



**STCI PRIMARY DEALER LIMITED**  
**CORPORATE GOVERNANCE POLICY**

**2024**

## Document Control Sheet

### Document authorization

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### Review distribution list

#	Department	Name	Signature
1	Risk		
2	Accounts		
3	Treasury		
4	Operations / Settlements		
5	Funding		
6	Compliance		
7	Internal Audit		
8	CISO		

### Changes during the year

Date of Issuance	Circular No.	Circular Name

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## 1. Preamble

Corporate Governance refers to the entire system of rules, practices, procedures and processes by which a Company is administered and controlled. It involves balancing the interests of the various stakeholders of the Company including Shareholders, employees, customers and the community within which it operates. The timely and accurate disclosure of information regarding the financial situation, performance, Board constitution, ownership of a Company, etc. forms an important part of the Corporate Governance framework. Corporate governance guidelines also help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

The Corporate Governance Policy ('Policy') provides the framework under which the Board of Directors and the Company operates. It includes the Company's corporate structure, culture, policies and the manner in which it deals with its various stakeholders. The Policy also addresses the roles, responsibilities, authority and constitution of the Board of Directors.

## 2. RBI Guidelines on Corporate Governance:

Reserve Bank of India, at periodic intervals, issues guidelines on Corporate Governance to systemically important non-deposit taking NBFCs (NBFC-ND SI) and Standalone Primary Dealers (SPD), in order to enable the adoption of best practices and greater transparency in their operations. RBI through Master Directions - the Standalone Primary Dealers (Reserve Bank) Directions, 2016 ('RBI SAPD Directions') and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('RBI SBR Direction') directed NBFCs and SPD to frame internal guidelines on corporate governance which is to be approved by its Board of Directors.

In accordance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ('RBI SBR Direction'), the Company as Standalone Primary Dealer has been categorized within the NBFC Middle Layer ("NBFC-ML") and shall be required to adhere with the regulatory provisions, as applicable to a NBFC-ML.

In accordance with RBI SAPD Directions and RBI SBR Direction, the Company has laid down the following set of guidelines/corporate governance practices to create value for the stakeholders viz. the shareholders, employees, customers, society at large, etc.

## 3. Company's philosophy on Corporate Governance

The Company believes in adopting and adhering to the best corporate governance standards and practices and endeavours to constantly benchmark itself against such best practices. The Company recognizes and understands its fiduciary role and responsibility to the shareholders and strives hard to meet their expectations. The Company believes that best Board practices & transparent disclosures are necessary for creating and enhancing shareholder value and therefore the Company has infused the philosophy of corporate governance into all spheres

of its activities. The cardinal principles such as independence, accountability, credibility, responsibility, fairness, transparency, adequate and timely disclosures, etc. serve as the basic building blocks for implementing the philosophy of Corporate Governance in letter and spirit.

The Company recognizes its role as a good and responsible corporate citizen and endeavours to adopt the best industry practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government, regulators and others. The Company's activities shall be carried out in accordance with good Corporate Governance practices and the Company shall constantly strive to better them. The affairs of the Company shall be conducted with integrity, fairness, accountability and transparency. All commitments in its dealings with customers, stakeholders, Government and regulatory authorities shall be duly met and honoured.

At the core of its Corporate Governance practice is the Board, which oversees how the Management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well-informed and independent Board is necessary to ensure the highest standards of Corporate Governance.

#### **4. Objective of the policy**

The objective of the Corporate Governance Policy is to ensure that the structure, responsibilities and functions of the Board of Directors and the senior management team of the Company fully recognize the expectations of all stakeholders as well as those of the regulators. At the Company level, the objective is not just to comply with the law of the land but also to conduct our business in a fair, transparent and ethical manner. The Company is committed to ensuring the highest level of ethical standards, professional integrity, Corporate Governance and regulatory compliance.

#### **5. Policies under the Corporate Governance Framework**

In order to inculcate and foster a pervasive culture of good corporate governance the Company's Corporate Governance Framework comprises the following Board approved policies encompassing all the business operations of the Company:-

1. Corporate Governance Policy and Charter on Roles and Responsibilities of the Board & its Committees
2. Business Investment & Risk Policy
3. Suitability and Appropriateness Policy
4. Fair Practice Code
5. Rate Scan Policy
6. Operational Manual for Handling Gilt Account Transactions
7. Know Your Customer (KYC) & Anti Money Laundering (AML) Policy & Manual
8. Human Resource (HR) Policy Manuals (including Employee Code of Conduct, Prevention of Sexual Harassment (POSH) of Women Policy and HR Policy)
9. Corporate Social Responsibility Policy

10. Nomination and Remuneration Policy and Compensation Policy
11. Dividend Distribution Policy
12. Asset Procurement & Disposal Policy
13. Outsourcing Policy
14. Related Party Transaction Policy
15. Policy on Investment & Trading by employees
16. Vigil Mechanism / Whistle Blower Policy
17. Information Systems Security Policies
18. BCP DR Policy
19. Cyber Crisis Management Plan
20. Term Money Poll Submission Governance Framework
21. Corporate Bond Poll Submission Governance Framework
22. Broker Empanelment Policy
23. Compliance Policy
24. Policy on Statutory Auditors
25. Framework for Internal Audit
26. Internal Audit Charter
27. Risk Based Internal Audit (RBIA) Policy
28. Risk Based Internal Audit (RBIA) Plan
29. Policy on Beneficial Ownership of the Company
30. Internal Capital Adequacy Assessment (ICAAP) Policy
31. Internal Capital Adequacy Assessment (ICAAP) Document
32. Accounting Policy
33. Loans & Advances Policy
34. FRB Spreads Poll Submission Governance Framework
35. Policy on Social Media Usage
36. Concurrent Audit Policy
37. IT Outsourcing Policy

## 6. Definitions

- a. **Board** means Board of Directors of the Company.
- b. **Director:** For the purpose of this Policy and as provided in Section 2 (34) of the Companies Act, 2013, Director means a Director appointed to the Board of the Company.
- c. **Executive Director** means a Whole Time Director as defined in clause (94) of section 2 of the Companies Act, 2013.
- d. **Independent Director** means a Director, other than a Managing Director or Whole-time Director or Nominee Director, who satisfies the criteria referred to in sub-section (6) of section 149 of Companies Act, 2013 and the Rules framed thereunder.

- e. Key Managerial Personnel** For the purpose of this Policy and as provided in Section 2 (51) of the Companies Act, 2013, means—
- (i) Chief Executive Officer or the Managing Director
  - (ii) Deputy Managing Director, if any
  - (iii) Whole-time Director, if any
  - (iv) Chief Financial Officer
  - (v) Company Secretary
  - (vi) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - (vii) Such other officer as may be prescribed

For the purpose of this Policy, Deputy Managing Director, appointed, if any, shall be regarded as KMP of the Company.

- f. Managing Director** For the purpose of this Policy and as provided in Section 2 (54) of the Companies Act, 2013, Managing Director means a Director, who by virtue of the Articles of the Company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the Company and includes a Director occupying the position of Managing Director, by whatever name called.

- g. Nominee Director** For the purpose of this Policy and as defined in Section 149 (7) of the Companies Act, 2013 for the purpose of that Section, means a Director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

- h. Non-Executive Director** means a director other than an Executive Director and Managing Director of the Company

- i. Senior Management** For the purpose of this Policy and as provided in the Section 178 of the Companies Act, 2013, **Senior Management** means personnel of the Company who are members of the core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

For the purpose of this Policy, the ‘Senior Management’ shall include

- Designation/officials including CXOs appointed by the Board of Directors, irrespective of the organizational grade assigned to them within the Company’s HR Policy;
- Officials within the Senior Management Grade of the Company’s HR Policy.

The Board appointed CXOs comprising of the Chief Risk Officer (CRO), Chief Financial Officer (CFO), Company Secretary, Chief Compliance Officer (CCO), Chief Information



Security Officer (CISO), Chief Technology Officer (CTO), and Head of Internal Audit (HIA) shall be included within the definition of the Senior Management Team.

- j. **Whole-Time Director** includes a Director in the whole-time employment of the Company.

Unless expressly mentioned, terms or reference to any words or expressions used herein shall have the same meanings respectively as defined/assigned under the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions/circulars of RBI, as the case may be.

## 7. Board of Directors

### 7.1. Role and powers of the Board of Directors

Section 179 and 180 of the Companies Act, 2013 provides for general powers of the Board and restrictions thereon. It states that subject to the provisions of the Companies Act, the Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts, deed and things, as the company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by this or any other Act or by the Memorandum of Association or Articles of Association of the Company or otherwise, to be exercised or done by the Company in general meeting.

Further, Section 179 of the Companies Act, 2013 provides that certain powers to be exercised by Board only at meetings of the Board of Directors and not by circulation. These powers interalia among others include the following:

- i. To make calls on shareholders in respect of money unpaid on their shares;
- ii. To authorize buy-back of shares;
- iii. To issue securities including debentures, whether in or outside India;
- iv. To borrow monies;
- v. To invest funds of the company;
- vi. To grant loans or give guarantee or provide security in respect of loans;
- vii. To approve financial statements and Board's report;
- viii. To diversify the business of the company;
- ix. To approve amalgamation, merger or reconstruction;
- x. To takeover or acquire controlling or substantial stake in another Company;
- xi. To appoint or remove key managerial personnel;
- xii. To appoint internal auditors and secretarial auditor;

Further, Section 180 of the Companies Act, 2013 provides for certain restrictions on powers of the Board, which shall not be exercised without the consent of the Company in a general meeting.

The role and functions of the Board and the senior management are clearly defined and are distinct from each other. The Board is responsible to act in the best interests of the Company and its stakeholders. The Board is responsible for overall compliance with the Corporate Governance policy of the Company.

The Board of Directors along with its various Committees shall provide leadership and strategic direction and guidance to the Company's management and will direct, oversee, supervise and review the performance of the Company.

The strategic direction and guidance of the Board includes:

- Approving corporate philosophy and mission;
- Approving the strategic and annual business plans;
- Reviewing and approving the annual financial statements;
- Monitoring corporate performance against profit targets and the Company's strategic and business plans;
- Ensuring ethical behaviour and overseeing compliance with applicable laws and regulations;
- Reviewing and approving borrowing limits;
- Approving the risk framework and investment policy of the Company;
- Oversight of the audit and internal financial control functions;
- Keeping shareholders informed about plans, strategies and performance.

