



# **ELECTRONICA FINANCE LIMITED** **CORPORATE GOVERNANCE POLICY**



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## **PREAMBLE**

Electronica Finance Limited (hereinafter after referred as “Company” / “the Company”) believes that a good corporate governance system is necessary to ensure its long-term success. The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board of Directors or the Committees of the Board.

Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency and fairness in all transactions in the widest sense and meet the stakeholder’s aspirations and social expectations. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

The objective of this policy is to ensure compliance with legal requirements and set standards for Corporate Governance, so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company and also to elaborate on the provisions of applicable law governing information for shareholders.

The purpose of this policy is to frame internal guidelines on Corporate Governance. This policy lay down the detailed procedures for the implementation of the said guidelines in order to comply with the directions issued by the Reserve Bank of India in this regard.

## **CONTEXT AND PURPOSE**

This Policy on Corporate Governance (“Policy”) draws reference to the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India (“RBI”) vide its notification DNBR.PD008/ 03.10.119/ 2016-17 dated 1st September 2016, (“RBI master directions”) including any amendment, revision in the directions made thereunder and issuance of any guidelines, notification, circular by the RBI in this regard from time to time.

As per the RBI master directions, Non-Banking Financial Companies should frame internal guidelines on corporate governance with the approval of the Board of Directors for enhancing the scope of the guidelines without sacrificing the spirit underlying the RBI master directions. Further, such Policy shall be published on the company's website, if any, for the information of various stakeholders. The Company being an NBFCs-ND-SI, is accordingly covered by the RBI master directions.

This Policy is to be read in conjunction with Applicable Laws; accordingly, this Policy enhances the provisions of Applicable Laws.

## **DEFINITIONS**

In this Policy, unless the context otherwise requires:

- a) “**Applicable Laws**” means the Companies Act, 2013 and the rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended (‘SEBI Listing Regulations’), Master Direction issued by Reserve Bank of India on September 01, 2016 for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company Directions, 2016 and shall include any amendment thereto, applicable Secretarial Standards issued by the Institute of Company Secretaries of India (‘ICSI’) from time to



time and includes any other statute, law, standards, regulations, directions or other governmental instruction relating to Corporate Governance Guidelines;

- b) **“Audit Committee”** means the Audit Committee formed under Section 177 of the Companies Act, 2013 and other Applicable Laws;
- c) **“Board of Directors”** or **“Board”** means the collective body of the directors of the Company;
- d) **“Charter”** with reference to a committee shall mean the principal document governing the operation of the committee in accordance with the provisions of Applicable Laws;
- e) **“Chief Financial Officer”** means chief financial officer as defined in Section 2(19) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;
- f) **“Company”** means Electronica Finance Limited;
- g) **“Committees”** means committees of Board of Directors constituted by virtue of Applicable Laws;
- h) **“Companies Act, 2013”** includes any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force;
- i) **“Company Secretary”** means a company secretary as defined in Section 2(24) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;
- j) **“Corporate Governance”** means a set of relationships between the Company’s management, its Board, its shareholders and other stakeholders which provide the structure through which the objectives of the Company are set, and the means of attaining those objectives and monitoring performance. It helps to define the way authority is allocated and the way corporate decisions are arrived at and executed;
- k) **“Director”** means a director appointed to the Board of the Company as defined in Section 2(34) of the Companies Act, 2013;
- l) **“Independent Director”** means an independent director defined in Section 2(47) of Companies Act, 2013 or any modification or re-enactment made thereunder for the time being in force;
- m) **“KMP”** shall mean Key Managerial Personnel as defined in sub section (51) of Section 2 of the Companies Act, 2013
- n) **“Nomination Committee”** means the Nomination and Remuneration Committee (“NRC”) formed under Section 178 of the Companies Act, 2013 and other Applicable Laws;
- o) **“Risk Management”** means the process established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis;
- p) **“Risk Management Committee”** means the committee constituted as per the Applicable Law;
- q) **“Senior Management”** shall mean officers / personnel of the company who are members of its core management team excluding Board of Directors. This shall comprise of all members of management one level below the Directors (including Managing Director/ Whole-time Director),



specifically including Company Secretary, Chief Financial Officer; and all functional head). This would include all members of management one level below the executive directors and direct reportees to the Managing Director.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI Listing Regulations, or any other applicable law/regulation/rules prescribed by RBI or such other authority.

