

**CHARTERED FINANCE & LEASING
LTD. (CFL)**

(“NBFC/ B-13.02480”)

COMPLIANCE POLICY

SUMMARY OF POLICY

Particular	Details
Policy Name	Compliance Policy
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Review Cycle	Annually
Approver	Board of Directors of Chartered Finance & Leasing Ltd

VERSION HISTORY

VERSION NO.	APPROVAL	VERSION DESCRIPTION	REGULATORY REFERENCE	REMARKS
I	11th July, 2025	2025	RBI Regulation	Policy adopted by the Board
II	07 April, 2026	2026	RBI Regulation	Policy adopted by the Board

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1. Introduction

The Reserve Bank of India ("RBI"), vide the Reserve Bank of India (Non-Banking Financial Companies – Compliance Function) Directions, 2026 ("RBI Compliance Directions"), as amended from time to time, read together with the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025, requires all Non-Banking Financial Companies in the Upper Layer ('NBFC-UL') and Middle Layer ('NBFC-ML') to have, inter alia, an independent Compliance Function and a Chief Compliance Officer ('CCO') for a strong compliance risk management framework.

Under the applicable Scale Based Regulatory Framework, CHARTERED FINANCE & LEASING LTD ("CFL" or "Company") has been classified as NBFC-Middle Layer ("NBFC-ML"). Accordingly, being an NBFC-ML, the Company is required to have an independent compliance function, a strong compliance risk management programme and a senior executive appointed as the Chief Compliance Officer ("CCO"). Further, as per the RBI Compliance Directions, applicable NBFCs are required to have a Board-approved policy, and the Company, being an NBFC-ML, has formulated this Compliance Policy having regard to its existing corporate governance framework, the scale and complexity of its operations, overall risk profile and organizational structure.

2. Objectives of the Policy

The Policy has been formulated with the following objectives:

- (a) To ensure that a strong compliance culture embedded within the Company.
- (b) To define the role of the Compliance Department, which is an independent function of the Company distinct from its business, operational and other support functions (including the Accounts Team), and to define the criteria for appointment of the Chief Compliance Officer.
- (c) To identify, assess and monitor compliance requirements applicable to the Company.
- (d) To monitor and manage of various Compliance Risks to which the Company is exposed and to ensure adequate reporting of the same within the organization.

3. Scope and Applicability of the Policy

The Policy shall be applicable to all activities of the Company wherein any statutory and regulatory requirement is applicable to it including standards of conduct, managing conflict of interest, treating customers fairly and ensuring the suitability of customer service.

4. Compliance Philosophy

Compliance function shall ensure strict observance of all statutory and regulatory requirements for the Company, including standards of conduct, managing conflict of interest, treating customers fairly and ensuring the suitability of customer service.

1. To build an organisation with a strong compliance culture having a general awareness of compliance best practices and the risks associated with non-compliance;

2. Adherence with laws, regulations, rules, codes of conduct etc.;
3. To develop a healthy compliance culture in which compliance is regarded as an integral part of CFL's business and operations; and
4. To ensure that every employee adheres to compliance processes in letter and spirit and the conduct of business is in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct.
5. Treating customers fairly.

5. Compliance Culture and Expectations

The board along with the senior management are expected to set the tone at the top and usher in a strong compliance culture in the organisation. The Company, through its Senior Management, Compliance Department and other relevant departments, periodically and as & when required, shall disseminate various applicable instructions along with important updates within the Company to ensure compliance with the provisions of the law/ regulations/ guidelines by its employees/ representatives.

The responsibility of compliance should be owned by each of the employees of the Company as compliance with laws, regulations, rules and codes of conduct is not only responsibility of the Compliance Department but the Company's entire management and employees. Compliance by the Company's employees at all levels shall be strongly emphasized and, wherever required, proper training in this regard shall be imparted at regular intervals.

Accountability for compliance failure shall also be established wherever required. Accordingly, the culture of ensuring compliance by all in the Company shall be established, promoted, and must prevail all the time at all levels.

6. Compliance Function & Framework

1) Scope & Coverage

Compliance Function shall ensure strict observance of all statutory and regulatory requirements for CFL including RBI, Ministry of Corporate Affairs ('MCA') guidelines, regulations and notifications and shall also include standards of conduct, managing conflict of interest, treating customers fairly and ensuring the suitability of customer service.