## **7.2. Composition of the Board**

As per the Company's Articles of Association, the Board's strength is required to be a minimum of 03 (three) directors to a maximum of 12 (twelve) directors. The Board of the Company shall have a judicious mix of Executive, Non-Executive and Independent Directors (minimum two as per the Act) with at least one-woman Director (whether Non-Executive or Independent Director) on the Board. The Board shall comprise of at least one Director who possesses relevant prior experience of having worked in a Bank / Non-Banking Financial Company (NBFC). The Board of Directors shall comprise of renowned professionals with diverse experience and expertise, more specifically in the areas of banking, financial markets, domestic and international treasury operations, risk management, investment banking, corporate finance, credit, information technology and human resource management.

With regards to the IT Strategy Committee of the Company, the Company shall also induct an Independent Information Technology experts/professionals who shall be regarded as an 'External Domain Expert Member' as members of the IT Strategy Committee, in addition to the minimum composition of three (3) Directors including an Independent Director as Chairperson of the Committee, to provide critical inputs with regard to associated risks related to cyber security, data privacy, disaster recovery and infrastructure, business continuity plans, etc.

The Directors of the Company shall have in-depth understanding of the business model, business processes and business environment of the Company. The Board members shall be regularly updated on relevant topics of importance relating to the Company's business

environment and operations, such as the current macroeconomic outlook, outlook on liquidity, interest rates (and bond yields in particular), impact of new guidelines issued by RBI, changes in the compliance framework, risk management framework, Accounting Standards, direct and indirect tax framework, IT security functions, among others.

### **7.3. Board Responsibilities**

The responsibilities of the Board are as detailed in the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

### **7.4. Appointment of Directors**

The invitation to join the Board shall be extended on behalf of the Board by the Managing Director. For identification of prospective Directors, the Nomination & Remuneration Committee shall be presented with a proposal for appointment/re-appointment of a Director either from the Managing Director or from the Holding Company (viz STCI Finance Limited) or such person as per Section 160 of the Companies Act, 2013. On receipt of requisite declarations and documents as required under the Companies Act, 2013 and the rules framed thereunder and RBI Guidelines, the said proposal shall be placed to the Nomination and Remuneration Committee for their consideration. The Nomination & Remuneration Committee on being satisfied on the evaluation of the "Fit & Proper Criteria" and other criteria as laid down under the Act and regulations, shall recommend the induction of Director(s) to the Board of the Company. The new Director shall be apprised of the working of the Company and various Codes of Conduct adopted by the Company in its functioning. The Director, on appointment, shall be required to execute Deed of Covenant, as per the regulatory requirements.

In case of appointment/re-appointment of a Director, the Shareholders shall be provided with a brief profile of the Director and nature of his expertise in specific functional areas as part of the explanatory statement as required to be appended to the notice of the General Meeting, when such appointment/re-appointment shall be taken up for approval at a General Meeting of the Shareholders.

### **7.5. Tenure of Directors**

The Non-Executive Directors shall be liable to retire by rotation in accordance with the provisions of Section 152 (6)(c) of the Companies Act, 2013 which stipulates that in every Annual General Meeting at least one-third of directors shall be liable to retire from office on rotational basis and may be eligible for re-appointment subject to an ordinary resolution passed at the Annual General Meeting ("AGM") of the Company. Independent Directors shall not be liable to retire by rotation and shall be appointment for fixed tenure/term as approved by the Board and the Shareholders and as stipulated under the Companies Act, 2013 and the rules framed thereto.

Subject to the Board's decision and shareholders' resolution, an Independent Director shall

be eligible to hold office for a term up to five (5) years on the Board of the Company. Further, she/he shall be eligible for re-appointment, subject to fulfilment of criteria as laid down in various statutes and regulations, for a further term as may be decided and approved by the Directors of the Board and the Shareholders by passing of special resolution at the General Meeting of the Company. As stipulated in the Companies Act, 2013 and the rules framed thereto, the Independent Director shall be appointed for a maximum of two (2) consecutive terms.

The Company shall not appoint or continue the employment of any individual as Managing Director who has attained the age of sixty (60) years. Provided that further re-appointment beyond the age of sixty (60) years, shall be at the discretion of the Board with the approval of Shareholders by passing a special resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for the Managing Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of sixty (60) years in office.

The Company shall not appoint as Director (Non-Executive or Independent), any individual who has attained the age of seventy (70) years. Provided that further re-appointment beyond the age of seventy (70) years, shall be at the discretion of the Board with the approval of Shareholders by passing a resolution at the General Meeting based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment/re-appointment. Further, provided that the original contractual term of appointment shall prevail for any Director of the Company who has already been appointed for a pre-determined tenure and subsequently attains the age of seventy (70) years in office.

#### **7.6. Removal of Directors**

On account of reasons for any disqualification mentioned in the Companies Act, 2013, rules and regulations made thereunder or any applicable directions of RBI, the Nomination and Remuneration Committee may recommend to the Board with reasons recorded in writing, the removal of a Director, subject to the provisions and compliance of the Act, rules and regulations.

#### **7.7. Remuneration:**

##### **Non-Executive/ Independent Directors:**

Non-Executive Directors/ Independent Directors shall be paid sitting fees for attending the Board and Committee (including any special purpose project sub-committee/ working groups/interview panels) Meetings. The sitting fees to be paid to Directors shall be determined by the Nomination and Remuneration Committee and recommended to the Board for approval. The sitting fees to be paid shall be within limits prescribed under the Companies Act, 2013 and the Rules made thereunder as also other applicable regulations, if

any. A Non-Executive Director/Independent Director shall be entitled to remuneration/compensation which would include sitting fees, conveyance for attending the meeting and/or any other expenses incidental for participation in the Board and/or Committee meeting. Managing Director shall not be entitled to the payment of sitting fees for attending the Meeting(s) of the Company.

The review of the sitting fees shall be done by the Nomination and Remuneration Committee, pursuant to a proposal for review of sitting fees being placed before the Nomination and Remuneration Committee by the Managing Director. The Nomination and Remuneration Committee shall review the sitting fees and the recommendation for revision, if any, shall be made by the Nomination and Remuneration Committee to the Board for their deliberations and approval, as per the provisions of the Companies Act, 2013 and the Rules made thereunder and any other applicable regulations.

In compliance with the Section 197, 198 of the Companies Act, 2013, the Directors' Remuneration shall be within the overall limits stipulated under Schedule V of the Act or any other applicable provisions of the Act or Rules made thereunder or any applicable directions of RBI, as the case may be.

#### Managing Director:

In line with Section 197, 198 and other applicable sections, if any, of the Companies Act, 2013 and the rules framed thereto, the Managing Director shall be appointed for a tenure of five years or as approved by the Board and the shareholders of the Company and such appointment may be renewed, subject to satisfactory performance, upon expiry of the tenure and subject to recommendation by the Nomination & Remuneration Committee and approval of the Board and subsequent approval of the Shareholders and Regulatory Authority, as applicable. Managing Director shall be paid remuneration in line within the limits as prescribed under the Companies Act, 2013 and the rules framed thereto and subject to approval by the Board and the Shareholders of the Company. The Nomination & Remuneration Committee shall ensure that the person identified for the position of the Managing Director shall not hold any office (including Directorships) in another NBFC- Middle Layer or NBFC- Upper Layer except NBFC – Base Layer, as prescribed under the RBI SBR Direction.

The provisions on the remuneration structure of the Managing Director has been detailed and laid down in the 'Compensation Policy', which forms part of the Nomination & Remuneration Policy of the Company.

## 7.8. Board Meetings

The meeting of the Board of Directors of the Company shall be held at least four times a year, once every quarter and not more than one hundred and twenty days shall elapse between two successive meetings. The quorum for the meetings of the Board shall be presence of one-third of Directors or two Directors, whichever is higher. The meetings of the Board shall be held at the registered office of the Company or such other location, as considered appropriate by the Managing Director. The Board of Directors shall have an option to join the meeting either through video conference (audio-visual means) or in person. The meeting of the Board of Directors shall be conducted and held in accordance with the provisions of the Companies Act, 2013, & the Companies (Meetings of Board and its Powers) Rules, 2014, thereof.

## 7.9. Information to be placed before the Board of Directors

In a financial year, the Board of Directors shall deliberate on seven critical themes including but not limited to business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources.

The information to be placed before the Board of Directors shall include, but not be limited to the following, at regular intervals or as may be prescribed by the Regulatory Authority in this regard:

- i. Annual Business Plan & Profit Budget (including Capital Expenditure Budget) and any updates thereto.
- ii. Financial results, as the case may be, together with CEO/CFO certifications regarding the Financial Statements, internal controls, etc. to the Board on a quarterly basis.
- iii. Quarterly Business Performance Review for all business segments.
- iv. Minutes of meetings of Audit & Risk Management Committee and other Committees of the Board.
- v. Conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- vi. The adequacy of the risk management system including the risk management policy and strategy followed.
- vii. ICAAP document detailing the Company's capital needs, its anticipated capital utilization, its desired level of capital, limits related to capital and contingency plan for dealing with divergences and unexpected events.
- viii. Any demand, show cause, prosecution and/or penalty notice, judgement or order which is materially important and has bearing on the Company's business operations.
- ix. Any material default in financial obligations to and by the Company.
- x. Annual HR Review Report covering HR matters and manpower plan.
- xi. The information on recruitment and remuneration of Key Management Personnel (KMPs)



and Senior Management of the Company.

- xii. Statutory Compliance Certificate in respect of the compliance of the various laws and regulatory and statutory requirements as applicable to the Company.
- xiii. Corporate and management controls and systems including procedures;
- xiv. Information and updates on major expenditures;
- xv. Report on implementation of strategic initiatives and plans (e.g. new branch offices, new lines of business activities, etc);
- xvi. CFO Certification for spending of CSR amount in line with the requirements of the Companies Act, 2013 and the rules thereto.
- xvii. All relevant information for taking informed decisions in respect of matters brought before the Board;

#### **7.10. Notice and Agenda for the Board Meetings**

The notice for convening of a Meeting of the Board of Directors shall be sent/circulated in writing or electronically or through a digital meetings software, to the Directors at least seven (7) days before the date of the Meeting. With the consent of the Director including the Independent Director, a meeting of the Board of Directors may be convened at a shorter notice and in accordance with the provisions of the Companies Act, 2013 and Secretarial Standards, as issued by Institute of Company Secretaries of India (ICSI).

The agenda for the Meeting of the Board of Directors along with information relevant to the agenda shall be sent/circulated in writing or electronically or through a digital meetings software, specific to the Directors at least seven (7) days before the date of the Meeting. With the consent of the Director including the Independent Directors the information relevant to the agenda may be circulated at a shorter notice and in accordance with the provisions of the Companies Act, 2013 and Secretarial Standards, as issued by Institute of Company Secretaries of India (ICSI).