### **GUIDELINES ON CORPORATE GOVERNANCE**

In pursuance of the RBI Master directions, the Company has framed the following internal guidelines on Corporate Governance.

### **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.

The Board of Directors play a pivotal role in ensuring that the good corporate governance practices are followed within 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.

The Board of Directors focus its activity on the determination, supervision, and monitoring of the strategies and general guidelines that must be followed by the Company, and entrusts to the representative management decision making bodies and to the senior officers the dissemination, coordination, and acting in furtherance of the interests of each and every one of the companies forming part thereof.

The Board shall ensure that the Company's organisational structure enables the Board and Senior Management to carry out their responsibilities and facilitates effective decision-making and good governance. This includes clearly laying out the key responsibilities and authorities of the Board itself, of Senior Management and of those responsible for the control functions.

### **Role and Responsibilities**

In order to promote a sound corporate culture and values, the Board shall ensure the following:

1. To uphold ethical standards of integrity and probity, act objectively & constructively and exercise responsibilities in a bona fide manner in the interest of the Company and its stakeholders.
2. Setting and adhering to corporate values, in the form of the vision or mission statement or in any other form that the Company feels appropriate, for itself, Senior Management and other employees that create expectations that all business should be conducted in a legal and ethical manner;
3. To monitor the performance of management to ascertain the achievement of agreed goals and objectives.



4. Promoting risk awareness within a strong risk culture, conveying the Board's expectation that it does not support excessive risk-taking and that all employees are responsible for helping ensure that the Company operates within the agreed risk appetite and risk limits;
5. Ensuring that appropriate steps are taken to communicate throughout the Company the corporate values, professional standards or Code of Conduct it sets, together with supporting policies;
6. Employees should be encouraged and able to communicate, confidentially and without the risk of victimization, legitimate concerns about illegal, unethical or questionable practices. This will be facilitated through the Whistle Blower Policy including any modification(s) revision(s) thereto.
7. The Board of directors shall provide strategic guidance to the Company.
8. To ensure that the integrity of the financial information and that financial controls and the systems of risk management are robust and defensible;
9. To exercise objective independent judgment on corporate affairs, board deliberations on issues relating to strategy, performance, risk management, resources, key appointments and standards of conduct.
10. To shall bring an objective view in the evaluation of the performance of board and management

In addition to the above, the Company and the Directors shall at all times abide by the applicable provisions of SEBI Listing Regulations and the Act.

#### **Oversight of Senior Management**

The Board should oversee the Senior Management. It should hold members of Senior Management accountable for their actions and enumerate the consequences if those actions are not aligned with the Board's performance expectations.

#### **Board Composition**

The Board of the Company shall have an optimum combination of Executive, Non- Executive and Independent Directors. The Board's strength shall be minimum three directors and maximum number of directors shall be as per the limit specified in the Articles of Association of the Company.

#### **Board Meetings and Quorum**

The Board Meetings of the Company shall be held as per the requirements prescribed under the Applicable Laws and as decided by the Board of Directors. The meetings of the Board shall generally be held at the Company's corporate office/registered office unless otherwise decided by the Board of Directors. The dates of the meetings shall be fixed well in advance.

The quorum shall be as per the requirements of the Applicable Laws and as per the provisions of the Articles of Association of the Company.



### **Information to be placed before Board and its Committees**

To enable the Board members to discharge their responsibilities effectively and take informed decisions, detailed agenda papers, with explanations on each item, shall be sent to each Director well in advance of the Board and its Committee meetings as per Companies Act, 2013 and other Applicable Laws.

All the items on the agenda shall be discussed in detail, during the Board and its Committee meetings. The Board members shall have complete access to any information, within the Company. At the meetings, the Board members shall be provided with all the relevant information on important matters affecting the working of the Company as well as the related details that require deliberation by the members of the Board.

### **Agenda for the Meeting**

The agenda for the Board and its Committee meetings shall be sent to the Board members and the Committee members respectively within a reasonable period of time prior to the Meeting as per the Applicable Laws.

With the permission of the Chair, each Board member and Committee member, as the case may be, is free to raise any matter(s) that is/are not on the agenda of the Board and the Committee Meeting respectively and any other matter can be placed for discussion unless there are any regulatory restrictions.

However, with reference to any sensitive matter on the agenda, relevant information can be made available only at the time of the Board Meeting or the Committee meeting as the case may be.

