Alpha Alternatives Financial Services Private Limited
(Formerly known as Provincial Finance and Leasing Co Private Limited)

Corporate Governance Policy

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Company's Philosophy on Corporate Governance

Alpha Alternatives Financial Services Private Limited (*Formerly known as Provincial Finance and Leasing Co Private Limited*) ("the Company" / "AAFSPL") is a Non-Banking Financial Company - Systemically Important Non-Deposit taking Company registered with Reserve Bank of India.

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Board of the Company is responsible for formulating, directing and overseeing how AAFSPL, its management and employees adhere to corporate governance norms and serve and protect the long-term interests of all stakeholders.

The governance structure of AAFSPL flows from the policies adopted by the Board of Directors within the regulatory framework of the RBI, the Companies Act 2013 and SEBI, as applicable, and reviewed periodically for currency and relevance. The Board of Directors further puts policy into action by way of various committees that govern the functioning of the senior management team of AAFSPL in line with the policies.

RBI Guidelines on Corporate Governance:

The Company is a Non-Banking Financial Company - Non-Deposit taking – Systemically Important (NBFC-ND-SI) registered with Reserve Bank of India (RBI) and in terms of SBR the Company is classified as middle layer NBFC (NBFC-ML). In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, vide Chapter XI of the Master Direction - Non-Banking Financial Company - Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as updated from time to time, issued Guidelines on Corporate Governance and mandated all NBFC-ND-SI to frame Internal Guidelines on Corporate Governance and has mandated all NBFC-ML to frame an Internal Guidelines on Corporate Governance, In pursuance of the aforesaid directions issued by the RBI, the Board of Directors have framed the Internal Guidelines on Corporate Governance and have published the same on the Company's website on www.fin.alt-alpha.com

Governance Structure:

I. Board of Directors

The current Board of the Company comprises 4 (Four) Directors, including 2 (Two) Independent Directors, 1 (One) Executive Director and 1 (one) Non-Executive Non-Independent Director.

The composition of the Board is in conformity with the existing Articles of Association of the Company. The Board meets atleast 4 (Four) times a year in such a manner that not more than (120) one hundred and twenty days intervenes between two consecutive meetings of the Board.

Brief Duties of Board of Directors:

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of Corporate Governance, the directors of the Company have the following duties:

(1) A director of a company shall 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.

(2) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(3) A director of a company shall not involve in a situation in which he may have a direct or indirect

interest that conflicts, or possibly may conflict, with the interest of the company.

(4) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

(5) A director of a company shall not assign his office and any assignment so made shall be void.

Board Process

The Board is presented with relevant information on various matters relating to the working of the Company especially those that require deliberation at a strategic level, ahead of each Board meeting. All statutory and material information is placed before the Board to enable them in effective and efficient decision-making. The functional heads are invited to the Board and Committee meetings to appraise the Board on various issues concerning the operations of the Company.

II. Audit Committee

The Company has constituted a qualified and independent Audit Committee in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Companies Act, 2013 and the Rules framed thereunder ("the Act") and Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 ("SEBI Regulations").

The Audit Committee shall consist of a minimum of three directors of which at least 2/3rd directors shall be independent directors.

Explanation I: The Audit Committee constituted by the Company as required under Section 177 of the Act and Regulation 18 of the SEBI Regulations, 2015 shall be the Audit Committee for the purposes of this paragraph.

Frequency of Meetings:

The Audit Committee shall meet as and when required but shall meet at least four times in a year not more than 120 days shall elapse between two meetings.

Quorum:

The quorum for the committee meeting shall either be two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors present at the meeting.

Terms of Reference

The Audit Committee constituted under this paragraph shall have in addition to the powers, functions and duties as laid down in Section 177 of Act and shall mandatorily include the functions specified in Schedule II of the SEBI Regulations. The Board had approved below terms of reference of the Audit Committee:

(1) oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;

(3) examination of the financial statement and the auditors' report thereon;

(4) monitoring the end use of funds raised through public offers and related matters, if any;

(5) approval of payment to the statutory auditors for any other services rendered by the statutory auditors;

(6) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, 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; and

  (g) modified opinion(s) in the draft audit report;

(7) reviewing, with the management, the quarterly financial statements before submission to the Board for approval;

(8) 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 or rights issue, and making appropriate recommendations to the board to take up steps in this matter;

(9) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

(10) approval or any subsequent modification of transactions of the listed entity with related parties;

(11) scrutiny of inter-corporate loans and investments;

(12) valuation of undertakings or assets of the listed entity, wherever it is necessary;

(13) evaluation of internal financial controls and risk management systems;

(14) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(15) 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;

(16) discussion with internal auditors of any significant findings and follow up there on;

(17) 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;

(18) 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;

(19) 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;

(20) to review the functioning of the Whistle Blower Mechanism;

(21) approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;

