



Corporate Governance Policy

Edelweiss Retail Finance Limited

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Document Control

Policy Owner	Secretarial and Governance team
Approved by	Board of Directors
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CORPORATE GOVERNANCE POLICY

1) Purpose

Corporate governance is a way of life and not a set of rules. It is a set of process, practices, policies, procedures, rules and laws that affect the way in which the business is conducted. It is a set of systems and processes aimed to ensure that a Company is managed to suit the best interests of all stakeholders. 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 they do.

2) Policy

Edelweiss Retail Finance Limited (“the Company”) firmly believes in adherence to highest corporate governance practices. The Company is governed by requirements of the Companies Act 2013, (“the Act”), and Corporate Governance and Disclosure norms for NBFCs issued by Reserve Bank of India vide chapter XI of Non-Banking Financial Company - systemically important Non-Deposit taking Company Directions 2016 (“RBI Master Direction”). Through this Policy the Company aims to pursue excellence in corporate governance.

The Company is committed to conduct its business in accordance with applicable laws, rules and regulations and the highest standards of business ethics. Corporate governance is about fairness and creation of value on a sustainable basis for all stakeholders. The Company ensures good governance through the implementation of effective policies and procedures, which is regularly reviewed by the Board or the Committees of the Board.

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

This document contains Company’s internal guidelines relating to corporate governance. It is understood by all that corporate governance is a fast-evolving subject and we will need to upscale ourselves every time new facts and situations come up.

Compliance & Governance team of the Company is primarily responsible for administering these Guidelines.

3) 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.

- Relevant provisions of Companies Act 2013.

4) Governance Structure



A. Board of Directors:

The Company's Board has a fiduciary role to protect and enhance stakeholder's value through strategic supervision. The Board along with its Committees provides direction and exercises appropriate controls directly as well as through the procedures and policies mandated.

Composition of the Board of Directors

The Company's Board shall have an optimum combination of Directors, as required by the applicable laws/ rules and regulations.

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

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of the Act. They shall submit a declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence. An Independent Director may hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Members of Company and disclosure of such appointment in the Board Report. Further, an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as an Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

Appointment of Board of Directors:

The Nomination & Remuneration Committee (NRC) will recommend the induction of Board Members to the Board of Directors. The new Director shall be apprised of the working of the Company and various Codes of Conduct/Policies adopted by the Company. The Director will execute Deed of Covenant post his/ her appointment. Independent Directors appointed on the Board of the Company shall fulfil the criteria of independence as set out under the provisions of the Act and the Listing Regulations. They shall submit a declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence. The Company shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

The Company shall not appoint a person or let the Directorship of any person continue as a Non-executive Director if he/she has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing/continuing the appointment of such person.

In case of appointment of a new Director or reappointment of a Director/additional Director during the year, the shareholders shall be provided with the following information among others as per regulatory requirements: (i) A brief profile of the Director including nature of his/ her expertise in specific functional areas; and (ii) Names of companies in which the person also holds Directorship and the membership of Committees of the Board.

Duties and Responsibilities of the Board

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

The Board is primarily responsible for *inter-alia*:

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

Primary duties of Directors are:

- act in accordance with the Articles of Association of the Company.
- act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of environment.
- exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
- shall not be involved in a situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- not achieve or attempt to achieve any undue gain or advantage either to self or relatives, partners, or associates and if such Director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal to that gain to the Company.
- not assign his/her office and any assignment so made shall be void.
- Ensure that all decisions taken are in adherence to legal/regulatory requirement(s) as applicable to the business of the Company.
- inform the Company of any information that may be perceived to be a violation by any employee or Director or the Company of any legal/regulatory requirement(s) as applicable to the business of the Company.
- Adhere to the standards set by the Company from time to time to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors and the society at large).
- attend all Board/Committee/General/Business Meetings and seek leave of absence whenever necessary.

