



STCI PRIMARY DEALER LTD

Corporate Governance Policy

2021

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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 vide its Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 (Updated as on February 17, 2020) and Master Direction DNBR.PD.004/03.10.119/2016-17 dated August 23, 2006 ("RBI circular") directed NBFCs and SPD to frame internal guidelines on corporate governance which is to be approved by its Board of Directors. In accordance with RBI Guidelines, 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. Employee Code of Conduct
9. Human Resource (HR) Policy
10. Corporate Social Responsibility Policy
11. Nomination and Remuneration Policy
12. Dividend Distribution Policy
13. Asset Procurement Policy
14. Outsourcing Policy
15. Related Party Transaction Policy

16. Policy on Investment & Trading by employees
17. Vigil Mechanism / Whistle Blower Policy
18. Prevention of Sexual Harassment (POSH) of Women Policy
19. Information Technology (IT) Security Policy
20. Term Money Poll Submission Governance Framework
21. Corporate Bond Poll Submission Governance Framework
22. Broker Empanelment Policy

6. Definitions

- a. **Board** means Board of Directors of the Company.
- b. **Committee** means Nomination and Remuneration Committee of the Company.
- c. **Director** means a Director appointed to the Board of the Company.
- d. **Executive Director** means a Whole Time Director as defined in clause (94) of section 2 of the Companies Act, 2013.
- e. **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.
- f. **Key Managerial Personnel** 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
- g. **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.
- h. **Nominee Director** 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.

- i. **Non-Executive Director** means a director other than an Executive Director and Managing Director of the Company
- j. **Senior Management** means personnel of the company who are members of the core management team and shall also include other senior officers of the rank of Senior Vice President & above.
- k. **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 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 or Articles 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 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 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 Independent Information Technology experts/professionals as members of the IT Strategy Committee, in addition to an Independent Director being the 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. 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 atleast 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 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 under any other applicable Act, 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 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 Board/Committee Meeting.

The review of the sitting fees shall be done every two years 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, 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 NRC Committee and 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 revision in the remuneration of the Managing Director shall be in accordance with 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. The facility to join the meeting via video conference (audio-visual means) shall be extended on the prior request of the Director.

7.9. Information to be placed before the Board of Directors

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. 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.
- viii. Any material default in financial obligations to and by the Company.
- ix. Annual HR Review Report covering HR matters and manpower plan.
- x. The information on recruitment and remuneration of Key Management Personnel (KMPs) and Senior Management of the Company.
- xi. Statutory Compliance Certificate in respect of the compliance of the various laws and regulatory and statutory requirements as applicable to the Company.
- xii. Corporate and management controls and systems including procedures;
- xiii. Information and updates on major expenditures;
- xiv. Report on implementation of strategic initiatives and plans (e.g. new branch offices, new lines of business activities, etc);
- xv. CFO Certification for spending of CSR amount in line with the requirements of the Companies Act, 2013 and the rules thereto.
- xvi. All relevant information for taking informed decisions in respect of matters brought before the Board;

7.10. Agenda for the Board Meetings

The agenda for the Meeting of the Board of Directors along with information relevant to the agenda shall be sent in writing or electronically or through a digital meetings software specific to the Directors at least 7 days before the Meeting.

7.11. Attendance at Board Meetings

The Board Meetings shall be attended by the Directors, and on invitation of the Board, by senior management of the Company who shall provide an insight into the agenda items being discussed. 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 and shall be confirmed in the next Board Meeting. 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 sub 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">• The Audit Committee of the Board shall be responsible to review the Company's Accounting policies, review the adequacy of internal control systems and 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.
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	<ul style="list-style-type: none"> • The Audit Committee shall also ensure that Information System Audit of the internal systems and processes is conducted at least once in a financial year to assess operational risks. • The detailed terms of reference of the Audit Committee are laid out in Chapter 6 of the <u>Board Charter on Roles and Responsibilities of the Board & its Committees</u>
Composition	<ul style="list-style-type: none"> • The members of the Audit Committee shall be appointed by the Board of Directors. • The Audit Committee shall comprise of minimum three directors with Independent Directors forming a majority. • The members of the Committee may elect from amongst themselves a Chairperson for the meeting. • The Chairperson of the Committee should ideally be a professional Chartered Accountant or a person with sound financial knowledge and background. • The Audit Committee may invite Senior Management of the Company, as considered appropriate (and particularly the Chief Financial Officer) to attend the meetings of the Committee. The representatives of the Statutory Auditor & Internal Auditor shall be invited for the meetings of the Audit Committee for discussion on the agenda pertaining to the Financial Audit and/or Internal Audit respectively. • The Company Secretary of the Company shall act as the Secretary of the Committee.
Frequency of Meetings	<p>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.</p>
Quorum	<p>Two Members or one third of the Members of the Audit Committee whichever is greater,</p>

