

## **HCL CORPORATION PRIVATE LIMITED**

### **ASSET LIABILITY MANAGEMENT POLICY**

**(Approved by the board of directors at its meeting held on May 10, 2016, reviewed on 30<sup>th</sup> September, 2020, 16th March, 2021, 15<sup>th</sup> March, 2022, 20<sup>th</sup> March, 2023 and 18<sup>th</sup> March, 2024)**

The Master Direction-Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued Asset Liability Management Guidelines with focus on liquidity risk and interest rate risk. Asset Liability Management (ALM) Policy establishes a framework for the sound management of asset liability and sets forth the principles and practices related to the first line of defense responsibilities for interest rate risk and currency risk management.

#### **Objectives:**

1. To focus on the funding/liquidity risk of the Company, meaning its ability to meet its current and future cash-flow obligations and collateral needs, both expected and unexpected.
2. To evaluate the risk of losses resulting from movements in interest rates and their impact on future cash-flows.
3. To evaluate the risk of losses resulting from movements in exchange rates.
4. To ensure the maintenance of adequate capital on a continuous basis. It is a dynamic and ongoing process considering both short and longer term capital needs.
5. To deal with aspects relating to credit risk.
6. To approve a contingency plan.

**Composition of Asset Liability Management Committee** The ALM Committee shall comprise of atleast three Directors . Presently, the composition of ALM Committee is as under :

1. Mr. Shikhar Neelkamal Malhotra Chairman
2. Mr. Shiv Nadar Member
3. Mrs. Roshni Nadar Malhotra Member

#### **Role of CRO**

- (a) The CRO shall undertake such duties or perform such roles or exercise such powers as entrusted to it by the Board, in accordance with the Applicable Laws.
- (b) The CRO shall be involved in the process of identification, measurement and mitigation of risks.

(c) The CRO shall also vet the credit policies of the company. The CRO shall be an advisor in deciding credit proposals.

**Minimum Number and Periodicity of Meetings** There shall be minimum one meeting in each quarter and atleast four meetings in a calendar year.

**Asset Liability Management** The ALM approach shall be to limit potential losses by keeping consumption of economic capital under limits allocated to ALM risks, to be applied as Value at Risk (Hvar) limits.

The Treasury team shall be responsible for analysing, monitoring and reporting the liquidity risk profile through Treasury Head.

**Liquidity Risk** The Company will ensure its ability to meet cash flow obligations by managing liquidity risk with a perspective informed by the following core themes:

- a) Funding sources and term of funding should be diversified.
- b) Funding needs during business-as-usual and stress scenarios should be anticipated and available through contingency funding plans.
- c) The Company has fixed the tolerance limit for negative mismatch in its ALM at 10%.

The Liquidity Portfolio assets will be selected with key criteria being

- a) relatively low volatility of market value during times of stress and
- b) expected ability to sell the assets in times of stress.

An effective management information system (MIS) is an important prerequisite that enables these foundational capabilities for achieving sound liquidity risk management (LRM) practice. The liquidity risk MIS should enable timely and relevant information to the board of directors, senior management and liquidity managers to address both operational liquidity management and regulatory requirements effectively. A robust MIS infrastructure should be automated, auditable, adaptive, and sustainable. The core components of the liquidity risk MIS infrastructure should include a centralized data foundation, advanced analytical and stress test engines, management information portal, and reporting platform, all supported by a well-defined data governance and quality control framework.

This ALM Policy requires an effective system of internal control for market and liquidity risk.

Such controls shall ensure the implementation of:

- (a) appropriate limits and enforcement on risk taking;
- (b) adequate systems and standards for identifying, measuring, monitoring and evaluating risk;
- (c) a comprehensive ALM risk reporting and ALM review process; and
- (d) effective internal controls.

Clear lines of authority and responsibility for the management and control of ALM risk.

**HCL CORPORATION PRIVATE LIMITED**

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The Board of Directors shall ensure the implementation and observance of this Policy through issuing Directives, which shall:

- Determine how duration is managed and specify duration limits.
- Establish a prudently governed short-term investment program.
- Specify methodologies for allocating equity as a funding source.
- Define responsibilities and structure of hierarchy mindful of the need to avoid potential conflicts of interest.

The following shall be key roles and responsibilities of the Committee :

- Liquidity risk management
- Management of market risks
- Trading risk management
- Funding and capital planning
- Profit planning and growth projection

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