

ARKA FINCAP LIMITED

2504, 2505, 2506, 25TH FLOOR, ONE LODHA PLACE, LODHA WORLD TOWERS SENAPATI BAPAT

MARG, LOWER PAREL, MUMBAI – 400013

2025

Internal Guidelines on Corporate Governance

POLICY DOCUMENT – 008

Policy on 008 – Internal Guidelines on Corporate Governance

Action	Entity	Signature
Created by	Secretarial Team	
Approved by	Board / RMC	
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Version History

Version No.	Particulars	Details
1	Original Policy approved by Board	
2	Changes made on account of change in ALCO committee	Members of ALCO committee has been changed
3	Changes on account of review	Added following:- <ul style="list-style-type: none"> ● Approach to risk management ● Principle adopted for risk management ● Roles and responsibilities for the board, sub-committees, risk department, functional heads defined ● Few more risk mitigants to regulatory risk, credit risk, operational risk and reputational risk
4.	Changes on account of Annual Review	

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SECTION-I: Corporate Governance**1. Introduction and Objective:**

A best practice on governance issues is an evolutionary and continuing process. Corporate Governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the Board and senior management to oversee the affairs of the company, ensure accountability, inculcate integrity and promote long-term growth and profitability.

Reserve Bank of India issues guidelines on Corporate Governance to Non- Deposit taking NBFCs in order to enable the adoption of best practices and greater transparency in their operations. In view of the Master Direction - Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 No. RBI/DoR/2023-24/106, DoR.FIN.REC.No.45/03.10.119/ 2023-24 dated October 19, 2023 (“**RBI Master Directions**”), Companies Act, 2013 (“**the Act**”) and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR**”), the Company lays down the following set of guidelines / corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large, etc.

The affairs of the Company shall be conducted with integrity, fairness, accountability and transparency. All commitments in its dealings with stakeholders and regulatory authorities shall be met. This policy applies to all employee, core/senior management and Board of Directors of Arka Fincap Limited (AFL)

2. Board of Directors:

As per Clause 58 of Company’s Articles of Association, the number of Directors shall not be less than three and more than fifteen.

Board of the Company shall be constituted as per the Act read with rules framed thereunder, Articles of Association of the Company and SEBI LODR and it shall adhere to the requirements of the Act and SEBI LODR, from time to time. The Board of Directors have overall responsibility of overseeing Management's work and monitoring it to ensure that it contributes to objectives and vision of the Company.

Apart from being responsible for providing oversight to senior management, Board is responsible to ensure that Company is compliant of all applicable law, rules and regulations. Board needs to ensure a culture of good governance within the Company.

The Board shall have a suitable combination of Executive and Non-Executive Directors, with at least one-woman Director and not less than 50% of the Board of Directors shall comprise of Non-Executive Directors. In case of a Non-Executive Chairperson, at least one-third of the Board should consist of Independent Directors and, in case of no regular non-executive chairperson or where the Non- Executive Chairperson is a promoter of the Company or is related to any promoter or person occupying management positions at the level of Board of Director or at one level below the board of directors, at least half of the Board of Directors of the Company shall consist of Independent Directors.

Company shall not appoint a person or continue the directorship of any person as a Non-Executive Director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in compliance with the provisions of the Act and SEBI LODR.

Company to any vacancy in the office of a director at the earliest and in any case not later than three months from the date such vacancy. If any vacancy occurs due to expiration of the term of office of any director, such vacancy shall be filled not later than the date such office is vacated. The said provision shall not apply if the Company fulfils the requirement of the regulation without filling the vacancy.

All the Directors on the Board (except Independent Directors) are liable to retire by rotation and one third of such Directors shall retire at every Annual General Meeting of the Company. The Directors who are longest in office shall retire and in accordance with the provisions of applicable laws shall be eligible for re-election. The Directors shall submit disclosures as required under the provisions of applicable laws and the codes and policies adopted by the Company.

All the Directors to meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India.

A Director shall not hold the office of Director in more than 20 companies including maximum of 10 public limited companies. Explanation - Private companies which are subsidiaries of a public limited company shall be counted as a public company. All the Directors shall make the necessary annual disclosure regarding their directorships and Committee positions and shall intimate changes as and when they take place. While reckoning the limit of directorships of twenty companies, the directorship in a dormant company shall not be included.