### **Attendance at Board Meetings**

The Directors shall strive to attend all meetings of the Board and its Committees where they are members. In case a Director is unable to attend specific Board Meeting or its Committees where they are members, he or she shall obtain leave of absence from the Board or the Committee as the case may be.

### **Minutes**

The minutes of all meetings of the Board and the Committees shall be circulated to the Board and the Committee respectively and shall be noted in the consequent Board Meeting and Committee meeting respectively as per Companies Act, 2013 and Secretarial Standard on Meetings of the Board of Directors issued by the Institute of Company Secretaries of India and other Applicable Laws. Minutes of meetings of Committees of Board shall be placed before the Board.

### **Appointment and Compensation of Directors**

All the Director(s) shall be appointed as per the applicable provisions of the Act and rules made there under.

1. A person proposed to be appointed as a Director shall be assessed on various parameters such as qualification, relevant experience and expertise, integrity, skill sets. etc. The person considered to be appointed as a Director should also possess relevant expertise which will help the person to act objectively and constructively.



2. All the Directors on the Board shall fulfil the fit and proper criteria as laid down as per RBI CG Directions.
3. The appointment/re-appointment and the remuneration payable to the Director(s) shall be reviewed by the Nomination and Remuneration Committee and recommended to the Board for approval.
4. The Non-Executive and Independent Directors shall be paid sitting fees and other expenses incurred for attending the Board/Committee Meetings eg. Travelling /lodging.
5. Independent Directors of the Company shall not be entitled to stock options.

### **Disclosures**

An annual declaration on confirmation in respect of fit and proper criteria in the format prescribed under the Company's Policy on fit and proper criteria for the Directors formulated in terms of RBI Directions shall be furnished by the Directors.

A declaration of independence in terms of Section 149(7) of the Companies Act, 2013 and SEBI Listing Regulations shall be furnished by the independent Directors at the first meeting of the board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year and whenever there is any change in the circumstances that affect their status as an Independent Director.

### **Conflict of Interest**

- All the Directors and key managerial personnel shall be required to disclose to the Board of directors whether they, directly or indirectly, or on behalf of third parties, have any material interest in any transaction or matter directly affecting the Company.
- No Independent Director shall have any pecuniary relationship other than remuneration as such director or having transaction not exceeding ten per cent of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors during the two immediately preceding financial year or during the current financial year.
- No relative of Independent Director:
  - (i) shall hold any security of or interest in the Company, its holding, subsidiary or associate company during the two immediately pre-ceeding financial year or during the current financial year.  
Provided that relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two percent of the paid-up sharer capital of the company, it holding, subsidiary or associate company or such higher sum as may be prescribed.
  - (ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year.





- (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoter, or directors of subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during two immediately preceding financial years or during the current financial year. Or
- (iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in above sub-clauses.
- Every Director if concerned or interested, whether directly or indirectly, in any contract or arrangement or proposed contract or arrangement entered into or to be entered with a body corporate in which either the Director individually or in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, the Director is a partner, owner or member, as the case may be, shall disclose the nature of concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

#### **SEPARATE MEETING OF THE INDEPENDENT DIRECTORS**

The Independent Directors of the Company shall meet atleast once in a year without the presence of Non-Executive Directors and the Management in terms of Schedule IV of the Act and SEBI Listing Obligations. The meeting shall be held to review the performance of Non-Independent Directors and the Board as a whole; to review the performance of the Chairman and to assess the quality, quantity and timeliness of flow of information between the company management and the Board and its members that is necessary for the Board to effectively and reasonably perform their duties.

#### **COMPANY SECRETARY**

The Company Secretary shall ensure that various compliances under Companies Act, 2013 and Rules thereunder and SEBI Regulations are complied by the Company.

#### **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 their Charter / terms of reference.

The Board shall have the following Committees mandatorily besides other Committees:

- Audit Committee;
- Nomination and Remuneration Committee;
- Risk Management Committee;
- Asset Liability and Management Committee and
- IT Strategy Committee
- Corporate Social Responsibility Committee;

The terms of reference of the above-mentioned Committees shall be determined by the Board from time to time as per Applicable Laws.



