



**ASA INTERNATIONAL INDIA  
CORPORATE GOVERNANCE POLICY**

21.01.2020

## **Introduction**

The Board of Directors of ASA International India Microfinance Limited believes that a primary responsibility of the directors is to provide effective Governance over the Company's affairs for the benefit of the shareholders, employees, customers and other stakeholders which includes its role as a corporate citizen and endeavour to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

In pursuing its mission "to reduce poverty and improve the quality of life of the economically challenged people of the society through the provision of qualitative and responsive microfinance services in an innovative and sustainable way", ASA India has been balancing its dual objectives of reduction of poverty and improvement of quality of life along with financial objectives.

The Board has adopted this policy which includes the following Corporate Governance Guidelines to assist in the exercise their responsibilities. This Policy reflects the evolving functions of the Board and developing trends of best practices and regulatory compliance in Corporate Governance.

## **Laws & Regulations**

ASA India shall operate in compliance with the legal, regulatory and supervisory framework as applicable from time to time avoiding any conflicts of interest.

## **GOVERNANCE STRUCTURE**

The corporate governance framework at ASA is based on an effective and independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees to oversee critical areas, all of which are chaired by independent Directors.

ASA's Corporate Governance structure, systems and processes are based on two core principles, viz., (a) management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) this freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company, the following governance level is followed in ASA:

<b>Governance Level</b>	<b>Broad Responsibility</b>	<b>Responsible</b>
Level 1	Strategic Supervision	Board of Directors
Level 2	Executive Management	Management Committee – Head of the Departments

At the apex level, the general body of Shareholders of the Company elect the Board of Directors at the Annual General Meeting and the Board appoints the Managing Director, Chief Financial Officer and Company Secretary of the Company, who in turn will appoint the various other management executives of the Company.

### **Shareholder Participation through Annual General Meeting**

This is the institution's highest governing body. Good governance requires participation from maximum number of shareholders/ members in the Meeting, to take decisions, in order to benefit the institutions.

### **Convening**

The Board is under the obligation of convening the Annual General Meeting at least once every fiscal year. The convened Annual General Meeting will assemble to (a) review and approve corporate management (b) review and approve the financial statement and (c) adopt resolutions on any other matter included in the agenda.

In addition to the Annual general Meeting, the Board of Directors can also convene an Extra Ordinary General Meeting (EOGM) whenever it deems necessary on behalf of the institution's interests.

### **Right to Information**

Once the AGM has been announced, the institution will provide shareholders/ members with documents and other information related to the matters that will be discussed at the meeting. Further before the AGM is held, shareholders can ask the Board of Directors for any information or clarifications they consider necessary regarding the items on the agenda, and they can ask any questions they consider relevant.

### **Delegation & Representation**

Any shareholders can be represented by another person at the AGM, even if they are not a shareholder. The representative powers must be conferred specifically for each meeting, which can always be revoked should the represented person attend the meeting in person.

### **Meeting Minutes**

The deliberations and resolutions at the meeting will be recorded in a minutes document. The minutes should reflect everything discussed and be approved at the Annual General Meeting and also record the participation of the shareholders.

## **Board of Directors**

The Company has a broad-based Board of Directors, constituted in compliance with the Section 45-IA of the RBI Act, 1934 and Companies Act, 2013, and in accordance with good corporate governance practices. The Company recognizes and embraces the importance of a diverse Board and strongly believes that a diverse Board will leverage differences in thought, perspective, knowledge, skill, industry experience and age, which will help us retain and maximize our competitive advantage. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. As on March 31, 2018, the Board comprised Eight Directors, two of whom are Independent Directors, One Nominee Director, One Promoter Director, One Executive Director and Three Non-Executive Directors. Five of our directors are foreign nationals. The Company also has a Woman Director on Board, thus fulfilling the criteria set by the Companies Act, 2013.

Board is also the body responsible for administering the organization with all the necessary powers. Good governance therefore places an emphasis on the importance of the Board of Directors as a governing body which channelizes the structure and operation of the organization's corporate bodies in its interests.

