

GUIDELINES ON CORPORATE GOVERNANCE

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GUIDELINES ON CORPORATE GOVERNANCE

1) Purpose

Corporate governance is a way of life and not a set of rules. Corporate governance is a set of process, practices, policies, procedures, rules and laws that affect the way of 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. It is a necessary condition, and not a sufficient condition for succeeding. 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 that they do.

2) Policy

Professionals associated with ECL Finance Limited (hereinafter referred to as “ECLF” or “Company” have a challenging period ahead keeping track of legislative reforms and technological developments, understanding their impact on one’s duties and responsibilities. The employees of the Company bind themselves by a code of conduct to ensure highest level of independence, integrity, innovation and excellence. They are expected to use their capacity, knowledge and resources towards maximization of stakeholders’ value and well-being and progress of humankind through transparency, accountability and truthful disclosure of state of affairs.

This document contains Company’s internal guidelines relating to Corporate Governance and is by no means comprehensive in terms of applicability. 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 guidelines are the bare minimum requirement relating to functioning of Audit Committee, Nomination Committee and Risk Management Committee.

3) Administration

The Governance team of the Company is primarily responsible for administrating these Guidelines. The Administrator is also authorized to make modifications to the guidelines from time to time to ensure that it is in compliance with statutory laws, amendments or regulations.

4) Regulatory Framework

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, as applicable/updated from time to time

5) Applicability

This Guideline applies to all employees and persons associated with the Company. This also applies to Directors (including Independent Directors) of the Company. To the extent it relates to the Rotation of

Auditors, the same shall apply to the Statutory Auditors of the Company.

Pursuant to the said Master Directions the following has been laid down:-

AUDIT COMMITTEE

The Board of Directors of the Company should constitute an Audit Committee, consisting of not less than three members of its Board of Directors.

Explanation I: The Audit Committee constituted by the Company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of this paragraph.

The Company has in place the Audit Committee in accordance with the provisions of the Companies Act, 2013 and applicable provisions of the RBI Directions, as amended from time to time.

Frequency of Meetings

A meeting of the Committee will be held atleast 4 times in a year.

Terms of Reference

The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013 including the following –

- 1. the recommendation for appointment, remuneration and terms of appointment of auditors of our Company;*
- 2. review and monitor the auditor's independence and performance, and effectiveness of audit process;*
- 3. examination of the financial statement and the auditors' report thereon;*
- 4. grant omnibus approval for related party transactions including any subsequent modifications from time to time;*
- 5. approval or any subsequent modification of transactions of the company with related parties*
- 6. scrutiny of inter-corporate loans and investments;*
- 7. valuation of undertakings or assets of the company, wherever it is necessary;*
- 8. evaluation of internal financial controls and risk management systems;*
- 9. monitoring the end use of funds and any deviation/ variations in the use of proceeds, raised through issuance of listed securities from the objects stated in the Offer Document/Information Memorandum and related matters;*
- 10. to oversee the vigil mechanism;*

11. *Calling for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company;*
12. *To monitor fraud;*
13. *Consider and take on record the periodic report of related party transactions;*
14. *Oversee implementation of regulatory policies including Anti Money Laundering and KYC (Know your Customer) Policies; and*
15. *Ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the NBFCs.*
16. *to review and approve such activities as may be stipulated under various statutes /laws/regulations including amendments thereof from time to time, to be performed by the Committee.*
17. *Investigate into any matter in relation to the items specified in the relevant section of the Companies act, 2013 or referred to it by the Board and for this purpose the Committee shall have full access to information contained in the records of the company and external professional advice, if necessary; and*
18. *any other terms of reference as may be specified by the Board from time to time.*

NOMINATION AND REMUNERATION COMMITTEE

The importance of appointment of directors with 'fit and proper' credentials is well recognised in the financial sector. In terms of Section 45-IA (4) (c) of the RBI Act, 1934, RBI while considering the application for grant of Certificate of Registration to undertake the business of non-banking financial institution it is necessary to ensure that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the interest of its present and future shareholders, clients, etc. Accordingly, a Nomination Committee to ensure 'fit and proper' status of proposed/existing Directors should be formed.

In accordance with the provisions of Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014 ("the Rules"), the Company is required to constitute the Nomination and Remuneration Committee comprising minimum of 3 Non-Executive Directors with half of the members being Independent Directors. Provided that the chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. Hence, the Nomination Committee of the Company was re-christened as Nomination and Remuneration Committee by the Board of Directors on May 16, 2014.

The Company has in place nomination and remuneration Committee in accordance with the provisions of the Companies Act, 2013 and applicable provisions of the RBI Directions.

Frequency of Meetings

A meeting of the Committee will be held atleast once in a year and on ad hoc basis, as required.