Director shall not be a director in more than seven listed companies. Further, a Director shall not serve as an independent director in more than seven listed companies. An Independent Director shall not be on the Board of more than 3 Middle Layer Non-Banking Financial Company or Upper Layer Non-Banking Financial Company at the same time. The Company should ensure that no conflict to arise on account of the independent directors being appointed on the Board of another NBFC at the same time. There shall be no restriction to directorship on the Boards of NBFCs - BL, subject to provisions of Companies Act, 2013. Furthermore, any Independent Director of the Company, who is serving as a whole time director / managing director in any listed company shall serve as an independent director in not more than three listed entities.

Explanation - The count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.

3. Board Meetings

The Board of Directors shall meet atleast 4 times a year with a maximum time gap of 120 days between 2 meetings. The Directors should strive to attend Board meetings regularly and participate in the deliberations and discussions effectively. The minimum information to be statutorily made available to the Board shall be furnished to the Directors before the meeting.

The Board of Directors shall function in accordance with provisions applicable laws and Articles of Association of Company.

4. Board Independence

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

Independent Directors appointed on the Board of the Company shall fulfill the criteria of independence as set out under the provisions of the Act and SEBI LODR and other applicable laws in this regard. They shall submit an annual 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.

Subject to the provisions of the Act and SEBI LODR, an Independent Director shall hold office for a term of upto 5 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 Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

An Independent Director shall not be on the Board of more than three Middle Layer Non-Banking Financial Company or Upper Layer Non-Banking Financial Company at the same time. The Company should ensure that no conflict arises on account of the independent directors being appointed on the Board of another NBFC at the same time. There shall be no restriction to directorship on the Boards of NBFCs-BL, subject to provisions of Companies Act, 2013.

5. Committees under Board of Directors:

With the objective of attaining accountability, transparency and fairness, following Committees are specifically constituted by the Board in accordance with the provisions of RBI Master Directions, the Act and SEBI LODR:

➤ AUDIT COMMITTEE

The Audit Committee is constituted pursuant to the provisions of RBI Master Directions, the Act, SEBI LODR and other applicable laws, acts, rules and regulations.

The Audit Committee shall consist of a minimum of 3 directors and atleast 2/3rd of the members shall be independent directors. All the Members of the Audit Committee shall be financially literate and atleast one Member shall have an accounting or related financial management expertise.

The Chairperson of the Committee shall be an Independent Director. Company Secretary shall act as the secretary to the audit committee

The Committee shall meet at such intervals as may be required but shall meet at least 4 times in a year and not more than 120 days shall elapse between two meetings

The quorum for the Audit Committee meeting shall be either 2 members or 1/3rd of the members of the audit committee, whichever is greater, with at least 2 independent directors.

The terms of reference of the Audit Committee of the Company would be in terms of Section 177 and other applicable provisions of the Act read with rules prescribed thereunder, Regulation 18 of SEBI LODR read with Part C of Schedule II to SEBI LODR and RBI Master Directions which, inter-alia, includes the following:

- Overseeing Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- recommending appointment, remuneration and terms of appointment of auditors of the Company;
- approving payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing with the management, the annual financial statements and the auditor's report thereon before submission to the Board of Directors with particular reference to:
 - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with listing and other legal requirements relating to financial statements;
 - f) disclosure of any related party transactions;
 - g) modified opinion(s) in the draft audit report;
- reviewing with the management, the quarterly financial statements before submission to the board for approval;
- reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the board to take up steps in this matter;
- reviewing and monitoring auditors' independence and performance, and effectiveness of audit process, monitoring the statutory auditor's conflict of interest position in terms of relevant regulatory provisions, standards and best practices;
- approving or any subsequent modification to transactions of the Company with its related parties;
- granting of omnibus approval for transactions proposed to be entered with the related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the listed entity, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- discussion with internal auditors of any significant findings and follow up there on;
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board of Directors;
- discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- reviewing the functioning of whistle blower mechanism;
- approving appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances/investments existing as on the date of coming into force of this provision;
- consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders;
- 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.