#### **7.11. Attendance at Board Meetings**

The Board Meetings shall be attended by the Directors, and on invitation of the Board, by senior management or such officers/employees and/or other external consultants/ auditors of the Company who shall provide an insight into the agenda items being discussed. The Company Secretary of the Company shall act as the Secretary to the Board for noting the proceeding of the meetings and shall be considered 'in attendance' at the meetings of the Board. All the Independent and Non-Executive Directors shall endeavour to attend all meetings of the Board.

In case a Director is unable attend a specific Board Meeting, she/he shall obtain leave of absence from the Board.

The quorum for the meetings of the Board shall be the presence of one-third of Directors or two Directors, whichever is higher.

However, if a Director absents himself/herself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board, the office of such director shall become vacant.

### 7.12. Minutes of the Board Meeting

The minutes of all meetings of the Board shall be circulated within fifteen days from the date of the conclusion of the meeting of the Board. The minutes shall be confirmed in the next Board Meeting and signed by the Chairperson of the Board Meeting in which minutes are confirmed. The Company shall be guided by Section 118 of the Companies Act, 2013 and the rules thereunder.

## 8. Committees of the Board

In order to enable the Board to discharge its responsibilities effectively, the Board has constituted various Committees to provide focused oversight and supervision as under:-

- i. Audit Committee of the Board (ACB)
- ii. Risk Management Committee (RMC)
- iii. Nomination and Remuneration Committee (NRC)
- iv. Corporate Social Responsibility Committee (CSRC)
- v. IT Strategy Committee (ITSC)

With the objective of attaining greater accountability, transparency and fairness, the Board in exercise of its powers shall set out clear roles and responsibilities, including those powers, which the Board wishes to exercise by itself or through a formally constituted Committee to ensure good Corporate Governance. These are detailed in the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

The brief details of the various Committees of the Board are as under:

### 8.1. Audit Committee of the Board (ACB)

Role & Responsibilities	<ul style="list-style-type: none"> <li>• The Audit Committee of the Board shall be responsible to review the Company's Accounting policies, review the adequacy of internal control systems and risk based internal audit systems, review the annual financial statements with the Management and Auditors and discharge all other responsibilities that are required to be performed by the Audit Committee of the Company as laid down in Section 177 of the Companies Act, 2013.</li> <li>• The detailed terms of reference of the Audit Committee are laid out in <b>Chapter 6</b> of the <b><u>Board Charter on Roles and Responsibilities of the Board &amp; its Committees.</u></b></li> </ul>
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Composition	<ul style="list-style-type: none"> <li>• The members of the Audit Committee shall be appointed by the Board of Directors.</li> <li>• The Audit Committee shall comprise of minimum three directors with Independent Directors forming a majority.</li> <li>• The Chairperson of the Audit Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting.</li> <li>• The Chairperson of the Committee shall be persons with ability to read, understand &amp; interpret the financial statements.</li> <li>• The Audit Committee may invite Senior Management and/ or such officers/employees of the Company, as considered appropriate (and particularly the Chief Financial Officer (CFO), Head of Internal Audit (HIA), Chief Compliance Officer (CCO)) to attend the meetings of the Committee. The representatives of the Statutory Auditor, Secretarial Auditor &amp; Concurrent Auditor may be invited for the meetings of the Audit Committee for discussion on the agenda pertaining to the Financial Audit and/or Secretarial Audit and/or Concurrent Audit respectively.</li> <li>• The Company Secretary of the Company shall act as the Secretary of the Committee.</li> </ul>
Frequency of Meetings	The meetings of the Audit Committee shall be held at least four times a year, usually preceding the Board Meeting, once every quarter and not more than one hundred and twenty days shall elapse between two successive meetings.
Quorum	Two Members or one third of the Members of the Audit Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
Reporting	The Audit Committee shall report to the Board of Directors of the Company. The Committee shall report its actions and any recommendations to the Board after each Committee meeting. The minutes of the Committee shall be placed to the Board for noting.

## 8.2. Risk Management Committee (RMC)

Role & Responsibilities	<ul style="list-style-type: none"> <li>• The primary function of the Risk Management Committee shall be to assist the Board of Directors in setting up a risk management strategy and ensuring that the risk profile of the Company is commensurate with its business strategy.</li> <li>• The Committee shall be responsible to review, approve and recommend to the Board, including but not limited to the risk management policies, procedures and risk reporting mechanisms, parameters of trading, counterparty / instrument-wise exposure limits, compliance with the statutory / internal risk policies, procedures, parameters and other risk related matters.</li> </ul>
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	<ul style="list-style-type: none"> <li>• The Committee shall be responsible for evaluating the overall risks faced by the Company and implementation of the approved ERM framework.</li> <li>• The Committee shall be responsible for approving the risk appetite statement and ensure the Company is operating within the same.</li> <li>• The Committee shall be responsible for ensuring the Company's overall risk exposure is maintained at prudent levels and is consistent with available capital.</li> <li>• The Committee shall be responsible for reviewing and recommending the capital plan detailing the Company's capital needs, anticipated capital utilization, desired level of capital, limits related to capital erosion and a contingency plan.</li> <li>• The Committee shall apprise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy.</li> <li>• The Committee shall be responsible for overseeing and managing the overall liquidity profile of the Company, including reviewing liquidity measures that describe the nature of the Company's Liquidity Risk.</li> <li>• The Committee shall interact with the Chief Risk Officer (CRO) without the presence of the Managing Director, at least on a quarterly basis for reviewing the risk profile of the Company.</li> <li>• The detailed terms of reference of the Risk Management Committee are laid out in <b>Chapter 7</b> of the <b><u>Board Charter on Roles and Responsibilities of the Board &amp; its Committees</u></b></li> </ul>
Composition	<ul style="list-style-type: none"> <li>• The members of the Risk Management Committee shall be appointed by the Board of Directors.</li> <li>• The Risk Management Committee shall comprise of minimum three directors with at least one Independent Director.</li> <li>• The Chairperson of the Risk Management Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting, who possess a sound knowledge and background of the operational working of the treasury /financial market.</li> <li>• The Risk Management Committee may invite Senior Management or such officers/employees and/or such external consultants of the Company, as considered appropriate to attend the meetings of the Committee.</li> <li>• The Chief Risk Officer shall be an invitee to the meetings of the Committee and present the risk management reports which shall have review of compliance with the statutory / internal risk policies, procedures, parameters, etc. to the Committee.</li> <li>• The Company Secretary of the Company shall act as the Secretary of the Committee.</li> </ul>
Frequency of Meetings	The meetings of the Risk Management Committee shall be held at least four times a year and once every quarter and not more than one

	hundred and twenty days shall elapse between two successive meetings.
Quorum	Two Members or one third of the Members of the Risk Management Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
Reporting	The Risk Management Committee shall report to the Board of Directors of the Company. The Committee shall report its actions and any recommendations to the Board after each Committee meeting. The minutes of the Committee shall be placed to the Board for noting.

### 8.3. Nomination and Remuneration Committee (NRC)

Role & Responsibilities	<ul style="list-style-type: none"> <li>• The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Companies Act, applicable RBI guidelines and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.</li> <li>• The Committee shall be in line with the requirement of RBI and/or any other acts/directions, as applicable, to ensure that the 'fit and proper' criteria is met with regard to the proposed or existing Directors of the Company.</li> <li>• The detailed terms of reference of the Committee are laid out in <b>Chapter 8</b> of the <b><u>Board Charter on Roles and Responsibilities of the Board &amp; its Committees.</u></b></li> </ul>
Composition	<ul style="list-style-type: none"> <li>• The members of the Nomination and Remuneration Committee shall be appointed by the Board of Directors.</li> <li>• The Nomination and Remuneration Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be Independent Directors.</li> <li>• The Chairperson of the Nomination &amp; Remuneration Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall be an Independent Director. However, the Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairperson of the Committee.</li> <li>• The Nomination and Remuneration Committee may invite Senior Management or such officers/employee of the Company and/or such external HR Consultants to the Company, as it considers appropriate to be present at the meetings of the Committee.</li> <li>• The Company Secretary of the Company shall act as the Secretary of the Committee.</li> </ul>

Frequency of Meetings	The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two (2) meetings in a financial year.
Quorum	Two Members or one third of the Members of the Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
Reporting	The Nomination and Remuneration Committee shall report to the Board of Directors of the Company. The Committee shall report its actions and any recommendations to the Board after each Committee meeting. The minutes of the Committee shall be placed to the Board for noting.

#### 8.4. Corporate Social Responsibility Committee (CSRC)

Role & Responsibilities	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility (CSR) is a process with the aim to include responsibility for the Company's actions as a good corporate citizen and encourages a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and society at large.</li> <li>• The CSR Committee (CSRC) shall recommend the guidelines for CSR activity to the Board of Directors for their approval.</li> <li>• The CSR Committee shall formulate and recommend to the Board, the Corporate Social Responsibility Policy which shall include the CSR activities to be undertaken in line with Section 135 and Schedule VII of the Companies Act, 2013 and the rules framed thereto (as amended from time to time).</li> <li>• The Committee shall also recommend the amount of CSR expenditure to be incurred on the activities and shall also monitor the utilization of the CSR expenditure.</li> <li>• The responsibilities and duties of the Committee shall be as specified in Section 135 of the Companies Act, 2013 and the rules framed thereto.</li> <li>• The detailed terms of reference of the Committee are laid out in <b>Chapter 10</b> of the <b><u>Board Charter on Roles and Responsibilities of the Board &amp; its Committees.</u></b></li> </ul>
Composition	<ul style="list-style-type: none"> <li>• The members of the CSR Committee shall be appointed by the Board of Directors.</li> <li>• The Corporate Social Responsibility (CSR) Committee shall comprise of minimum three Directors with at least one Independent Director.</li> <li>• The Chairperson of the Corporate Social Responsibility Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting.</li> <li>• The Corporate Social Responsibility Committee (CSRC) may invite Senior Management or such officers/employee of the Company, as considered appropriate, to attend the meetings of the Committee.</li> </ul>

	<ul style="list-style-type: none"> <li>The Company Secretary of the Company shall act as the Secretary of the Committee.</li> </ul>
Frequency of Meetings	The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two (2) meetings in a financial year.
Quorum	Two Members or one third of the Members of the Committee whichever is greater, provided one Independent Director shall be present at the meeting to constitute a quorum for the Committee meeting.
Reporting	The CSR Committee shall report to the Board of Directors of the Company. The Committee shall report its actions and any recommendations to the Board after each Committee meeting. The minutes of the Committee shall be placed to the Board for noting.