Terms of Reference

1. *annually review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;*
2. *identify the persons who can become directors, explore their interest and availability for board service, nominate for the approval of the Board candidates to fill board vacancies as and when they arise;*
3. *to ensure 'fit and proper' status and credentials of proposed /existing directors;*
4. *formulate the criteria for determining the qualifications, positive attributes etc. and independence of a director;*
5. *annually review and recommend the salary, bonus, equity option plan other compensation to the Key Employees (as defined in Shareholders Agreement dated March 5, 2019 executed by and amongst the Company, its Members and CDPQ Private Equity Asia Pte. Ltd.), as well as the quantitative & qualitative objectives for the relevant Financial Year and the Key Performance Indicators (KPI) structure associated with the award of any incentives;*
6. *make recommendations to the Board regarding:*
 - *policy relating to the remuneration for the directors, Key Employees and other employees*
 - *plans for succession for both executive and non-executive directors, as well as Key Employees*
7. *review the performance of Key Employees in case of significant underperformance by the Company w.r.t. expected profitability, net worth, quality of assets, etc. and review the reasons for such under performance and evaluate the performance of Key Employees. The Committee shall recommend to the Board to take appropriate steps including revision of the remuneration / compensation of the relevant Key Employee or any other action as it may deem fit.*
8. *The Committee shall report to the Board on its proceedings after each meeting on all matters within its responsibilities*
9. *The Committee is authorized by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference*
10. *Specify manner for effective evaluation of performance of the Board, its Committees and individual Directors and review its implementation and Compliance;*
11. *to review and approve such activities as may be stipulated under various statutes /laws/regulations including amendments thereof from time to time, to be performed by the Committee.*

A separate policy on 'Fit and Proper' criteria for the Directors is also formulated and the same is attached to these guidelines as Annex 2.

RISK MANAGEMENT COMMITTEE

The Company has in place Risk Management Committee in accordance with the provisions of the RBI Directions to manage the integrated risk

Frequency of Meetings

A meeting of the Committee will be held atleast once in every quarter and on ad hoc basis, as required.

Terms of Reference

- i. to ensures that all the risk associated with the functioning of the Company are identified, controlled and mitigated;*
- ii. to lay down procedures regarding managing and mitigating the risk through Integrated Risk Management Systems, Strategies and Mechanisms ;*
- iii. to deal with issues relating to credit policies and procedure and manage the credit risk, operational risk, management of policies and process ;*
- iv. identifying, measuring and monitoring the various risk faced by the Company, assist in developing the Policies and verifying the Models that are used for risk measurement from time to time;*
- v. to monitor the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;*
- vi. to have oversight over implementation of risk and related policies.*
- vii. Promoting an enterprise risk management competence throughout the organisation including facilitating development of IT-related enterprise risk management expertise*
- viii. Establishing a common risk management language that includes measures around likelihood and impact and risk categories.*

Risk Management Working Group (RMC WG)

The RMC WG, chaired by CRO, consisting of such senior staff shall be responsible for analyzing, monitoring and reporting to RMC on various risk management related polices, processes and issues related thereto.

ASSET AND LIABILITY COMMITTEE

The ALCO consisting of the Company's top management shall be responsible 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 head the Committee. The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research may be members of the Committee.

The Asset Liability Management Committee (ALCO) has been constituted to monitor the asset liability gap and strategize action to mitigate the risk associated.

The broad objectives of forming 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; and
- **Interest Rate Risk Management**
 - Reviewing Interest Rates Scenario and decide on the desired composition of various portfolios;
 - 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 of Meetings

A meeting of the Committee is recommended to be held on atleast on a quarterly basis.

Terms of Reference

- i. *Review of macro-economic scenario, impact of industry and regulatory changes monitoring the asset liability gap*
- ii. *Strategizing action to mitigate liquidity and other risks associated with the asset liability gap. Review and suggest corrective actions on liquidity mismatch, negative gaps and interest rate sensitivities. Formulate a contingency funding plan (CFP) for responding to severe disruptions and develop alternate strategies as deemed appropriate, which take into account changes in:
 - a. *Interest rate levels and trends*
 - b. *Loan products and related markets*
 - c. *Monetary and fiscal policy**
- iii. *Articulating and monitoring liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system, and verifying adherence to various risk parameters and prudential limits*
- iv. *Implementation of liquidity risk management strategy of the Company and reviewing the risk monitoring system*
- v. *Ensure that credit exposure to any one group does not exceed the internally set limits as well as statutory limits set by RBI.*

