



ECLF – Corporate Governance Policy

ECL Finance Limited

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1. INTRODUCTION

1.1 BACKGROUND

Corporate governance is a set of process, practices, policies, procedures, rules and laws that affect the way in which the business is conducted. It is a set of systems and processes aimed to ensure that a Company is managed to suit the best interests of all stakeholders. Corporate governance brings about a right balance between the expectations of the owners, employees, customers and all other stakeholders. With the help of sound corporate governance frameworks, an organization can achieve excellence in everything that they do.

ECL Finance Limited (“ECLF” or “the Company”) firmly believes in adherence to highest corporate governance practices. Through the Corporate Governance Policy (“the Policy”) the Company aims to pursue excellence in corporate governance.

This Policy shall be published on the website of the Company.

1.2 PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is about fairness and creation of value on a sustainable basis for all stakeholders. The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics. This document contains Company’s internal guidelines relating to corporate governance.

It is understood by all that corporate governance is a fast-evolving subject and we will need to upscale ourselves every time new facts and situations come up. The Company strives to ensure good governance through the implementation of effective policies and procedures, which is regularly reviewed by the Board or the Committees of the Board.

1.3 REGULATORY FRAMEWORK

This Policy has been adopted in line with the following guidelines:

- Reserve Bank of India’s Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued vide Master Direction no. DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 (hereinafter referred to as "RBI Master Direction"), as applicable/updated from time to time.
- SEBI (Listing Obligation & Disclosure Requirement) Regulations (hereinafter referred to as "SEBI Regulations" or "Listing Regulations") - Obligations of listed entity which has listed its Specified Securities and Non-Convertible Debt Securities.
- Relevant provisions of Companies Act 2013 (hereinafter referred to as "the Act") and corresponding rules (hereinafter referred to as "the Rules").

2. GOVERNANCE STRUCTURE

The Board along with its Committees provides direction and exercises appropriate controls directly as well as through the procedures and policies mandated.



2.1 BOARD OF DIRECTORS

The Company's Board has a fiduciary role to protect and enhance stakeholder's value through strategic supervision.

2.1.1 Size and composition of the Board of Directors

The size of the Board shall be as per the Articles of Association of the Company ("Articles").

The Company's Board shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors as required by the Articles in addition to the provisions of the Act, RBI Master Directions, SEBI regulations and any other applicable laws/ rules and regulations.

2.1.2 Independent Directors

Independent Directors are expected to play a key role in the decision-making process of the Board. The Independent Directors should strive to bring in an independent, impartial and objective view to discussions at the meetings of the Board and its Committees and they shall act in a way that is in the best interest of the Company and its stakeholders.

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of the Act and the Listing Regulations.

The Independent Director shall be familiarized with various programmes about the Company, including the following:

- (a) nature of the NBFC industry;
- (b) business model of the Company;

- (c) roles, rights, responsibilities of the Independent Directors; and
- (d) any other relevant information as deemed fit by the Board.

The Independent Directors shall abide by the Code of Conduct prescribed under Schedule IV of the Act. Further, in line with the statutory requirements, the Independent Directors are required to hold at least one meeting a year, without the attendance of non-independent Directors and members of the Management, to transact business as may be specified in the Act/SEBI Regulations from time to time.

2.1.3 Appointment of Board of Directors

The Nomination & Remuneration Committee (“NRC”) will recommend the induction of Board Members to the Board of Directors. The appointment of the directors shall be as per the provisions the Companies Act 2013 and the Nomination and Remuneration Policy of the Company.

No director shall hold directorship in more than the permissible number of private and public companies pursuant to Section 165 of the Act, Regulation 17A of the Listing Regulations and applicable RBI Guidelines.

All the Directors shall make the necessary annual disclosure to the Company regarding their change in interest in any company or organization including shareholding, directorships and committee membership and shall intimate at the time of occurring any such change.

Fit & Proper Criteria

Pursuant to the RBI Master Directions, the Company shall perform adequate due diligence as per the Fit and Proper Criteria of the Directors and obtain necessary declarations and disclosures from them. The Fit and Proper Criteria is laid down in the Nomination and Remuneration Policy of the Company.

