

Choice Finserv Private Limited

**POLICY ON INTERNAL CORPORATE
GOVERNANCE**

Summary of Policy

Policy Name	Policy on Internal Corporate Governance
Version	5.1
Latest Approval/Review Date	April 20, 2026
Review Cycle	Annually or in the event of any change in regulatory guidelines
Policy Owner	Compliance
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Approver	Board of Directors of CFPL

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1. Preamble and Company's philosophy on Corporate Governance

Choice Finserv Private Limited ("**the Company / CFPL**") is a subsidiary of Choice International Limited ("**CIL**") and is registered with Reserve Bank of India ("**RBI**") as Non-Banking Finance Company ("**NBFC**")- "Investment and Credit Company"

The Company draws its philosophy from its parent CIL, whose shares are listed on the stock exchanges. It is the Company's endeavour to excel through better Corporate Governance and fair and transparent practices.

The Reserve Bank of India ("**RBI**") has issued the Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 dated November 28, 2025 including amendments or updates if any, repealing the earlier issued Master Direction Reserve Bank of India (Non-Banking Financial Company Scale Based Regulation) Directions, 2023 on Corporate Governance.

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates. These corporate governance guidelines will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

2. Governance Structure

A. Board of Directors

The Board of Directors ("**the Board**") along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company. The Board of the Company shall have an optimum combination of Executive and Non-Executive directors in compliance with the Companies Act, 2013 ("**the Act**") and other regulatory guidelines, if any.

B. Committee of the Board

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. This approach assists to focus effectively on the issues and ensure expedient resolution of diverse matters. Each committee will have specific terms of references. Accordingly, the core Committees constituted by the Board in this connection are as follows:

1. *Audit Committee*

The Company has in place an Audit Committee to implement best in class in corporate governance structure. The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act, applicable SEBI

Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

Composition	The Audit Committee shall consist of a minimum of three directors with not less than 2/3rd members being independent directors.
Frequency	The Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings or at such frequency as may deemed necessary in line with the applicable rules or regulations.
Quorum	The quorum shall be either two members or one third of the members whichever is greater.
Terms of reference	<ol style="list-style-type: none"> 1. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company. 2. Review and monitor the auditor's independence and performance, and effectiveness of audit process. 3. Review of financial statements/financial results before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company. 4. To oversee the Implementation of KYC/AML Policy on quarterly basis; 5. To ensure that an Information System Audit of the internal systems and processes is conducted every year to assess operational risks faced by the company. 6. Examination/Reviewing with the management, the annual financial statements and the auditors' report/limited review report thereon. 7. Evaluation of internal controls and risk management systems. 8. Monitoring the end use of funds raised through public offers and related matters. 9. Monitoring and review of frauds detected/ attempted frauds in quarter along with status update of frauds detected previously above defined thresholds. 10. Review of internal audit reports. 11. Review the adequacy of internal audit function, if any, 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; 12. Discuss with internal auditors of any significant findings and follow up thereon. 13. Approval or any subsequent modification of transactions of the Company with related parties. 14. Recommending Omnibus approvals in accordance with provisions of Companies Act, to the Board on Related Party Transactions during the year. 15. Annual review of outsourced activities. 16. Valuation of undertakings or assets of the company, wherever it is necessary. 17. Scrutiny of inter-corporate loans and investments.

	18. Such other power/duties and matters as mandated by Regulatory requirements or exercise other powers as may be delegated by Board from time to time.
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II. Nomination and Remuneration Committee

The Company has in place a 'Nomination and Remuneration Committee' to implement best in class corporate governance structure. The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Companies Act, 2013, applicable SEBI Regulations, RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