- vi. *Decide the strategy on the source, tenor and mix of assets & liabilities, in line with its business plans, taking into account the future direction of interest rates. Establish a funding strategy that provides effective diversification in the sources and tenor of funding. Consider product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by peer NBFCs for similar services/products, etc. Discuss and report on the impact of major funding shifts and changes in overall investment and lending strategies.*
- vii. *Endeavour to develop a process to quantify liquidity costs, benefits & risk in the internal product pricing*
- viii. *Review behavioural assumptions and validate models for the study of assets & liabilities in preparation of Liquidity and Interest Rate Sensitivity Statements and ALM analysis.*
- ix. *Review stress test scenarios including the assumptions and results.*
- x. *Review and approve the capital allocation methodology*
- xi. *Analyse and deliberate at meetings, issues involving interest rate and liquidity risk, including capital allocation, liquidity cost, off balance sheet exposures, contingent liabilities, management of collateral position and intra-group transfers.*
- xii. *Review the results of and progress in implementation of the decisions made in the previous meetings. Report the minutes of its meeting to the Board of Directors on quarterly basis*
- xiii. *Formulate ALM policy for the Company*
- xiv. *In respect of liquidity risk oversight 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 the Company.*

Asset Liability Management (ALM) Support Group

The ALM Support Group consisting of the operating staff shall be responsible for analysing, monitoring and reporting the liquidity risk profile to the ALCO. The ALM support group has been constituted.

CHIEF RISK OFFICER (CRO)

The Company shall appoint a CRO with clearly specified role and responsibilities and in terms of CRO Policy of the Company, as applicable from time to time.

The CRO shall be required to function independently so as to ensure highest standards of risk management.

ROTATION OF PARTNERS OF STATUTORY AUDITORS' AUDIT FIRM

Section 139(2) of the Companies Act 2013, provides that every listed company and such class of companies as prescribed by way of rules shall comply with the requirement for rotation of the auditors. Rule 5 of the Companies (Audit and Auditor) Rules, 2014 provides for the classes of companies that need to comply with this sub-section. The class of companies include:

- a. unlisted public companies having paid up share capital of rupees ten crores or more;
- b. private limited companies having paid up share capital of rupees fifty crores or more;
- c. companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees fifty crores or more

Therefore all listed companies and the companies mentioned in a. to c. above will have to comply with the requirement for rotation of auditors.

Companies Act, 2013 does not lay down any mandatory rotation of the auditing partner. In this regard, Section 139(3) of the CA, 2013 merely empowers the members to prescribe for rotation of auditing partner and his team at such intervals as they may deem appropriate.

In terms of RBI guidelines, all NBFC-ND-SI are mandatorily required to rotate the partners of the auditing firm appointed to conduct the statutory audit of the NBFC, every 3 years so that same partner does not conduct audit of the company continuously for more than a period of 3 years. However, the partner so rotated will be eligible for conducting the audit of the NBFC after an interval of 3 years, if the NBFC, so decides. Companies may incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years.

However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company so decides. Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

Disclosure and transparency

- i. The Company shall put up to the Board of Directors, at regular intervals or atleast on an annual basis, the following:
 - i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;
 - ii. 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.

- II. The Company shall disclose in their Annual Financial Statements, such information as prescribed Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended by RBI from time to time) or such other RBI Directions as applicable from time to time
These internal guidelines on corporate governance, as approved by the Board of Directors, shall be published on the company's web-site, if any, for the information of various stakeholder

Annex-1

RELATED PARTY COMMITTEE

Formation

Related Party Committee (RPC) is being formed as on January 22, 2018.

Composition

MD & CEO to decide on the constitution/re-constitution of the RPC. Composition and Roles and responsibilities of RPC are stated hereunder.

Frequency

RPC will meet on quarterly interval to review Related party Transactions (RPT) before it is submitted to Audit Committee.

In addition to above RPC will also meet as and when there is a specific need to review the RPT.

Roles and Responsibilities

RPC is being formed to review related party transactions entered by the Edelweiss Group entities are in compliance with the related Act, Laws and regulations before presenting it to the Audit Committee.

Responsibilities of RPC are as under:

- **Identification of Related Parties (RP)**

This is as per the list received from the Governance Team.

As far as holding, subsidiary and associates are concerned, this is based on the shareholding and investment of each entity. Same can be crossed checked with the information in the respective financial statement.

KMP related parties are based on the declaration given by the directors of the respective entities.

- **Types of Related Parties**

Types of related parties are defined in the Companies Act, 2013 under section 2(76) and under Accounting Standard (AS) 18 - Related Party Disclosures. As per AS 18, following are various types of related parties, under which disclosures needs to be given.