### 8.5. IT Strategy Committee (ITSC)

Role & responsibilities	<ul style="list-style-type: none"> <li>In accordance with the RBI - Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 07, 2023, as amended from time to time, the Company has in place an IT Strategy Committee.</li> <li>The Committee shall monitor and review IT Governance, IT Policy, Information &amp; Cyber Security, IT Operations, IS Audit, Business Continuity Planning, Disaster Recovery and IT Services Outsourcing within the organization.</li> <li>The detailed terms of reference of the Committee are laid out in <b>Chapter 9</b> of the <b><u>Board Charter on Roles and Responsibilities of the Board &amp; its Committees.</u></b></li> </ul>
Composition	<ul style="list-style-type: none"> <li>The members of the IT Strategy Committee shall be appointed by the Board of Directors.</li> <li>The IT Strategy Committee shall comprise of minimum three (3) directors out of which the Chairperson shall be an Independent Director, and also Independent Information Technology experts/professionals who shall be regarded as an 'External Domain Expert Member'.</li> <li>The Chairperson of the Committee shall be an Independent Director.</li> <li>The IT Strategy Committee may invite Senior Management or such officers/employee of the Company, as considered appropriate to attend the meetings of the Committee.</li> <li>The Company Secretary of the Company shall act as the Secretary of the Committee.</li> <li>The Chief Information Security Officer (CISO) shall be a permanent invitee to the Committee.</li> </ul>
Frequency of Meetings	The Committee shall meet as frequently as required to perform its functions provided that there shall be at least on a quarterly basis, a meeting be conducted.

Quorum	Two Members of the Committee, provided that the Chairperson who shall be the Independent Director is present to constitute a quorum for the Committee meeting.
Reporting	The IT Strategy Committee shall report to the Board of Directors of the Company. The Committee shall report its actions and any recommendations to the Board of Directors. The minutes of the Committee shall be placed to the Board for noting.

### **8.6. Agenda for the Committee Meetings**

The notice for convening of a Meeting of the Board of Directors shall be sent/circulated in writing or electronically or through a digital meetings software, to the Directors at least seven (7) days before the date of the Meeting. With the consent of the Director including the Independent Director, a meeting of the Board of Directors may be convened at a shorter notice and in accordance with the provisions of the Companies Act, 2013 and Secretarial Standards, as issued by Institute of Company Secretaries of India (ICSI).

The agenda for the Committee Meetings along with information relevant to the agenda shall be sent/circulated in writing or electronically or through a digital meetings software specific to the Directors / Members at least seven (7) days before the Meeting. With the consent of the Director including the Independent Directors the information relevant to the agenda may be circulated at a shorter notice and in accordance with the provisions of the Companies Act, 2013 and Secretarial Standards, as issued by Institute of Company Secretaries of India (ICSI).

### **8.7. Attendance at Committee Meetings**

The Committee Meetings shall be attended by the Directors and on invitation of the Chairperson, by Senior Management or such officers/employees and/or other external consultants/ auditors of the Company, who may attend the Meeting to provide an insight into the agenda items being discussed. The Company Secretary of the Company shall act as the Secretary to the Committee for noting the proceeding of the meetings and shall be considered 'in attendance' at the meetings of the Committee. The Company Secretary of the Company shall facilitate in convening of meetings and attend such meetings to maintain the minutes of these meetings.

In case a Director cannot attend a specific Committee Meeting, she/he shall obtain leave of absence from the Committee.

### **8.8. Minutes of the Committee Meetings**

The minutes of the meetings of the Committee shall be circulated within fifteen (15) days from the date of the conclusion of the meeting. The minutes shall be confirmed in the next meeting of the Committee and signed by the Chairperson of the Committee Meeting in



which minutes are confirmed. The minutes of the Committee shall be placed to the Board for noting. The Company will be guided by Section 118 of the Companies Act, 2013 and the rules thereunder.

## 9. Other Committees within the Company

The Company shall set up various Committees of Senior Management and/or other respective head of departments and/or other officers/employees along with participation from various business and control functions, that are designed to review and oversee matters pertaining to optimal capital usage, assets and liabilities, liquidity gaps and mismatches, operational risk, information security, business continuity planning/disaster recovery and internal capital adequacy assessment among others.

For prudent implementation of the Company's policies the following Committees have been constituted for exercising effective control of the business operations of the Company:-

### 9.1. Asset Liability Management Committee (ALCO)

This Committee shall attend to issues relating to Asset Liability Management; responsible for monitoring various issues related to liquidity risk & deciding on strategy to address the same & balance sheet interest rate risk management; discuss on the macro-economic and interest rate scenario along with monitoring the performance of the various portfolios and the funding desk. The detailed terms of reference of the Committee are laid out in **Chapter 11 of the Board Charter on Roles and Responsibilities of the Board & its Committees.**

### 9.2. Management Committee

This Committee shall be responsible to assist the Managing Director in decision making by acting as a coordination committee of the various departments of the Company. It would deliberate on any matter which has a bearing on the Company's operations and would function as a forum to elicit inputs from all the departmental heads and keep all the departmental heads aware of issues. The detailed terms of reference of the Committee are laid out in **Chapter 11 of the Board Charter on Roles and Responsibilities of the Board & its Committees.**

### 9.3. Market Review Committee

The Committee shall be responsible to discuss and evaluate the overnight developments, and events across the global markets, deliberate on the issues relating to Annual Bidding Commitments as a Primary Dealer to be submitted to RBI at the beginning of each year, the underwriting bids at the time of each G-Sec auction, the bidding at the auction/issue of Government Securities (G-Sec.), State Development Loans (SDLs) and Treasury Bills (T-Bills), review the Equity Portfolio in Cash, F&O and Mutual Fund, the Investment in IPOs /FPOs/NFOs, decide on the appropriate trading strategies and document the views and

proposed trading strategy of each individual trader/dealer. The detailed terms of reference of the Committee are laid out in Chapter 11 of the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

#### **9.4. Credit Evaluation Committee**

The Committee shall be responsible for evaluating & on-going monitoring of the credit quality of individual credit references in whose corporate debt securities, the Company proposes to invest and shall also approve the proposed investment after analysis of prevailing corporate credit environment and emerging corporate actions/developments impacting the credit quality of the portfolio. The Credit Evaluation Committee shall meet as and when a credit investment proposal needs to be evaluated or at least once in a quarter. The detailed terms of reference of the Committee are laid out in **Chapter 11** of the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

#### **9.5. Internal Complaints Committee (ICC)**

In line with the provisions of “The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013”, the Company shall constitute an Internal Complaints Committee (ICC) for the purpose of handling and addressing any of the complaints received under sexual harassment. The ICC shall comprise members as required under the law and would generally comprise of the senior most women employee as its Chairperson and a suitable external member. The detailed terms of reference of the Committee are laid out in **Chapter 11** of the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

#### **9.6. Internal Committee (CSR)**

The Company shall be responsible for identifying, evaluating and then subsequently proposing to the CSR Committee the list of entity/beneficiaries of various plans/budget for the CSR activities of the Company which may be undertaken. The Internal Committee (CSR) shall assist the CSR Committee of the Board in implementation and monitoring of the planned CSR activities effectively and efficiently. The detailed terms of reference of the Committee are laid out in **Chapter 11** of the **Board Charter on Roles and Responsibilities of the Board & its Committees.**

#### **9.7. Information Systems Security Steering Committee (ISSC)**

The Committee shall be responsible to formulate and implement the Information Systems Security policy across the organisation, oversee all aspects of the Information Systems Security function, reviewing, maintaining and supporting Information Systems Security policies, standards, architectures, and procedures. The detailed terms of reference of the Committee are laid out in **Chapter 11** of the **Board Charter on Roles and Responsibilities of the Board & its Committees.**



## 10. Internal Controls, Audit & Compliance Framework

The control functions set standards and lay down policies and procedures by which the business functions manage risks including compliance with applicable laws, compliance with regulatory guidelines, adherence to operational controls and relevant standards of conduct.

The Company shall adopt extensive internal controls and processes to mitigate operational risks, including centralized deal entry operations at Head Office and 'segregation of duty' between the Business Units and Support Function.

The Business Units comprise of the Dealing Desk (i.e Fixed Income Traders, Equity Traders, Currency Traders) and Sales Desk which usually act as client touch-point and drives profits/turnover/sales in the organisation.

The Support Function of the Company consists of Back Office and Settlements operations, Funding Desk, Accounts & Admin Function, Corporate Secretarial Function, Information Technology (IT) Function, Fixed Income Research and Human Resource (HR) Functions, which renders the support services to the operational activities through processing, accounting and settlement of transactions in the internal treasury management system.

**Three Lines of Defence:** The Company has adopted the 'Three Lines of Defence' governance model across Business Units and Support Functions, Risk Management & Compliance, and Internal Audit.

### **First Line of Defence – Business Units and Support Functions**

The first line of defence shall be the front-line employees of Business Units who conduct day-to-day operations of the Company which serve as key sources of risk. They take risks as part of daily business activities and are expected to identify risks, implement internal controls and other risk responses to mitigate the risks associated with the Company's operations. It shall be the responsibility of Business Units and Support Functions to actively manage risks and periodically report on identified risks.

### **Second Line of Defence – Risk Management & Compliance Function**

The Risk function, led by the Chief Risk Officer (CRO), shall provide an independent oversight of risk management of the Company. The responsibilities of the Risk function shall include establishment of policies and procedures, development of models for estimation of risk and management of risks in a holistic manner across the Company. The Risk function shall perform critical functions related to identification of risk, conducting risk analysis (including assessment and measurement), conducting data analytics, and reporting observations/insights.

The Compliance function, led by the Chief Compliance Officer (CCO), is to assist the Company in managing its compliance risk. The Compliance function will monitor and evaluate the effectiveness of the first line's internal controls ensuring compliance with relevant laws, regulations, and internal rules and promotes a compliance culture in the Company.

### **Third Line of Defence – Internal Audit**

The Internal Audit function, led by the Head of Internal Audit (HIA) shall perform the independent review of the Company's various Risk Management processes and activities of the Company's Business Units and Support Functions. Internal Audit shall provide assurance to the Board that risks are being managed and monitored in line with the risk management policies and procedures and the risks are within the Company's risk appetite. To ensure independence, the Internal Audit function shall report findings directly to the Audit Committee of the Board.

At the ground level, the Company shall have a mix of preventive and detective controls implemented through systems and processes ensuring a robust internal control framework to enable complete and accurate accounting, identification of outliers (if any) by the Management on a timely basis for corrective action and mitigating operational risks.

