IFCI – GUIDELINES ON CORPORATE GOVERNANCE

Audit Committee

Qualified and Independent Audit Committee

The Company shall at all times have a qualified and independent Audit Committee with given the terms of reference as prescribed under the provisions of the Companies Act, 2013, Listing Agreement and other applicable laws / Rules / Regulations as may be in force from time to time.

(1) The Audit Committee shall have minimum three Directors as Members. Two-thirds of the Members of Audit Committee shall be Independent Directors.

(2) All Members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation (i): The term "financially literate" means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation (ii): A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

Powers of Audit Committee

The Audit Committee shall have powers, which inter-alia includes the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Role of Audit Committee

The role of the Audit Committee shall inter-alia include the following:

1 To consider internal audit reports, reviews internal controls and systems and provides guidance and direction to the internal audit function. To review the corporate accounting and reporting practices and also considers changes in accounting policy. Review of quarterly/ half yearly and final accounts of the Company.

2. To have an oversight of the Company's financial reporting process and the disclosure of its financial information so as to ensure that the financial statement is correct, sufficient and credible.

3. To review with the management, the annual financial statements before submission to the board for approval, with particular reference to:

A. Matters to be included in the Director's Responsibility Statement in the Board's Report.

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. Qualifications in the draft audit report, if any

G. Disclosure of any Related Party Transactions (to be incorporated pursuant to SEBI Circular)

4. To review, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

5. To review 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. It can have discussion with internal auditors regarding any significant findings and follow up there on.

6. To review 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.

7. To have 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.

8. The Committee may also 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.

9. The Committee shall mandatorily review the following information:

a) Management Discussion and Analysis of financial condition and results of operations.
b) Statement of significant related party transactions (as defined by the audit committee) submitted by the management
c) Management Letters / Letters of internal control weaknesses issued by the statutory auditors

d) Internal Audit reports relating to internal control weaknesses and
e) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to the review by the audit committee

10. The recommendation of appointment, remuneration and terms of appointment of Auditors of the Company;

11. Review and monitor the auditor's independence and performance, and effectiveness of audit process;

12. Examination of the financial statement and the auditor's report thereon;

13. Approval or any subsequent modification of transactions of the Company with related parties;

14. Scrutiny of inter-corporate loans and investments;

15. Valuation of undertakings or assets of the Company, wherever it is necessary;

16. Evaluation of internal financial control and risk management systems;

17. Monitoring the end use of funds raised through public offers and related matters;

18. Formulation of the scope, functioning, periodicity and methodology for conducting the internal audit, in consultation with the internal auditor(s)

19. Overseeing of the vigil mechanism along with making provision for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases.

20. Recommendation of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

21. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

22. To ensure that an Information Systems Audit of the Internal Systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 49 of the Listing Agreement.

Review of information by Audit Committee

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;

2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

3. Management letters / letters of internal control weaknesses issued by the statutory auditors;

4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Nomination and Remuneration Committee

Composition of Nomination and Remuneration Committee

The company has in place Nomination and Remuneration Committee. The Committee shall comprise at least three Directors, all of whom shall be Non-Executive Directors and at least half shall be Independent. Chairman of the committee shall be an Independent Director. The Chairperson of the company (whether executive or non-executive) may be appointed as a Member of the Nomination and Remuneration Committee but shall not Chair the Meeting of the Nomination and Remuneration Committee.

Role of Nomination and remuneration Committee

1. Identifying persons who are qualified to become directors and who may be appointed in Senior Management as per the criteria laid down and recommending to the Board their appointment and removal.

   "Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.
2. The Committee shall evaluate performance of every Director.
3. The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director.
4. The Committee shall also formulate and recommend to the Board a policy, relating to the remuneration of the Directors, Key Managerial personnel and other employees.
5. To formulate the criteria for evaluation of Independent Directors and the Board.
6. To devise a Policy on Board Diversity.

Risk Management Committee

A. The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

C. The Company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

D. The Committee shall only consist of Members of the Board of Directors.

E. The Risk Management Committee shall have the following terms of references:

1. Identifying and monitoring key risks of the institution.

2. Devising the policy and strategy for integrated risk management.

3. Satisfying itself that policies and procedures are in place to manage risks to which the institution is exposed, including credit, market, operational and reputational risks.

4. Critically assessing the institution's business strategies and plans from a risk perspective and advising the Board suitably.

5. Deciding the risk measurement methodologies, setting limits for risk management and reviewing, periodically, the actual positions vis-à-vis the limits set.

6. Satisfying itself that exceptional reporting framework is in place in the institution.

7. Reviewing the risk management policies periodically and suggesting the changes required in tune with the market environment.

Review of major policies viz., General Lending Policy, Credit Risk Management Policy, Treasury and Investment Policy and recommend for approval of the Board.

Asset Liability Management Committee

The Company shall have in place a Board Level Asset Liability Committee which shall be responsible for ensuring adherence to the limits set by RBI/ the Board as well as for deciding the Business Strategy of the Institution in line with the Institution's budget and decided risk management objectives.

The role of Asset Liability Committee shall inter-alia include the following:

a. Balance Sheet Planning from risk-return perspective including the strategic management of interest rate and liquidity risks;

b. Product pricing for deposits and advances, including fixation of IFCI Benchmark Rates (IBR);

c. Deciding on desired maturity profile and mix of incremental assets and liabilities;

d. Articulating interest rate view of the institution and deciding on the future business strategy to contain interest rate risk;

e. Reviewing and articulating funding policy to minimize liquidity risk

Disclosures

D. Disclosure as per the Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015

The RBI Directions also stipulates that the NBFCs shall also disclose in their Annual Financial Statements, the following:-

a. Registration / License / Authorisation by whatever name called, obtained from other financial sector regulators;
b. Ratings assigned by Credit Rating Agencies and migration of ratings during the year;
c. Penalties, if any, levied by any Regulator;
d. Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
e. Asset – Liability Profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by NBFCs as also securitization / assignment transactions and other disclosures.

Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015

1. The Company shall periodically report to the Board on the progress made in Risk Management System and Risk Management Policy and strategy followed in this regard.

3. The Company shall periodically report to the Board in addition to the Audit Committee of Directors about the conformity with corporate governance standards which shall inter-alia include the composition of the various committees, their role and functions, periodicity of the Meetings and Compliance with coverage and review functions.

4. The Company shall at all times abide by the requirements of Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 and as amended from time to time.