2.1.4 Meetings of the Board of Directors and quorum

Meetings of the Board of Directors shall be held at least four times a year in such manner that not more than 120 (one hundred and twenty) days shall intervene between two consecutive meetings. The quorum for the meetings of the Board shall be as per the Act and SEBI Regulations.

The detailed notes/information for agenda of the Board/Committee meetings shall be circulated to all the Directors, well in advance as per the regulatory requirements of the Act and applicable Secretarial Standards, for fruitful discussions and making informed decisions.

2.1.5 Information to be placed before the Board

All matters which are of strategic importance and of material significance shall be placed before the Board for the Board members to effectively discharge their responsibilities. Pursuant to Schedule II of the Listing Regulations, such information shall, inter alia, include:

- a) Annual operating plans and budgets and any updates.
- b) Capital budgets and any updates.
- c) Quarterly results of the Company and its operating divisions or business segments.
- d) Minutes of meetings of audit committee and other committees of the board of directors.
- e) The information on recruitment and remuneration of senior officers just below the level of board of directors, including appointment or removal of Chief Financial Officer and the Company Secretary.
- f) Show cause, demand, prosecution notices and penalty notices, which are materially important.
- g) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- h) Any material default in financial obligations to and by the Company.
- i) Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the listed entity or taken an adverse view regarding another enterprise that may have negative implications on the Company.
- j) Details of any joint venture or collaboration agreement.
- k) Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- l) Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
- m) Sale of investments, subsidiaries, assets which are material in nature and not in normal course of business.
- n) Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- o) Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- p) Progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- q) 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.
- r) Any other item as may be required by applicable law.

2.1.6 Duties and Responsibilities of the Board

The Board's key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs, whilst meeting the appropriate interests of its stakeholders.

The Board is primarily responsible for inter-alia:

- Establishing vision, mission & values and determining, reviewing the goals, policy of the Company from time to time.
- Setting strategy and structure and deciding the means to implement and support them.
- Delegating to management, determining monitoring criteria to be used and ensuring effectiveness of internal controls.

Pursuant to regulation 17(5) of SEBI Regulations, the Board of Directors shall lay down a code of conduct for all members of Board of Directors and senior management of the listed entity. This code of conduct shall suitably incorporate the duties of independent Directors as laid down in the Act.

2.1.7 Board Evaluation:

The Act and SEBI Regulation has prescribed certain provisions with regard to Board evaluation. The Company shall put in place a mechanism to facilitate Board evaluation through a Board approved policy.

The Board and its Committees shall annually engage in an assessment exercise evaluating their performance for the purpose of increasing the effectiveness of the Board. The NRC is responsible for formulating criteria for evaluation of performance of Board, its Committees, Chairperson and Directors. The outcome of aforesaid evaluation shall be deliberated at appropriate forum(s) as required under the Act/SEBI Regulation.

2.2 BOARD COMMITTEES

To focus effectively on the specific matters and ensure expedient resolution of diverse subjects, the Board shall constitute a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Terms of Reference (“TOR”). The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting. Presently the Board has constituted the following Committees

- I. Audit Committee
- II. Nomination & Remuneration Committee
- III. Corporate Social Responsibility Committee
- IV. Stakeholders Relationship Committee
- V. Asset Liability Management Committee
- VI. Risk Management Committee
- VII. IT Strategy Committee

2.2.1 Audit Committee

Composition:

The Company shall constitute an Audit Committee in accordance with the provisions of Section 177 of the Act and applicable provisions of the Rules, SEBI Regulations and RBI Master Directions. The Committee shall have not less than three members with at least 2/3 of the members being independent Directors.

Frequency, Quorum of Meetings, and its Chairperson:

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. The quorum for audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two Independent Directors.

The Chairperson of the Committee shall be an Independent Director.

Roles & Responsibilities:

The roles and responsibility of the Audit Committee has been defined in the Terms of Reference (“TOR”) of the Committee.