Composition	The Committee shall consist of a minimum 3 non-executive directors, with at least two third of the members shall be independent.
Frequency	The Committee shall meet at least once in a year.
Quorum	The quorum shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.
Terms of reference	<ol style="list-style-type: none"> 1. To formulate the criteria for determining qualifications, positive attributes and independence of a director. 2. To identify persons who are qualified to become Directors, key managerial personnel and senior management and recommend to the Board their appointment and removal. 3. To undertake the process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board and to assess the "fit and proper" criteria of the existing and proposed directors. 4. Recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees. 5. To specify the criteria for evaluation of performance of the Board, its committees and individual directors including Independent Directors and review its implementation 6. To scrutinize the declarations submitted by the existing / proposed directors. 7. To Ensure that deeds of covenants have been obtained from directors in the prescribed format at the time of their appointment/reappointment. 8. The remuneration/compensation/ profit-linked commission etc. to the Whole Time Director, Director, KMP/SMP and Independent Directors will be determined by the Committee and recommended to the Board for approval. 9. To grant Employee Stock Options ("OPTIONS") to the Eligible Employees of the Company. 10. To issue equity shares to Eligible Employees of the Company who hold Stock Options ("OPTIONS") following their exercise.

	11. Such other power/duties and matters as mandated by Regulatory requirements or exercise other powers as may be delegated by Board from time to time.
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III. Risk Management Committee

The Company has in place a Risk Management Committee constituted by the Board of Directors and as required by the Reserve Bank of India. The main objective of RMC is to assist the Board in effective discharge of the responsibilities of risk management and internal controls. The Committee derives its powers and responsibilities from Board of Directors and functions as per the directions of the Board.

Composition	The Committee shall consist of a minimum 3 members majority of them being directors including at least one independent director. Further, senior executives of the company may be the members of the committee.
Frequency	As and when the committee may deem fit and will endeavour to meet at least once in every quarter.
Quorum	The quorum shall be two or one-third of the members, whichever is higher, including at least one member of the board of directors in attendance.
Terms of reference	<ol style="list-style-type: none"> 1. To formulate or modify a detailed risk management policy and procedures. 2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company 3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems. 4. To monitor and review Cyber Security and overall IT risk management. 5. To evaluate the overall risks faced by the NBFC including liquidity risk and report to the board 6. To monitor and review the working and functioning of the Asset Liability Management Committee and risk committee of executives 7. To recommend the appointment, removal and terms of remuneration of the Chief Risk Officer. 8. To formulate and implement a comprehensive Outsourcing Policy. 9. Such other power/duties and matters as mandated by Regulatory requirements or exercise other powers as may be delegated by Board from time to time.

IV. IT Strategy Committee (ITSC)

The Company has in place IT Strategy Committee (ITSC) constituted by the Board of Directors in accordance with the requirements of Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices. The terms of reference of

the Committees will be in accordance with the guidance provided in the Master Directions and such other rules/regulations/notification and guidelines in this regard.

Composition	The Committee shall consist of three directors as members as may be approved by the Board. The Chief Information Officer/Chief Technology Officer shall be member of the Committee. The chairman of the committee shall be an independent director.
Frequency	As and when the committee may deem fit and will endeavour to meet at least once in every quarter.
Quorum	The quorum for a meeting of the Committee shall be two members or one-third of the members, whichever is greater.
Terms of reference	<ol style="list-style-type: none"> 1. Approve IT Strategy and IT policy documents and ensure that management has put an effective IT strategic planning process in place. 2. Guide in preparation of the IT Strategy and ensure that it aligns with the Company's overall strategy and business objectives. 3. 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 at each organisational level. 4. Ensure that processes for assessing and managing IT and cybersecurity risks are in place. 5. Ensure budgetary allocations for IT, IT security and cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards, and are utilised in a manner intended for meeting the stated objectives. 6. Review, at least annually, the adequacy and effectiveness of Business Continuity Planning and Disaster Recovery Management of the Company. 7. Review, approve and take decisions on all IT policies, including IT Security and Information Security policies. 8. Review reports submitted by internal and external auditors on audits conducted under Board-approved IT-related policies. 9. Review IT outsourcing arrangements, evaluate risks and materiality associated with prospective outsourcing on a periodic basis and recommend the same to the Board, in line with RBI outsourcing directions. 10. Carry out any other function as mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

V. Management Committee of Board

The Company has in place Management Committee as constituted by board of directors.

