

Yunus Social Business Fund Bengaluru Private Limited

Corporate Governance Policy

(Revised Version approved by the
Board of Directors on 28th November 2024)

Corporate Governance Policy

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1. INTRODUCTION

1.1. COMPANY

Yunus Social Business Fund Bengaluru Private Limited (YSBFB) was incorporated in 2016. It subsequently received a Type I Non-Banking Financial Company (NBFC) license from the Reserve Bank of India (RBI) on February 9, 2017, categorized as a Non-Systemically Important Loan Company. In November 2019, the Company upgraded its license to a Type II NBFC. As per the latest RBI scale based regulations, YSBFB is currently categorized as an NBFC-ICC-BL (Non-Banking Financial Company-Investment & Credit Company-Base Layer). The Company primarily raises capital through equity and debt financing from domestic and foreign institutions. It does not accept public deposits. YSBFB is inspired by Nobel Laureate Prof. Muhammad Yunus's Social Business Philosophy. A social business is one with a social mission at its core, and 100% dedicated to solving human problems. A social business either creates income for the poor or provides them with essential products and services like healthcare, safe water or clean energy. They operate exactly like normal companies except for a few small differences: i) the primary aim of Social Business is to solve a social problem; ii) unlike a charity, a social business generates profit and reinvests these profits back into generating impact; iii) a social business aims to be financially self-sustaining.

We aim to achieve this through providing patient finance to businesses that are driven by ambitious local entrepreneurs with a strong focus on solving social / environmental problems with sustainable business principles and creating impact.

1.2. VISION

YSBFB's vision is to have a "World of Three Zeroes" i.e.

- a) Zero Poverty;
- b) Zero Unemployment;
- c) Zero Net Carbon Emissions.

1.3. MISSION

YSBFB's purpose is to harness the power of business to end poverty and the climate crisis.

1.4. LEGAL:

The Corporate Governance policy has been adopted by the Board on 27th February 2018 and now revised taking into consideration of the updates of the Corporate Governance policy by RBI in its Master Direction - RBI (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023

2. CORPORATE GOVERNANCE STRUCTURE:

2.1. REGULATORS:

YSBFB, being a company incorporated under the provisions of the Companies Act 2013 and registered with Reserve Bank of India (RBI) as Non-Banking Financial Company-is regulated by two regulators, i.e. Ministry of Corporate Affairs (MCA) and RBI.

2.2. SHAREHOLDERS:

At inception (on 19 August 2016), YSBFB's shareholders are individuals and Trust. The general body of the shareholders is the highest governance structure and in its Annual General body Meeting (AGM), Board of Directors shall be elected.

2.3. BOARD OF DIRECTORS:

The Board shall be responsible for exercising its business judgments to act in what it reasonably believes to be in the best interests of the Company and its shareholders. The Board of Directors along with its constituted Committees shall provide direction and guidance for the Company and shall further supervise and review the performance of the Company. As the Directors occupy fiduciary position, they shall attend and actively participate in Board and its Committee meetings thereof, on which they serve, and shall properly discharge their responsibilities.

Experience of the Board - Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC as prescribed by RBI in its circular on Scale Based Regulations issued on 22nd Oct 2021.

- a) YSBFB has a very dynamic and effective Board members who not only have apt qualifications but also have in store a good experience in the sphere of microfinance, banking, finance and social impact. Each member of the board has the expertise in a different field.
- b) YSBFB's business is conducted by its employees, managers and officers, under the direction of the Managing Director (MD), with the oversight of the Board to enhance the long-term value of the Company.
- c) The Board of YSBFB is involved in strategy formulation and approves the business plan of YSBFB. The Senior Management team updates the Board regularly on operations and key developments in the Company.
- d) YSBFB conducts Board Meetings once a quarter and maintains Board Meeting Minutes.
- e) The Board should ensure that transactions with related parties are reviewed to assess risk and are subject to appropriate resolutions/approval, as required under various applicable

laws and that corporate or business resources of the Company are not misappropriated or misapplied.

- f) In addition to the aforesaid, the Board periodically reviews the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any. The MD is responsible for the execution of strategy and the day-to-day management of YSBFB, and is supported by a team of senior executives.
- g) In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

2.4. COMPOSITION OF THE BOARD OF DIRECTORS:

YSBFB will have both executive and non-executive Directors. As per provisions of the Act and Article 18 of the Articles of Association of YSBFB, the Board of YSBFB will have at all times a minimum of 2 (two) Directors and the total number of Directors shall not be more than 7 (Seven). The current Board of YSBFB comprises 4 (four) Directors, including 3 (Three) Non-Executive Directors. The composition of the Board is in conformity with the existing Articles of Association of the Company. The Board meets at least 4 (Four) times a year.

The Board of YSBFB ensures that Director appointed shall not be:

- (a) In the list of willful defaulters as published by the Credit Information Bureau (India) Limited pursuant to the directions of the Reserve Bank of India from time to time; and
- (b) Disqualified to discharge his duties as a director with respect of any Applicable Law.