Mandatorily review the following information:

1. management discussion and analysis of financial condition and results of operations;
2. management letters/letters of internal control weaknesses issued by the statutory auditors;
3. internal audit reports relating to internal control weaknesses; and
4. the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
5. statement of deviations:
 - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of SEBI LODR.
 - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI LODR.

➤ NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ("NRC") is constituted in terms of Section 178 of the Act read with the rules framed thereunder, Regulation 19 of SEBI LODR and RBI Master Directions.

The NRC shall consist of at least three directors out of which at least two-thirds of the directors shall be independent directors. All directors of the Committee shall be non-executive directors.

The Chairperson of the Committee shall be an Independent Director. Company Secretary shall act as the secretary to the committee.

The Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the NRC but shall not chair the said Committee.

The NRC shall meet at least once in a year.

The quorum for the NRC meeting shall be either 2 members or 1/3rd of the members of the committee, whichever is greater, including at least one independent director in attendance.

The terms of reference of the Nomination and Remuneration Committee of the Company would be in terms of Section 178 and other applicable provisions of the Act read with rules prescribed thereunder and Regulation 19 of SEBI LODR read with Para A of Part D of Schedule II to SEBI LODR and RBI Master Directions which, inter-alia, includes:

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- For every appointment of an independent director, to evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director and the person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates.
- Formulation of criteria for evaluation of performance of independent directors and the board of directors, specifying the manner for effective evaluation of performance of Board, its committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance; devising a policy on diversity of board of directors;
- Devising a policy on diversity of board of directors;
- identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal, ensuring 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management
- Deciding on whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- Recommending to the Board, all remuneration, in whatever form, payable to senior management;

➤ **RISK MANAGEMENT COMMITTEE ("RMC")**

RMC is constituted in accordance with the provisions of Regulation 21 of SEBI LODR and RBI Master Directions.

The RMC shall have a minimum of 3 members with majority of them being members of the board of directors, including at least 1 independent director.

The Chairperson of the Committee shall be a member of the Board of Directors and senior executives of the Company may be members of the committee. Company Secretary shall act as the secretary to the committee.

The Risk Management Committee shall meet at least twice in a year in such a manner that on a continuous basis not more than 210 days shall elapse between any two consecutive meetings.

The quorum for the RMC meeting shall be either 2 members or 1/3rd of the members of the committee, whichever is higher, including at least one member of the Board of Directors in attendance.

The terms of reference of the Risk Management Committee of the Company would be in terms of Regulation 21 of SEBI LODR and RBI Master Directions which , inter-alia, includes:

- To evaluate the overall risks faced by the Company including liquidity risks and cyber security risk.
- to assist the Board in setting risk strategies, policies, frameworks, models and procedures in liaison with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting.
- to ensure that the Company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company's appetite or tolerance for risk.
- to ensure that a systematic, documented assessment of the processes and outcomes surrounding key risk is undertaken at least once in a year.
- To formulate a detailed risk management policy which shall include:
 - A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks, if applicable), information, cyber security risks or any other risk as may be determined.
 - Measures for risk mitigation including systems and processes for internal control of identified risks.
 - Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company.
- To monitor and oversee implementation of the risk management policy/plan including evaluating the adequacy of risk management systems.
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
- Setting up suitable administrative framework of senior management for the purpose of the RBI Master Directions;
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations;

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

➤ **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

Corporate Social Responsibility Committee is constituted pursuant to the provisions of Section 135 of the Act read with The Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Committee shall consist of three or more Directors, out of which at least one director shall be an independent director.

The Committee shall meet at such intervals pursuant to the provisions of the Companies Act, 2013 read with the rules framed thereunder, as amended from time to time

The quorum shall be at least Two Members present physically or by video conference for a Meeting. Alternatively, approval of any Two Members by Circulation.