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

## **Composition**

The size and composition of the Board of Directors shall be in accordance with the size of the institution and will seek to satisfy the following:

- (a) 50% of the total directors should be non-executive directors
- (b) there should be at least one women director and

The shareholders of the company will be responsible for determining the exact number and composition of Board members at the Annual General Meeting, subject to applicable legal regulations and to the institution's bylaws.

## **Duties & Responsibilities**

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 will have the following duties:-

- Helping define the strategy that will increase the institution's value, guiding the management by assimilating information that affects the organization's performance and creating a planning document and annual budget for the following year.
- Selecting, appointing, supporting and reviewing the performance of the Management's performance based on the organization's objectives
- Formulating the remuneration policy with an emphasis on how this policy is related to the performance of key members of the management

- Ensuring that the management team has all of the necessary resources to implement the achieve organization's goal
- Establishing a policy based governance system to guide its own actions and the actions of the management for achieving the business and social goals of the organization.
- Defining the board's method of operation, i.e. the members, their selection, evaluation and changeovers or rotation, in order to guarantee a strong structure.
- Reviewing all risks faced by the Company and making appropriate strategies for implementation of appropriate policies to ensure risk mitigation.
- Ensuring that compliance with applicable laws, regulations, policy and processes and also supervising the internal control systems of the organization through internal and statutory auditors.
- Establishing a code of ethics for all employees, including the board of directors and also ensuring adherence of such code of ethics.
- Establishing the mechanisms to manage a situation fairly where employees as well as directors may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

### **Duration of Office**

Directors shall remain in office for the term defined by the Annual General Meeting. If they have been co-opted, they shall work out the term of office remaining to the director whose vacancy they have covered through co-option, unless the AGM establishes a longer term on ratifying the appointment agreed by the Board of Directors. Board of Directors members will remain in office until their successors are chosen, unless their powers are revoked or they are disqualified beforehand.

### **End of Term**

Directors shall resign from their office when the term for which they were appointed has expired, or when the Annual General Meeting decides so. The Board of Directors has the power to revoke a member at any time, even if their term of office has not expired.

When a Board member ceases to occupy his position before his term of office ends, through resignation or any other cause, he must explain the reasons in a letter to all of the members, and, regardless of whether this end of term of office is reported as a significant event, the reason should be included in the Annual Corporate Governance Report.

### **Remuneration**

The Annual General Meeting must establish the remuneration policy for the Directors, taking the necessary measures in order to maintain, correct or improve it and to adapt this policy to the principles of moderation and the institution's performance. The remuneration that the

Board members receive must be transparent. The Board of Directors must include information on the total and global amount that the Board members receive in the annual information and in the Annual Corporate Governance Report.

### **Conflict of Interest**

A conflict of interest is any situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and professional interest or public interest or can also be defined as a situation in which a party's responsibility to a second-party limits its ability to discharge its responsibility to a third-party.

In this regard Board members must inform the Board of Directors, or whichever committee is responsible, as soon as there is possibility or chances of any direct or indirect conflict that could go against the institution's interests, providing the necessary information so that an unbiased and informed decision can be taken.

### **Board Procedures**

The Company's Governance Policy requires the Board to meet at least four times in a calendar year. The intervening period between two Board meetings shall not exceed 120 days as per the Companies Act 2013. The annual calendar of meetings is broadly determined at the beginning of each year.

### **Board Meeting Agenda**

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions. Agenda papers are circulated at least seven working days prior to the Board meeting.

The Board is presented with relevant information on various matters relating to the working of the Company. The functional heads are invited to the Board and Committee meetings to apprise the Board on various issues concerning the operations of the Company. The following information shall be presented to the Board for periodic review / information / approval:

- Business Updates: This includes trend of business growth, business performance in terms of budget, branch expansion, product diversification, quality of portfolio and also growth plan for the next quarter/year.
- Financial Updates: The quarter ended financials, budget comparison, and projection for next quarter, reasoning for financial outcomes, annual budget etc. shall be the part of financial updates.
- Internal Control System: Management shall be responsible for updating the board about the overall internal control system of the organization and ensure that process & policy is being followed accordingly.
- Risk Management Updates: The chairman of Risk Management Committee shall updates the board about the risk related issues and suggest measures for risk mitigation.