2) Composition and Structure

The Compliance Department shall be headed by the Chief Compliance Officer (CCO) and shall be sufficiently resourced. The Compliance Department shall be independent and its responsibilities have been clearly specified. The Compliance Department activities shall be subject to periodic and independent review. Apart from having a team with basic qualifications and practical experience in business lines / audit & inspection functions, Compliance Department also shall have adequate staff members with knowledge of statutory / regulatory prescriptions, law, accountancy, risk management, information technology, etc.

The staff in the Compliance Department shall primarily focus on Compliance function. However, the Company may assign some other duties to the Compliance staff while ensuring that there is no

conflict of interest. The Company shall ensure appropriate succession planning to avoid any future skill gap.

3) Authority and Access to Information

The CCO and Compliance Function shall have the authority to communicate with any staff member and have access to all records or files that are necessary to enable her / him to carry out entrusted responsibilities in respect of Compliance issues.

The Compliance function shall be independent and shall be responsible to freely disclose its findings and views to the senior management and the Board / Audit Committee of the Board.

4) Internal Audit & Independent Review

The activities of the Compliance Function shall be subject to regular audit by the Internal Audit

Department. Compliance Risk shall be included in the Risk Assessment Framework of the Internal Audit function. The CCO shall be kept informed of audit findings, which shall serve as a feedback mechanism for assessing the areas of Compliance breaches and failures.

7. Roles & Responsibilities of Compliance Function

- I. Compliance Function shall be responsible for implementation of the Compliance Policy. It shall ensure overall oversight and be responsible for undertaking the following key activities at the minimum:
 - i. Assist the Board and the Senior Management in overseeing the implementation of Compliance Policy, including Standard Operating Procedures ('SOPs'), Compliance Manuals, internal codes of conduct, etc.
 - ii. Play the central role in identifying the level of Compliance risk in the organisation. The Compliance risks in existing / new products and processes shall be analysed and appropriate risk mitigants put in place.
 - iii. Subject all new products to intensive monitoring for at least the first six months of introduction to ensure that the indicative parameters of Compliance risk are adequately monitored.
 - iv. The CCO shall be a member of the 'new product' committee/s. If there is no such committee in existence, then the CCO shall evaluate all new products before these are launched. All new processes and products shall be approved by the Compliance Department prior to their introduction.
 - v. Compliance function shall monitor and test compliance by performing sufficient and representative compliance testing, and the results of such compliance testing shall be reported to the senior management. It shall periodically circulate the instances of compliance failures among staff, along with the required preventive instructions.
 - vi. The monitoring mechanism for the compliance testing procedure shall be as follows: the Compliance function shall prepare an annual risk-based compliance testing plan, prioritising the areas, processes and regulatory requirements to be tested according to their compliance risk, which shall be approved by the Audit Committee of the Board; the compliance testing shall be carried out by the Compliance function in accordance with such plan; the findings shall be communicated to the departments concerned with timelines for rectification and tracked to

closure; and the status of the testing plan and of the findings, including those remaining open, shall be reported to the Audit Committee of the Board.

- vii. The Compliance Function will be responsible for compliance with regulatory/ supervisory
- II. Directions given by RBI in both letter and spirit in a time-bound and sustainable manner. Further, they will be responsible for forming an effective Compliance Program where all Risk Mitigation Plan (RMP) / Monitorable Action Plan (MAP) points are complied with within the timelines prescribed, as per RBI's expectations.
 - i. Attend to compliance with directions from regulators other than RBI under whose supervision CFL operates. Further, discomfort conveyed to the NBFC on any issue by other regulators, and action taken by any other authorities / law enforcement agencies, shall be brought to the notice of RBI.
 - ii. The Compliance function shall put in place a mechanism for dissemination of information on regulatory prescriptions and guidelines among staff and periodic updating of operational manuals.
 - iii. The Compliance Function shall serve as a reference point for the employees from operational departments for seeking clarifications / interpretation of various RBI guidelines and circulars. It shall be responsible for educating and guiding the employees in discharging their respective compliance obligations.
 - iv. The Compliance Department will also co-ordinating with employees from operational departments seeking clarifications / interpretation of various regulatory and statutory guidelines other than of RBI.
 - v. Compliance to RBI inspection reports shall be communicated to RBI necessarily through the office of the Compliance Function.
 - vi. Responsibilities of Other Departments
- (a) The Board shall be responsible for compliance with the applicable provisions of the Companies Act 2013, and the Rules thereunder.
- (b) The Board shall also take care of various other listing and disclosures related requirements prescribed by the Securities and Exchange Board of India, wherever required.
- (c) The Accounts Team shall be responsible for compliance with the Accounting Standards and Accounting Rules.
- (d) The IT Team shall be responsible for the laws and requirements relating to the Information Technology framework, IT Security, IT Audit etc.
- (e) The Board shall be responsible for adherence with various legal requirements applicable to the business of the Company including but not limited to the Indian Contracts Act, 1872, the Transfer of Property Act, 1882, the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, the Indian Stamp Act, 1899 etc.
- (f) The Accounts Team shall be responsible for compliance with the provisions of the Income Tax Act, 1961 & the Rules thereunder, the Central Goods and Services Tax Act, 2017 etc.
- (g) The Accounts Team shall be responsible for compliance with various applicable provisions of the Gratuity Act, Labour Act, Prevention of Sexual harassment at Workplaces etc.