#### **10.1. Internal Controls**

The Company shall adopt various preventive controls as under (indicative list):-

- i. Limited and need-based access to systems by users
- ii. Dual custody over cash and near-cash items
- iii. Segregation of duty in processing of transactions vis-à-vis creation of user IDs
- iv. Segregation of duty in initiating of transactions vis-à-vis monitoring and review of transactions/reconciliation
- v. Four eye principle (maker-checker control) for processing of transactions
- vi. Stringent password policy
- vii. Restricted access to Dealing and IT Server room
- viii. Straight Through Processing (STP) processes between the electronic trading system (NDS-OM) and the internal SAP system obviates the need for manual input of transactions
- ix. Segregation of front office, mid office and back office functions
- x. Dual authorisation for making payments
- xi. Audit trails and logs directly extracted from systems
- xii. Call monitoring and recording system for all transactions
- xiii. Audit trails in deals done/cancellation/modification

The Company shall adopt detective controls in place as under (indicative):-

- i. Daily tally of petty cash at end of day.
- ii. Reconciliation of RBI Current accounts and SGL accounts (fund and securities) for both proprietary and Constituent's SGL Accounts
- iii. Reconciliation of all Accounts
- iv. Periodic review of user IDs

## **10.2. Audit Assurance Framework**

In order to exercise effective supervision, oversight and control over the business, control and IT operations of the Company, the Company would be subject to the following audits to be carried out independently by auditors, regulators, Government and Tax authorities, Stock Exchanges etc.

Further, the Company with effect from FY2015-16 is subject to Comptroller & Audit General of India (C&AG) Audit and the Statutory Auditors of the Company are appointed by the C&AG on an annual basis. Further, the C&AG may at its discretion conduct Supplementary (Financial) Audit or Transaction (Compliance) Audit of the Company for a particular financial year.

In all such cases where such Auditor is appointed by the Company, as a good corporate governance, the Auditor would be rotated after every three years.

In addition, the final audit reports of all such audits shall be placed before the Audit Committee of the Board (ACB) for noting and review.

1. Statutory Audit
2. Tax Audit
3. Concurrent Audit
4. C&AG Audit (Financial/Transaction Audit)
5. Internal Financial Control (IFC) over financial reporting Audit
6. Secretarial Audit
7. IT Systems Audit
8. Risk based Internal Audit

## **11. Policies /measures for disclosure and transparency (Assurance Framework)**

### **11.1. Board Evaluation Exercise**

The Company has in place a mechanism to facilitate evaluation of performance of Directors in line with the requirements of Code of Conduct as laid down in Schedule IV of the Companies Act, 2013. The Board carries out the required performance evaluation of Directors, including Independent Directors on an annual basis.

Further, in line with the requirements prescribed under the Act, the Independent Directors hold at least one meeting in a financial year. The Company Secretary shall facilitate convening and holding of such Meeting, if so desired by the Independent Directors.

### **11.2. Connected Lending Relationships**

The Company has in place a Policy for grant of Loans & Advances to Director(s) of the Company including Managing Director or Senior Management of the Company or Relative(s) of the Director(s) of the Company or any Firm/ Company in which any of the directors or their relatives is interested as a partner, director, manager, employee, guarantor or major shareholder. In case, any facility for granting of loans or advances may be extended by the Company to the aforesaid entity(s)/person(s), the same shall be made only after due prior approval of the Board of Directors of the Company and in compliance with the relevant regulatory provisions of the Companies Act, 2013, RBI Directions, RBI SBR Direction, RBI SAPD Directions and such other regulatory enactments. The Company shall comply with the RBI instructions on lending to Directors, their relatives or Directors of other Companies and their relatives and other entities, if any such facility is provided in future by the Company.

### **11.3. Dividend Distribution Policy**

The Company has a Dividend Distribution Policy which lays down the criteria and parameters that are to be considered by the Board of Directors of the Company while deciding on the declaration of dividend, from time to time. The policy strikes a balance between the quantum of dividend distributed/declared and amount of profits retained in the business for various purposes, within the limit as stipulated in the RBI Directions.

### **11.4. Legal Compliances**

The Company follows a system of reporting of adherence to compliance of various applicable laws to facilitate periodical review by the Board of Directors.

### **11.5. Conflict of Interest & Related Party Transactions**

The Company shall comply with the requirements prescribed under the Companies Act, 2013 with regard to the related party transactions. The Board of Directors has formulated a Policy on Related Party Transactions covering the specified criteria as amended from time to time. The Company has a framework for undertaking transactions with related parties. Further, all related party transactions shall be approved by the Audit Committee / Board, as may be applicable. The approval of shareholders will also be obtained wherever required under the Act and depending on nature of the transaction.

Directors shall be also be required to disclose their interest in other bodies corporate to the Board on an annual basis and/or as required. Directors are also required to disclose their interest in other bodies corporate as and when they become interested. Further, wherever a Director becomes interested in any contract or arrangement, the same shall be required to be disclosed to the Board. The Board of Directors have authorized the Audit Committee to review the key transactions and Disclosures received under the Related Party Transaction Policy on periodical basis. Transactions with related parties shall be annexed to the financial

statements as disclosure to the financial year. The shares of the Company held by the Directors, if any, shall be disclosed in the Annual Report of the Company.

#### **11.6. Disclosures in the Annual report:**

The Company shall disclose the following in its annual report as part of the Corporate Governance Report (indicative):

- (i) Number of meetings held of the Board of Directors and the Committees held during the Financial year;
- (ii) Details of the Composition of the Board of Directors and the Committees;
- (iii) Number of meetings attended by the Directors and the members of the Committees;
- (iv) Details of the remuneration paid to Directors and KMPs;
- (v) Details of General Meeting of the Company held during the Financial Year
- (vi) Details of default, if any, to compliance with requirements of Companies Act, 2013 including with respect to accounting and secretarial standards.
- (vii) Disclosure on penalties or stricture, if any, imposed by any statutory authority.
- (viii) Such other matters as prescribed under the Companies Act, 2013, RBI Directions, RBI SBR Directions and any other applicable Regulations

#### **11.7. Policy on Investment and Trading by Employees**

This policy regulates dealings by employees in stocks & securities. Employees are required to conduct their personal investment/trading activity in a manner that is lawful and avoids conflict of interest between the employee's personal interests and the Company. This policy shall apply to the trades done in primary as well as in secondary market. The objective of the policy is to ensure that all personal account transactions do not conflict with business operations as well as ensure that employees handle price sensitive information/unpublished price sensitive information in an appropriate manner that would not constitute any breach of regulations.

#### **11.8. Outsourcing Policy and IT Outsourcing Policy**

The Company has an Outsourcing Policy in accordance with the guidelines issued by RBI from time to time. Outsourcing involves transferring responsibility for carrying out an activity (previously carried on internally) to an outsourced agency/service provider for an agreed charge/fee. The outsourced agency/service provider provides services to the customer based on a mutually agreed service level, the terms of which are normally defined in a formal contract called Service Level Agreement (SLA). Any outsourcing shall be carried out according to the Policy adopted by the Company.

The Company has an IT Outsourcing Policy which lay down a broad framework for the assessment of need for outsourcing of IT Services which are considered to be material in nature, due diligence mechanism for the identification of Service Provider, and the risk assessment & monitoring undertaken to ensure adequate control over the Material IT

Outsourced arrangement. This Policy also prescribes the governance framework for adoption of a cloud computing model of any IT Activities/Services within the organization.

#### **11.9. Whistle Blower Policy/Vigil Mechanism**

The Company shall have a Whistle Blower Policy/Vigil Mechanism to ensure that there is an adequate mechanism to address any complaints related to questionable practices, internal controls, auditing matters, or the reporting of all information to the shareholders, the government or the financial markets in respect of the Company. Such a mechanism allows for disclosure by employees internally of such matters without fear of reprisal, discrimination or adverse employment consequences and addresses the redressal of those responsible.

#### **11.10. Know Your Customer (KYC) & Anti Money Laundering Policy (AML)**

The Company shall have a KYC & AML Policy in place in line with the provisions of the Prevention of Money Laundering Act, 2002 (PMLA) and RBI Master Direction-Know Your Customer (KYC) Directions, 2016. The objective of this policy is to put in place systems and procedures for customer identification and verifying his/her identity and location details and appropriate controls for detection and reporting of suspicious activities, if any, in accordance with applicable laws / laid down procedures and regulatory guidelines.

#### **11.11. Prevention of Sexual Harassment Policy**

The Company has in place a 'Prevention of Sexual Harassment Policy' (POSH) to make work place safe and free from sexual harassment or any such conduct. The Policy inter-alia provides for prevention of sexual harassment, constitution of Internal Complaints Committee and formal procedures to inquire into the complaints and reinforce company commitment of zero tolerance to sexual harassment.

#### **11.12. Corporate Social Responsibility Policy (CSR)**

The Company has in place a CSR Policy to govern and administer the Company's Corporate Social Responsibility ('CSR') activities. The Company complies with the provisions of Companies Act, 2013.

#### **11.13. Suitability and Appropriateness Policy**

The Company has in place a Suitability and Appropriateness Policy in line with the Reserve Bank of India (RBI) prescribed guidelines. The Policy details the guidelines which are applicable to all permitted generic and structured derivative products, as notified by RBI.

#### **11.14. Fair Practice Code (FPC)**

The Company has in place a Fair Practice Code (FPC) in line with RBI prescribed guidelines which inter alia, includes guidelines on processing of application for loans, appraisal of loan, loan disbursement including changes in terms and conditions and certain other conditions/aspects which NBFCs need to follow.

#### **12. Amendments/Review of the Policy**

In the event of any regulatory modification(s)/amendment(s)/change(s) to any provisions contained in the Companies Act, 2013 or any Rules framed thereunder or to the applicable directions of RBI, SEBI Regulations etc., the provisions contained in the Regulatory Acts (as amended) will prevail to ensure consistency with the prevalent regulatory requirements.

The Board on its own and/ or due to any regulatory requirement/amendment can amend this Policy, as and when deemed fit. The Board reserves the right to alter, modify, add, delete, or amend any of the provisions of the Policy.

This Corporate Governance Policy will be reviewed annually, or in the interim, should there be a change/amendment in regulations.





