

# EDELWEISS ASSET RECONSTRUCTION COMPANY LIMITED

## Internal Guidelines on Corporate Governance

The Edelweiss Asset Reconstruction Company Limited philosophy on Corporate Governance is about promoting corporate fairness, transparency, accountability and management.

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

### **Board of Directors**

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's Management and direct, supervises and controls the performance of the Company.

The Directors shall act in accordance with the duties as provided under the Act and the Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act.

### **Committees:**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board may constitute Committees with specific terms of reference / scope. The Committees shall operate as per their Charter / terms of reference or as per the powers delegated by the Board from time to time.

### **Details of the various Committees are as under:**

#### **Audit Committee**

The Board of Directors of the Company should constitute an Audit Committee, consisting of not less than three Directors with independent directors forming majority.

Explanation I: The Audit Committee constituted by the Company as required under Section 177 of the Companies Act, 2013 shall be the Audit Committee for the purposes of this paragraph.

#### **Members:-**

*The current constitution of the Audit Committee of the Board of Directors of the Company is:-*

- |                                    |   |                             |
|------------------------------------|---|-----------------------------|
| <i>i.Mr. S. G. Gulati</i>          | - | <i>Independent Director</i> |
| <i>ii.Mr. Ashok Kini</i>           | - | <i>Independent Director</i> |
| <i>iii.Mr. P. N. Venkatachalam</i> | - | <i>Independent Director</i> |

*iv. Mr. Venkatchalam Ramaswamy*

- *Non – Executive & Non - Independent  
Director*

### **Frequency of Meetings**

*A meeting of the Committee will be held four times in a year and on ad hoc basis, as required.*

### **Terms of Reference**

The Audit Committee constituted under this paragraph shall have the same powers, functions and duties as laid down in Section 177 of the Companies Act, 2013 including the following -

- i. the recommendation for appointment, remuneration and terms of appointment of auditors of the company;*
- ii. review and monitor the auditor's independence and performance, and effectiveness of audit process;*
- iii. examination of the financial statement and the auditors' report thereon;*
- iv. approval or any subsequent modification of transactions of the company with related parties;*
- v. scrutiny of inter-corporate loans and investments;*
- vi. valuation of undertakings or assets of the company, wherever it is necessary;*
- vii. evaluation of internal financial controls and risk management systems;*
- viii. monitoring the end use of funds raised through public offers and related matters, and*
- ix. to oversee the vigil mechanism.*

### **Rotation of partners of the Statutory Auditors Audit Firm**

The Company may rotate the partner/s of the Chartered Accountant firm conducting the Statutory Audit as per the Section 139 of the Companies Act, 2013.

### **Disclosure and transparency**

The Company shall in addition to the requirements of Schedule III of the Companies Act, 2013, prepare the schedules as per the circulars/notifications issued by the RBI from time to time and annex them to its balance sheet.

## **Nomination and Remuneration Committee**

In accordance with the provisions of Section 178 of the Companies Act, 2013 ('the Act') and the Companies (Meetings of Board and its Powers) Rules, 2014 ("the Rules"), the Company is required to constitute the Nomination and Remuneration Committee comprising minimum of 3 Non-Executive Directors with half of the members being Independent Directors. Hence, the Nomination Committee of the Company was re-christened as Nomination and Remuneration Committee by the Board of Directors on May 12, 2014. The terms of reference and the constitution of the Committee, in accordance with the provisions of the Act are as follows:-

### **Members:-**

*The current constitution of the Nomination and Remuneration Committee of the Board of Directors of the Company is:-*

- |                                       |          |                               |
|---------------------------------------|----------|-------------------------------|
| <i>i. Mr. Ashok Kini</i>              | <i>-</i> | <i>Independent Director</i>   |
| <i>ii. Mr. S.G. Gulati</i>            | <i>-</i> | <i>Independent Director</i>   |
| <i>iii. Mr. P. N. Venkatachalam</i>   | <i>-</i> | <i>Independent Director</i>   |
| <i>iv. Mr. Venkatchalam Ramaswamy</i> | <i>-</i> | <i>Non-Executive Director</i> |

### **Frequency of Meetings**

*A meeting of the Committee will be held atleast once in a year and on ad hoc basis, as required.*

### **Terms of Reference**

- i identify the persons who are qualified to become directors;*
- ii formulate the criteria for determining the qualifications, positive attributes etc. and independence of a director;*
- iii recommend to the Board appointment and removal of Directors;*
- iv formulate the Remuneration Policy in compliance with the Act, for the approval of the Board;*
- v specify the manner for effective evaluation of performance of Board, its committees and individual directors on annual basis; and*
- vi consider appointment and payment of remuneration to the Managing/Executive/Whole-time Directors*

## **Board Evaluation**

### **Scope:**

The Companies Act, 2013 (the Act) mandate certain categories of companies to have in place a Performance Evaluation Mechanism of the Board and the Directors.

