure and Transparency, the following information shall be put to the Board of Directors at regular intervals in this regard:

- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- 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.;
- iii. Updates of the various committees meetings at from time to time;
- iv. Disclosures in the Annual Financial Statements information as may be prescribed under the RBI Regulatory Framework **from time to time**.

### D. ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)

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.