- Holding Company
 - Holding company - a company having one or more subsidiaries.
 - Subsidiary
 - Subsidiary - a company: (a) in which another company (the holding company) holds, either by itself and/or through one or more subsidiaries, more than one-half in nominal value of its equity share capital; or (b) of which another company (the holding company) controls, either by itself and/or through one or more subsidiaries, the composition of its board of directors..
 - Fellow Subsidiary
 - Fellow subsidiary - a company is considered to be a fellow subsidiary of another company if both are subsidiaries of the same holding company.
 - Associates
 - An Associate - an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party.
 - Joint Venture
 - A Joint venture - a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.
 - KMP
 - Key management personnel - those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise
 - Relative
 - Relative - in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise
 - Enterprise over which significant influence is exercised and Enterprise which exercise the significant influence over the company, where, Significant influence - participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.
- **Identification of RPT**
 - RPT are identified by the respective entity owners and same will be reviewed by the RPC.
 - **Types of Related Party Transactions (RPT)**
 - Detail list of RPT is given as Appendix along with its accounting implications.

- **Pricing of RPT**
 - RPC will review the price charged for RPT is at arms length and not prejudicial to the interest of the group companies and comparable to a similar transactions if done through non-related party.
- **Compliance of RPT with various laws and regulation**
 - RPC will review that RPT is in compliance with the rules of the land.

Compliance

RPC will review the RPT to check that these are in compliance with following:

- **Accounting Standard**
 - Refer Appendix to this document
- **Companies Act, 2013**
 - Refer Appendix to this document
- **SEBI**
 - Refer Appendix to this document
- **Income Tax**
 - Transfer Pricing Refer Appendix to this document
- **FEMA**
 - Guidelines of FEMA relating to RPT are in the form of ODI. Refer Appendix to this document for details.

Transactions covered

RPC will review the following types of transactions done with related parties.

- **Income/Expenditure**
 - All types of income and expenses charged between the group companies and receivable/payable thereon. It includes Brokerage, Advisory fees, Arranger fees, Guarantee charges, rating support fees, processing fees, etc.
- **Borrowings/Lending**
 - All types of lending and borrowing done between the group companies, income and expenses charged thereon. It includes Long term loans, Short term loans, issue of Debentures, Commercial Paper, Inter Corporate Deposits, Advances, etc.
- **Investments**
 - All types of investments made between the group companies. It includes investment in equity shares, preference shares, any other convertible instruments etc.

- **Reimbursements**

- All type of payouts done on behalf of group companies and reimbursements thereon. It includes TDS, Insurance, Rent, Staff Cost, warehousing charges, ROC fees, vendor settlement etc.

- **Corporate Guarantees**

- All guarantees issued by the group companies for each other. It includes corporate or any other such guarantees.

Parameters

RPT will review all RPT on the following grounds.

- Ordinary course of the Business
- Whether RPT is in the ordinary course of business of the respective entities.
- Arm's Length pricing
- Price for the RPT is fair and at arm's length and not prejudicial in the interest of the companies.

Documentation

RPC will document the review of RPT in the following manner:

- **Checklist**
- RPC will maintain the checklist, which is reviewed for all category of RPT every quarter or earlier.
- Format of checklist is enclosed in Appendix.
- **Sign off**
- After every review RPC will sign off the RPT by either physically signing the checklist attached to RPT or confirming through email that RPT is being review and found in order.

Appendix

Indian Accounting Standard 18

Indian Accounting Standard 18 The Indian Accounting Standard 18 (Ind AS 18) covers the disclosure requirement of RPTs. Parties are considered to be related if one party has the ability to control the other party or if one party can significantly influence the other in making financial and/or operating decisions in a particular reporting period. The Ind AS 18 does not mandate a specific format for reporting RPTs. It gives a provision for aggregating these transactions when they are too numerous. Only those transactions that pass the materiality test – those that are 10% or in excess of the monetary value of the total transactions of the same nature – are exempted from aggregation. The requirement of disclosure includes

- (i) the name of the transacting related party;
- (ii) a description of the relationship between the parties;
- (iii) a description of the nature of transactions;
- (iv) the volume of the transactions either as an amount or as an appropriate proportion;
- (v) any other elements of the RPTs necessary or an understanding of the financial statements; and
- (vi) any amounts or appropriate proportions of outstanding items.

Companies Act, 2013

Related Party Transactions Related references form Companies Act, 2013 are as under:

(76) “related party”, with reference to a company, means –

(i) a director or his relative; 31 of 1956.

58 of 2002.

42 of 1956.

1 of 1956.

1 of 1956.

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(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager is a member or director;

(v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;

(vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is –

(A) a holding, subsidiary or an associate company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed;

188. (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to –

(a) sale, purchase or supply of any goods or materials;

(b) selling or otherwise disposing of, or buying, property of any kind;

(c) leasing of property of any kind;

(d) availing or rendering of any services;

(e) appointment of any agent for purchase or sale of goods, materials, services or property;

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and Related party transactions.