### **Identification of persons to act as Directors**

The Nomination and Remuneration Committee (NRC) of the Board, while recommending the appointment of Directors may consider the desirable qualifications which may amongst other things include professional qualifications, skills sets, industry experience, background, value addition to the Company and the criteria of independence as prescribed under the Companies Act, 2013. The Policy on remuneration to Directors shall consider the requirements as specified in the Companies Act, 2013.

### **Independent Directors**

The performance evaluation of Non-Executive Independent Director's ("NEID") shall be done by the entire Board of Directors, excluding the director being evaluated.

Independent directors have key roles to perform namely in the areas of governance, guiding in strategy formulation, ensuring statutory compliances and such other key matters which could be of importance to the Company. Some of the performance indicators on which the Independent Directors may be evaluated are:-

- *Attendance and participation of Directors in the Board Meetings and Committees thereof;*
- *Involvement/contribution by the Directors in guiding the management, extent and depth of discussions, sense of involvement in key projects, value addition etc.*

*The current Independent Directors of the Company are:*

- |                                     |          |                             |
|-------------------------------------|----------|-----------------------------|
| <i>i. Mr. Ashok Kini</i>            | <i>-</i> | <i>Independent Director</i> |
| <i>ii. Mr. S.G. Gulati</i>          | <i>-</i> | <i>Independent Director</i> |
| <i>iii. Mr. P. N. Venkatachalam</i> | <i>-</i> | <i>Independent Director</i> |

## **Corporate Social Responsibility Committee (CSR)**

The current constitution of the CSR Committee is as under:

- i. Mr. S. G. Gulati*
- ii. Ms. Vidya Shah*
- iii. Mr. R. K. Bansal*

*iv. Mr. Siby Antony*

The terms of reference of the Committee shall be:-

- i. formulate and recommend to the Board, a Corporate Social Responsibility Policy (the CSR Policy) which shall indicate the activities to be undertaken by the company for CSR as specified in Schedule VII;*
- ii. recommend the amount of expenditure to be incurred on the CSR activities; and*
- iii. monitor the CSR Policy of the company from time to time.*

### **Risk Management Committee**

The current Risk Management Committee constitutes of the following members:

- i. Mr. Siby Antony*
- ii. Mr. R. K. Bansal*
- iii. Mr. Anurag Madan*
- iv. Mr. Harish Agarwal*
- v. Mr. Ashwani Kumar*

### **Terms of Reference of Risk Management Committee**

The terms of reference of the Committee shall be:-

- i. To ensure that all the risk associated with the functioning of the Company are identified, controlled and mitigated,*
- ii. To lay down procedures regarding managing and mitigating the risk through Integrated Risk Management Systems, Strategies and Mechanisms,*
- iii. To deal with issues relating to credit policies and procedure and manage the credit risk, operational risk, management of policies and process,*
- iv. To identify, measure and monitor 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.*
- v. To ensure that the risk policy and other policies are properly implemented.*
- vi. Frame, monitor & review operating procedures/operational manual periodically and effect changes if so warranted.*

### **Asset Liability Management Committee (ALCO):**

The current constitution of the ALCO is as under:

- i. Mr. R. K. Bansal*
- ii. Mr. Siby Antony*
- iii. Mr. Harish Agarwal*
- iv. Mr. Ashwani Kumar*

### **The terms of reference of Asset Liability Management Committee are as under:**

- *Cash flow Management: Ensuring availability of adequate surplus cash flows to address maturity requirements as well as incremental Business needs.*
- *Balance sheet Planning: Positioning the borrowing plan to ensure there is optimisation from diversification, tenure & rates perspectives.*
- *Interest Rate Risk Management: At a later stage, determine the sensitivity of assets and liabilities (on & off- balance sheet) to interest rate movements for devising appropriate strategy.*
- *Review of macro-economic scenario, impact of industry & regulatory changes on balance sheets of banks and ARCs.*
- *Decide the strategy on the source, tenure and mix of assets & liabilities, in line with business plans.*
- *Review and endorse various behavioural assumptions on cash flows to have robustness in planning.*
- *Review and approve the capital planning process in order to decide timely capital infusion plans.*
- *Manage Interest Rate Sensitivity (IRS) in order to study the impact of change in interest rate on assets & liabilities maturing within next one year that re-price / rollover.*
- *Various reports for measurement and monitoring of its cash flow risk would be developed to cover:*
  - *Maturity cash flow ladder with liabilities based on residual maturity & assets*
  - *Dynamic Liquidity Statement, with assumptions on recovery etc.;*

- *Interest rate reporting as a measure of impact on profitability of the Business over a period of one year.*