(22) Carrying out any other function as is mentioned in the terms of reference of the audit committee;

(23) 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;

(24) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

(25) review the management discussion and analysis of financial condition and results of operations;

(26) statement of significant (material) related party transactions (as defined by the audit committee), submitted by management;

(27) management letters / letters of internal control weaknesses issued by the statutory auditors;

(28) internal audit reports relating to internal control weaknesses;

(29) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee; and

(30) statement of deviations:

(a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1); and

(b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

III. Nomination and Remuneration Committee:

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

The Nomination and Remuneration Committee ('the NRC Committee') is constituted in accordance with Section 178 of the Act and shall be the NRC for the purpose Para 70 (2) Chapter XI of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Regulation 19 of SEBI Regulations.

The Committee shall consist of three or more non-executive directors out of which two-thirds shall be Independent Directors. Further, the composition shall also be in accordance with the requirements specified in the Articles of Association of the Company, the Act and SEBI Regulations, as applicable. The terms of reference and the constitution of the Committee, in accordance with the provisions of the Act are as follows:

Frequency of Meetings:

The Committee shall meet as and when required but shall meet at least once in a year.

Quorum:

The quorum for the committee meeting shall be either two members or one third of the members of the Committee, whichever is greater, including at least one independent director present at the meeting.

Terms of Reference:

1. Formulation of 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;

2. For every appointment of an independent director, the Nomination and Remuneration Committee shall 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. 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.

3. Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;

4. Devising a policy on diversity of Board of Directors;

5. 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 and shall carry out evaluation of every Director 's performance;

6. 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;

7. Recommend to the Board, all remuneration, in whatever form, payable to Senior Management;

8. To act as the Compensation Committee under the applicable SEBI (Share Based Employee Benefits and Sweat Equity), Regulations, 2021 and any statutory amendment or modification thereto;

9. To ensure 'fit and proper' status of proposed/existing directors as required; and

10. To perform such other functions as may be prescribed by the Board of Directors from time to time.

A separate policy on 'Fit and Proper' criteria for AAFSPL is also formulated.

IV. Risk Management Committee

The Company has in place Risk Management Committee in accordance with the provisions of the RBI Master Directions, SEBI Regulations and any other applicable Act. The Risk Management Committee shall have minimum 3 members with majority of them being members of the board of directors, including at least one independent director.

Frequency of Meetings:

The Committee shall meet at least twice in a year. However, 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.

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

1. To lay down procedures regarding managing and mitigating the risk through Integrated Risk Management Systems, Strategies and Mechanisms;

2. To deal with issues relating to credit policies and procedure and manage the credit risk, operational risk, management of policies and process;

3. Identifying, measuring and monitoring the various risk faced by the Company, assist in developing the Policies and verifying the Models that are used for risk measurement from time to time;

4. To monitor the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;

5. Promoting an enterprise risk management competence throughout the organisation, including facilitating development of IT-related enterprise risk management expertise;

6. Establishing a common risk management language that includes measures around likelihood and impact and risk categories;

7. To evaluate and oversee the liquidity risk of the Company;

8. To ensure that appropriate methodology, processes and systems are in place to identify, monitor, control, mitigate and evaluate risks associated with the business of the Company and functioning of the Company;

9. To have oversight over implementation of risk Management Policy, including evaluating the adequacy of risk management systems and other policies including Anti Money Laundering and KYC (Know your Customer) Policies;

10. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

11. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

12. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;

13. To institute effective governance mechanism and risk management process for all outsourced operations/activities; and

14. To review and approve the activities pertaining to the Outsourcing activities as required under RBI regulations including review of financial and operational condition of the service provider to assess its ability to meet its obligations on an annual basis.

V. Stakeholders Relationship Committee

The Stakeholders Relationship is constituted in accordance with Section 178 of the Act and Regulation 20 of the SEBI Regulations to assist the Board of Directors and the Company to oversee the various aspects of interest of stakeholders of the Company including investors, debenture holders, deposit holders or other security holders.

The primary objective of the Committee is to consider and resolve the concerns and complaints relating to transfer/transmission of shares, non-receipt of declared dividends, non-receipt of annual reports, non-receipt of interest etc.

Frequency of Meetings:

The Committee shall meet at least once in a financial year.

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

1. To specifically look into the redressal of grievances of shareholders, debenture holders and other securities holders;

2. To consider and resolve the grievances of the securities 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 meeting etc.;

3. To act in terms of any consequent statutory modification(s)/amendment(s)/revision(s) to any of the applicable provisions to the said Committee;

4. Review measures taken for effective exercise of voting rights by shareholders;

5. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent; and

6. Review various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the security shareholders of the entity.

VI. Asset Liability Management Committee

The Asset Liability Management Committee (ALM Committee) is constituted in accordance with Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended, to monitor the asset liability gap and strategize action to mitigate the risk associated. Accordingly, Asset Liability Management Committee is formed.