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(g) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a special resolution:

Provided further that no member of the company shall vote on such special resolution, to approve any

contract or arrangement which may be entered into by the company, if such member is a related party: Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation. – In this sub-section, –

- (a) the expression "office or place of profit" means any office or place –
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (b) the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract

or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(5) Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall, –

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

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(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Securities and Exchange Board of India (SEBI)

Regulation 23

Analysis of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) which relates to Related party transactions

All the requirements and conditions to be fulfilled in case of related party transactions have been altered to be in line with the provisions of Companies Act, 2013.

“This is the provisions of SEBI (Listing Obligation & Disclosure Regulation) (LODR), which are applicable with immediate effect from 2nd September, 2015; Passing of ordinary resolution instead of special resolution in case of all material related party transactions subject to related parties abstaining from voting on such resolutions.

“ A. “RELATED PARTY” means a related party as defined under sub-section (76) of section 2 of the [1] Companies Act, 2013 or under the applicable accounting standards:

Not Applicable: This definition shall not be applicable for the U

Funds which are listed on a recognized stock exchange(s);

nits Issued by Mutual

B. “RELATED PARTY [2] TRANSACTION” means

Condition-1

- A transfer of Resources,
- A transfer of Services or
- A transfer of obligations

Condition-2: *Between* a Listed Entity and a Related Party.

Condition-3: *Regardless* of whether a price is charged and

Non Applicability: This definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

♣ These provisions shall be applicable to all *prospective transactions*.

Regulation (24)

I **POLICY OF MATERIALITY:** Listed entities shall formulate a policy on [3]Materiality of Related Party Transaction and on dealing with related party transactions.

Materiality of Related Party Transaction:

A transaction with a related party shall be considered material,

- if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year,
- exceeds 10% of the annual consolidated turnover of the listed entity
- As per the latest Audited Financial Statements.

I **Condition for Related Party Transaction:**

1. **Prior approval** of the audit committee is required and omnibus approval may be given. (sub regulation 2)
2. All material related party transactions shall require approval of the _____s shareholders through a resolution **[4]**. (sub regulation 4)
3. Related parties shall abstain from voting on such resolutions, whether the entity is a related party to the particular transaction or not – Regulation 23(4). (sub regulation 4)

Abstain from Voting: For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

I **Related Party Transactions already entered** (Sub Regulation 8):

All existing material related party contracts or arrangements Entered into prior to the date of notification of these regulations and which may continue beyond such date Shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Non Applicability:

The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

- (a) Transactions entered into between Two [5]Government Companies;
- (b) Transactions entered into between a Holding Company And Its Wholly Owned Subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

[6]OMBIUS APPROVAL BY AUDIT COMMITTEE:[7]

Audit committee **MAY** grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

Conditions for omnibus approval:

- a) The audit committee shall lay down the
- **Criteria For Granting** the omnibus approval in line with the policy on related party transactions of the listed entity and
 - Such approval shall be applicable in respect of transactions which are **REPETITIVE in nature**;
 - b) The audit committee shall **Satisfy Itself** regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
 - c) the omnibus approval shall specify:
 - The name(s) of the related party,
 - Nature of transaction,
 - Period of transaction,
 - Maximum amount of transactions that shall be entered into,
 - The indicative base price / current contracted price and
 - The formula for variation in the price if any; and
 - Such other conditions as the audit committee may deem fit:
- Approval of Omnibus transaction without fulfilling the above criteria:**
Special Condition: where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value **Not Exceeding Rupees One Crore per Transaction.**

DUTY OF AUDIT COMMITTEE:

The audit committee shall review, at least on a **Quarterly Basis**, the details of related party transactions entered into by the listed entity pursuant to **Each** of the omnibus approvals given.

TERM OF OMNIBUS APPROVAL:

Omnibus approvals shall be valid for a period **not exceeding one year** and shall require fresh approvals after the expiry of one year.

Compliance requirement: regulation 27(2):

Details of all material transactions with related parties shall be disclosed in compliance report.

The listed entity shall submit a **Quarterly Compliance Report** on corporate governance in the format as specified by the Board from time to time to the recognized stock exchange(s) **within 15 (fifteen days) from close of the quarter.**

Disclosure requirement:

1. The listed entity shall disseminate on its website policy on dealing with related party transactions. **regulation 46(2)(g)** _____
2. The annual report of the listed entity shall contain disclosures related party disclosures as specified in Para A of Schedule V. **regulation 53 (f)** _____

Role of audit committee:

1. The audit committee shall mandatorily review statement of significant related party transactions (as defined by the audit committee), submitted by management

CONCLUSION:

This regulation corresponds to Clause 49VI of the Listing Agreement. The definition of related party in Listing Regulations 2015, continues to define related party as a synthesis of Companies Act, 2013 and Accounting Standard – 18.

