

IFCI FACTORS LIMITED- GUIDELINES ON CORPORATE GOVERNANCE

IFCI Factors Limited

Company's Philosophy and Corporate Governance

IFCI Factors Limited (the Company) is a Non-Banking Financial Company, holds a certificate of registration as 'NBFC Factor' from Reserve Bank of India and is engaged in the business of providing finance solutions by way of Factoring and Corporate Loan.

The Corporate Governance is about maximizing shareholders' value on a sustainable basis and ensuring fairness to all other stakeholder of the Company. The Company being is a subsidiary of the IFCI Limited, a Financial Institution of immense repute, draws its philosophy from the parent company.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the Company. The Board of Directors along with its various Committees shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control and direction by the Board of Directors.

Board of Directors

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The Composition of the Board and its quorum shall be governed by the Memorandum & Articles of Association, Companies Act, 2013 and the Rules framed thereunder.

Audit Committee

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

- i) To recommend the appointment, remuneration and terms of appointment of auditors of the Company;
- ii) To review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii) To examine the financial statement and the auditors' report thereon;
- iv) To approve or any subsequent modification of transactions of the Company with related parties;
- v) To scrutinize inter-corporate loans and investments;
- vi) To undertake valuation of undertakings or assets of the company, wherever it is necessary;
- vii) To evaluate internal financial controls and risk management systems;
- viii) To monitor the end use of funds raised through public offers and related matters;
- ix) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company;
- x) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- xi) To review with the management, the quarterly, annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Directors 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 legal requirements relating to financial statements;
 - f) Disclosure of any related party transactions; and

- g) Qualifications in the draft audit report.
- xii) To review with the management, performance of internal auditors and adequacy of the internal control systems;
 - xiii) To 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;
 - xiv) To discuss with internal auditors and/or auditors any significant findings and follow up there on;
 - xv) To review the findings of any internal investigations by the internal auditors/auditors/agencies 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;
 - xvi) To discuss 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;
 - xvii) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders and creditors;
 - xviii) To review the functioning of the Whistle Blower Mechanism;
 - xix) To review the follow up action on the audit observations of the C&AG audit.
 - xx) To review the follow up action taken on the recommendation of Committee on Public Undertakings (COPU) of the Parliament;
 - xxi) To provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors;
 - xxii) To review the Non Performing/Stressed/Standard assets status and status of the legal cases filed by/against the Company;
 - xxiii) To approve the Vigilance Manual;
 - xxiv) To approve the related party transaction policy;
 - xxv) To review the Management Discussion and Analysis of financial condition and results of operations;
 - xxvi) To review the Certification/declaration of financial statements by the Chief Executive/Chief Finance Officer;
 - xxvii) To protect whistle blowers;
 - xxviii) To investigate into any matter in relation to the aforesaid items;
 - xxix) To adopt any Guideline, Policy, Code of Conduct etc. in relation to any of the matters aforesaid;

- xxx) To delegate authorities from time to time to the executives/authorised persons to implement the decisions of the Committee; and
- xxxi) To review, approve any other matter incidental or ancillary to the matters stated aforesaid.

Nomination and Remuneration Committee

The role of Nomination and Remuneration Committee shall inter-alia include the following :

- i) To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- ii) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- iii) To determine all the matters pertaining to recruitments, appointments, service conditions, etc. of the employees of the Company in consultation with the Managing Director of the Company.

Risk Management Committee

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

- i) To identify and monitoring key risks of the institution;
- ii) To devise the policy and strategy for integrated risk management;
- iii) To satisfy itself that policies and procedures are in place to manage risks to which the institution is exposed, including credit, market, operational and reputational risks;
- iv) To critically assess the Company's business strategies and plans from a risk perspective and advising the Board suitably;
- v) To decide the risk measurement methodologies, setting limits for risk management and reviewing, periodically, the actual positions vis-à-vis the limits set;
- vi) To satisfy itself that exceptional reporting framework is in place in the institution.
- vii) To adopt any Guideline, Policy, Code of Conduct etc. in relation to any of the matters aforesaid;
- viii) To delegate authorities from time to time to the executives/authorised persons to implement the decisions of the Committee; and
- ix) To review, approve any other matter incidental or ancillary to the matters stated aforesaid.

Asset Liability Management Committee

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

- i) To review the Statement of Short Term Dynamic Liquidity, Structural Liquidity, Interest Rate Sensitivity;
- ii) To review the current and prospective risk arising when the Company is unable to meet its obligations as they come due without adversely affecting the Company's financial conditions;
- iii) To review the risk of losses resulting from movements in interest rates and their impact on future cash-flows;
- iv) To review the risk of losses resulting from movements in exchanges rates;
- v) To review banking arrangements and cash management ;
- vi) To review the mechanism to ensure the maintenance of adequate capital on a continuous basis;
- vii) To review the adequate liquidity while managing the Company's spread between the interest income and interest expense;
- viii) To adopt any Guideline, Policy, Code of Conduct etc. in relation to any of the matters aforesaid;
- ix) To delegate authorities from time to time to the executives/authorised persons to implement the decisions of the Committee; and
- x) To review, approve any other matter incidental or ancillary to the matters stated aforesaid.

Disclosure

The Company shall comply with Non-Banking Financial Companies- Corporate Governance (Reserve Bank) Directions, 2015 and appropriate disclosure be made in Annual Report