The terms of reference of the CSR Committee of the Company would be in terms of Section 135 and other applicable provisions of the Act read with the rules framed thereunder which, inter-alia, includes:

- Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall include the activities to be undertaken by the company in areas or subject as specified in Schedule VII of the Companies Act, 2013 as amended from time to time;
- To recommend the amount of expenditure to be incurred on the CSR activities;
- To monitor the Corporate Social Responsibility Policy of the company from time to time;
- Recommend to the Board the amendments to the Corporate Social Responsibility Policy;
- To ensure that CSR activities undertaken by the Company are appropriately disclosed in the Annual Report;
- Ensure that any surplus arising out of CSR activities does not form a part of business profits of the Company
- To review the adequacy of the CSR policy at periodic intervals and review / modify policy on annual basis, if necessary.
- To recommend to the Board of Directors annual action plan in pursuance of the CSR Policy
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

➤ **STAKEHOLDERS RELATIONSHIP AND CUSTOMER SERVICE/CONSUMER PROTECTION COMMITTEE**

The Stakeholders Relationship and Customer Service/Consumer Protection Committee is constituted pursuant to the provisions of the Act, Regulation 20 of SEBI LODR, RBI Master Directions and Master Direction of Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023.

The committee shall consist of at least 3 directors, with at least 1 being an independent director. The chairperson of this committee shall be a non-executive director.

The Stakeholders Relationship and Customer Service/Consumer Protection Committee shall meet at such intervals as may be required but shall meet atleast twice in a year.

The quorum for all the meetings of the Stakeholders' and Customer Service/Consumer Protection Committee shall be 1/3rd of the total strength of the Committee or 2 Directors, whichever is higher.

The terms of reference of the Stakeholders Relationship and Customer Service/Consumer Protection Committee of the Company would be in terms of applicable provisions of the Companies Act, 2013, SEBI LODR, RBI Master Directions and Master Direction of Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 which, inter-alia, includes:

- To oversee, monitor and resolve the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends/interest/principal amount and ensuring timely receipt of interest/redemption amount/dividend warrants/annual reports/statutory notices by the security holders of the company.
- To approve the request for dematerialization/rematerialisation
- To approve issuance of issue of duplicate/split/consolidated security certificates.
- To approve matters relating to the unclaimed dividend/interest/redemption amount including transfer to IEPF in compliance with applicable laws
- Reviewing and analysing the reports furnished by the Internal Ombudsman (IO) on customer complaints.
- To review and approve a Standard Operating Procedure for Customer Grievance Redressal Mechanism.
- To perform such other acts as may be required pursuant to Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023.
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

➤ **CREDIT COMMITTEE**

The Company has constituted Credit Committee and the terms of reference of Credit Committee includes oversight of the credit and lending strategies of the Company, oversight of the credit risk management of the Company and the organizational effectiveness thereof, including reviewing internal credit policies, portfolio limits, portfolio data and analytics, reviewing the quality and performance of the Company credit portfolio, approving / rejecting transactions put up to the Committee for approval, approving of lending criteria, approving new financial products, if any, review and monitoring of portfolio mix, scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal, approving any changes/variations in the loan amount, tenor, interest rates and security structure.

The Committee shall meet at such intervals as may be required. Quorum for the Credit Committee meeting is 1/3rd of the total strength of the Committee or 2 members, whichever is higher.

The terms of reference of the Credit Committee of the Company would be:

- Oversight/Review/Approve of the credit and lending strategies of the Company;
- Oversight of the credit risk management of the Company and the organizational effectiveness thereof, including reviewing internal credit policies, portfolio limits, portfolio data and analytics;
- Reviewing the quality and performance of the credit portfolio;
- Approving of lending criteria;
- Approving new financial products, if any;
- Review and monitoring of portfolio mix;
- Scrutinizing the loan proposals and if satisfied approving the sanction of the loan proposal;
- To approve partnerships in connection with the lending business of the Company;
- Approving any changes/variations in the loan amount, tenor, interest rates and security structure;
- To delegate the powers so conferred upon the Credit Committee as it may deem fit;
- Perform such other allied functions as may be required from time to time;
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

➤ **ASSET LIABILITY COMMITTEE (ALCO)**

ALCO has been constituted in accordance with the provisions of RBI Master Directions.

The committee shall be comprised of CEO/ MD or the Executive Director (ED) as chairman of 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 Committee shall meet at such intervals as is required but shall meet at least once in a quarter. Quorum shall be 1/3rd of the total strength of the Committee or 2 members, whichever is higher.