Therefore, as per regulation 23(8), all the existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations. Now the ordinary resolution will suffice the purpose of approval from shareholders instead of special resolution in Listing Agreement.

Still the related parties are abstain from voting on such resolutions whether they are related party to that particular transaction or not.

This point differs with Section 188 of the Companies Act, 2013 whereby the Ministry of Corporate Affairs clarified vide General Circular No. 30/2014 dated 17.07.2014, only the related party in the context of the contract or arrangement were abstained from voting.

For Better understanding we are reproducing below the extract of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) Related party transactions.

23. (1) *The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions:*

Explanation.- A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

(2) *All related party transactions shall require prior approval of the audit committee.*

(3) *Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-*

(a) *the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;*

(b) *the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;*

(c) *the omnibus approval shall specify:*

(i) *the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,*

(ii) *the indicative base price / current contracted price and the formula for variation in the price if any; and*

(iii) *such other conditions as the audit committee may deem fit:*

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) *the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.*

(e) *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh*

approvals after the expiry of one year:

(4) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

(a) transactions entered into between two government companies;

(b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation .- For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(6) The provisions of this regulation shall be applicable to all prospective transactions.

(7) For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

(8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

ECL FINANCE LIMITED

CHECKLIST FOR RELATED PARTY TRANSACTIONS:

I. General checklist for all related party transaction:

Sr No.	Requirement	Reference	Y / N / NA
1	Whether the transactions are between parties covered under related party definition as per section 2(76) of Companies Act 2013 or Accounting standard 18?		
2	Whether transaction need to be approved by the audit committee? If Yes, Whether transaction is approved by audit committee ('AC')? If yes, is it covered under AC omnibus approval? (refer Note 1) If covered under omnibus approval, whether the transaction is within the overall limit approved by AC? If not, whether specific pre-approval of AC obtained?		
3	Has management provided the rationale for transacting with related party?		
4	Whether the transaction is carried on arm's length basis?		

5	Does this transaction circumvent the spirit of any regulatory provision?		
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Sr No.	Requirement	Reference	Y / N / NA
1	Whether transaction is covered under section 188 of Companies Act, 2013? (Refer Note 2)		
2	Whether the transaction is in the Ordinary course of business & at Arms' length? (Document the rationale for basis of Arms' length assessment and Ordinary course of business)		
3	If answer to above is 'no', whether Board approval obtained? (Refer Note 2)		
4	Whether Shareholders approval is obtained? (Refer Note 3 and 4)		

II. Additional specific approval based on nature of transaction:

a) Purchase and Sale of Investment / Inter group derivative transactions

Sr No.	Requirement	Reference	Y / N / NA
1	Basis of assessment of Arms' length transaction (such as TP Study, management analysis, Third party valuation report etc.)		
2	Whether sale / purchase agreement signed between both parties?		
3	Whether independent external valuation carried out to assess arm's length transaction?		

III. Additional specific approval based on nature of transaction (Continued):

a. Cost Charging (Staff cost, legal & professional, Rent, Advertisement, Utilities, Payment of Taxes, etc)

Sr No.	Requirement	Reference	Y / N / NA
1	Whether agreement / MOU signed between entities?		
2	If there is any change in basis of allocation, whether revised assessment is done for arm's length analysis? Whether both company's Board/AC have approved the revision?		
3	Whether the revision is applied consistently across the group?		

b. Services / Sale of Goods or Assets to Related Parties (Advisory Services etc)

Sr · N o.	Requirement	Referenc e	Y / N / NA
1	Whether agreement / MOU signed between entities?		
2	Whether the entity rendering services / selling Goods / Assets is remunerated at arm's length? Whether both company's Board/AC have approved the arrangement?		

c. Intra group loan transactions

Sr · N o.	Requirement	Referenc e	Y / N / NA
1	Whether agreement / MOU signed between parties?		
2	Whether the loan was granted by a Company whose ordinary course of business is lending? Whether the rate of interest is greater than Bank rate?		
3	Whether rate of interest is greater than prevailing G-Sec rate for tenure of loan?		
4	Whether the loan was granted to Directors or person in whom director is interested? (Refer note 5)		

d. Intra group Guarantees / Securities on behalf of Group Company / Capital Commitments

Sr · N o.	Requirement	Referenc e	Y / N / NA
1	Whether the Guarantee / Securities / Capital Commitment from other Group Company has been insisted upon by the lender? Whether agreement / MOU / Contribution Agreements signed between parties?		
2	Whether the company providing Guarantee is remunerated at Arm's length		

List of Related Party Transactions

Following is the list of related party transactions generally undertaken by the Edelweiss Group Companies.