- Regulatory Compliance: Compliance officer shall update the Board about the status of compliance related issues and also propose further course of actions wherever necessary.
- Audit Observations: The chairman of Audit Committee shall update the board about the audit grading and the compliance level of the organization. He/she should also suggest the proposed course of corrective measures suggested by the internal as well as statutory auditors.
- IT Updates: The status of application development in terms of original plan, capital investment, and plan for next quarter shall be considered relevant information for the board members. In addition of that road map of IT shall also be approved by the board.
- Others: In addition of above management shall also updates board about legal suits (if any), show-cause/ demand/ prosecution and other material notices, details of any joint venture or collaboration and any other material decision/information which may be important in terms of the interest of the Company.

### **Managing Director, Chief Financial Officer and Company Secretary**

The Managing Director, the Chief Financial Officer and the Company Secretary are the institution's legal representative. They are appointed by the Board of Directors and shall be responsible for putting in place procedures to implement all the Board's policies, strategies and systems.

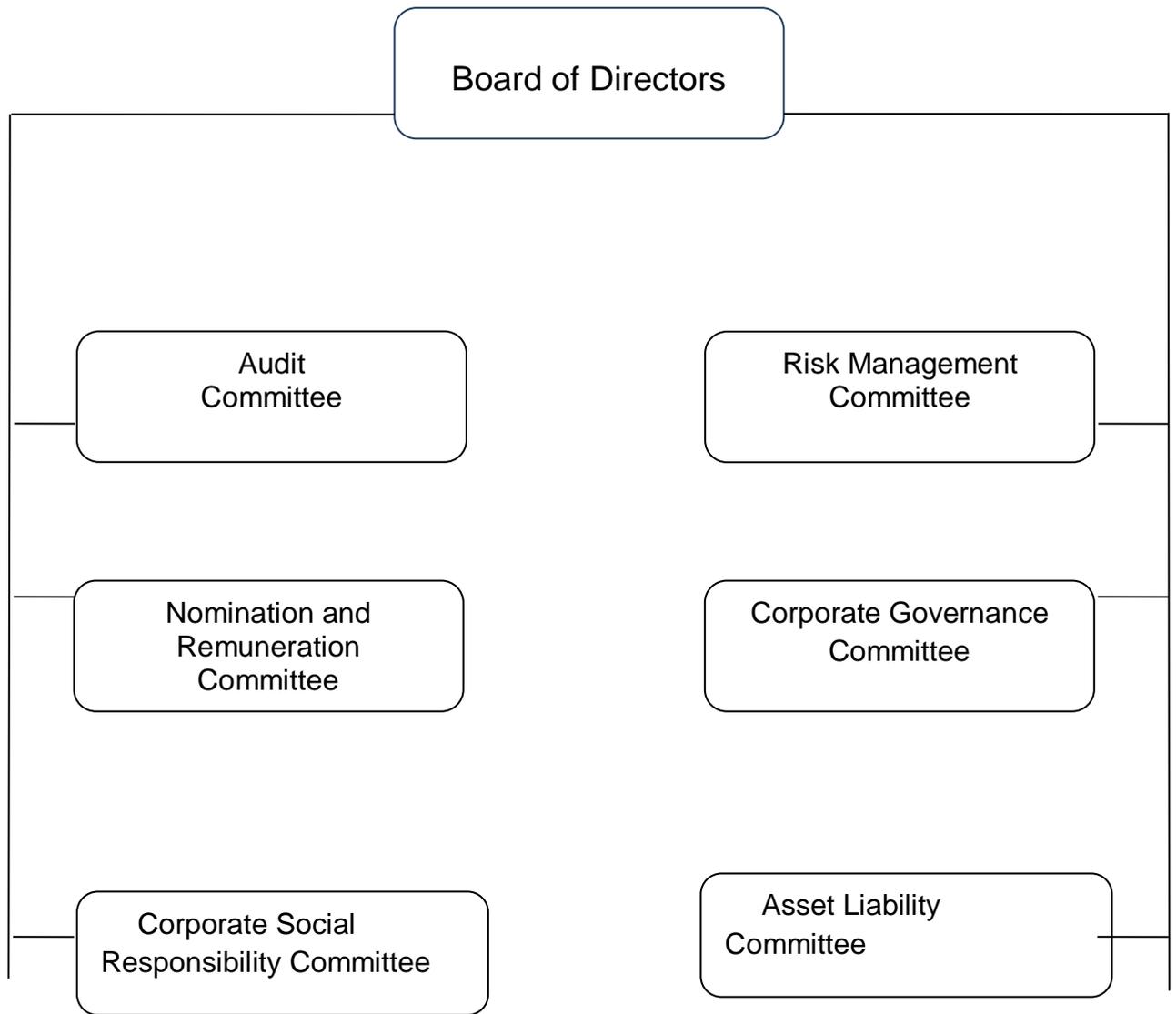
They will actively participate in the sessions, with the right to speak but not vote, in order to give their input on the items of the agenda or any other matter requested by them.