# **STCI PRIMARY DEALER LIMITED**

## **Charter on Roles and Responsibilities of the Board & its Committees**

**(Annexure to Corporate Governance Policy of the  
Company)**

**2024**



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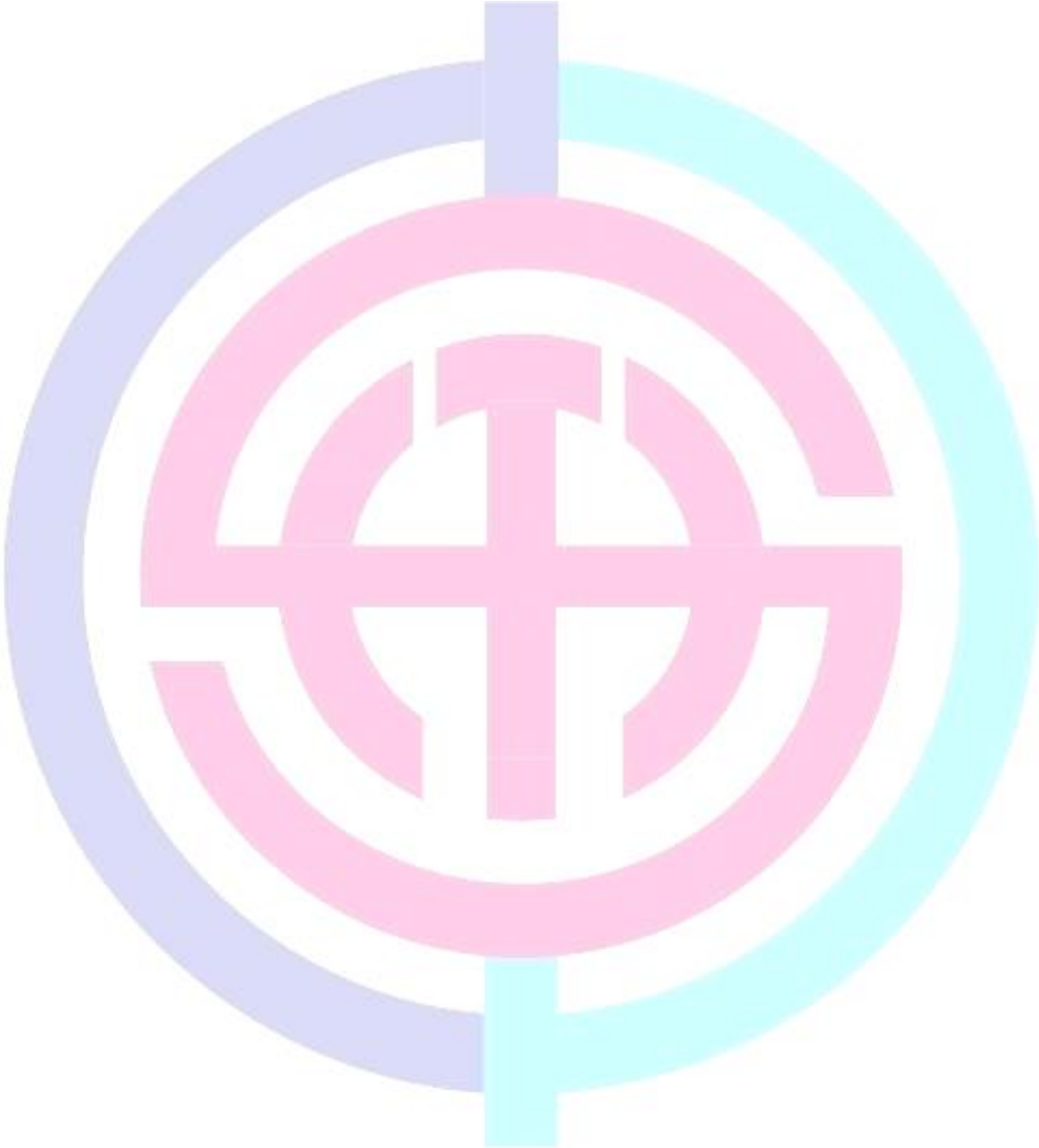
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## 1. Preamble

A clear definition of the roles and the segregation of responsibilities of the Board is necessary to enable them to effectively perform their role. Towards this end, a formal statement of Board Charter which clearly defines the roles and responsibilities of the Board and individual directors has been adopted by STCI Primary Dealer Ltd (“the Company”).

## 2. Duties and Responsibilities of the Board

The Board is responsible for:

- i. Providing strategic direction and guidance for implementation of business policy including review of the same.
- ii. Reviewing and regulating the risk profile of the Company through an effective risk management system.
- iii. Formulation, adoption and review of the various policies prescribed by various statutory authorities from time to time.
- iv. Reviewing all the regulatory and supervisory directions, as applicable to the Company, from time to time.
- v. Setting standards of business conduct and ethical behaviour for the Board of Directors and Management.
- vi. Reviewing the reports on appropriateness and integrity of the IT systems of the Company.
- vii. Forming various Committees of Board for discharging its various duties while retaining its primary accountability.
- viii. Setting up a sound system of internal controls and audit including financial, operational and compliance controls and annual review of such system for monitoring their effectiveness.
- ix. Reviewing the financial performance of the Company and ensuring that the financial results are prepared in accordance with the generally accepted accounting principles and statutory regulations.
- x. Ensuring that all material developments of the Company are disclosed to the stakeholders on a timely basis.
- xi. Reviewing compliance certificates detailing the compliance with various laws, guidelines, regulations and applicable codes as submitted to Board by the Management on quarterly basis.
- xii. Approving compensation strategy and employee benefit schemes.
- xiii. Reviewing the functioning of Whistle Blower Policy/Vigil Mechanism in the Company on periodic basis.
- xiv. Noting the deliberations, recommendations and minutes of the Committee(s) of the Board.

- xv. Any such matter, as may be required, in accordance with the Companies Act, 2013 or any Rules framed thereunder or RBI Directions or RBI SBR Direction, as the case may be.

### **3. Role & Duties of Directors**

The operations of the Company are managed under the direction of the Board within the framework set by the Companies Act, 2013 and the rules framed thereto, the Memorandum and Articles of Association of the Company and RBI Directions or RBI SBR Direction. The Board represents and is accountable to the shareholders of the Company. The Board is primarily responsible to provide and evaluate the strategic direction of the Company, policies and their effectiveness. The Board's responsibilities further include overseeing the functioning of the Company's Operational activities and monitoring legal compliances and the management of risks related to the Company's operations. Board members are expected to act in good faith and with due care so as to exercise their judgement on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company and its stakeholders.

#### **3.1. Statutory Duties**

The Directors are accountable for overseeing compliance with all applicable statutory requirements by the Company. For this, the Board will require the Senior Management to place before itself all the relevant reports, certificates, along with necessary supporting documents as applicable to facilitate the Board or its Committees to achieve this objective.

#### **3.2. Fiduciary Duties**

The Office of Director is 'a position of trust' since the Board as a whole and the Directors as individuals owe certain fiduciary responsibilities to the Company as an entity and to its stakeholders. Directors are required to act in the best interests of all shareholders / stakeholders of the Company in accordance with the Memorandum and Articles of Association of the Company. The fiduciary duties of Directors within the framework of law are as under:

- i. Duty of Loyalty to act without conflict and always put the interests of the Company before those of the individual Director**

Directors should not be influenced by any financial or personal interest in the course of their dealings on behalf of or with the Company. Where any director is interested in any transaction or contract or arrangement with a Related Party, such director shall abstain

himself/herself from discussion and voting on the approval of the related party transaction. Independent Directors must critically review conflict-of-interest transactions.

## **ii. Duty of Care to take informed decisions**

Duty of Care carries personal responsibility and is owed to the Company. Duty of Care demands that Directors must exercise due care and diligence in overseeing the management of the business of the Company. Directors shall collectively and individually, act prudently in discharging their duties. Directors are expected to attend all Board and Committee meetings. The duty of care requires that a Director informs himself/herself of all material information reasonably available before making a business decision.

## **iii. Duty to act in good faith in accordance with the Company's codes and policies and the best governance practices**

The duty of good faith requires the Directors to ensure that all the necessary processes are followed to arrive at decisions which are in the best interests of the Company.

## **iv. Application of Fiduciary Duty Principles**

The Directors shall follow the following principles in fulfilling their fiduciary responsibilities:

- Directors should keep themselves informed of all matters related to the Company and its business affairs;
- Directors should always act collectively as a Board, or as they are specifically authorized by the Board and its Committees;
- Directors should attend and participate in each meeting as far as possible;
- Directors should ask questions or voice their concerns, if any;
- Directors are responsible for their decisions on any given matter;
- Directors should not disclose confidential information unless expressly authorized to do so by the Board or its Committees or as may be required in the course of dealings on behalf of the Company;
- Directors should disclose their personal and business interest on any matter placed before the Board and abstain from participating on such matters;
- Board's decision should be reflected through its minutes and the Directors should ensure that minutes accurately capture the proceedings of the meetings.



#### **4. Role of the Independent Directors**

Independence of the Board is essential for sound corporate governance and the role and presence of Independent Directors on the Board is widely considered as a means of protecting the interests of shareholders and all other stakeholders, and to bring an element of objectivity and independence in examination, deliberation, and decision making in respect of matters brought before the Board. Since the Independent Directors are reputed professionals drawn from diverse fields of expertise, the quality of decision making, and corporate governance is enhanced by having a more broader perspective.

Principles of Corporate Governance require Independent Directors to review the overall strategy, oversee the performance of management, actively participate in deliberations, arrive at an independent judgment and help in decision making process of the Board. Their key role is to provide an unbiased, independent, varied and experienced perspective to the Board. The responsibilities of Independent Directors collectively or as members of Committees include:

**i. To be well informed**

The Independent Directors are expected to be well informed about the Company and have an adequate understanding of the business environment in which the Company operates.

**ii. Provide strategic direction**

The Independent Directors are required to contribute to Board matters in a varied and informed manner and critically review the objectives and plans of the management.

**iii. Oversee the performance of the Senior Management**

The Independent Directors are responsible for monitoring the performance of the Senior Management with regard to ensuring that the determined strategies and objectives of the Company are achieved.

**iv. Ensure accuracy of accounts and books of the Company**

The Independent Directors are responsible to ensure that the Company's accounts present a true and fair picture of its business and financial performance. This includes selection of auditors, review of the scope of audit assurance, audit reports, the adequacy & efficacy of internal financial controls and compliance with applicable legal requirements. This role is performed through the Audit Committee with the Independent Directors being part of the Audit Committee.

**v. Protect the interest of all stakeholders**

Independent Directors shall ensure that decisions are taken in the best interest of the Company and all its stakeholders.

**vi. Uphold the highest standards of integrity and probity in the interests of the Company.**

Independent Directors shall ensure they uphold the highest standards of integrity and probity in the interest of the Company.

**5. Role of the Managing Director:**

The Managing Director is a member of the Board of Directors and as Chief Executive of the Company, he is responsible for executing various statutory and corporate responsibilities in an effective, efficient and profitable manner. He is also responsible for implementing the policies and directives laid down by the Board of Directors.