Loans and Advances

There is a fund requirement by the group companies to run their day to day business. All the companies are not in position to raise funds independently. Hence, its parent/group company who is in position to raise funds, lend money to its subsidiary/group company in the form of borrowing. These lending is done as per the requirement and within the regulatory limits approved by the respective authorities. All intercompany lending are done at the price which is at arms length and not prejudicial to the interest of the ultimate parent company.

- Preference Shares
- Loans
 - Long Term
 - Short Term
- Debentures
- Commercial Papers
- ICD

Accounts affecting these in the respective entities are as under:

- In the books of Borrower
 - Liabilities
 - Borrowing
 - Interest Payable
 - Expenses
 - Interest Expenses
- In the books of Lender
 - Assets
 - Loans/Investment/Stock In Trade
 - Interest receivable
 - Income
 - Interest Income

Investments

Investments are generally done by the group company as a parent in its subsidiary for the long and perpetual need in the form of Equity Shares. These are also within the regulatory limits and approved by the respective authorities. Value of the investment is also at arms length and not prejudicial to the

interest of the investing parent company.

Accounts affecting these in the respective entities are as under:

- **Investor**
 - Assets
 - Non Current Investment
 - Diminution in the value of the investment
 - Dividend receivable
 - Income
 - Dividend income
 - Expenses
 - Diminution in the value of the investment
- **Investee**
 - Liabilities
 - Share Capital
 - Liabilities
 - Proposed Dividend
 - DTT payable
 - Reserves
 - P&L appropriation
 - Dividend
 - DTT

Income

Normally, in the ordinary course of business group companies provide services to each other, for which Fees/commission is booked in the respective entities. Types of fees/commission booked are as under:

- Broking Fees
- Advisory Fees
- Arranger Fees
- Processing Fees
- Rating support Fees
- Guarantee Commission

Accounts affecting these in the respective entities are as under:

- Fees Income in the books of service provider and receivable thereon.
- Fees Expenses in the books of receiver of service and payable thereon.

Margin for trading

Some of the group companies are brokers (Securities, Currency or Commodity). The group companies which intend to do trading in these items need to place margin for trading with these brokers. Broker pays interest on this margin at a particular rate which is in line with business practice. Type of margin

is as under.

- Security Trading
- Derivatives Trading
- Currency Trading
- Commodity Trading

These transactions affect the following accounting ledgers:

- In the books of Broker
 - Margin payable
 - Interest on margin
 - Interest on margin payable
- In the books of Trading entity
 - Margin receivable
 - Interest on Margin
 - Interest on Margin receivable

Purchase and sale of securities/commodities

As part of the trading and investing activities of respective group companies, there is sales and purchase of securities/commodities between the group companies as per their strategies. These transactions are always done at the market price prevailing on the respective dates.

Accounts affecting these in the respective entities are as under:

- Stock in trade
- Treasury Income – Profit or loss on the sale

Derivative (forward) transactions

As part of the trading, investing or hedging strategy of respective group companies, there are derivative forward transactions between the group companies. These transactions are always done at the market price prevailing on the respective dates.

Accounts affecting these in the respective entities are as under:

- Mark to Market impact on these transactions are booked in the treasury line by the respective entities.

Reimbursements

costs sharing

Group Office Establishments and Maintenance Expenses like Rent and Utilities & other expenses etc. are incurred by Parent Company/group entity on behalf of the other Edelweiss Group entities. These costs (if incurred) are then shared amongst the group companies based on Memorandum of Understanding (MOU) between them. Similarly, common Senior Resource staff costs are also allocated to group companies as per MOU.

- Staff Cost
- Rent
- Electricity
- Warehousing charges
- TDS payable

Common

There entries are booked in the respective ledgers as debit and credit.

Guarantees

Corporate Guarantees

As per the bank facility requirements, in order to obtain Bank Guarantee (BG), Over Draft (OD), Stand by Letter of Credit (SBLC), Loan Funded Credits, Term Loan and Non-Convertible Debentures & Structured Products (NCD & SP) for furnishing margin requirements to the Stock and Commodity Exchanges, the Members have to additionally furnish Corporate Guarantee. Parent companies give Corporate Guarantees on behalf of its subsidiaries. Guarantee fees is charged by the parent to its subsidiary for the same.

Accounts affecting these in the respective entities are as under:

- In the books of parent
 - Income under Fees
 - Guarantee Fees
 - Assets
 - Guarantee fees receivable
- In the books of Subsidiary
 - Expenses under Opex
 - Guarantee Fees
 - Liability
 - Fees Payable

Donation

Edelweiss Group has one of his subsidiary (Edelgive Foundation) registered under section 25 of the companies act 1956 (now section 8 of the Companies Act 2013), doing philanthropic activities. Hence, it received donation from its parent or its fellow subsidiaries as per of the CSR activity contribution. These are as per the approval by the respective committees within the regulatory limit.

