



**DIFFUSION ENGINEERS LIMITED**

**CORPORATE GOVERNANCE POLICY**

The provisions of the SEBI Listing Regulations and the Companies Act with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchange.

We are in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations, Companies Act and the SEBI ICDR Regulations, in respect of corporate governance including constitution of our Board and Committees thereof. Our corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

Our Board is constituted in compliance with the provisions of the Companies Act and the SEBI Listing Regulations and our Company undertakes to take all necessary steps to continue to comply with all the requirements of the SEBI Listing Regulations and the Companies Act. Our Board functions either directly, or through various committees constituted to oversee specific operational areas.

As on date of this policy, our Board has 6 (Six) Directors, comprising 1 (one) Managing Director (Whole time and Executive category), 2 (two) Non-Executive Director (Non-Independent) and 3 Independent Directors (Non-Executive). We have 3 (three) Woman Director on our Board amongst these.

### **Committees of our Board**

We have constituted the following committees of our Board of Directors for compliance with Corporate Governance requirements:

1. Audit Committee
2. Stakeholder's Relationship Committee
3. Nomination and Remuneration Committee
4. Corporate Social Responsibility Committee

#### **1. Audit Committee**

The Audit Committee of our Board was constituted by our Directors pursuant to section 177 of the Companies Act, 2013. The Audit Committee comprises of:

| <b>Name of the Member</b>   | <b>Nature of Directorship</b> | <b>Designation in Committee</b> |
|-----------------------------|-------------------------------|---------------------------------|
| Mr. Ajay Motilal Jain       | Independent Director          | Chairman                        |
| Ms. Anita Avinash Vijayakar | Independent Director          | Member                          |
| Mr. Prashant Garg           | Managing Director             | Member                          |

The Company Secretary of our Company shall act as secretary to the Audit Committee. The scope of Audit Committee shall include but shall not be restricted to the following:

- (i) oversee our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (ii) recommendation for appointment, remuneration and terms of appointment of auditors of our Company;
- (iii) approve payment to statutory auditors for any other services rendered by them;
- (iv) review 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 of directors' 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 the management of our Company;
  - (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.
- (vii) review, with the management, the quarterly and any other partial year- period financial statements before submission to the board of directors for their approval;
- (viii) review, 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 utilised 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 our board of directors to take up steps in this matter;
- (ix) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (x) formulating a policy on related party transactions, which shall include materiality of related party transactions and the definition of material modifications of related party transactions;  
subject to and conditional upon approval of our Board, approval of related party transactions or subsequent modifications thereto and omnibus approval for related party transactions proposed to be entered into by our Company, subject to conditions as may be prescribed;  
Provided that only those members of the committee, who are Independent Directors, shall approve related party transactions;  
*Explanation: The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act.*
- (xi) approval of related party transactions to which the subsidiary(ies) of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company, subject to such other conditions prescribed under the SEBI Listing Regulations
- (xii) scrutinize inter-corporate loans and investments;
- (xiii) valuation of undertakings or assets of our Company, wherever it is necessary;
- (xiv) evaluate internal financial controls and risk management systems;
- (xv) review, with the management, performance of statutory and internal auditors, adequacy of the internal checks and control systems;

- (xvi) 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;
- (xvii) discuss with internal auditors of any significant findings and follow up there on;
- (xviii) 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;
- (xix) 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;
- (xx) 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;
- (xxi) to review the functioning of the whistle blower mechanism;
- (xxii) monitoring the end use of funds through public offers and related matters;
- (xxiii) oversee the procedures and processes established to attend to issues relating to the maintenance of books of account, administration procedures, transactions and other matters having a bearing on the financial position of our Company, whether raised by the auditors or by any other person;
- (xxiv) act as a compliance committee to discuss the level of compliance in our Company and any associated risks and to monitor and report to the Board on any significant compliance breaches;
- (xxv) approve the appointment of the Chief Financial Officer of our Company (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;
- (xxvi) oversee the vigil mechanism established by our Company and the chairman of audit committee shall directly hear grievances of victimisation of employees and directors, who use vigil mechanism to report genuine concerns;
- (xxvii) review the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding Rs. 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
- (xxviii) consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders; and
- (xxix) carry out any other function as is mentioned in the terms of reference of the Audit Committee and any other terms of reference as may be decided by the board of directors of our Company or specified/ provided under the Companies Act, 2013 or by the SEBI LODR Regulations or by any other regulatory authority;
- (xxx) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
- (xxxi) oversee the procedures and processes established to attend to issues relating to the maintenance of books of accounts, administrations procedures, transactions and other matters having a bearing on the financial position of our company, whether raised by the auditors or by any other person;
- (xxxii) Act as a compliance committee to discuss the level of compliance in our Company and any associated risks and to monitor and report to the Board on any significant compliance breaches.