Managing Director plays the lead role in:

- i. Positioning the Company as a market leader in the financial markets in which it operates.
- ii. Implementing the strategic guidance provided by the Board for business policy including developing business strategies and operating plans and deploying resources, including human resources, in the best interests of the corporate objectives.
- iii. Ensuring that the risk profile of the Company is within the stipulated parameters as laid down by the Board.
- iv. Implementing the various policies as laid down by the Board.
- v. Ensuring that all the relevant regulatory and supervisory directions are submitted to the Board for its perusal from time to time.
- vi. Ensuring that the standards of business conduct and ethical behaviour as laid down by the Board are implemented in the Company.
- vii. Ensuring implementation of the system of internal controls and audit including financial, operational and compliance controls with the help of the senior management of the Company.
- viii. Monitoring the financial performance of the Company and ensuring that the financial results are prepared in accordance with the generally accepted accounting principles and statutory regulations and are reported to shareholders and regulators on a timely and regular basis.
- ix. Ensuring that all material developments of the Company are disclosed to the Board on a timely basis.

## 6. Audit Committee – Terms of Reference

The constitution and the terms of reference of the Audit Committee shall be in compliance with the provisions of Section 177 of the Companies Act, 2013 and the rules framed thereto, RBI Master Direction(s) issued to Standalone Primary Dealers (SPD) read alongwith RBI Master Direction(s) applicable to NBFC-Middle Layer (NBFC-ML), including any statutory modification(s) or re-enactment(s) or updation(s) thereof, from time to time.

### 6.1. Composition of Committee

- The Audit Committee shall comprise of minimum three directors with Independent Directors forming a majority.
- The Chairperson of the Audit Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting.
- The Chairperson of the Committee shall be person with ability to read, understand & interpret the financial statements.
- The Company Secretary of the Company shall act as the Secretary to the Committee.

### 6.2. Conduct of Meetings

- The meetings of the Audit Committee shall be held at least four times a year, usually preceding the Board Meeting, once every quarter and not more than one hundred and twenty days shall elapse between two successive meetings.
- The Audit Committee may invite Senior Management or such officers/employees of the Company, as considered necessary (and particularly the Chief Financial Officer (CFO), Head of Internal Audit (HIA) and Chief Compliance Officer (CCO)) to attend the meetings of the Committee. The representatives of the Statutory Auditor, Secretarial Auditor & Internal Concurrent Auditor may be invited for the meetings of the Audit Committee for discussion on the agenda pertaining to the Financial Audit and/or Secretarial Audit and/or Internal Concurrent Internal Audit respectively.
- Quorum for the meeting shall be two Members or one third of the Members of the Audit Committee, whichever is greater, provided minimum one Independent Director shall be present at the meeting.



### 6.3. Responsibilities of the Committee

The duties and responsibilities of the Audit Committee shall inter alia include the following:

- i. Recommendation for appointment, remuneration and terms of appointment of concurrent, secretarial & statutory auditors of the Company;
- ii. Reviewing and monitoring the auditor's (Head of Internal Audit, Concurrent Auditor, Secretarial and Statutory Auditor) independence and performance, and effectiveness of audit process;
- iii. Examination of the financial statements and the auditors' report thereon;
- iv. Approval or any subsequent ratification of transactions of the Company with related parties; Provided that the Audit Committee may give omnibus approval for related party transactions proposed to be entered into by the Company; Provided further that in case of transaction, other than transactions referred to in Section 188 of the Companies Act, 2013, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board;
- v. Evaluation of internal financial controls and risk management systems;
- vi. Monitoring the end use of funds raised through public offers and related matters;
- vii. Calling 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 also discussing any related issues with the Head of Internal Audit (HIA) and statutory auditors and the Senior Management of the Company;
- viii. Dealing with or investigating any matter in relation to the items herein or referred to it by the Board of Directors of the Company, Reserve Bank of India or any other regulator;
- ix. Establishing & overseeing whistle blower policy/vigil mechanism for directors and employees to report concerns in such manner as may be prescribed;
- x. Reviewing the Company's arrangements for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud, violation of the Company's code of conduct and terms of service;
- xi. Reviewing Information System Audit of the internal systems and processes is conducted, once a year to assess operational risks faced by the Company.
- xii. Monitoring of all outsourced activities covered under the RBI Directions.
- xiii. Reviewing and monitoring the compliance framework within the organization through assessment of compliance risk, compliance failures, if any, and also reviewing the independence and performance of the Chief Compliance Officer (CCO).
- xiv. Interact with the HIA & CCO, separately & individually, without the presence of the Managing Director, at least on a quarterly basis, as applicable under the RBI Directions or RBI SBR Direction, from time to time.
- xv. Any other applicable matters as specified under Section 177 of the Companies Act, 2013 and the rules framed thereto or as may be delegated by the Board in this regard.

## 7. Risk Management Committee– Terms of Reference

The constitution and the terms of reference of the Risk Management Committee shall be in compliance with the provisions of the RBI Master Direction(s) issued to Standalone Primary Dealers read along with RBI Master Direction(s) applicable to NBFC-Middle Layer (NBFC-ML), including any statutory modification(s) or re-enactment(s) or updation(s) thereof, from time to time.

### 7.1. Composition & Meetings of Committee

- The Risk Management Committee shall comprise of minimum three directors with at least one Independent Director
- The Chairperson of the Risk Management Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting, who possess a sound knowledge and background of the operational working of the treasury /financial market.
- The Company Secretary of the Company shall act as the Secretary of the Committee.

### 7.2. Conduct of Meetings

- The meetings of the Risk Management Committee shall be held at least four times a year and once every quarter and not more than one hundred and twenty days shall elapse between two successive meetings.
- The Risk Management Committee may invite Senior Management or such officers/employees of the Company and/or such external consultants to the Company, as considered appropriate to attend the meetings of the Committee.
- The Chief Risk Officer shall be an invitee to the meetings of the Committee and present the risk management reports which shall have review compliance with the statutory / internal risk policies, procedures, parameters, etc. to the Committee.
- Quorum of the meeting shall be two Members or one third of the Members of the Committee whichever is greater, provided minimum one Independent Director shall be present at the meeting.

### 7.3. Responsibilities of the Committee

The duties and responsibilities of the Committee shall inter alia include:

- i. Reviewing compliance with the RBI prudential norms and internal business risk policy parameters;
- ii. Reviewing risk policies, procedures and reporting mechanisms;

- iii. Reviewing risk management reports on a periodic basis and suggesting modifications to the Business Investment and Risk Policy of the Company to the Board for its final approval;
- iv. Reviewing and recommending to the Board the policies of the Company that may carry legal risk, operational risk, compliance risk and reputational risk;
- v. Evaluating the overall risks faced by the Company and implementation of the approved ERM framework;
- vi. Approving the risk appetite statement and ensure the Company is operating within the same;
- vii. Ensuring the Company's overall risk exposure is maintained at prudent levels and is consistent with available capital;
- viii. Reviewing and recommending the capital plan detailing the Company's capital needs, anticipated capital utilization, desired level of capital, limits related to capital erosion and a contingency plan;
- ix. Taking strategic actions to mitigate the risk associated with the nature of the business;
- x. Apprising the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
- xi. Overseeing and managing the overall liquidity profile of the Company, including reviewing liquidity measures that describe the nature of the Company's Liquidity Risk;
- xii. Interacting with the Chief Risk Officer (CRO) without the presence of the Managing Director, at least on a quarterly basis, for reviewing the risk profile of the Company;
- xiii. All such acts and functions as may be delegated by the Board of Directors.

## **8. Nomination and Remuneration Committee – Terms of Reference**

The constitution and terms of reference of the Nomination and Remuneration Committee (NRC) shall be in compliance with the provisions of Section 178 of the Companies Act, 2013 and the rules framed thereto, RBI Master Direction(s) issued to Standalone Primary Dealers read alongwith RBI Master Direction(s) applicable to NBFC-ML, including any statutory modification(s) or re-enactment(s) or updation(s) thereof, from time to time.

### **8.1. Composition of Committee**

- The Nomination and Remuneration Committee shall comprise of minimum three non-executive directors out of which not less than one-half shall be Independent Directors.
- The Chairperson of the Nomination & Remuneration Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall be an Independent Director.

However, the Chairperson of the Company may be appointed as a member of the Committee but shall not be Chairperson of the Committee.

- The Company Secretary of the Company shall act as the Secretary of the Committee.

## 8.2. Conduct of Meetings

- The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two (2) meetings in a financial year.
- The Nomination and Remuneration Committee may invite Senior Management or such officers/ employees of the Company and/or external HR Consultants to the Company, as it considers appropriate to be present at the meetings of the Committee.
- Quorum for the meeting shall be two Members or one third of the Members of the Committee, whichever is greater, provided minimum one Independent Director shall be present at the meeting.

## 8.3. Responsibilities of the Committee

The duties and responsibilities of the Committee shall inter alia include:

- To identify 'Fit & Proper' persons who are qualified to become directors. To identify persons who are qualified to be appointed in senior management in accordance with the criteria laid down in the Nomination and Remuneration Policy and recommend to the Board their appointment and removal;
- To specify the manner for effective evaluation of performance of Board, its Committees and individual Directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance thereof;
- 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 Senior Management. While formulating the policy, the following shall be ensured:
  - the remuneration is reasonable and sufficient to attract and retain Directors;
  - relationship of remuneration to performance is clear and transparent appropriate performance benchmarks for Senior Management and Key Management Personnel; and



- c. remuneration to key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- iv. To review HR Strategy, key initiatives and key HR metrics, compensation structure and policies with a view to retain and motivate the company's employees;
- v. To closely coordinate with the Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation & risks assumed for the Key Managerial Personnel & Senior Management.
- vi. Any other matters as specified under Section 178 of the Companies Act, 2013 and the rules framed thereto or as may be delegated by the Board in this regard.

## **9. IT Strategy Committee – Terms of Reference**

The constitution and terms of reference of the IT Strategy Committee shall be in compliance with the provisions of the RBI - Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices, 2023, and the applicable rules, regulations, directions, including any statutory modification(s) or re-enactment(s) or updation(s) thereof, from time to time.

### **9.1. Composition of Committee**

- The IT Strategy Committee shall comprise of minimum three Directors, out of which the Chairperson shall be an Independent Director and also Independent Information Technology experts/professionals who shall be regarded as an 'External Domain Expert Member'.
- The Chairperson of the Committee shall be an Independent Director.
- The Company Secretary of the Company shall act as the Secretary of the Committee.
- The Chief Information Security Officer (CISO) shall be a permanent invitee to the Committee.

### **9.2. Conduct of Meetings**

- The Committee shall meet as frequently as required to perform its functions provided that there shall be at least on a quarterly basis, a meeting be conducted.
- The IT Strategy Committee may invite Senior Management or such officers/employees and/or such IT auditors of the Company, as considered appropriate to attend the meetings of the Committee.
- Quorum of the meeting shall be two Members of the Committee, provided that the Chairperson who shall be the Independent Director is present.