In the event if any Nominee Director appears on the list of willful defaulters, the Company is required to notify the relevant Shareholder in writing and the relevant Shareholder shall ensure to take corrective action, including, if necessary, replacement of such Director, within 30 (thirty) Days of receipt of such notice. The quorum for any Board Meeting shall be at least two Directors.

2.5. DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS:

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties.

- a) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

- b) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- c) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- d) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.
- e) A director of a company shall not assign his office and any assignment so made shall be void.

2.6. COMMITTEES OF THE BOARD/EXECUTIVES:

The Board of Directors shall constitute various Committees at Board level or at Executive level, which will enable the Board to deal with specific areas / activities that need a closer review and to have an appropriate structure to assist in the discharge of its duties and responsibilities. The Committees shall operate as per the terms of reference approved by the Board. The minutes of the meetings of all Committees of the Board/Executives shall be placed before the Board for noting in subsequent meeting.

INVESTMENT COMMITTEE: The Board of Directors in their meeting held on 1st March 2017, has constituted YSBFB Investment Committee for the purpose of advising the Company on all Investment related matters and has been authorised to frame its own regulations.

RISK MANAGEMENT COMMITTEE OF THE EXECUTIVES: As prescribed by RBI in its circular on Scale Based Regulations issued on 22nd Oct 2021, In order that the Board is able to focus on risk management, NBFCs shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and will report to the Board. YSBFB has put in place a Risk Management Committee of Executives with 4 members as its members.

3. FAIR PRACTICES CODE:

Pursuant to the guidelines on Fair Practices Code issued by Reserve Bank of India, the YSBFB has adopted a policy on Fair Practices Code which is posted on the website of the YSBFB and also a summary of the same is displayed on vernacular language in the office premises of the YSBFB and regular review on the implementation of the same is conducted.

4. CODE OF CONDUCT:

The YSBFB has adopted a code of conduct for employees of the YSBFB, which is available in the form of "Employee Handbook" and due care is taken that the employees adhere to it. The copy of Code of Conduct of the YSBFB is published on the ZOHO People website accessible to the employees.

5. LOANS TO DIRECTORS, SENIOR OFFICERS AND RELATIVES OF DIRECTORS:

YSBFB has a Board approved policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.

6. STATUTORY AUDITORS:

The Statutory Auditors of the YSBFB shall be appointed in accordance with the provisions of the Companies Act, 2013 and as per the RBI Guidelines for Appointment of Statutory Auditors. Declaration shall be obtained from the Auditors every year affirming their eligibility for being appointed as the Statutory Auditors of the YSBFB. The Auditors of the YSBFB shall be appointed with the approval of the Shareholders at the Annual General Meeting as recommended by the Board of Directors of the YSBFB. Auditors can be appointed for a term 3 years

7. ACQUISITION / TRANSFER OF CONTROL OF YSBFB:

YSBFB, shall require prior written permission of the RBI for the following:

- a) Any takeover or acquisition of control of the YSBFB, which may or may not result in change of management.
- b) Any change in the shareholding of the YSBFB, including progressive increases over time, which would result in acquisition / transfer of shareholding of 26 per cent or more of the paid-up equity capital of the YSBFB. Provided that, prior approval would not be required in case of any shareholding going beyond 26 per cent due to buyback of shares/ reduction in capital where it has approval of a competent Court. The same is to be reported to the RBI not later than one month from its occurrence.
- c) Any change in the management of the YSBFB which would result in change in more than 30 per cent of the directors, excluding independent directors Provided that, prior approval would not be required in case of directors who get re-elected on retirement by rotation.
- d) Notwithstanding the points 8.i,ii,&iii above, YSBFB shall continue to inform the Bank regarding any change in their directors / management.
- e) YSBFB shall submit an application, in the company letter head, for obtaining prior approval of the RBI.

8. REQUIREMENT OF PRIOR PUBLIC NOTICE ABOUT CHANGE IN CONTROL/ MANAGEMENT:

- a) A public notice of at least 30 days shall be given before effecting the sale of, or transfer of the ownership by sale of shares, or transfer of control, whether with or without sale of shares. Such public notice shall be given by the YSBFB and also by the other party or jointly by the parties concerned, after obtaining the prior permission of the Bank.
- b) The public notice shall indicate the intention to sell or transfer ownership/ control, the particulars of transferee and the reasons for such sale or transfer of ownership/ control. The notice shall be published in at least one leading national and in one leading local (covering the place of registered office) vernacular newspaper.

9. REVIEW AND REVISION:

The Board of Directors of YSBFB shall review the policy annually and shall approve all necessary changes for adoption.

10. ADMINISTRATION & ADOPTION OF POLICY:

The Managing Director of the Company shall be responsible for the administration, interpretation, and application of this policy. The Managing Director of the Company also shall be empowered to bring about necessary changes to this Policy, if required at any stage with the concurrence of the Board. This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.

11. DISCLOSURE ON THE WEBSITE:

The details of this policy shall be disclosed by the YSBFB in its website.