Tenure of Board of Directors

Non-Executive (excluding Independent Directors) shall be required to retire by rotation. Subject to the Board's decision or any Shareholders' resolution, an Independent Director shall be eligible to hold office for a term of up to five consecutive years on the Board of the Company. Further, he/she shall also be eligible for re-appointment for a further term of up to five consecutive years on passing of a special resolution by the Company.

Meetings of the Board of Directors and quorum

Meetings of the Board of Directors shall be held at least four times a year in such manner that not more than 120 (one hundred and twenty) days shall intervene between two consecutive meetings. The quorum for the meetings of the Board shall be as per the Act. The detailed notes/information for agenda of the Board/Committee meetings shall be circulated to all the Directors, well in advance for fruitful discussions and making informed decisions. All information to be statutorily made available to the Board/Committees, pursuant to the applicable guidelines, Sections/Regulations as per the Companies Act, and RBI Master Directions shall be furnished to the Directors.

Fit & Proper

In terms of RBI circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 and RBI Master Circular no. RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated July 01, 2015 and RBI Master Directions, the fit and proper criteria, on the lines of the Guidelines issued by (as amended RBI by from time to time), would be applicable to ascertain the fit and proper criteria of the directors at the time of appointment, and on a continuing basis; The Company shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format given in RBI Guidelines (as amended by RBI from time to time);

The Company shall obtain a Deed of Covenant signed by the directors, which shall be in the format as given in RBI Guidelines (as amended by RBI from time to time); and Submission to the Reserve Bank, a quarterly statement on change of directors, and a certificate from the Director of the Company of the that fit and proper criteria in selection of the Directors has been followed. The statement shall 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.

Board Evaluation:

The Company has a separate policy on Board Evaluation.

B. Board Committees:

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

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

I. Audit Committee

Composition:

The Company shall constitute an Audit Committee in accordance with the provisions of Companies Act, 2013 and applicable provisions of the RBI Master Directions. The Committee shall have not less than three members with at least 2/3 of the members being independent Directors.

The Board shall determine the Frequency, Quorum of Meetings .

The Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. The quorum for audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater.

Roles & Responsibilities:

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

II. Nomination And Remuneration Committee

Composition:

In accordance with the provisions of Section 178 of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014 (“the Rules”), and applicable provisions

of the RBI Master Directions, the Company shall constitute a Nomination and Remuneration Committee. The Committee shall comprise of at least three non-executive Directors with at least two-third of the Directors being independent Directors.

Frequency, Quorum of Meetings:

The Nomination and Remuneration Committee shall meet at least once in a year and on adhoc basis, as required. The quorum for a meeting shall be either two members or one third of the members of the Committee, whichever is higher, including at least one independent Director in attendance.

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the Nomination and Remuneration Committee of the Company.

III. Corporate Social Responsibility Committee

Composition:

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

Frequency, Quorum of Meetings:

The Committee shall meet at least once in a year and on adhoc basis. The quorum of the meeting shall be one third of the total strength or two Directors whichever is higher.

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the Corporate Social Responsibility Committee of the Company.

IV. Stakeholders Relationship Committee

Composition:

The Company shall constitute a Stakeholders Relationship Committee (SRC) in accordance with the provisions of the Section 178 of the Act. The Committee shall constitute of at least three Directors,

with at least one being an independent Director. The Chairperson of the Committee shall be a non-executive Director.

Frequency, Quorum of Meetings:

The Committee shall meet atleast once in a year and and on adhoc basis, as required and the quorum of the meeting shall be one third of the total strength or two Members whichever is higher.

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the Stakeholders Relationship Committee of the Company.

V. ASSET LIABILITY MANAGEMENT COMMITTEE

Composition:

In accordance with the provisions of the RBI Directions an Asset Liability Management Committee shall be constituted for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The CEO/MD/Manager or the Executive Director (ED) should chair the Committee.