*The Audit Committee enjoys following powers:*

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

5. to approve the disclosure of the Key Performance Indicators to be disclosed in the documents in relation to the initial public offering of the equity shares of the Company

*The Audit Committee shall mandatorily review the following information:*

- (i) management discussion and analysis of financial condition and results of operations;
- (ii) management letters/ letters of internal control weaknesses issued by the statutory auditors of our Company;
- (iii) internal audit reports relating to internal control weaknesses;
- (iv) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee; and
- (v) statement of deviations in terms of the SEBI LODR Regulations:
  - quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s); and
  - annual statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice.

#### *Meeting of Audit Committee*

The audit committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there shall be a minimum of two independent members present.

## **2. Stakeholders Relationship Committee**

The Stakeholders Relationship Committee of our Board were constituted by our Directors pursuant to section 178 (5) of the Companies Act, 2013 by a board resolution dated 13<sup>th</sup> December 2023. The Shareholder and Investor Grievance Committee comprises of:

| <b>Name of the Member</b> | <b>Nature of Directorship</b> | <b>Designation in Committee</b> |
|---------------------------|-------------------------------|---------------------------------|
| Mr. Ajay Motilal Jain     | Independent Director          | Chairman                        |
| Mr. Prashant Garg         | Managing Director             | Member                          |
| Ms. Renuka Garg           | Non – Executive Director      | Member                          |

This Committee will address all grievances of Shareholders/ Investors and its terms of reference include the following:

- (i) consider and look into various aspects of interest of shareholders, debenture holders and other security holders;
- (ii) consider and resolve the grievances of security holders of the Company including compliance related;
- (iii) to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividend,
- (iv) issue of new/duplicate certificates, general meetings etc;
- (v) formulation of procedures in line with the statutory guidelines to ensure speedy disposal of various requests received from shareholders from time to time;

- (vi) giving effect to allotment of Equity Shares, approval of transfer or transmission of Equity Shares, debentures or any other securities;
- (vii) issue of duplicate certificates and new certificates on split/consolidation/renewal, etc.;
- (viii) monitoring transfers, transmissions, dematerialization, re-materialization, splitting and consolidation of Equity Shares and other securities issued by our Company, including review of cases for refusal of transfer / transmission of shares and debentures;
- (ix) reference to statutory and regulatory authorities regarding investor grievances;
- (x) reviewing the measures taken for effective exercise of voting rights by the shareholders;
- (xi) reviewing adherence to the service standards adopted by the Company with respect to all the services;
- (xii) reviewing services rendered by the Registrar and Share Transfer Agent;
- (xiii) to dematerialize or rematerialize the issued shares;
- (xiv) reviewing the measures and initiatives taken by the Company to reduce the quantum of unclaimed dividends;
- (xv) Ensuring timely receipt of dividend warrants/ Annual Reports/ Statutory Notices by the Shareholders of the Company; and
- (xvi) carrying out any other functions required to be carried out by the Stakeholders' Relationship Committee as contained in the SEBI Listing Regulations or any other applicable law, as and when amended from time to time.

The Committee shall meet at least once in a year.

The Company Secretary of our Company shall act as the Secretary to the Committee.

### ***Quorum and Meetings***

The quorum necessary for a meeting of the Stakeholders Relationship Committee shall be two members or one third of the members, whichever is greater.

### **3. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of our Board was reconstituted by our Directors pursuant to section 178 of the Companies Act, 2013 by a board resolution dated 13<sup>th</sup> December 2023.