The terms of reference of the ALCO inter-alia, includes

- To approve/monitor matters relating to borrowings by the Company including borrowings by way of term loan, working capital demand loan, cash credit facility, issue of non-convertible debentures/issue of commercial papers and/or by way of other eligible modes of borrowing.
- To ensure adherence to the risk tolerance/limits set by the Board of Directors as well as implementing the liquidity risk
- To oversee and ensure that an adequate and accurate management information system is put in place by the Company w.r.t asset liability composition / mismatches;
- To oversee balance sheet planning from risk return perspective including strategic management of interest rate and liquidity risk and tracking of liquidity through maturity or cash flow mismatches;

- To review the Gap reports (liquidity and interest rate sensitivities) admeasuring the mismatch between rate sensitive liabilities and rate sensitive assets and set limits thereof;
- With respect to liquidity risk, to decide on desired maturity profile and mix of the incremental assets and liabilities, sale of assets as a source of funding,
- To articulate the current interest rate view of the Company and base its decisions for future business strategy based on this view;
- To decide on source and mix of liabilities or sale of assets and towards this end, develop a view on future direction of interest rate movements and decide on funding mixes;
- To review and recommend borrowing program for the company;
- Buy back / redeem / repurchase of the NCDs in case of put option and reissue of same to the new investors;
- To do all such acts, deeds and things as may be required to be undertaken in accordance with the applicable law, rules and regulations applicable to the Company;
- To do all such acts, deeds, things and matters as may be delegated, from time to time, by the Board of Directors of the Company;
- To delegate to the officials such powers of the Committee as may be deemed fit by the Committee.

➤ **SECURITIES ALLOTMENT COMMITTEE**

The Company has constituted Securities Allotment Committee and the terms of reference of Allotment Committee includes approving issue and allotment of securities including Equity and/or Preference Shares and Debentures, issue of new Share Certificate on Allotment, issue of duplicate/split/consolidated share certificates, to settle any question, difficulty or doubts of the shareholders that may arise in regard to the issue and allotment of shares, Redressal of shareholder complaints like non receipt of share certificates, loss of share certificates, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc and reference to Board of Directors in case of any question, doubts or difficulty in respect of issue, allotment, transfer of shares and any shareholders grievances, if necessary.

➤ **IT STRATEGY COMMITTEE**

IT Strategy Committee has been constituted in terms of RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023.

The Committee shall consist of a minimum of 3 directors as members. All members of the Committee shall be technically competent.

The Chairperson of the Committee shall be an Independent Director and have substantial IT expertise in managing/ guiding information technology initiatives.

The It Strategy Committee shall meet on a quarterly basis. The quorum for the Committee meeting shall be any 2 members present.

The terms of reference of IT Strategy Committee includes-

- reviewing and recommending to the Board, management's strategies relating to technology and their alignment with the strategy and objectives of the Company;

- Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the RE towards accomplishment of its business objectives;
- Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;
- Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;
- Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives;
- Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.
- reviewing and monitoring Management's strategies for developing or implementing new technologies and systems,
- increasing awareness of key technology changes and innovations in the marketplace,
- reviewing and recommending to the Board management's strategies for sourcing of major technology suppliers and monitoring the technology, governance framework for third party suppliers,
- reviewing and monitoring the effectiveness of the IT Risk Management and Security plan (including advising the Board Risk Committee on matters of Technology Risk and Cyber Security);
- improving the efficiency of the Board by taking responsibility for "technology" tasks delegated to the Committee where such tasks should be discussed in sufficient depth;
- approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls;
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

➤ **IT STEERING COMMITTEE**

IT Steering Committee has been constituted in terms of RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023.

The Committee shall consist of representatives at Senior Management level from IT and business functions.

The IT Steering Committee shall meet at such intervals as is required but shall meet at least on a quarterly basis. The quorum for the Committee will be any 2 members present.