Accounts affecting these in the respective entities are as under:

- Donation income in the Books of Edelgive
- Expenses as CSR donation in the books of group companies doing donation.

Annex -2

Policy on 'Fit and Proper' Criteria for directors

Reserve Bank had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. It is proposed to follow the same guidelines mutatis mutandis in case of Company also. While the Reserve Bank does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that Company put in place an internal supervisory process on a continuing basis. Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, Company is advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

- i. Company should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. Company should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 2 (as amended by RBI from time to time).
- ii. The process of due diligence should be undertaken by the Company at the time of appointment / renewal of appointment.
- iii. The constituted Nomination & Remuneration Committee to scrutinize the declarations.
- iv. Based on the information provided in the signed declaration, Nomination & Remuneration Committee should decide on the acceptance or otherwise of the directors, where considered necessary.
- v. Company should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
- vi. The Company must ensure that the nominated/ elected directors execute the deeds of covenants in the format given in **Annex-3**. Notwithstanding, formats

as prescribed by RBI, as applicable from time to time to be used for execution

- vii. Furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the NBFC that fit and proper criteria in selection of the directors has been followed. The statement must reach the Regional Office of the Reserve Bank within 15 days of the close of the respective quarter. The statement submitted for the quarter ending March 31, should be certified by the auditors.

Provided that RBI, if it deems fit and in public interest, reserves the right to examine the fit and proper criteria of directors of the Company irrespective of the asset size of the Company.

Annex - 3

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this _____ day of _____ Two thousand _____ **BETWEEN** _____, having its Registered Office at _____ (hereinafter called the 'NBFC") of the one part and Mr. /Ms. _____ of _____ (hereinafter called the "Director") of the other part.

WHEREAS

- A. The Director has been appointed as a Director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.
- B. The Director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

- 1. The Director acknowledges that his / her appointment as Director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
- 2. The Director covenants with the NBFC that:
 - (i) The Director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.

- (ii) The Director shall disclose by general notice to the Board his / her other Directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
- (iii) The Director shall provide to the NBFC a list of his / her relatives as defined in the Companies Act, 2013 or 2013 and to the extent the Director is aware of Directorships and interests of such relatives in other bodies corporate, firms and other entities.
- (iv) The Director shall in carrying on his / her duties as Director of the NBFC:
 - (a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;
 - (b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the NBFC;
 - (c) shall keep himself / herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him / her;
 - (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as Director of the NBFC;
 - (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;
 - (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - (g) shall in exercise of his / her judgement in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially

interfere with the exercise of his / her independent judgement; and

- (h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgement;
- (v) The Director shall have:
 - (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
 - (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
 - (c) duty to acquire proper understanding of the business of the NBFC.
- (vi) The Director shall:
 - (a) not evade responsibility in regard to matters entrusted to him / her by the Board;
 - (b) not interfere in the performance of their duties by the whole- time Directors and other officers of the NBFC and wherever the Director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and
 - (c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the NBFC in his / her capacity as Director of the NBFC only for the purposes of performance of his / her duties as a Director and not for any other purpose.
- 3. The NBFC covenants with the Director that:
 - (i) the NBFC shall apprise the Director about:

- (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
 - (b) control systems and procedures;
 - (c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;
 - (d) qualification requirements and provide copies of Memorandum and Articles of Association;
 - (e) corporate policies and procedures;
 - (f) insider dealing restrictions;
 - (g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
 - (h) appointments of Senior Executives and their authority;
 - (i) remuneration policy,
 - (j) deliberations of committees of the Board, and
 - (k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.
- (ii) the NBFC shall disclose and provide to the Board including the Director all information which is reasonably required for them to carry out their functions and duties as a Director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any committee thereof;
 - (iii) the disclosures to be made by the NBFC to the Directors shall include but not be limited to the following:
 - (a) all relevant information for taking informed decisions in respect of matters brought before the Board;

- (b) NBFC's strategic and business plans and forecasts;
 - (c) organisational structure of the NBFC and delegation of authority;
 - (d) corporate and management controls and systems including procedures;
 - (e) economic features and marketing environment;
 - (f) information and updates as appropriate on NBFC's products;
 - (g) information and updates on major expenditure;
 - (h) periodic reviews of performance of the NBFC; and
 - (i) report periodically about implementation of strategic initiatives and plans;
- (iv) the NBFC shall communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the Director about the levels of authority delegated in matters placed before the Board.
4. The NBFC shall provide to the Director periodic reports on the functioning of internal control system including effectiveness thereof.
 5. The NBFC shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
 6. The Director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as Director of the NBFC to any third party

provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

- 7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
- 8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the Director and the duly authorised representative of the NBFC.
- 9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the NBFC

Director

By

Name:
 Title:

Name:

In the presence of:

1.

2.