### **Board Committees**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for approval in subsequent meeting.

This type of Committee will responds to the institution's specific needs or one-off needs, fulfilling a specific duty at a given moment in time, without the Committee or its duties being required by the institution permanently.

ASA India shall comply with the above requirements of committee constitution and have the following committees of the Board as per the extant provisions of RBI and Companies Act, 2013:



The terms of reference, roles and responsibilities of the aforesaid Committees is enclosed in the annexure of this policy.

## Annexure

### 1. AUDIT COMMITTEE

Chairman	The Chairman of the Audit Committee shall be an Independent Director and shall be elected by the members of the Audit Committee.
Composition	<p>The Audit Committee shall consist of at least three directors.</p> <p>All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The Audit Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Head of Accounts, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meeting of the Audit Committee.</p>
Secretary	The Company Secretary of the Company shall act as Secretary to the Audit Committee.
Meetings & Quorum	<p>The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The Committee shall also meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.</p>
Terms of Reference	<p>The Audit Committee makes recommendations to the Board of Directors regarding the appointment of external auditors and their remuneration, as well as the approval of annual financial statements and periodical statements.</p> <p>It also discusses the audit program and results with Auditors and ensures fulfillment with internal controls, accounting policies and financial information.</p> <p>The Audit Committee is responsible for ensuring that internal and external audit activities are carried out properly and that audit matters are given sufficient importance at the Board of Directors meetings.</p>

## 2. RISK MANAGEMENT COMMITTEE

Chairman	The Chairman of the Risk Committee shall be an Independent Director and shall be elected by the members of the Risk Committee.
Composition	<p>The Risk Committee shall consist of at least three directors.</p> <p>All members of the Risk Committee shall be financially literate and at least one member shall have related management expertise.</p> <p>The Risk Committee may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Risk Manager shall also be present as invitees for the meeting.</p>
Secretary	The Company Secretary of the Company shall act as Secretary to the Risk Management Committee.
Meetings & Quorum	<p>The Risk Management Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The Committee shall also meet as and when necessary to review and monitor the risk associated with the business of the Company.</p> <p>The quorum shall be either two members or one third of the members of the Risk Management Committee whichever is greater.</p>
Terms of Reference	<p>The Risk Management Committee is responsible for analyzing matters relating to the institution's risk control and management strategy and policy, and assessing and approving risk operations that could be significant.</p> <p>The Risks Management Committee has powers over controlling financial risks generated by the business units. It must approve the methods and models to identify, measure, monitor, control, report and reveal different risk types.</p> <p>Its other duties include: reporting regularly to the Board of Directors on risk exposure and the measures taken to manage it; adjusting or authorizing overruns on exposure limits for the different risk types; and adopting, implementing and disseminating contingency plans in the event of acts of nature or force majeure to avoid breach of the set risk exposure limits.</p>