The broad objectives of forming the ALM Committee is as follows:

- Consider any Credit rating updates for the Company;
- Consider borrowings and future funding plans of the Company;
- Consider Statement of short-term dynamic liquidity to be filed to RBI;
- Ensure compliance of LRM Framework;
- Review Stress Testing reports of the Company and ensure compliance with settled risk appetite; and
- Review the results of and progress in implementation of the decisions in its previous meetings.

Frequency of Meetings:

The Committee shall meet as and when required but shall meet at least twice in a financial year.

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

1. Set the tone and influence the culture of risk management within the Company. This includes:
    - Communicating the Company's approach to risk.
    - Setting the standards and expectations of staff with respect to conduct and probity.

2. Overseeing liquidity position of the Company;

3. Approve major decisions affecting Company's risk profile or exposure (product pricing, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for the similar services/product, etc.);

4. Consider any Credit rating updates for the company.

5. Consider borrowings and future funding plans of the company.

6. Consider Statement of short-term dynamic liquidity to be filed to RBI.

7. Ensure compliance of LRM Framework.

8. Review Stress Testing reports of the Company and ensure compliance with settled risk appetite.

9. Review the results of and progress in implementation of the decisions in its previous meetings;

10. Articulate the current interest rate review and formulate future business strategy on this view;

11. Decide in consonance with the credit department on source and mix of liabilities or sale of assets for giving out loans. Towards this end, it shall develop a view on future direction of interest rate movements and decide on funding mixes between fixed versus floating rate funds, money market versus capital market funding, etc.;

12. The proportion of the long term and short term resources (i.e. in connection with the resources planning policy) for Company shall be fixed from time to time based on business plans for each year.

13. Frame a policy in the name of the LRM Policy, including Asset Liability Management.

VII. IT Strategy Committee

The IT Strategy Committee is constituted in accordance with Master Direction - Information Technology Framework for the NBFC Sector, as amended, to enhance safety, security, efficiency in processes leading to benefits for NBFCs and their customers.

Frequency of Meetings:

The Committee shall meet as and when required but not more than six months should elapse between two meetings.

Quorum:

The Committee shall meet at least once in a quarter.

Terms of Reference:

a. To approve the IT strategy and policy documents;

b. To institute an effective governance mechanism and risk management process for all outsourced IT operations and to do all such acts as may be required under the IT Directions in respect of the outsourced IT operations;

c. To recommend the appointment of IT / Information Systems (“IS”) Auditor; and

d. To review the IT / IS Audit report and provide its observation / recommendations to the Board.

e. Ensuring that the management has put an effective strategic planning process in place

f. Ascertaining that management has implemented process and practices that ensure that the IT delivers value to the business

g. Ensuring IT investments represents a balance of risk and benefits and that budgets are acceptable

h. Monitoring the methods 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

i. Ensuring proper balance of IT investments for sustaining company's growth and becoming aware about exposure towards IT risk and controls

j. Role of IT strategy committee pertaining to IT outsourcing if any, including instituting governance mechanism, approval authorities for outsourcing, development of sound and responsive outsourcing risk management policies and procedures, periodic review, communications of risk to the board etc.

k. Ensure that the Company has put an effective IT strategic planning process in place;

l. Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Company towards accomplishment of its business objectives

m. 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;

n. Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;

o. 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; and

p. Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.

q. The IT Strategy Committee shall meet at least on a quarterly basis.

VIII. IT Steering Committee

The IT Steering Committee is constituted in accordance with Master Direction - Information Technology Framework for the NBFC Sector, as amended, to provide oversight and monitoring of the progress of the project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable.

Frequency of Meetings:

The Committee shall meet at least once in a quarter.

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

a. Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
b. Oversee the processes put in place for business continuity and disaster recovery;
c. Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance; and
d. Update ITSC and CEO periodically on the activities of IT Steering Committee.
e. To review the IT Project Portfolio;
f. To summarised key proposed initiatives for the period
g. The IT Steering Committee shall meet at least on a quarterly basis.

IX. Information Technology Security Committee:

The Information Technology Security Committee is constituted in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, read with circular issued by the Reserve Bank of India with reference number DOS.CO.CSITEG/SEC.7/31.01.015/2023-24 as amended from time to time to ensure proactive protection, risk management, compliance, and swift response to cyber threats, safeguarding organizational assets.

Frequency of Meetings:

The Committee shall meet at least once in a quarter.

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

a) Introduction:

The Information Security Committee (ISC) is established to oversee and manage information/cyber security within the organization. The ISC shall play a pivotal role in the development, implementation, and monitoring of policies, standards, and procedures to safeguard the organization's information assets.

b) Major Responsibilities:

(i) Development and Management of Information/Cyber Security Policies:

Develop comprehensive information/cyber security policies aligned with industry best practices.