The terms of reference of IT Steering Committee includes the following:

- The role and responsibility of the committee would be same as prescribed by Reserve Bank of India.
- Assist the IT Strategy Committee in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- Oversee the processes put in place for business continuity and disaster recovery;
- Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
- Update IT Strategy Committee and CEO periodically on the activities of IT Steering Committee
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

➤ **BANKING COMMITTEE**

The Board of Directors of the Company have constituted the Banking Committee inter alia to approve the following:

- Opening/operating/closing of bank accounts, demat account, trading account and broking account including Cash Management Services from banks as well as opening/operating the CSGL/Gilt accounts of the Company.
- Addition/deletion/modification of authorised signatories for bank accounts, demat account, broking and trading account including Cash Management Services from banks as well as opening/operating the CSGL/Gilt accounts of the Company.
- Approving matters related to availing Cash Management Services from banks.
- Approving matters related to procurement of corporate credit card(s).
- To perform such other acts as may be delegated by the Board of Directors, from time to time or as required under applicable acts, laws, rules and regulations.

Other Committees:

In addition to above, the Board has constituted various other committees including Internal Complaint Committee, Ethics Committee, Internal Committee on Insurance Business, Product Approval Committee, Information Security Committee and various other management level/internal committee(s), as may be required for effective functioning of the Company.

➤ **COMMITTEE OF THE EXECUTIVES**

Committee of the Executives has been constituted in terms of RBI Master Direction on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) dated July 15, 2024.

The Committee shall consist of a minimum three members out of which at least one of whom shall be a Whole-time director or equivalent rank Official.

The Committee of the Executives shall meet at such intervals as and when required. The quorum for the Committee meeting shall be any 2 members present.

The terms of reference of Committee of the Executive includes-

- Issuance of a detailed Show Cause Notice (SCN) to the Persons, Entities and its Promoters / whole-time and Executive Directors against whom allegation of fraud is being examined. The

SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

- a. reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SC;
 - b. Implement system for issuance of SCN and examination of the responses / submissions made by the Persons/Entities prior to declaring such Persons / Entities as fraudulent
- To oversee the effectiveness of the fraud risk management.
 - To review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds.
 - Issue reasoned Order to the Persons / Entities conveying the decision of the Applicable NBFCs regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, submission made against the SCN and the reasons for classification as fraud or otherwise.
 - To ensure that principles of natural justice are strictly adhered to before classifying / declaring an account as fraud
 - To examine whether the entity shall continue to remain classified as fraud or the classification as fraud could be removed after implementation of the Resolution Plan under IBC or under the resolution framework of RBI.
 - To ensure legal audit and re-verification of title deeds and other related title documents in respect of all credit facilities of ₹1 crore and above is conducted till loan is fully repaid.

6. CODES AND POLICIES

In terms of the provisions of the Act read with the rules framed thereunder, SEBI LODR, RBI Master Directions, various other laws applicable to the Company, as a part of good corporate governance and to ensure strong internal controls, the Company has adopted several codes/policies/guidelines.

An Annual review of the policies is also undertaken once in a financial year.

7. Auditors

Statutory Auditors:

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

The Company shall ensure compliance of the Act, SEBI LODR, RBI Master Directions and the guidelines issued by RBI in connection with the appointment of the statutory auditors.

Head of Internal Audit:

The Board and the Audit Committee of the Company shall appoint Head of Internal Audit in accordance with the provisions of applicable laws and regulations 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.

Secretarial Auditors:

The Board and Audit Committee shall appoint an independent company secretary in practice, in accordance with the provisions of the Act and rules made thereunder to conduct a secretarial audit of the Company. The Secretarial Auditor shall provide its report in the form and manner prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Audit Committee and 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 applicable laws / regulations.

8. Additional Guidelines:

- All the employees of AFL are obliged to carry out their duties in an honest, fair, diligent and ethical manner, within the scope of the authority conferred upon them and in accordance with the laws, rules, regulations, agreements, guidelines, standards and internal policies and procedures.
- The Board of Directors of the Company is entrusted with the fiduciary responsibility of oversight of the affairs of the Company. As Directors of the Company, they have a duty to make decisions and implement policies in the best interest of the Company and its Stakeholders.
- The Directors & Senior Management personnel are required to act in accordance with the highest standards of personal and professional integrity, honesty, ethical and legal conduct, when acting on behalf of the Company or in connection with the Company's business or operations and at social events. An honest conduct is considered as such when a conduct is free from fraud or deception. AFL considers ethical conduct to be confirming to the accepted professional standards of conduct and include ethical handling of actual or apparent conflicts of interests between personal and professional relationships.
- The Directors and the Senior Management personnel shall:
 - Act honestly, fairly, ethically, with integrity and loyalty and conduct themselves in a professional, courteous and respectful manner;
 - Act in the best interests of the Company and in a manner to enhance and maintain the reputation of the Company and fulfill their fiduciary duties towards the stakeholders of the Company.
 - Act in good faith, with responsibility, due care, competence, diligence and independence.
 - Treat their colleagues and other associates of the Company with dignity.