Other than the Committees that are mandatorily required to be constituted, the Board may at its discretion, constitute such other Committees, as and when required, to ensure smooth functioning of the Company

**Details of the various Board Committees are as under:**

**AUDIT COMMITTEE**

The Company has in place the Audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 and RBI guidelines on Corporate Governance

The powers, functions, duties and terms of reference of the Audit Committee shall be comprehensive and include the requirements as set out by Section 177 of the Companies Act, 2013 and other applicable laws as amended from time to time and as laid down in the Charter of the Audit Committee adopted by the Board.

The Committee will be vested with necessary powers, as defined in its terms of reference to achieve its objectives.

**Composition:**

The Audit Committee of the Company shall have minimum of three Directors with Independent members being the majority. Further, composition of Audit Committee shall also be in accordance with the provisions of Articles of Association of the Company as amended from time to time. All members of the Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The members of the Audit Committee shall be appointed by the Board of Directors.

The Chairperson of the Committee shall be an Independent Director who shall attend the Annual General Meeting (AGM) to answer shareholder queries and in case of any exigency he may authorise any member of the Audit Committee to attend the AGM on his behalf.

The Company Secretary of the Company shall act as secretary to the Audit Committee.

The Chief Financial Officer, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee

**Minutes:**

The Company Secretary will maintain minutes of the meetings of the Audit Committee as per the Applicable laws.

**Terms of Reference**

The Audit Committee shall undertake such duties as per the Charter approved by the Board and any such duties as may be delegated to it from time to time, in conformity with the various Applicable Laws.

The Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:



- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- c) Reviewing the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
  - matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
  - changes, if any, in accounting policies and practices and reasons for the same;
  - major accounting entries involving estimates based on the exercise of judgment by management;
  - significant adjustments made in the financial statements arising out of audit findings;
  - compliance with legal requirements relating to financial statements;
  - disclosure of any related party transactions;
  - modified opinion(s) in the draft audit report;
- d) Reviewing the Yearly financial statements before submission to the board for approval;
- e) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- f) Approval or any subsequent modification of transactions of the Company with related parties;
- g) Scrutiny of inter-corporate loans and investments;
- h) Evaluation of internal financial controls;
- i) Reviewing performance of statutory and internal auditors, adequacy of the internal control systems;
- j) Reviewing of internal audit function, reporting structure coverage and frequency of internal audit;
- k) Discussion with internal auditors of any significant findings and follow up there on;
- l) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- m) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- n) To review the functioning of the whistle blower mechanism and Vigil Mechanism;
- o) Recommendation of appointment of Chief Financial Officer, Internal Audit Head after assessing the qualifications, experience and background, etc. of the candidate to the Board;
- p) Carrying out any other function as is mentioned in the terms of reference of the audit committee

Additionally, the Audit Committee shall *inter alia* ensure that Audit of the internal systems and processes is conducted at least once in a year to assess operational risks.

#### **NOMINATION AND REMUNERATION COMMITTEE**

The Company has in place the Nomination and Remuneration Committee in accordance with the provisions of Section 178 of the Companies Act, 2013 and the rules made there under and in compliance with RBI guidelines on Corporate Governance.

#### **Composition:**



The Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent directors. Further, composition of NRC Committee shall also be in accordance with the provisions of Articles of Association of the Company as amended from time to time.

The Chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

The Chairperson of the Company whether executive or non-executive may be appointed as member of NRC but shall not act as the Chairperson of the NRC.

The Chairperson of the NRC shall be an Independent Director.

The Company Secretary will act as a Secretary to the Committee but shall not be a member.

The Chairperson of the NRC if required shall attend the Annual General Meeting of the Company to answer the shareholders' queries.

**Meetings and Quorum:**

The NRC shall meet at least once in a year and on need basis.

Quorum shall comprise of two members or one third of the total members of the NRC, whichever is higher, including at least one Independent Director in attendance. Further, quorum requirement for meetings of NRC Committee shall also be in accordance with the provisions of Articles of Association of the Company as amended from time to time

**Minutes:**

The Company Secretary will maintain the minutes of the meeting of the NRC as per Applicable Laws.

**Terms of Reference:**

The NRC shall undertake the duties as per the Charter approved by the Board and any other duties as may be delegated to it from time to time, in accordance with various Applicable Laws.

The Nomination and Remuneration Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:

- a) To formulate some criteria for determining qualifications, positive attributes and independence of a Director.
- b) To ensure 'fit and proper' status of proposed/ existing Directors
- c) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- d) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- e) To recommend to the Board the appointment and removal of Senior Management.
- f) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.