The Nomination and Remuneration Committee currently comprises of:

| <b>Name of the Member</b>   | <b>Nature of Directorship</b> | <b>Designation in Committee</b> |
|-----------------------------|-------------------------------|---------------------------------|
| Ms. Anita Avinash Vijayakar | Independent Director          | Chairman                        |
| Ms. Chitra Narendra Garg    | Non-Executive Director        | Member                          |
| Ms. Renuka Garg             | Non-Executive Director        | Member                          |
| Mr. Ajay Motilal Jain       | Independent Director          | Member                          |

The scope of Nomination and Remuneration Committee shall include but shall not be restricted to the following:

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 appointment of an independent directors, evaluation of the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, preparation of 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 Nomination and Remuneration 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;
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. the Nomination and Remuneration Committee, while formulating the Remuneration Policy, should ensure that –
  - a. the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate directors of the quality required to run our Company successfully;
  - b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - c. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the working of our Company and its goals.
9. perform such functions as required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended, including the following:
  - a. administering the employee stock option plans of our Company, as may be required;
  - b. determining the eligibility of employees to participate under the employee stock option plans of our Company;
  - c. granting options to eligible employees and determining the date of grant;
  - d. determining the number of options to be granted to an employee;
  - e. making allotment pursuant to the employee stock option plans;
  - f. determining the exercise price under the employee stock option plans of our Company; and
  - g. construing and interpreting the employee stock option plans of our Company and any agreements defining the rights and obligations of our Company and eligible employees under the employee stock option plans of our Company, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the employee stock option plans of our Company.

10. frame suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:
  - a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
  - b. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the trust, our Company and its employees, as applicable.
11. performing such other activities as may be delegated by the Board or specified or provided under the Companies Act or the SEBI LODR Regulations, and the rules and regulations made thereunder or other applicable law, including any amendments thereto as may be made from time to time.

### ***Quorum and Meetings***

The quorum necessary for a meeting of the Nomination and Remuneration Committee shall be three non-executive directors out of which two shall be the Independent Directors. The Chairman of the Committee shall be an Independent Director. The Committee is required to meet at least once a year.

The Company Secretary of our Company shall act as the Secretary to the Committee.

### **4. Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee of our Board was reconstituted on 13<sup>th</sup> December 2023. The Corporate Social Responsibility Committee comprises of the following:

| <b>Name of the Member</b>   | <b>Nature of Directorship</b> | <b>Designation in Committee</b> |
|-----------------------------|-------------------------------|---------------------------------|
| Ms. Anita Avinash Vijayakar | Independent Director          | Chairman                        |
| Ms. Renuka Garg             | Non-Executive Director        | Member                          |
| Ms. Chitra Narendra Garg    | Non-Executive Director        | Member                          |

The Company Secretary shall act as the secretary of the Corporate Social Responsibility Committee.

The terms of reference, powers and scope of the Corporate Social Responsibility Committee of our Company is in accordance with Section 135 of the Companies Act, 2013. The terms of reference of the Corporate Social Responsibility Committee include the following:

- 1) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act and the rules made thereunder and make any revisions therein as and when decided by the Board;
- 2) To identify corporate social responsibility policy partners and corporate social responsibility policy programs;
- 3) To formulate and recommend to the Board, an annual action plan in pursuance to the Corporate Social Responsibility Policy, which shall include the following, namely:



- a. the list of Corporate Social Responsibility projects or programmes that are approved to be undertaken in areas or subjects specified in the Schedule VII of the Companies Act;
- b. the manner of execution of such projects or programmes as specified in Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014;
- c. the modalities of utilization of funds and implementation schedules for the projects or programmes;
- d. monitoring and reporting mechanism for the projects or programmes; and
- e. details of need and impact assessment, if any, for the projects undertaken by the company.

Provided that the Board may alter such plan at any time during the financial year, as per the recommendations of the Corporate Social Responsibility Committee, based on the reasonable justification to that effect.

- 4) To recommend the amount of expenditure to be incurred for the corporate social responsibility activities and the distribution of the same to various corporate social responsibility programs undertaken by the Company;
- 5) To delegate responsibilities to the corporate social responsibility team and supervise proper execution of all delegated responsibilities;
- 6) To review and monitor the implementation of corporate social responsibility programs and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programs; and
- 7) To perform such other duties and functions as the Board may require the corporate social responsibility committee to undertake to promote the corporate social responsibility activities of the Company and exercise such other powers as may be conferred upon the CSR Committee in terms of the provisions of Section 135 of the Companies Act.

**Adopted by Board of Directors in its meeting held on 13th December 2023.  
Effective from 13th December 2023.**

**Prashant Garg  
Chairman & Managing Director  
DIN – 00049106**