Composition	The Committee has such members as approved by the Board.
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Frequency	The Committee shall meet from time to time as necessary to accomplish its purpose and duties.
Quorum	The quorum for a meeting of the Committee shall be two members or one-third of the members, whichever is greater.
Terms of reference	<ol style="list-style-type: none"> 1. To approve credit facilities above certain threshold to new exposure/loan to existing customers along with existing facility undertaken under the credit policy. 2. To borrow loans from banks, Financial Institutions, etc. up to three times of the Net worth of the previous quarters unaudited financials of the company, subject to the approval of Shareholders of the Company, if any required, in order to meeting the working capital needs, capital investments, research and developments and also expansion purposes by effectively managing its financial obligations facilitating smooth business operations. 3. To negotiate, finalize, and execute the assignment of loans including stressed loans to any party, including but not limited to Asset Reconstruction Companies (ARCs), Banks, Financial Institutions, or any other eligible entity, subject to an overall limit of ₹250 crores (Rupees Two Hundred Fifty Crores only) and related matters. 4. To open and close general operating accounts, collection accounts, escrow accounts, and other specialized bank accounts necessary for business operations and related matters. 5. To appoint authorized signatories or officials who can manage and operate the company's bank accounts and execute relevant banking documents. 6. To approve the on-boarding of new vendors or third-party service providers that the Company may require in the ordinary course of business. 7. To decide on and approve the company's use of all banking products and services available through various channels. These banking services may include, but are not limited to, financial products such as loans, credit lines, treasury services, investment products, trade finance, and more, accessible through physical branches, online banking platforms, or other digital interfaces. 8. Such other power/duties as may be delegated by Board from time to time. 9. Apply for, obtain, renew, modify, or surrender registrations, licenses, approvals, permissions, or authorizations from any regulator or statutory authority, including but not limited to the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), stock exchanges, Ministry of Corporate Affairs (MCA), Income Tax Authorities, Goods and Services Tax (GST) authorities, or any other central, state, or local regulatory body, as may be required for the conduct of the Company's business as an NBFC. 10. Authorize any of the Executive Directors, Chief Financial Officer, Finance Controller, or Company Secretary, either jointly or severally, to act as the Company's authorized representative before

	<p>stock exchanges, RBI, Income Tax Authorities, GST authorities, or any other statutory or regulatory authority.</p> <p>11. Permit such authorized representatives to appear, make representations, provide explanations, submit documents, file applications, responses, affidavits, undertakings, returns, appeals, or other statutory filings, and to attend hearings or meetings on behalf of the Company, as may be required from time to time.</p> <p>12. Empower such authorized representatives to sign, execute, verify, and submit any applications, declarations, forms, communications, or legal documents in the name and on behalf of the Company, in connection with regulatory, tax, or compliance matters.</p> <p>13. Take all such ancillary, incidental, and consequential actions as may be necessary or expedient for obtaining approvals, defending proceedings, complying with notices, or addressing queries from any regulatory or statutory authority, in the best interests of the Company.</p> <p>14. Further delegate, where necessary, any of the above powers to senior management or officials of the Company for operational efficiency, subject to oversight of the Management Committee and ratification by the Board.</p>
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VI. Stakeholders' Relationship Committee

The Company has in place Stakeholders' Relationship Committee constituted by the Board of Directors in accordance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). The terms of reference of the Committees will be in accordance with the guidance provided in the LODR Regulations and such other rules/regulations/notification and guidelines in this regard.

Composition	The Committee has such members as approved by the Board.
Frequency	As and when the committee may deem fit and will endeavour to meet at least once in year.
Quorum	The quorum for a meeting of the Committee shall be two members or one-third of the members, whichever is greater.
Terms of reference	<ol style="list-style-type: none"> 1. Resolving grievances of debenture holders; 2. Review of measures taken for effective exercise of voting rights by debenture holders; 3. Review of adherence to service standards adopted by the listed entity in respect of services rendered to debenture holders; 4. Review of various investor-related reports and compliance with SEBI regulations.