- g) To recommend to the Board on policy relating to remuneration for Directors including Executive Directors, Key Managerial Personnel and Senior Management.
- h) 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;
- i) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- j) To devise a policy on Board diversity;
- k) Carrying out any other function as is mentioned in the terms of reference of the NRC

### **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee will be constituted of Board of Directors to manage the integrated risks of the Company.

The Company has in place the Risk Management Committee for the purpose of monitoring the risk and to make suitable strategies to control it.

The Risk Management Committee shall identify, review and control key risk areas, across the entire organization. The Risk Management Committee shall review and monitor integrated risk *viz*; credit risk, market risk, liquidity risk, operational risk, regulatory risk and reputational risks. The Risk Management Committee shall be vested with necessary powers, as defined in its Charter to achieve its objectives.

### **Composition:**

The constitution and functioning of Risk Management Committee shall be as per the Applicable Laws and in accordance with the provisions of Articles of Association of the Company as amended from time to time. Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director.

The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the entity may be members of the committee. Further, composition Risk Management Committee shall also be in accordance with the provisions of Articles of Association of the Company as amended from time to time.

The Chief Risk Officer, if any shall be responsible to act as the primary interface between the Chairperson of the Committee and the Senior Management and ensure relevance of the items tabled at the Committee Meetings.

The Company Secretary will act as a Secretary to the Committee but shall not be a member. The Company Secretary shall be responsible to provide support to ensure proper execution of the required processes.

### **Meetings and Quorum**

The Committee shall meet as and when necessary to review and monitor the risk associated with business of the Company. The quorum shall be at least two Directors.

### **Minutes**



The Company Secretary will maintain minutes of the meetings of the Risk Management Committee as per Applicable Laws.

**Terms of Reference**

The Risk Management Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia, include:

- a) To periodically assess risks to the effective execution of business strategy and review key leading indicators in this regard.;
- b) To review and approve the Risk Management Framework of the Company.
- c) To periodically review the risk management processes and practices of the Company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- d) To review operational risk, information technology risk and integrity risk;
- e) To review credit risk management processes.
- f) The risk management committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner
- g) To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
- h) To make regular reports to the Board, including with respect to risk management and minimization procedures.
- i) The role and responsibilities of the risk management committee shall include such other items as may be prescribed by applicable law or the Board in compliance with applicable law, from time to time.
- j) Have access to any internal information necessary to fulfill its oversight role and the authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

**ASSET LIABILITY MANAGEMENT COMMITTEE**

The Board shall also constitute an Asset Liability Management Committee (ALCO) as per guidelines issued by the RBI and in accordance with the provisions of Articles of Association of the Company as amended from time to time. The functioning of the ALCO shall also be in line with the requirements of the RBI Master Directions.

The Committee *inter alia*, shall monitor the asset liability gap and strategize action to mitigate the risk associated. The Committee shall mainly address liquidity and interest rate risk.

**Composition:**

Pursuant to the RBI Master Directions read with Guidelines on Liquidity Risk Management (LRM) Framework ALCO should be headed by Managing Director or Executive Director. Further, composition ALCO shall also be in accordance with the provisions of Articles of Association of the Company as amended from time to time.

The Chief Financial Officer shall be responsible to act as the primary interface between the Chairperson of the Committee and the Senior Management and ensure relevance of the items tabled at the Committee Meetings.



The Company Secretary will act as a Secretary to the Committee but shall not be a member. The Company Secretary shall be responsible to provide support to the Chief Financial Officer in his/her role and to ensure proper execution of the required processes.

**Meetings and Quorum:**

The ALCO Committee shall meet on a quarterly basis and further on need basis.

The quorum of ALCO meetings shall comprise of at least two members of the Committee. Further the quorum of ALCO shall also be in accordance of applicable provisions of the Articles of Association of the Company as amended from time to time.

**Minutes:**

The minutes of the meetings of ALCO shall be maintained by the Company Secretary as per Applicable Law.

**Role of the Committee:**

The Committee shall undertake such duties as per the terms of reference approved by the Board and such other duties as may be delegated to it from time to time.