- (h) The accounts Department shall be responsible for compliance with the respective Shops & Establishment Act, branch/ estate/ office related administrative compliances etc.

The departments of the Company shall ensure that their respective departments ensure compliance with the applicable laws, statutory requirements, rules/ regulations mentioned, even if those have not been specifically mentioned in the above sub- paragraphs. Further, the Compliance Department shall ensure overall oversight on the compliance matters of the Company.

8. Chief Compliance Officer (CCO)

8.1 Appointment and Tenure of CCO

- i. **Tenure:** The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. However, in exceptional cases, the Board / Audit Committee of the Board (ACB) may relax the minimum tenure by one year, provided appropriate succession planning is put in place;
- ii. **Removal:** The CCO shall be transferred / removed before completion of the tenure only in exceptional circumstances, with the explicit prior approval of the Board / Audit Committee of the Board (ACB), after following a well-defined and transparent internal administrative procedure;
- iii. **Rank:** The CCO shall be a senior executive of the NBFC with a position not below two levels from the MD & CEO. However, in the case of NBFCs-ML, this requirement can be relaxed by one level further. If the NBFC considers necessary, the CCO can also be recruited from the market;
- iv. **Skills:** The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to Supervisory expectations;
- v. **Stature:** The CCO shall have the ability to exercise judgment independently. She / He shall have the freedom and authority to interact with regulators / supervisors directly and ensure compliance;
- vi. **Conduct:** CCO shall have a clean track record and unquestionable integrity;
- vii. **Selection Process:** Selection of the candidate for the post of the CCO shall be made based on a well-defined selection process and recommendations made by a committee constituted by the Board / Audit Committee of the Board (ACB) for the purpose. The Board / Audit Committee of the Board (ACB) shall take final decision in the appointment of CCO.
- viii. **Reporting Requirements:** The Company shall provide prior intimation to the Senior Supervisory Manager, Department of Supervision, RBI, before appointment, premature transfer, resignation, early retirement or removal or any other change in terms and conditions regarding tenure of the CCO. In the case of appointment, such information shall be supported by a detailed profile of the candidate along with the 'Fit and Proper' certification by the MD & CEO of the Company, confirming that the person meets the prescribed supervisory requirements, if any. 'Fit and Proper' criteria may be examined based on the requirements spelt out in these Directions.
- ii. **Reporting Line:** The CCO shall have direct reporting lines to the MD & CEO and / or Board / Audit Committee of the Board (ACB). In case the CCO reports to the MD & CEO, the Board / Audit Committee of the Board (ACB) shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including the MD & CEO. The CCO shall not have any reporting relationship with the business verticals. Further, the performance appraisal of the CCO shall be reviewed by the Board / Audit Committee of the Board (ACB).

