



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

Approver	Board of Directors
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1. Company Philosophy on Corporate Governance:

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way that ensures accountability, transparency and fairness in all transactions in the widest sense and to meet the stakeholders' aspirations and social expectations. Corporate Governance is a journey for constantly improving sustainable value creation and is an upward moving target.

At ESAF Financial Holdings Private Limited, Corporate Governance is not viewed as a set of binding obligations, but considered as a framework to be followed in true letter and spirit. The Board often revisits the existing procedures and policies on Corporate Governance and makes adequate changes to further strengthen the governance practices. The Board ensures the success and continuity of the Company's business through on-going monitoring of activities. The Company sees corporate governance beyond financial numbers.

The Company emphasizes the need for full transparency and accountability and conducting its business in a highly professional and ethical manner, thereby enhancing trust and confidence of all its stakeholders. The Company believes in pursuing holistic growth and realizes its responsibility towards its stakeholders and environment.

The comprehensive Corporate Governance practices ensure that the Company always works optimally, protecting the best interests of the stakeholders and withholding the reputation and status of the Company.

2. Objectives of Guidelines on Corporate Governance:

The company is registered as a Non-Banking Financial Company - Core Investment Company - Non-Deposit taking - Systemically Important (NBFC-CIC-ND-SI) with Reserve Bank of India ('RBI') with effect from 26th February 2020.

The Company has formulated the following Internal Guidelines of Corporate Governance on the basis of the following:

- i. Pursuant to Master Direction- Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023;
- ii. The Companies Act, 2013 and Rules amended from time to time;
- iii. Industry Best Practices.

3. Governance Structure:

3.1. Board of Directors:

The Board of Directors plays a pivotal role in ensuring that good corporate governance practices are followed within the Company. The Board of Directors along with its Committees oversees the functioning of the Company and that of its management, and ensures that all decisions taken are in the best interest of the stakeholders of the Company. The Directors shall accordingly possess the requisite qualifications and experience in general corporate management, banking, finance, marketing and other

allied fields to enable them to enhance their contribution effectively to the Company in their capacity as Directors of the Company.

The Composition of the Board shall be governed by the Articles of Association of the Company read with the applicable provisions of Companies Act, 2013 (the Act) and the rules framed thereunder.

The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Women Directors, as per the Guidelines/ Regulations applicable to the Company. All the Directors shall meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India and the Company's policy on Fit and Proper Criteria.

All the Directors shall make the necessary annual disclosures regarding changes, if any in their concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals including shareholding, directorships and Committee positions and shall intimate changes as and when they take place.

The Directors shall not disclose any confidential information, including commercial secrets, unpublished price sensitive information, during their term or following termination (by whatever means) to third parties unless expressly approved by the Board or required by law.

3.2. Meetings of the Board:

At least four Board Meetings shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days. The information to be statutorily made available to the Board shall be furnished to the Directors before the Meeting. The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire Meeting.

The company shall ensure that the composition of the Board and the quorum required for the approval of Reserved items shall be in accordance with the provisions set out in the Articles of Association of the company.

3.3. Committees:

For operational convenience and to focus effectively on important issues and to ensure appropriate resolution of diverse matters, the Board has constituted several Committees to deal with specific matters and for operational convenience, delegated powers for different functional areas to different Committees in accordance with the applicable laws.

The following Committees has been constituted in accordance with the provisions of the Companies Act, 2013, guidelines / directions issued by the RBI as applicable to the Company and for internal requirements and operational convenience.

Sl. No.	Name of Committee
1.	Audit Committee of Board
2.	Nomination and Remuneration Committee of Board
3.	Group Risk Management Committee

4.	Investment Committee
5.	Risk Management Committee
6.	ALCO Committee

These Board Committees and Internal Committees have specific terms of reference/scope to focus effectively on issues and to ensure appropriate resolution of diverse matters. All decisions pertaining to the constitution/re-constitution/dissolution of Committees, appointment of members and fixing/modification of terms of reference of the various Committees shall be made by the Board of Directors.

3.3.1. Audit Committee:

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of the Companies Act, 2013, RBI guidelines and such other duties, obligations and powers as may be prescribed.

Chairman	The Chairman of the Audit Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ul style="list-style-type: none"> The Audit Committee shall comprise of at least three Directors as Members. All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
Meetings	The Committee shall meet at least 4 times in a year and not more than 4 months shall elapse between two Meetings. The Committee shall meet with management and the statutory auditor as deemed fit.
Quorum	Two members or one-third of the members of the Audit Committee, whichever is greater.

3.3.2. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of the Companies Act, 2013, RBI guidelines and such other duties, obligations and powers as may be prescribed in the Company's Nomination and Remuneration Policy.

Chairman	One of the members of Nomination and Remuneration Committee shall be appointed as the Chairman of Nomination and Remuneration Committee. In the absence of the Chairman, the members of the Committee present in the meeting shall choose one amongst them to act as Chairman.
Composition	The Committee shall consist of at least three Non-Executive Directors, of which at least one shall be Independent Director.
Meetings	The meeting of the Committee shall be held at such regular intervals as may be required but at least once in a financial year.
Quorum	Minimum two (2) members, of which one shall be Independent Director. The quorum must be present at all times during the meeting.
Terms of reference	As per the Nomination and Remuneration Policy approved by Board.

3.3.3. Group Risk Management Committee:

The Company shall have in place a Group Risk Management Committee in accordance with the provisions of Master Direction – Core Investment Committee (Reserve Bank) Directions, 2015.

Chairman	The Chairman of the Group Risk Management Committee shall be an Independent Director. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ul style="list-style-type: none">• The Group Risk Management Committee shall comprise minimum of five Directors as Members, at least two members shall be Independent Directors• All members of the Committee shall have adequate and commensurate experience in risk management practices
Meetings	The Committee shall meet at least once in a quarter.
Quorum	Two members or one-third of the members of the Group Risk Management Committee, whichever is greater.
Terms of reference	As per the GRMC Charter approved by Board and as per the guidelines issued by RBI from time to time.

3.3.4. Investment Committee:

The Investment Committee shall have the powers and duties conferred upon it in compliance with the provisions of the Companies Act, 2013, RBI guidelines and such other duties, obligations and powers as may be prescribed.

Chairman	The Managing Director shall be the Chairman of the Investment Committee. In the absence of the Chairman, the members of the Committee present in the meeting shall choose one amongst them to act as Chairman.
Composition	The Committee shall consist of at least three Directors
Meetings	The Committee shall meet as and when required. The Company shall ensure that its investment decisions are carried out under the guidance of the Investment Committee.
Quorum	Two members or one-third of the members of the Committee, whichever is greater.
Terms of reference	As per the Investment Policy approved by Board and as per the guidelines issued by RBI from time to time.

3.3.5. Risk Management Committee:

The Risk Management Committee shall have the powers and duties conferred upon it in compliance with the provisions of the Companies Act, 2013, RBI guidelines and such other duties, obligations and powers as may be prescribed.

Chairman	One of the members of Risk Management Committee shall be appointed as the Chairman of the Committee. In the absence of the Chairman, the
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	members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	<ul style="list-style-type: none"> • The Risk Management Committee shall comprise minimum of three Directors as Members. • All members of the Committee shall have adequate and commensurate experience in risk management practices
Meetings	The Committee shall meet at least twice in a financial year.
Quorum	Two members or one-third of the members of the Risk Management Committee, whichever is greater.
Terms of reference	As per the Risk Management Framework approved by Board

3.3.6. Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) shall be a Sub Committee appointed by the Board to evaluate, monitor and approve practices relating to liquidity management while managing the Company's spread between interest income and interest expense.

Chairman	The Managing Director shall be the Chairman of the Committee.
Composition	The Committee shall consist of such number of members as may be determined by the Board comprising of at least three officials, including: <ul style="list-style-type: none"> i. The Managing Director; ii. Chief Financial Officer; iii. Company Secretary
Meetings	The ALCO shall meet at such intervals depending on the business requirements, but at least once in every quarter
Quorum	Two members or one-third of the members of the Committee, whichever is greater.
Terms of reference	As per the ALCO Charter approved by Board and as per the guidelines issued by RBI from time to time.

4. Fit and Proper Criteria:

The Company shall have a Board approved policy for ascertaining the fit and proper criteria of the directors at the time of appointment and on a continuing basis, as per extant guidelines of RBI. Further, the Company shall ensure compliance with the provisions laid down in the said Policy. The Board shall review the suitability of the members based on the Fit and Proper criteria on a regular basis.

5. Policies adopted by the Company:

The Company shall adopt such policies, as may be required to be adopted under the Companies Act, 2013, RBI Guidelines / Directions applicable to the Company, and such other laws and regulations as may be applicable. The policies adopted may be reviewed by the Board on an annual basis, or earlier, if required.

The following Policies are reviewed and updated at regular intervals based statutory requirement

or on modification/ amendments of various acts, rules, regulations, statues applicable to the Company.

Sl.No.	Name of Policy
1.	Director's Fit and Proper Policy
2.	Nomination and Remuneration Policy
3.	Investment Policy
4.	Information Technology/ System Policy
5.	KYC/ AML/ CFT Policy
6.	ICAAP Policy
7.	Liquidity Risk Management Framework
8.	Risk Management Policy

The policies will be reviewed and updated at regular intervals and as and when required, to ensure compliance and reflects the changes in the regulations/ corporate governance environment.

6. Disclosures and Transparency:

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure and make necessary disclosures to the Company, the Regulator(s) / Statutory Authorities, the Shareholders, Investors, Members or other stakeholders as may be required by the applicable laws and the codes / policies of the Company.

7. Compliance Officer:

The Company Secretary appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer of the Company. The Compliance Officer shall, inter-alia, be responsible for setting forth policies / procedures and ensuring conformity with the applicable laws/ regulations/ guidelines including Companies Act and RBI Directions/guidelines, issued from time to time.

8. Appointment of Statutory Auditors/Audit Partner(s):

The Company being a non-deposit taking NBFC with asset size of below Rs.1000 crore, the Statutory Auditors shall be appointed as per the Section 139, and other applicable provisions of the Companies Act, 2013.

9. Review:

The Internal Guidelines on Corporate Governance shall be reviewed annually. The Board of Directors of the Company reserves the right to add, amend, modify the Guidelines, on an annual basis or earlier, if so required.