### 3. ASSET & LIABILITY COMMITTEE

Chairman	The Chairman of the Committee shall be a director and shall be elected by the members of the ALM Committee.
Composition	<p>The Asset &amp; Liability Committee shall consist of at least 1 member from the board of director and two from the Senior Management.</p> <p>The Head of Finance &amp; Credit shall be present as invitees for the meeting.</p>
Secretary	The Company Secretary of the Company shall act as Secretary to the Asset & Liability Committee.
Meetings & Quorum	<p>The Asset Liability Management Committee shall meet at least once in a month or as and when considered necessary.</p> <p>The quorum shall be either two members or one third of the members of the committee whichever is greater.</p>
Terms of Reference	<p>The committee shall be responsible to review the ALM statement at least for the next three months and recommend measures for managing asset liability mismatches. It shall include suggestions for liquidity management.</p> <p>In addition they are also responsible for reviewing different scenarios including the interest rate risk periodically.</p>

### 4. NOMINATION AND REMUNERATION COMMITTEE

Composition	The Nomination Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Nomination Committee.
Meetings & Quorum	<p>The Nomination Committee shall meet as and when necessary to determine the fit &amp; proper criteria of Directors.</p> <p>The quorum shall be at least three Directors, majority of whom shall be Non-Executive Directors.</p>
Terms of Reference	<p>To formulate a criteria for determining qualifications, positive attributes and independence of Directors.</p> <p>To ensure a fit &amp; proper status of proposed/existing Directors on an annual basis.</p> <p>To recommend to the Board the appointment and removal of Senior Management.</p>

	<p>To carry out evaluation of Director’s performance and recommend to the Board appointment/ removal based on their performance.</p> <p>To recommend to the Board on:</p> <p>Policy relating to remuneration for Directors.</p> <p>To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;</p> <p>To develop a succession plan for the Board and to regularly review the plan.</p>
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## 5. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Composition	The Corporate Social Responsibility Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Corporate Social Responsibility Committee.
Meetings & Quorum	<p>The Corporate Social Committee shall meet at least once a year and as and when necessary to determine the CSR activities to be undertaken by the Company.</p> <p>The quorum shall be at least Three Directors and the Head of CSR shall be present as an invitee for the meeting.</p>
Terms of Reference	<p>To review and establish the Company’s CSR strategy and implementation in practice and to ensure that the Company’s social, environmental and economic activities are aligned with each other.</p> <p>To consider and propose and annual budget for CSR activities to the Board and Audit Committee for approval.</p> <p>To ensure the company’s website communicates and reports its CSR approach and performance in a timely, complete and coherent manner.</p> <p>Monitor compliance with the CSR Policies and to review the performance against agreed targets.</p>

## 6. CORPORATE GOVERNANCE COMMITTEE

Composition	The Corporate Governance Committee shall consist of such number of members as may be determined by the Board.
Secretary	The Company Secretary of the Company shall act as Secretary to the Nomination Committee.
Meetings & Quorum	<p>The Corporate Governance Committee shall meet as and when necessary to determine the fit &amp; proper criteria of Directors.</p> <p>The quorum shall be at least two Directors, majority of whom shall be Non-Executive Directors.</p>
Terms of Reference	<ul style="list-style-type: none"> <li>▪ Helping define the strategy that will increase the institution's value, guiding the management by assimilating information that affects the organization's performance and creating a planning document and annual budget for the following year.</li> <li>▪ Selecting, appointing, supporting and reviewing the performance of the Management's performance based on the organization's objectives</li> <li>▪ Formulating the remuneration policy with an emphasis on how this policy is related to the performance of key members of the management</li> <li>▪ Ensuring that the management team has all of the necessary resources to implement the achieve organization's goal</li> <li>▪ Establishing a policy based governance system to guide its own actions and the actions of the management for achieving the business and social goals of the organization.</li> <li>▪ Defining the board's method of operation, i.e. the members, their selection, evaluation and changeovers or rotation, in order to guarantee a strong structure.</li> <li>▪ Reviewing all risks faced by the Company and making appropriate strategies for implementation of appropriate policies to ensure risk mitigation.</li> <li>▪ Ensuring that compliance with applicable laws, regulations, policy and processes and also supervising the internal control systems of the organization through internal and statutory auditors.</li> <li>▪ Establishing a code of ethics for all employees, including the board of directors and also ensuring adherence of such</li> </ul>

	<p>code of ethics.</p> <p>Establishing the mechanisms to manage a situation fairly where employees as well as directors may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company</p>
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