The recommendations of the Audit Committee on any matter shall be binding on the Board and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in the Directors Report along with reasons therefore.

2.2.2 Nomination and Remuneration Committee (“NRC”)

Composition:

In accordance with the provisions of Section 178 of the Act and applicable provisions of the Rules, SEBI Regulations and RBI Master Directions, the Company shall constitute a Nomination and Remuneration Committee. The Committee shall comprise of at least three non-executive Directors with at least two-third of the Directors being independent Directors. The Chairperson of the Committee shall be an Independent Director.

Frequency, Quorum of Meetings, and its Chairperson:

The Nomination and Remuneration Committee shall meet at least once in a year and on ad hoc basis, as required. The quorum for a meeting shall be either two members or one third of the members of the Committee, whichever is higher, including at least one independent Director in attendance. The Chairperson of the Board can be a member of this Committee but shall not chair this Committee. The Chairperson of the Committee shall be an Independent Director.

Roles & Responsibility:

The roles and responsibility of the NRC has been defined in the TOR of the Committee.

2.2.3 Corporate Social Responsibility Committee (“CSR Committee”)

Composition:

The Company shall constitute a Corporate Social Responsibility Committee in accordance with the provisions of the Section 135 of the Act. The Committee shall consist of at least three Directors out of which at least one shall be independent.

Frequency, Quorum of Meetings, and its Chairperson:

The Committee shall meet at least once in a year and on ad hoc basis, as required. The quorum of the meeting shall be one third of the total strength or two Directors whichever is higher. Any Committee member may chair this Committee.

Roles and Responsibility:

The roles and responsibility of the CSR Committee has been defined in the TOR of the Committee.

2.2.4 Stakeholders Relationship Committee (“SRC”)

Composition:

The Company shall constitute a Stakeholders Relationship Committee in accordance with the provisions of the Section 178 of the Act and applicable provisions of the Rules, SEBI Regulations and RBI Master Directions. The Committee shall constitute of at least three Directors, with at least one being an independent Director.

Frequency, Quorum of Meetings, and its Chairperson:

The Committee shall meet at least once in a year and on ad hoc basis, as required and the quorum of the meeting shall be one third of the total strength or two Directors whichever is higher. The Chairperson of this Committee shall be a Non-Executive Director.

Roles and Responsibility:

The roles and responsibility of the SRC has been defined in the TOR of the Committee

2.2.5 Asset Liability Management Committee (“ALCO”)

Composition:

In accordance with the provisions of the RBI Directions an Asset Liability Management Committee shall be constituted for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The CEO/MD or the Executive Director (“ED”) should Chair the Committee. Members of the ALCO committee shall be experts in the field of economics, fund/treasury management, resource management/planning among other attributes.

Objectives:

The broad objectives of the ALCO are as follows:

- Liquidity Risk: The role of the ALCO with respect to liquidity risk would include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches.

- Liquidity Management: Ensuring availability of adequate liquid resources with a view to keep maturity mismatches in the Balance Sheet of the Company within desired levels.
- Interest Rate Risk Management: Reviewing Interest Rates Scenario and decide on the desired composition of various portfolio; Capture the sensitivity of Market Value of its Equity (MVE) to interest rate movements.
- Profit Planning: Positioning in order to maximize shareholder value while protecting the Company from any adverse consequences arising from liquidity and interest rate risk.

Frequency, Quorum of Meetings, and its Chairperson:

Meeting of the ALCO Committee shall be held at least once in every quarter and on ad hoc basis, as required. The Quorum of the meeting shall be one third of the total strength or two Directors whichever is higher. The Committee may invite any other officer/ employee of the Company in the meeting on need basis.

Roles and Responsibility:

The roles and responsibility of the ALCO Committee has been defined in the TOR of the Committee.

2.2.6 Risk Management Committee (“RMC”)

Composition:

In accordance with the provisions of the RBI Directions and SEBI regulations the Board shall constitute a Risk Management Committee to manage all perceived risk. It shall comprise of minimum three members with majority of them being members of the Board and rest being senior executives of the Company, including at least one independent Director.