The broad objectives of the ALCO are as follows:

- **Liquidity Risk**
The role of the ALCO with respect to liquidity risk would include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches.
- **Liquidity Management**
Ensuring availability of adequate liquid resources with a view to keep maturity mismatches in the Balance Sheet of the Company within desired levels.
- **Interest Rate Risk Management**
Reviewing Interest Rates Scenario and decide on the desired composition of various portfolio;
Capture the sensitivity of Market Value of its Equity (MVE) to interest rate movements.
- **Profit Planning**
Positioning in order to maximize shareholder value while protecting the Company from any adverse consequences arising from liquidity and interest rate risk.

Frequency and Quorum of the Meeting:

Meeting of the Committee will be held atleast once in every quarter and on ad hoc basis, as required. The Quorum of the meeting shall be one third of the total strength or two Directors whichever is higher.

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the Asset Liability Management Committee of the Company.

VI. RISK MANAGEMENT COMMITTEE

In accordance with the provisions of the RBI Directions the Board shall constitute a Risk Management Committee to manage all perceived risk. It shall comprise of minimum three members with mix of members of the Board and senior executives of the Company.

Frequency and Quorum of the Meeting:

The Risk Management Committee shall meet at least four times in a year. The gap between two meetings shall not exceed one hundred and twenty days. The meetings of the Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings. The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the Committee, whichever is higher.

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the Risk Management Committee of the Company.

VII. IT STRATEGY COMMITTEE

In accordance with the provisions of the RBI Directions, an IT Strategy Committee shall be

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

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

Roles & Responsibilities:

The roles and responsibilities has been defined in Terms of Reference (“TOR”) of the IT Strategy Committee of the Company.

C. EXECUTIVE COMMITTEES

Some of the major Executive Committees are as below:

- I. Credit Committee
- II. Resource Mobilization Committee
- III. Securities Committee
- IV. Operations Committee
- V. Asset Liability Management (ALM) Working Group
- VI. IT Steering Committee

I. Credit Committee

The Credit Committee consists of Directors and/or Senior executives. The Credit Committee analyses the credit proposals placed before it. The Committee shall meet as and when any matter comes up for consideration of the Committee.

II. Resource Mobilization Committee

Analyzing of various options for raising of funds by issuance of securities including debt instruments in the nature debentures/ bonds, and/or any other instrument including equity or preference shares, and to perform all activities with regard to fund raising by various methods/ means/options under the authority of Board and Shareholders.

III. Securities Committee

A Securities Committee shall be constituted by the Company for inter-alia deciding the terms and conditions of the securities issued, monitoring transfers of securities, issuing duplicate certificates, etc.

IV. Operations Committee

Operations Committee shall be constituted by the Company for monitoring day to day operations of the Business.

V. Asset Liability Management (ALM) Working Group

The ALM Working Group consisting of the operating staff shall be responsible for analyzing, monitoring and reporting the liquidity risk profile to the ALCO.

VI. IT Steering Committee

The Company shall establish an IT Steering Committee, consisting of business owners, the development team and other stakeholders to provide oversight and monitoring of the progress of IT project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable.

D. **AUDITORS**

Statutory Auditor

The Board and the Audit Committee of the Company shall be responsible for appointment of Statutory Auditor who have professional ability and are independent. Further the Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner shall not conduct audit of the Company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

Internal Auditors

The Board and the Audit Committee of the Company shall appoint Internal Auditors who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the Management and accordingly monitor its adequacy and effectiveness. Internal

Auditor shall directly report to Audit Committee.

Secretarial Auditor

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

E. Policies

The Company, in line with the requirement of the Companies Act, 2013, the guidelines issued by the Reserve Bank of India and others acts, rules, and regulations applicable to the Company shall frame and adopt codes and policies which shall form part and parcel of the overall corporate governance framework of the Company. These policies shall be reviewed and updated at regular intervals based on the statutory requirement or on modification or amendments of various acts, rules, regulations, statues applicable to the Company. An indicative list of such policies is as under:

- a) Board evaluation policy
- b) Remuneration policy
- c) Corporate Social Responsibility Policy
- d) Policy on Related Party Transactions
- e) Fair practice code
- f) Vigil Mechanism/whistle blower Policy
- g) Corporate Governance Policy