Ensure effective implementation of policies, standards, and procedures to manage identified risks within the organization's risk appetite.

Periodically review and update policies to address emerging threats and technology advancements.

(ii) Approval and Monitoring of Information Security Projects:

Evaluate and approve information security projects based on their alignment with organizational goals and risk management strategies.

Monitor the progress and effectiveness of approved projects, ensuring they are executed within defined timelines and budget constraints.

Oversee security awareness initiatives to educate employees about information security best practices.

(iii) Review of Cyber Incidents and Audit Observations:

Review and analyze cyber incidents, conducting thorough post-incident assessments.

Monitor information systems audit observations, ensuring prompt and effective remediation of identified vulnerabilities.

Establish and implement mitigation activities to enhance the organization's resilience against cyber threats.

(iv) Recommendation to IT Strategy Committee (ITSC) and Board:

Provide periodic updates to the IT Strategy Committee and Board on the ISC's activities, including the status of information security projects, incident reviews, and audit observations.

Present recommendations for improvement and strategic initiatives to enhance the overall information security posture of the organization.

c) Membership and Composition:

The ISC shall consist of representatives from key departments, including but not limited to IT, Legal, Risk Management, and Operations.

Members shall be appointed based on their expertise and responsibilities related to information security.

d) <u>Meetings and Communication:</u>

The ISC shall convene regular meetings to discuss ongoing initiatives, incidents, and audit findings.

Maintain effective communication channels with relevant stakeholders, ensuring transparency and collaboration in information security matters.

e) <u>Confidentiality and Compliance:</u>

Members of the ISC shall adhere to strict confidentiality regarding sensitive information discussed during meetings.

Ensure that all information security activities comply with relevant laws, regulations, and industry standards.

f) <u>Duration and Review:</u>

The Terms of Reference shall be reviewed periodically and updated as necessary to adapt to changes in technology, risks, and regulatory environments.

The ISC's existence and mandate shall be reassessed based on the evolving needs of the organization.

The ISC shall meet atleast on quarterly basis.

X. Investment Committee:

The Investment Committee is established in line with the policies and internal framework of the NBFC. It consists of an expert team guiding financial decisions, maximizing returns, managing risks, and aligning investments with organizational goals.

Frequency of Meetings:

The Committee shall meet at least once in a quarter

Quorum:

The quorum for the committee meeting shall be two members of the Committee present at the meeting.

Terms of Reference:

1. **Investment Strategy**:

The Committee is responsible for developing, reviewing, and recommending investment strategies that align with the company's goals and risk tolerance.

2. Investment Decision-Making:

The Committee is responsible for approving or rejecting investment proposals and making investment decisions in accordance with the approved strategies.

3. Risk Management:

The Committee is responsible for monitoring investment risks and implementing risk management practices to ensure the company's investments are within acceptable risk parameters.

4. Compliance:

The Committee is responsible for ensuring that all investments comply with relevant laws, regulations, and the company's investment policy.

5. Reporting:

The Committee shall regularly report to the board of directors and senior management on the performance of investments, compliance issues, and other relevant matters.

6. Confidentiality and Data Security:

The Committee shall maintain strict confidentiality regarding sensitive information related to investments and ensure the security of data and documents.

7. Review and Amendment:

The Terms of Reference shall be reviewed periodically and amended as necessary to reflect changes in the business environment, regulations, or the company's needs.

Rotation of partners of the Statutory Auditors Audit Firm

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

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

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

Companies Act, 2013 does not lay down any mandatory rotation of the auditing partner. In this regard, Section 139(3) of the CA, 2013 merely empowers the members to prescribe for rotation of auditing partner and his team at such intervals as they may deem appropriate. However, as per Chapter XI – Corporate Governance of the Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, all NBFC-ND-SI are mandatorily required to rotate the partners of the auditing firm appointed to conduct the statutory audit of the NBFC, every 3 years so that same partner does not conduct audit of the company continuously for more than a period of 3 years. However, the partner so rotated will be eligible for conducting the audit of the NBFC after an interval of 3 years, if the NBFC, so decides. Companies may incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

The provisions of the above para may be read with the provisions contained in circular, DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, on 'Guidelines for Appointment of Statutory Auditors (Sas)', as amended from time to time and Policy for Appointment of Statutory Auditors framed by the Company under these guidelines. The Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the company continuously for more than a period of three years.

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

Disclosure and transparency:

The Company shall put up to the Board of Directors, at regular intervals or atleast on an annual basis, the following:

i. the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC;

ii. conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

Review of Policy:

This Policy shall be reviewed as and when there are any regulatory changes are introduced or as and when it is found necessary to change the Policy due to business needs. However, Policy shall be reviewed at least annually. The Board of the Company will be approving authority for the Policy.

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