Frequency, Quorum of Meetings, and its Chairperson:

The RMC shall meet at least twice in a year. The meetings of the Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings. The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the Committee, whichever is higher, including at least one member of the Board of Directors in attendance.

The Chairperson of the Risk Management Committee shall be a member of the Board of Directors.

Roles and Responsibility:

The roles and responsibility of the RMC has been defined in the TOR of the Committee.

2.2.7 IT Strategy Committee

Composition:

In accordance with the provisions of the RBI Master Directions on Information Technology Framework for the NBFC Sector, dated June 8, 2017, an IT Strategy Committee shall be constituted comprising of

the Chief Technology Officer and Chief Information Officer amongst others as members. The Committee shall be chaired by an Independent Director.

Frequency, Quorum of Meetings, and its Chairperson:

The IT Strategy Committee shall meet at an appropriate frequency but not more than six months should elapse between two meetings. The quorum for a meeting shall be either two members or one third of the members of the Committee, whichever is higher.

Roles and Responsibility:

The roles and responsibility of the IT Strategy Committee has been defined in the TOR of the Committee.

2.3 EXECUTIVE COMMITTEES

In addition to the Board Committees, the Company shall also formulate Executive Committees as may be required for operational effectiveness of as per regulatory requirements. These Executive Committees shall report to the Board Committees and shall have their roles and responsibilities defined in their respective Terms of Reference.

2.4 CHIEF RISK OFFICER (“CRO”) & CHIEF COMPLIANCE OFFICER (“CCO”)

The Company shall appoint a Chief Risk Officer and a Chief Compliance Officer pursuant to the RBI Master Directions and RBI Guidelines on Compliance Function and Role of Chief Compliance Officer (CCO) – NBFCs.

2.5 AUDITORS

2.5.1 Statutory Auditors

The Board and the Audit Committee of the Company shall be responsible for appointment of Statutory Auditors who have professional ability and are independent. The Board/ Audit Committee shall appoint Statutory Auditors in compliance with the RBI Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) and Policy on Appointment of Statutory Auditors of the Company.

2.5.2 Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the Management and accordingly monitor its adequacy and effectiveness. The Board/ Audit Committee shall appoint Internal Auditors and conduct internal audit pursuant to RBI guidelines on Risk based Internal Audit (“RBIA”) dated Feb 03, 2021, and the RBIA Policy of the Company.

2.5.3 Secretarial Auditors

The Board and Audit Committee shall appoint an independent Company Secretary in practice, in accordance with the provision of the Act to conduct a secretarial audit of the Company for every financial year. The Secretarial Auditor shall provide its report in the form and manner prescribed under the Act. The Secretarial Audit report shall be placed before the Board for its noting and records and the same be annexed to the Board's Report which shall be circulated to the members of the Company in accordance with the Act.

2.6 POLICIES

ECLF shall adopt such policies and codes as required by the Act, SEBI Regulations, RBI Master Directions and any such other applicable laws and regulations enabling the overall Corporate Governance Framework of the Company.

4. DISCLOSURE & TRANSPARENCY

In addition to other disclosures, the following shall also be disclosed in the Annual Financial Statements of the Company:

- Corporate Governance report containing composition and category of directors, shareholding of non-executive directors, etc.
- Disclosure on modified opinion, if any, expressed by auditors, its impact on various financial items and views of management on audit qualifications.
- Items of income and expenditure of exceptional nature.
- Breaches in terms of covenants in respect of loans availed by the ECLF or debt securities issued by the ECLF including incidences of default.
- Divergence in asset classification and provisioning above the threshold decided by RBI.

The above requirement shall be applicable from March 31, 2023.

5. REVIEW OF POLICY

The Secretarial team along with the Chief Compliance Officer shall review the adequacy and effectiveness of this policy at least annually and amend the provisions of this policy as and when required.

In the event of any conflict between the provisions of this Policy and any statutory enactments and rules, the provisions of statutory enactments and rules shall prevail over this Policy.