- The Directors and Senior Management personnel shall avoid and disclose any activity or association that creates or appears to create a conflict between the personal interest and the Company's business interest.
- Relationships with prospective or existing suppliers, contractors, customers, competitors or regulators must not affect the independent and sound judgment on behalf of the Company.
- The Directors and the Senior Management personnel are required to disclose to the Board any situation that may be, or appear to be, a conflict of interest.
- The Directors and Senior Management personnel shall not work for or receive payments in their personal capacity for services from any competitor, customer, distributor or supplier of the Company without approval of the Board.
- The Directors and Senior Management personnel shall not use personal influence to make the Company do business with a company/institution in which his or her relatives are interested. As a rule, Directors and Senior Management personnel shall avoid conducting Company's business with a relative or with an entity in which a relative is associated in any significant role. In case of conflicts, disclosure shall be made to the Board of Directors and a approval shall be obtained of the relevant authority as per the applicable laws and regulations.
- No personnel shall accept gifts beyond value detailed in the clauses pertaining to gifts prescribed by AFL HR policy. Similar guidelines would be applicable to gratuities or any offer, payment, promise to pay, or authorization to pay any money, or anything of value that could be interpreted to adversely affect business decisions or likely to compromise their personal or professional integrity. Gift items of nominal value, such as small promotional items bearing another company's name, business meals, gifts received because of personal relationships and not because of official position, mementos received because of attending a widely held gatherings as panelist/speaker and other customary gifts are allowed. (Gifts are not always physical objects - they might also be services, favors or other items of value).
- The Directors and Senior Management personnel shall not divert business opportunities of the Company, by exploiting for their own personal gain, business opportunities that are discovered through the use of corporate propriety information or position. However, the Directors and Senior Management personnel can pursue such business opportunities once they are fully disclosed to the company and the Company declined to pursue such opportunities.
- The assets of the Company shall be used for legitimate business purposes and shall not be used for personal purposes. Incidental personal use, if reasonable does not amount to violation of these guidelines.
- It is the general obligation of the Directors to conduct the business and operations of the Company in accordance with the laws, rules, regulations, agreements, guidelines, standards including accounting standards governing its operations. The Directors and Senior Management personnel shall also comply with the internal policies and procedures of the Company to the extent applicable to them.

- It is the Company's policy to ensure continuous, timely and adequate disclosure of Company's information. The Company is committed to full, fair, accurate, timely and understandable disclosure in reports and documents; it files with or submits to the regulatory authorities and in other public communications.
- The Directors and Senior Management personnel must maintain the confidentiality of information relating to the affairs of the Company until and unless authorized or legally required to disclose such information; and shall not use confidential information for their personal advantage.
- The Directors and Senior Management personnel are obligated to deal fairly and honestly with each other, the Company's affiliates and with the Company's customers, suppliers, competitors and other third parties.
- The Directors and Senior Management personnel shall not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation or any other unfair dealing or practice. The Company is committed to free and open competition in the marketplace.
- The Directors and Senior Management personnel shall avoid actions that could reasonably be construed as being anti-competitive, monopolistic or otherwise contrary to laws governing competitive practices in the marketplace, including antitrust laws. Such actions include misappropriation and/or misuse of a competitor's confidential information or making false statements about the competitor's business and/or business practices.
- It is the duty and obligation of every Director and Senior Management personnel to comply with these internal guidelines on corporate governance. Any violation of these internal guidelines on corporate governance shall be reported to any member of the Board of the Company.

9. Guidelines on Know Your Customer and Anti Money Laundering Policy

Company has adopted Know Your Customer (KYC) and Anti Money Laundering Policy (AML) policy as per the extant regulations prescribed by the Reserve Bank of India. The KYC & AML Policy provides a comprehensive and dynamic framework and measures to be taken in regard to Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT).