



INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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TABLE OF CONTENTS

Sl.No.	Content	Page No.
1.	Company Philosophy on Corporate Governance	3
2.	Objectives of Guidelines on Corporate Governance	4
3.	Governance Structure	4
4.	Key Managerial Personnel and Senior Management	11
5.	Compliance Officer and Compliance function	11
6.	Statutory Auditors/Audit Partner(s)	11
7.	Governance of group companies	11
8.	Risk Management Framework	12
9.	Conflict of interest	12
10.	Related Party Transactions	12
11.	Whistle Blower Mechanism	12
12.	Protection against sexual harassment of women employees	13
13.	Policies adopted by the Company	13
14.	Disclosures and Transparency	13
15.	Review	14

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 believes that effective corporate governance requires an appropriate balance between responsible entrepreneurship, prudent risk-taking, effective oversight, transparency and accountability. The Board of Directors, supported by its Committees and Senior Management, shall oversee the affairs of the Company and ensure that the Company's activities are conducted in accordance with applicable laws, regulatory requirements, approved policies, ethical standards and sound business practices.

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 and is classified under the Middle Layer ("NBFC-ML") under the Scale-Based Regulatory Framework, subject to the applicable RBI Directions.

The Internal Guidelines of Corporate Governance are framed with reference to:

- i. The Companies Act, 2013 and Rules amended from time to time;
- ii. Master Direction- Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023, as amended from time to time;
- iii. Reserve Bank of India (Core Investment Companies) Directions, 2025;
- iv. Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025;
- v. other applicable RBI Directions, circulars, notifications and regulatory instructions;
- vi. applicable accounting, auditing and other statutory requirements; and
- vii. generally accepted principles and practices of sound corporate governance.

The Guidelines are intended to provide an effective governance framework appropriate to the Company's status as a CIC and shall be read together with the Company's Articles of Association, Board-approved policies, Committee Charters and applicable laws and regulations.

Where any provision of these Guidelines is inconsistent with any applicable statutory or regulatory requirement, the applicable statutory or regulatory requirement shall prevail.

2. Objectives of Guidelines on Corporate Governance:

The Company shall continuously undertake to strengthen its governance framework in line with its nature, scale and complexity of operations and the expectations of its stakeholders.

The Company shall endeavor to ensure:

- accountability and transparency in decision-making;
- integrity and ethical conduct at all levels;
- effective Board and Committee oversight;
- prudent management of financial and non-financial risks;
- independence of control and assurance functions;
- appropriate protection of stakeholder interests;
- compliance with applicable statutory and regulatory requirements;
- sustainable and responsible value creation.

The Board shall periodically review the effectiveness of the Company's governance framework and shall make such modifications as may be necessary or desirable to respond to changes in the Company's business, risk profile, regulatory environment and corporate governance 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. At least one of the directors of the Company shall have relevant experience of having worked in a bank or an NBFC.

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 policy on Directors' 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:

The Board shall meet at least four times in every financial year, with such additional meetings as may be required.

The maximum time gap between any two meetings shall not be more than one hundred and twenty days, prescribed under the Companies Act, 2013.

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 agenda and supporting papers shall be circulated sufficiently in advance to enable Directors to make informed decisions, subject to circumstances where urgent matters require otherwise.

The Board shall periodically review the progressive development of the Company's risk management systems and the Company's conformity with applicable corporate governance standards, including the composition, role, functions and functioning of its Committees.

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:

The Board may constitute such Committees either at the Board or executive level as may be required under applicable law, the Companies Act, 2013, RBI Directions or as considered necessary for effective governance, operational convenience and to focus effectively on important issues and to ensure appropriate resolution of diverse matters.

The Board shall approve the constitution, composition, powers, functions and terms of reference of each Committee.

The Board Committees shall function within their approved terms of reference and shall report to the Board periodically.

The Board may constitute, merge, reconstitute or discontinue any Committee, subject to applicable law and regulatory requirements.

The following Committees shall be maintained, as applicable to the Company:

Sl. No.	Name of Committee	Levels of Committee
1.	Audit Committee (ACB)	Board
2.	Nomination and Remuneration Committee (NRC)	Board
3.	Group Risk Management Committee (GRMC)	Board
4.	Investment Committee (IC)	Board
5.	Corporate Social Responsibility Committee (CSR)	Board
6.	Risk Management Committee (RMC)	Board/ Executive
7.	ALCO Committee (ALCO)	Sub committee

3.3.1. Audit Committee:

The Audit Committee shall have the powers, functions and duties conferred upon it in compliance with the Section 177 of the Companies Act, 2013, 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	The Audit Committee shall comprise of minimum of three Directors with independent Directors forming a majority All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
Meetings	The Audit Committee shall meet on a quarterly basis. The Committee shall meet with Statutory Auditors, Compliance Function, Risk Function and Senior Management separately, wherever considered necessary.
Quorum	Two members or one-third of the members of the Audit Committee, whichever is greater.
Roles & Responsibilities	• review the quarterly financial statements and financial information; • oversee the financial reporting process; • oversee the adequacy and effectiveness of internal controls; • review and monitor the auditor's independence and performance, and effectiveness of audit process; • monitor corrective actions arising from audit observations; • review significant accounting and reporting matters; • oversee the independence and effectiveness of the Statutory Auditors; • approve any transactions of the company with related party transactions, as required under applicable law; • review significant fraud and control issues; • ensure that Information System Audit of the Company's internal systems and processes is conducted periodically as per RBI Directions; • review the Company's compliance with applicable financial reporting requirements; and • undertake such other functions as prescribed under the Companies Act, 2013 and as may be assigned by the Board.

3.3.2. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee shall have the powers, functions and duties conferred upon it in compliance with the Section 178 of the Companies Act, 2013, and such other duties, obligations and powers as may be prescribed in the Company's Nomination and Remuneration Policy.

Chairman	The Chairman of the Nomination and Remuneration Committee shall be a Non-Executive Director. 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 three or more non-executive Directors out of which not less than one-half shall be independent directors. The Chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.
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.
Roles & Responsibilities	• identify and recommend persons qualified to become Directors; • evaluate the suitability of Directors; • undertake Fit and Proper due diligence of Directors; • oversee succession planning for Directors, KMP and Senior Management; • recommend remuneration policies and structures; • oversee the implementation of the Company's compensation policy; • ensure that remuneration is aligned with prudent risk-taking; • ensure that there is no conflict of interest in the appointment of Directors, KMP and Senior Management; • oversee performance evaluation of the Board, its Committees, Directors and KMPs; and • perform such other functions as prescribed under applicable law and the policy.

3.3.3. Group Risk Management Committee:

The Group Risk Management Committee shall have the powers and duties conferred upon it in compliance with the Reserve Bank of India – Core Investment Committee Directions, 2025 and such other duties, obligations and powers as may be prescribed.

Chairman	The Chairman of the Group Risk Management Committee shall be an Independent Director.
Composition	The Group Risk Management Committee shall comprise minimum of five Directors as Members, including executive members and 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 RBI Directions issued from time to time and the Risk Management Framework and GRMC Charter approved by the Board.
Roles & Responsibilities	- Analyse the material risks to which the group, its businesses and subsidiaries are exposed. It must discuss all risk strategies both at an aggregated level and by type of risk and make recommendations to the Board in accordance with the group's overall risk appetite; - Identify potential intra-group conflicts of interest; - Assess whether there are effective systems in place to facilitate exchange of information for effective risk oversight of the group; - Assess whether the corporate governance framework addresses risk management across the group; - Carry out periodic independent formal review of the group structure and internal controls; - Articulate the leverage of the Group and monitor the same. - Recommend corrective measures wherever required.

3.3.4. Investment Committee:

The Investment Committee shall operate under the authority delegated by the Board and in accordance with the Company's Investment Policy and shall have the powers and responsibilities specified in its terms of reference and the Investment Policy.

Chairman	The Executive 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, including executive, non-executive and nominee 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 RBI – CIC Directions, amended from time to time
Roles & Responsibilities	- review investment proposals within its delegated authority; - ensure compliance with approved investment limits; - monitor concentration and exposure limits; - ensure that investments are made only in permitted instruments and entities; - review investment performance; - monitor compliance with applicable CIC prudential requirements; - report material investment matters to the Board.

3.3.5. Corporate Social Responsibility Committee:

The Corporate Social Responsibility (CSR) Committee shall have the powers, functions and duties conferred upon it in compliance with the Section 135 of the Companies Act, 2013, and such other duties, obligations and powers as may be prescribed in the Company's CSR Policy.

Chairman	The Chairman of the Nomination and Remuneration Committee shall be a Non-Executive Director. 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 three or more Directors, out of which at least one director shall be an independent director.
Meetings	The Committee shall meet as and when required to effectively discharge its responsibilities and at such frequency as may be necessary for proper implementation and monitoring of the CSR activities of the Company.
Quorum	Two members or one-third of the members of the Committee, whichever is greater.
Terms of reference	As per the CSR Policy approved by Board
Roles & Responsibilities	• Formulate and recommend the CSR Policy and amendments thereto • Identify and recommend CSR activities/projects in accordance with applicable law and Schedule VII of the Companies Act, 2013. • Recommend the CSR expenditure and Annual Action Plan to the Board. • Recommend suitable implementing agencies, wherever applicable. • Monitor the implementation of CSR projects and utilisation of funds. • Review the progress of CSR activities and recommend corrective measures, wherever required. • Ensure compliance with applicable provisions relating to unspent CSR amounts and CSR reporting/disclosures. • Report periodically to the Board on the status and effectiveness of CSR activities. • Perform such other functions as may be assigned by the Board or prescribed under applicable law.

3.3.6. Risk Management Committee:

The Company shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The Risk Management Committee shall have the powers and duties as prescribed under the RBI Directions and Board approved risk management framework and policy.

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 members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
Composition	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 and more frequently where required by the risk profile of the Company.
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
Roles & Responsibilities	• identification and assessment of material risks; • risk appetite and risk limits; • investment and concentration risks; • liquidity and funding risks; • operational risks; • fraud risks, reputational risks; • compliance risks; • information technology and cyber risks; • group and concentration risks; • emerging risks; and • effectiveness of risk mitigation measures.

3.3.7. Asset Liability Management Committee (ALCO)

The Asset Liability Management Committee (ALCO) shall be constituted as a management/sub-committee, where considered necessary to evaluate, monitor and approve practices relating to liquidity management while managing the Company's spread between interest income and interest expense.

Chairman	The Executive 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: i. The Managing Director; ii. Chief Financial Officer; iii. Chief Compliance Officer/ Company Secretary; iv. such other officials as may be determined by the Board
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.
Roles & Responsibilities	• monitor liquidity position; • review funding and cash-flow requirements; • monitor maturity mismatches; • review interest-rate and other relevant financial risks; • monitor compliance with liquidity risk management requirements; • report material matters to the Board/RMC.

4. Key Managerial Personnel and Senior Management:

The Company shall maintain appropriate processes for appointment, succession, performance evaluation and remuneration of KMPs and Senior Management.

The NRC shall oversee succession planning and ensure that appointments of KMPs and Senior Management are based on appropriate qualifications, experience, competence, integrity and suitability.

5. Compliance Officer and Compliance Function:

In order to ensure an effective compliance culture, the Company shall have an independent compliance function and a strong compliance risk management framework.

The Company shall appoint a Chief Compliance Officer (CCO), who shall be sufficiently senior in the organisational hierarchy and shall have appropriate authority and independence to discharge the compliance function effectively. The CCO shall have direct access to the Board/appropriate Board Committee on material compliance matters and shall not be assigned responsibilities that may compromise his/her independence or result in inappropriate dual-hatting.

The Company shall maintain a Board approved Compliance Policy setting out the role, responsibilities, authority and reporting arrangements of the CCO.

The Company Secretary appointed in terms of Section 203 of the Companies Act, 2013, shall act as the Compliance Officer of the Company.

6. Statutory Auditors/Audit Partner(s):

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

The Company shall ensure the independence of its Statutory Auditors and provide appropriate access to the Audit Committee and Board for matters requiring their attention. The Company shall ensure timely communication to RBI and other authorities regarding changes in Statutory Auditors wherever required.

7. Governance of group companies:

The Board shall ensure that appropriate corporate governance standards are followed by the subsidiaries, associate companies and other group companies under the CIC. The governance framework shall promote effective information flow across the group while respecting the legal and fiduciary responsibilities of each group entity.

The Company shall, to the extent appropriate and legally permissible, establish mechanisms for obtaining information from subsidiaries and material group entities regarding financial and operational performance; material risks; regulatory compliance; internal controls; material litigation; related party transactions; significant investments

and borrowings; frauds and control failures; material regulatory observations; and other matters having a material bearing on the Company or the group.

8. Risk Management Framework:

The Company shall maintain an overall risk management framework commensurate with its size, complexity, business profile and risk exposure. The framework shall provide for identification, assessment, monitoring, mitigation and reporting of material risks faced by the Company.

The overall framework shall be supported by the ICAAP, Liquidity Risk Management Framework, Operational Risk Management Framework and such other risk-specific policies/ frameworks or procedures as may be applicable to the Company from time to time.

The Risk Management Committee (RMC) shall oversee and evaluate the overall risks faced by the Company, including liquidity and operational risks, and shall periodically report to the Board on the Company's risk profile, material risks and the adequacy of risk mitigation measures.

9. Conflict of Interest:

Directors, KMP and Senior Management shall act in the best interests of the Company and shall avoid situations where personal interests conflict, or appear to conflict, with the interests of the Company.

Directors shall disclose their interests, directorships, committee positions, shareholdings and other relevant interests as required under applicable law and Company policies. A Director who has a material interest in a matter under consideration shall disclose such interest and abstain from participation in the matter to the extent required under applicable law.

The Company shall maintain appropriate registers, declarations and records relating to interests and conflicts.

10. Related Party Transactions:

All Related Party Transactions (RPTs) shall be undertaken in accordance with applicable requirements relating to arm's length pricing, ordinary course of business, materiality and disclosure as per the Companies Act, 2013; applicable RBI Directions and applicable accounting standards.

The necessary approvals shall be obtained from the Audit Committee, Board, shareholders or other authority, wherever required.

The Company shall maintain appropriate records of RPTs and shall ensure periodic reporting to the Audit Committee and Board.

11. Whistle-Blower Mechanism:

The Company shall establish and maintain a Whistle-Blower Mechanism to provide

Directors and employees with a formal and confidential channel to report genuine concerns regarding unethical behaviour, actual or suspected fraud, misconduct, violation of applicable laws, regulatory requirements, the Company's policies or the Code of Conduct, or any other serious concern affecting the interests of the Company.

12. Protection against Sexual Harassment of women employees:

The Company shall maintain a zero-tolerance approach towards sexual harassment at the workplace and shall comply with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, and the rules made thereunder, as applicable.

The Company shall provide a safe workplace free from sexual harassment and ensure that women employees are treated with dignity and respect.

13. Policies adopted by the Company:

The Company shall maintain Board approved policies and framework, as may be required to be adopted under the Companies Act, 2013, RBI Directions, circulars, guidelines as applicable to the Company, and such other laws and regulations as may be applicable.

The Company's policy framework shall include, as applicable:

Sl.No.	Name of Policy/ Framework
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.	CSR Policy
8.	Policy on Succession Planning
9.	Compliance Policy
10.	Liquidity Risk Management Framework
11.	Operational Risk Management Framework

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.

14. 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.

15. 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.