8.2 Roles & Responsibility of the CCO

The responsibilities of the CCO shall be as under:

- a. To assist the Board, the ACB and the Senior Management in overseeing implementation of Compliance Policy by reviewing/ approving various procedures, compliance manuals, internal codes of conduct for this purpose.
- b. To play central role in identifying compliance risks in the Company and proper mitigation/ management of the risk identified.
- c. To conduct compliance reviews/ investigations, whenever and wherever necessary.
- d. To ensure compliance with regulatory/ supervisory directions given by the RBI in both letter and spirit in a time-bound and sustainable manner.
- e. The CCO shall be the nodal point of contact between the Company and the regulatory/ supervisory authorities shall necessarily be a participant in the structured or other regular discussions held with the RBI. Further, compliance to RBI inspection reports shall be communicated to the RBI necessarily through the Compliance Department.
- f. There shall not be any 'dual hatting,' i.e., the CCO shall not be given any responsibility which brings elements of conflict of interest, especially any role relating to business.
- g. The CCO shall generally not be a member of any committee which conflicts her / his role as CCO with responsibility as a member of the committee, including any committee dealing with purchases / sanctions.
- h. In case the CCO is a member of any such committee, that would only be an advisory role.
- i. The CCO shall, based on representations made by respective HODs, the CCO shall submit a Quarterly Compliance Certificate to the Board/Audit Committee highlighting the areas of key non-compliances in respect of RBI requirements and MCA regulations and any significant/ material breaches with respect to other regulators and agencies.

9. Responsibility of the Board and Senior Management

- a. The Board / Audit Committee shall ensure that an appropriate Compliance Policy is put in place and implemented. The implementation of the policy shall be supervised by the Audit Committee, in a time-bound manner.
- b. The Board/Audit Committee shall perform an Annual Review of Compliance Risk.
- c. The Senior Management shall carry out an exercise, at least once a year, to identify and assess the major Compliance Risk facing the organisation and formulate plans to manage it.

The annual review, to be carried out by the Senior Management, shall ensure coverage of at least the following aspects:

- i. Compliance failures, if any, during the preceding year and consequential losses and regulatory action, as also steps taken to avoid recurrence of the same;
- ii. Listing of all major regulatory guidelines issued during the preceding year and steps taken to ensure compliance;
- iii. Compliance with fair practices codes and adherence to standards set by self-regulatory bodies and accounting standards; and
- iv. Progress in the rectification of significant deficiencies and implementation of recommendations pointed out in various audits and RBI inspection reports.

- v. The senior management shall submit to the Board / Audit Committee of the Board a review of compliance risk at least quarterly, in addition to the detailed annual review of compliance referred to above.
- vi. The Senior Management shall report promptly to the Board / Audit Committee on any material Compliance failure while ensuring that appropriate remedial or disciplinary action is taken.

10. Compliance Risk Assessment

'Compliance Risk' shall mean the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Company may suffer as a result of its failure to comply with laws, regulations, rules, and codes of conduct, applicable to its activities. Compliance risk management is the process of the identification of the risks that a business can face in relation to its legal compliance, and developing internal policies and procedures to better manage the risks associated with non-compliance. The importance of compliance risk assessment lies in analyzing the compliance risks and taking precautionary steps to avoid and control such risks.

The Senior Management shall, in co-ordination with the Compliance Department, carry out the Compliance risk assessment in order to identify and assess major Compliance risks faced by the Company and prepare a plan to manage the risks, in terms of the Reserve Bank of India (Non-Banking Financial Companies - Compliance Function) Directions, 2026.

The Compliance function shall report the compliance risk assessment and any change in the compliance risk profile to the senior management and to the Board / Audit Committee of the Board.

The Company shall implement comprehensive, integrated, enterprise-wide and workflow-based solutions / tools to enhance the effectiveness of Compliance function, which shall, inter alia, provide for effective communication and collaboration among all the stakeholders; have processes for identifying, assessing, monitoring, and managing compliance requirements; escalate issues of non-compliance; require recording approval of competent authority for deviations / delay in compliance submission; and have a unified dashboard view to senior management on compliance position of the Company as a whole. Having regard to the size and complexity of its operations, the Company shall deploy the following tools / mechanism for the assessment and monitoring of compliance risk and the development of the unified dashboard:

- (a) a compliance risk register, recording the compliance risks identified in each business, product and process, their assessed level and the mitigants in place;
- (b) a regulatory inventory mapping each applicable statutory and regulatory obligation to the responsible department, the owner and the due date;
- (c) department-wise compliance checklists, derived from the regulatory inventory, against which compliance is confirmed by the respective departments;
- (d) a periodic compliance self-assessment by the heads of departments, which shall also support the representations on the basis of which the CCO submits the Quarterly Compliance Certificate; and

(e) a compliance management tool providing the workflow, escalation, approval-recording and dashboard features set out above.

11. Review & Amendments

This policy shall be reviewed by the Board of Directors annually, 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 statutory Act or 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.