- a) Monitoring the market risk levels of the company by ensuring adherence to the various risk-limits set by the Board;
- b) Articulating the current interest rate view and a view on future direction of interest rate movement and base its decisions for future business strategy on this view as also on other parameters considered relevant.
- c) Deciding the business strategy of the company, both - on the assets and liabilities sides, consistent with the Financial Institution's interest rate view, budget and pre-determined risk management objectives. This would, in turn, include:
  - Determining the desired maturity profile and mix of the assets and liabilities;
  - Product pricing for both - assets as well as liabilities side;
  - Deciding the funding strategy
  - Reviewing the results and progress in implementation of the decisions made in the previous meetings

**IT STRATEGY COMMITTEE**

The Company has in place an IT Strategy Committee in accordance with the RBI Master Direction - Information Technology Framework for the NBFC Sector dated June 08, 2017 and amendments therein.

**Composition**

The IT Strategy Committee shall consist of a minimum of three Members. CIO & CTO should be a part of the committee. The Company may designate a senior executive as the Chief Information Officer (CIO) or in-Charge of IT operations whose responsibility is to ensure implementation of IT Policy.

Independent Director to be the Chairperson of the Committee



### **Secretary**

The Company Secretary of the Company shall act as the Secretary to the Committee.

### **Meetings and Quorum**

The committee shall meet at an appropriate frequency with maximum gap of 6 months between two meetings.

The quorum for committee meeting shall be two members.

### **Terms of reference**

1. Providing input to other Board committees and Senior Management.
2. Carrying out review and amending the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.
  - a) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
  - b) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
  - c) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
  - d) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
  - e) Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

### **CORPORATE SOCIAL RESPONSIBILITY ("CSR") COMMITTEE**

The Company has in place a Corporate Social Responsibility Committee in accordance with the provisions of Section 135 of Companies Act, 2013.

### **Composition**

As per Section 135(1), three or more Directors including at least one Independent Director shall form CSR Committee.

### **Secretary**

The Company Secretary of the Company shall act as the Secretary to the Committee.

### **Quorum**

The quorum for committee meeting shall be two members.

### **Terms of reference**

1. To formulate and recommend to the board of directors, the CSR Policy which shall indicate the activities to be undertaken as specified in Schedule VII of the Act and the applicable rules;





2. To Recommend the areas of interest under which CSR activities can be undertaken by the Company
3. To recommend the amount of expenditure to be incurred on the CSR activities planned for the year;
4. To formulate the CSR Budget based on the CSR activities planned for the year;
5. To create an effective due diligence and monitoring mechanism for implementation of the approved CSR activities;
6. To submit reports to the Board of Directors in respect of the CSR activities undertaken by EFL;

#### **FIT AND PROPER CRITERIA FOR DIRECTORS**

The Company have in place a policy for ascertaining the 'fit and proper' criteria at the time of appointment of Directors and on a continuing basis. The NRC shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. The NRC should obtain such declarations/undertakings, deed of covenant from the Directors and ensure furnishing such statement and certificates as may be prescribed by the Policy on Fit and Proper Criteria for Directors in line with the RBI Master Directions.

The Company shall ensure that a quarterly statement is submitted within 15 days from the end of the respective quarter to RBI on change of directors along with a certificate from the Managing Director certifying that the fit and proper criteria is adhered while selecting directors. The statement for the quarter ending March 31, shall be certified by the statutory auditors.

#### **CODE OF CONDUCT**

The Company has adopted code of conduct approved by the Board of Directors which is binding on employees and directors of the Company and the same shall be complied with.

#### **DISCLOSURE TO THE BOARD**

The following disclosures shall be made to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

1. Progress made in putting in place a progressive risk management system and risk management policy and strategy followed;
2. 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.

The following disclosures shall be made in the annual financial statements:

1. Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;
2. Ratings assigned by credit rating agencies and migration of ratings during the year;
3. Penalties, if any, levied by any regulator;
4. Asset-Liability profile, Non-Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/assignment transactions and other disclosures;
5. Any other information which requires disclosure under the Applicable Laws.



#### **ROTATION OF STATUTORY AUDITORS/AUDIT PARTNER(S)**

The Company shall appoint/re-appoint/rotate the firms/partner(s) of the Chartered Accountant firm conducting statutory audit as per Applicable Laws and in accordance with Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).

For the purpose of adopting best corporate practices and to strengthen the governance mechanism, the partner of the Statutory Auditors is subject to rotation and is required to rotate in every three years.

#### **REVIEW OF POLICY**

The Board or its Committee may review the policy from time to time as may be required. Changes, if any, shall be effective only upon approval by the Board.