VII. Review Committee for Wilful defaulter

Composition	The Committee has such members as approved by the Board.
Frequency	As and when the committee may deem fit.
Quorum	The quorum for a meeting of the Committee shall be two members or one-third of the members, whichever is greater.
Terms of reference	<ol style="list-style-type: none"> 1. Designating an official for serving written order to the wilful defaulter on behalf of committee. 2. Consideration and reviewing proposed cases received from Identification Committee for classification as a wilful defaulter. 3. Assessing the facts or material on record, including written representation, if any and taking a decision. 4. Passing a reasoned order for proposed cases and serving the same to wilful defaulter; and 5. Any other activity as may be delegated by Board/Board committee.

VIII. Other Committees

In addition to the aforesaid Committees, the Company has also constituted following sub-committees of the management in order to facilitate quick decision making and encourage delegation of authority: -

1. Asset Liability Management Committee (ALCO)
2. IT Steering Committee
3. Product Approval Committee
4. Investment Committee
5. Risk Management Committee (RMC) of Executives
6. Credit Committee of Management
7. Disciplinary Action Committee
8. Committee of Executives (COE)
9. Consumer Protection Committee
10. Identification Committee for wilful defaulter
11. Information Security Committee (ISC)

C. Chief Risk Officer

The Company has appointed a CRO with clearly specified roles and responsibilities. The CRO functions independently so as to ensure highest standards of risk management.

D. Chief Compliance Officer (CCO)

The Company has appointed a CCO with clearly specified roles and responsibilities in compliance policy. The CCO functions independently so as to ensure an effective compliance function.

E. Fit & Proper Criteria

Fit and Proper Criteria of the directors shall be governed by the Board approved policy for ascertaining the “Fit and Proper” criteria of the directors at the time of appointment, and on a continuing basis in line with the guidelines provided by RBI.

F. Vigil Mechanism

The Company has framed and adopted Vigil Mechanism Framework (“the framework”) to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct. The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

G. Statutory Auditors

The appointment of Statutory auditors and the partner/s of the Chartered Accountant Firm conducting the Statutory Audit of the Company, shall be in terms of the provisions of Section 139 and 141 of the Act and in accordance with the applicable RBI guidelines as amended from time to time.

H. Disclosures and Transparency

1. The Company shall put up to the Board of Directors, at regular intervals, as may be prescribed by the Board in this regard, the following:
 - a. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
 - b. 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.
2. The Company shall disclose the following in their Annual Financial Statements:
 - a. Registration/ license/ authorization, by whatever name called, obtained from other financial sector regulators.
 - b. Ratings assigned by credit rating agencies and migration of ratings during the year.
 - c. Penalties, if any, levied by any regulator.
 - d. Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries and
 - e. Asset-Liability Asset-liability profile, extent of financing of, non-performing assets (“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 stipulated in the Master Directions.
 - f. All the disclosures as defined by the RBI in the Master Directions and any amendments thereafter or any other applicable circular.
 - g. In addition to the above disclosures, all other prescribed disclosures as mentioned in various RBI Master Directions/ Circulars or any other applicable law for the time being in force, shall be disclosed in Financial Statements and Notes to Account of the Company.

3. Review & Amendments

This policy shall be reviewed by the Board of Directors at such intervals as and when deemed necessary, in order to align the same with the prevalent regulatory and business requirements.

In the event that any term, condition or provision of this Policy being held to be a violation of any Applicable Law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy. Further, the regulatory/statutory guidelines as prescribed shall prevail in the event of any amendments or requirements not incorporated in the policy.

Notwithstanding anything contained herein, any subsequent amendment in the Companies Act, 2013 or RBI Master Directions or rules made thereunder or any other applicable law in this regard, shall automatically apply to this Policy. Accordingly, this policy shall be duly revised to incorporate any amendments.