### 9.3. Responsibilities of the Committee

The duties and responsibilities of the Committee shall inter alia include the following:

- i. To ensure that the Company has put an effective IT strategic planning process in place;
- ii. To ensure that the strategy(s) on the IT infrastructure aligns with the overall strategy of the Company towards accomplishment of its business objectives;
- iii. To define IT Governance and Information Security Governance structure within the organization through adequately skilled resources, well defined objectives and accountability responsibilities for each level in the organization;
- iv. To ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;
- v. To ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards and are utilized in a manner intended for meeting the stated objectives; and
- vi. To review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.
- vii. Approving IT strategy and policy documents and ensuring that the Company has put an effective strategic planning process towards IT infrastructure and systems in place;
- viii. Ascertaining that the Company has implemented processes and practices to ensure that the IT hardware and infrastructure is robust and adequate to support the business operations of the Company;
- ix. Ensuring IT investments represent a balanced trade-off between risks and benefits and are commensurate with the size and complexity of the business operations of the Company;
- x. Monitoring the use of IT resources needed to achieve strategic goals;
- xi. Ensuring that there is a robust Cyber Security plan in place which has been developed and tested adequately;
- xii. Ensuring that an Information System Audit of the internal systems and processes is conducted, once a year to assess operational risks faced by the Company;
- xiii. All such acts and functions as may be delegated by the Board of Directors.

### 10. Corporate Social Responsibility Committee – Terms of Reference

The constitution and terms of reference of the Corporate Social Responsibility (CSR) Committee shall be in compliance with the provisions of Section 135 of the Companies Act, 2013 and RBI Master Direction(s) issued to Standalone Primary Dealers read along with RBI Master Direction(s) applicable to NBFC-Middle Layer (NBFC-ML), including any statutory modification(s) or re-enactment(s) or updation(s) thereof, from time to time.

### **10.1. Composition of Committee**

- The Corporate Social Responsibility (CSR) Committee shall comprise of minimum three directors with at least one Independent Director.
- The Chairperson of the Corporate Social Responsibility Committee of the Board shall be either designated by the Board or the members of the Committee may elect from amongst themselves a Chairperson for the meeting.
- The Company Secretary of the Company shall act as the Secretary of the Committee.

### **10.2. Conduct of Meetings**

- The Committee shall meet as frequently as required to perform its functions provided that there shall be at least two meetings in a financial year.
- The Corporate Social Responsibility Committee (CSRC) may invite Senior Management or such officers/employees of the Company, as considered appropriate to attend the meetings of the Committee
- Quorum of the meeting shall two Members or one third of the Members of the Committee whichever is greater, provided one Independent Director shall be present at the meeting.

### **10.3. Responsibilities of the Committee**

The duties and responsibilities of the Committee shall inter alia include:

- a) Formulating and recommending to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken as specified in Schedule VII of the Companies Act, 2013.
- b) Recommending the amount of CSR expenditure to be incurred on the CSR activities referred to in above clause
- c) Monitoring the utilization and implementation of the CSR projects or programs or activities undertaken by the Company.
- d) Formulating and recommending to the Board, an annual action plan for a financial year, disclosing: -
  - (i) The list of CSR projects or programmes that are approved to be undertaken;
  - (ii) The manner of execution of CSR projects or programmes;
  - (iii) The modalities of utilization of funds and implementation schedules for the projects or programmes;
  - (iv) Monitoring and reporting mechanism for the projects or programmes; and



- (v) Details of need and impact assessment, if applicable, for the projects undertaken by the company:
- (vi) Review the CSR Policy of the Company on Annual basis.

## **11. Internal Committees**

### **11.1. Market Review Committee**

The Committee shall consist of Head of Treasury, Head of Sales (who shall also act as Secretary to the Committee), Research Analyst(s) and Traders. The Committee shall be responsible to discuss and evaluate the overnight developments, and events across the global markets, deliberate on the issues relating to Annual Bidding Commitments as a Primary Dealer to be submitted to RBI at the beginning of each year, the underwriting bids at the time of each G-Sec auction, the bidding at the auction/issue of Government Securities (G-Sec.), State Development Loans (SDLs) and Treasury Bills (T-Bills) and bidding in the OMOs conducted by RBI, review the Equity Portfolio in Cash, F&O and Equity Linked Mutual Fund, the Investment in IPOs /FPOs/NFOs/OFS, decide on the appropriate trading strategies and document the views and proposed trading strategy of each individual trader/dealer. The Committee shall meet on each trading day as declared by Reserve Bank of India (RBI).

### **11.2. Asset Liability Management Committee (ALCO)**

The Committee shall consist of Managing Director, Head of Treasury, Head of Sales, Head of Settlements, Traders, Head of Funding, Chief Risk Officer (who shall also act as Member Secretary to the Committee), and Chief Financial Officer. The Research Analyst(s) may be invited to the meetings of the ALCO for briefing on important macro-economic developments and events. The Committee shall meet at least twice a month on fortnightly basis.

The Committee shall (i) Be responsible for monitoring various issues related to liquidity risk & deciding on strategy to address the same including specific & systemic risk; (ii) Be responsible for balance sheet interest rate risk management using gap & duration gap, etc. (iii) Discuss the macro-economic and interest rate scenario. (iv) Monitor the performance of the various portfolios and the funding desk (v) Any other ALM related matter that the Committee may consider relevant and appropriate.

### **11.3. Management Committee**

The Committee shall consists of Managing Director, Head of Treasury, Head of Sales, Chief Risk Officer – Head IT, Head of Settlements, Head of Funding, Chief Information Security Officer (CISO), Chief Financial Officer (CFO), Company Secretary (who shall also act as Secretary to the Committee), and Head of Internal Audit. The Chief Compliance Officer (CCO) shall be invited to the meetings of the Committee to provide legal and regulatory compliance

inputs on the matters discussed thereon. The Committee shall meet at least once a month. The Committee shall be responsible to assist the Managing Director in decision making by acting as a co-ordination committee of the various departments of the Company. It would deliberate on any matter which has a bearing on the Company's operations and would function as a forum to elicit inputs from all the departmental heads and keep all the departmental heads aware of issues. The Committee shall deliberate and review the policies, as part of either annual review or initial adoption, prior to placing before the Board of Directors/Committee of the Board for their approval.

#### **11.4. Credit Evaluation Committee**

The Committee shall consist of Managing Director, Head of Treasury, Head of Sales, Chief Risk Officer (who shall also act as Member Secretary to the Committee).. The Committee meeting shall be convened as and when a credit investment proposal needs to be evaluated or at least once in a quarter.

The Credit Evaluation Committee shall

- (i) Be responsible for evaluating credit quality of individual credit references in whose corporate debt securities the company proposes to invest and approving the proposed investment.
- (ii) Be responsible for monitoring the credit quality of existing corporate debt securities portfolio including rating migrations.
- (iii) Discuss the prevailing corporate credit environment and monitor emerging corporate actions/developments impacting the credit quality of the portfolio.
- (iv) Any other credit related matter that the Committee may consider relevant and appropriate.

#### **11.5. Internal Complaints Committee**

In line with the provisions of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013", the Company shall constitute an Internal Complaints Committee (ICC) for the purpose of handling and addressing any of the complaints under Sexual Harassment. The ICC shall comprise members as required under the law and would generally comprise of the senior most women employee as its Chairperson and a suitable external member. The Committee shall also comprise of a senior most male employee from the Company's Head Office at Mumbai and from the Company's Branch at New Delhi to represent the employees across various regions/locations. The Committee shall meet as and when required, whenever there has been a complaint received, provided that the Committee shall meet at least once a year. The Committee shall be responsible to carry out its duties and responsibilities as provided in the Act and the rules framed thereto.

## **11.6. Internal Committee (CSR)**

The Committee shall consist of Managing Director (MD), Senior Vice Presidents (SVPs), Chief Financial Officer, and Company Secretary (who shall also act as Secretary to the Committee). The Committee may invite such officers/employee of the Company for updating on the activities undertaken in accordance with the CSR requirements under the Companies Act, 2013. The Committee shall meet as and when a CSR proposal needs to be evaluated. The Internal Committee (CSR) shall conduct requisite due diligence at the time of identification of any entity/ beneficiary for CSR activities of the Company. Such due diligence shall include but not be limited to ascertaining their CSR Registration Number, track record of community service, governance and management standards, scope & reach of work, and impact on society and financial accountability, etc, among other parameters. The Company shall enter into a Memorandum of Understanding (MoU) or other binding agreements with such entity/ beneficiary, setting out the terms and conditions relating to the proposed interventions with regard to the CSR Project/Activities, as deemed appropriate. In case of adverse findings or non-compliance with any requirements by the entity/beneficiaries, the Internal Committee (CSR) without any recourse shall have the authority to not disburse the approved CSR outlay to such entity/beneficiary and the same shall be reported to the CSR Committee.

## **11.7. IT Steering Committee**

The IT Steering Committee shall comprise of Managing Director, Chief Risk Officer and Head of IT Function, Head of Treasury, Chief Financial Officer and Head of Settlements and IT Operations personnel (as invitees). The Chief Information and Security Officer (CISO) shall be permanent invitee to the meeting of the IT Steering Committee. The Managing Director shall act as the Chairperson of the Committee. The meeting of this Committee shall be held at least on quarterly basis.

The roles and responsibilities of the IT Steering Committee shall be:

- (i) To assist the IT Strategy Committee in the strategic IT planning, oversight of IT performance, and aligning IT activities with business needs;
- (ii) To oversee the processes put in place for business continuity strategy/plan and disaster recovery setup;
- (iii) To ensure implementation of a robust IT architecture meeting statutory and regulatory compliance;
- (iv) To ensure that the execution of IT projects/initiatives is aligned with the Company's IT Policies thereon;
- (v) To periodically report to the IT Strategy Committee on the IT activities within the organization.

## 11.8. Information Security Committee

The Information Security Committee shall comprise of Managing Director as the 'Chairperson', Chief Risk Officer (CRO) – Head of IT, Chief Information and Security Officer (CISO), Chief Financial Officer and IS/IT Operations personnel. The meeting of this Committee shall be held at least on quarterly basis.

The roles and responsibilities of the Information Security Committee shall be:

- (i) To collaborate on framing on development of information/ cyber security policies, implementation of policies, standards, and procedures with the intent to ensure that all identified risks are managed within the Company's risk appetite;
- (ii) To ensure due monitoring of the information security projects and security awareness initiatives;
- (iii) To review cyber incidents, information systems audit observations and collaborate on monitoring and mitigation activities thereon;
- (iv) To periodically report to the IT Strategy Committee on the activities undertaken with respect to managing cyber/information security within the organization.