

N.B.I. INDUSTRIAL FINANCE CO. LTD.

COMPLIANCE POLICY

(Adopted by the Board of Directors of the Company at their meeting held on 16/04/2024)

M/s N.B.I. INDUSTRIAL FINANCE CO. LTD. (the “Company / NBI”) is a registered NBFC-Middle layer carrying on the business of investment activities by way of acquisition of shares and securities of its group companies. The company is committed to conducting business in accordance with an effective compliance culture and a strong compliance risk management framework.

The Board of Director (the “Board”) of the Company for the purpose of adhering and aligning with RBI circular REC.No.60/03.10.001/2021-22 dated October 22, 2021 and subsequent circular Ref. No. DoS.CO.PPG/SEC.01/11.01.005/2022-23 dated April 11, 2022 has formulated a policy for implementation of Compliance Function and Role of Chief Compliance Officer.

The Board of the Company has adopted this policy which shall come into effect immediately.

This Policy is newly introduced by the Company.

1. PREAMBLE:

RBI vide its circular has stated that Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived risk.

RBI again vide aforesaid Circulars stated that Non-Banking Financial Companies in the Upper Layer (NBFC-UL) and Middle Layer (NBFC-ML) would be required to have an independent Compliance Function and a Chief Compliance Officer.

NBI with asset size worth more than Rs.1000 crores thus falling under the ambit of Middle layer (NBFC-ML).

2. PURPOSE/OBJECTIVES OF THE POLICY:

Compliance functions are one of the key elements in the Company’s Corporate Governance Structure along with the internal control and risk management processes, which needs to be adequately enabled and made sufficiently independent so that it is capable of identifying, evaluating & addressing Legal/Reputation Risks.

This Policy is established to ensure strict observance of all statutory and regulatory requirements, including standards of market conduct, managing conflict of interest, etc, Company does not have customer interface as it does not have any outstanding loan except for loans that has already turned NPA and has decided not to pursue loan activities any further.

Compliance function is the sum total of systems procedures and organisation infrastructure which ensures the following:

- (a) Observance of all statutory and regulatory requirement
- (b) Standard of market conduct
- (c) Systems of managing conflict of interest

3. DEFINITIONS:

“Company” means N.B.I. Industrial Finance Company Limited.

“Policy” means the Compliance Policy.

“CCO” mean Chief Compliance Officer.

“Board/Senior Management” means Board of Directors of N.B.I. Industrial Finance Company Limited.

“RBI” means the Reserve Bank of India.

4. RESPONSIBILITIES OF THE COMPLIANCE FUNCTION:

Compliance Function shall be responsible for undertaking the following activities:

- i. To provide assistance to the Board and the Senior Management in the implementation of Compliance Policies including policies and procedures, internal codes of conduct, etc.
- ii. To identify the level of Compliance risk in company, in Existing and New products and should be analysed to identify the risk and put risk mitigates in place.
- iii. To monitor the parameter of Compliance Risk.
- iv. To carry out Compliance test and result of such test shall be reported to Senior Management.
- v. To serve as a reference point for the staff from operational departments for seeking clarifications/interpretations of various regulatory and statutory guidelines.

5. COMPLIANCE POLICY:

The Board / Audit Committee shall draft a Compliance Policy taking into account the NBFC’s corporate governance framework, the scale of operations, risk profile and organizational structure, etc. and do periodic review and make amendment to such Compliance Policy.

The policy shall normally cover the following:

- i. Compliance function be Independent and has right to freely disclose its findings and views to senior management, Board/Board Committee.
- ii. Regulatory and Statutory Compliance requirement.
- iii. Monitor mechanism for the Compliance testing procedure.
- iv. Report to the senior management, Board/Board Committee about any requirements, including Compliance risk assessment and change in risk profile, etc.

- v. Access to information, records or files and communicate with any staff member that they may consider necessary.
- vi. All new process and product shall be pre-approved by Compliance Department before their introduction.
- vii. Disseminate information of regulatory guidelines.

6. COMPLIANCE STRUCTURE:

The Chief Compliance Officer (CCO) appointed as per this policy shall head the compliance function and may have staff with adequate knowledge, considering scale of operations. The scope of CCO is to implement the policy, execute the compliance function, identify compliance obligation, perform the same and report any non-compliance to the board and take remedial actions.

7. COMPLIANCE PROGRAMME:

Senior Management shall carry out annual review and shall ensure the coverage of the following aspects:

- To ensure the compliance of Regulatory guidelines issued during the preceding years and steps taken to comply them.
- To ensure that if any compliance failures or consequential losses arise during the preceding year, regulatory actions and steps have been taken to avoid the same.
- Rectifications of significant deficiencies and implementation of recommendation pointed out in various audits and RBI inspection reports.
- Compliance with fair practices codes and adherence to standard set by self-regulatory bodies and accounting standard.

The compliance programme will be subject to oversight by the Chief Compliance Officer to ensure appropriate coverage across businesses and co-ordination among various business functions.

8. QUALIFICATIONS AND STAFFING OF COMPLIANCE FUNCTION:

CCO shall be supported by staff members (considering size and scale of operations) with knowledge of statutory/regulatory prescriptions, law, accountancy, risk management, information technology, etc. Further they are expected to have sufficient practical experience in business lines/audit & inspection functions. Compliance Officers will have access to all information they require and have the right to conduct investigation and report the findings to the Chief Compliance Officer. The staff shall primarily focus on Compliance functions and could be assigned some other duties while ensuring that there is no conflict of interest. The Company will prepare an appropriate succession plan that ensure avoidance of any future skill gap.

9. INTERNAL AUDIT REVIEW OF COMPLIANCE FUNCTION & INDEPENDENT:

Compliance risk is included in the risk assessment framework of the Internal Audit Function, and Compliance Function is subject to regular Internal Audit. The CCO of Company has to keep informed of audit findings related to Compliance, which shall serve as a feedback mechanism for assessing the areas of Compliance failures.

10. APPOINTMENT AND TENURE OF CCO:

- i. **Tenure:** CCO shall be appointed for a fixed period for not less than 3 years. However, in exceptional case, the Board/Board Committee may relax the minimum tenure by one year, provided appropriate succession planning is put in place.
- ii. **Removal:** CCO shall be removed/transferred before completion of the tenure only in exceptional circumstance, with explicit prior approval of the Board/Board Committee.
- iii. **Skills:** The CCO shall have a good understanding of the industry and risk management procedures, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations.
- iv. **Eligibility:** The CCO shall be required to meet the Fit and proper guidelines of the company in order to be eligible to be appointed.
- v. **Selection:** CCO shall be appointed by the Board of directors of the company. The Nomination and Remuneration Committee shall identify a suitable candidate for the post and recommend the same to the Board
- vi. **Reporting:** The CCO shall report directly to the Board of Directors and if Managing Director or the Chairman are appointed then to such authority and shall stay independent of the reporting structure of the Company.

11. REVIEW OF COMPLIANCE RISK:

The Board shall periodically review the policy (not less than once in a year). The review of compliance risk shall be carried out by the Senior Management, to identify and assess the major compliance risk facing the NBFC and formulate plans to manage it. Thereafter, it shall be submitted to the Board/Board Committee along with a detailed annual review of compliance.

12. MONITORING AND REVIEW:

The Board of Directors of the Company reserves the right to add, amend, modify this policy as and when it deems appropriate in the best interest of the Company.

Further if any rules under the Code are in conflict with or inconsistent with the any regulations issued by RBI in this regard, then such RBI regulations shall prevail and shall deemed to have been included in this policy.