	provided minimum one Independent Director shall be present at the 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"> • 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. • 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. • 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. • The detailed terms of reference of the Risk Management Committee are laid out in Chapter 7 of the <u>Board Charter on Roles and Responsibilities of the Board & its Committees</u>
Composition	<ul style="list-style-type: none"> • The members of the Risk Management Committee are appointed by the Board of Directors. • The Risk Management Committee shall comprise of minimum three directors with atleast one Independent Director. • The members of the Committee may elect from amongst themselves a

	<p>Chairperson for the meeting, who shall be an Independent Director of the Company and shall possess a sound financial markets knowledge and background.</p> <ul style="list-style-type: none"> • The Risk Management Committee may invite Senior Management of 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 of compliance with the statutory / internal risk policies, procedures, parameters, etc. to the Committee. • The Company Secretary of the Company shall act as the Secretary of the Committee.
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 Committee whichever is greater, but provided minimum one Independent Director shall be present at the 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"> • 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.
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	<ul style="list-style-type: none"> • 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. • The detailed terms of reference of the Committee are laid out in Chapter 8 of the <u>Board Charter on Roles and Responsibilities of the Board & its Committees.</u>
Composition	<ul style="list-style-type: none"> • The members of the Nomination and Remuneration Committee shall be appointed by the Board of Directors. • The Nomination and Remuneration Committee shall comprise of three or more non-executive directors out of which majority shall be Independent Directors. • 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 chair the meeting of the Committee. • The Nomination and Remuneration Committee may invite Senior Management of the Company and/or HR Consultants to the Company, as it considers appropriate to be present at the meetings of the Committee. • The Company Secretary of the Company shall act as the Secretary of the Committee.
Frequency 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.
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.
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.
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8.4. Corporate Social Responsibility Committee (CSRC)

Role & Responsibilities	<ul style="list-style-type: none"> • 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. • The CSR Committee (CSRC) shall recommend the guidelines for CSR activity to the Board of Directors for their approval. • 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). • 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. • The responsibilities and duties of the Committee shall be as specified in Section 135 of the Companies Act, 2013 and the rules framed thereto. • The detailed terms of reference of the Committee are laid out in Chapter 10 of the <u>Board Charter on Roles and Responsibilities of the Board & its Committees</u>.
Composition	<ul style="list-style-type: none"> • The members of the CSR Committee are appointed by the Board of Directors. • The Corporate Social Responsibility (CSR) Committee shall comprise of minimum

	<p>three directors with at least one Independent Director.</p> <ul style="list-style-type: none"> • The members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall be an Independent Director • The Corporate Social Responsibility Committee (CSRC) may invite Senior Management of the Company, as considered appropriate to attend the meetings of the Committee. • The Company Secretary of the Company shall act as the Secretary of the Committee.
Frequency 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.
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.
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"> • In accordance with the RBI Master Direction on Information Technology Framework for the NBFC Sector dated June 09, 2017, as amended from time to time, the Company has an IT Strategy Committee. • The Committee shall monitor and review IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning, Disaster Recovery and IT Services Outsourcing. • The detailed terms of reference of the Committee are laid out in Chapter 9 of the Board Charter on Roles and
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	<u>Responsibilities of the Board & its Committees.</u>
Composition	<ul style="list-style-type: none"> • The members of the IT Strategy Committee shall be appointed by the Board of Directors. • The IT Strategy Committee shall comprise of at least three members, out of which at least two members who shall be domain knowledge experts. • The Chairperson of the Committee shall be an Independent Director. • The IT Strategy Committee may invite Senior Management of the Company, as considered appropriate to attend the meetings of the Committee. • The Company Secretary of the Company shall act as the Secretary of the Committee.
Frequency 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 and not more than six months shall elapse between two successive meetings.
Quorum	Two Members of the Committee, provided that the Chairperson who shall be the Independent Director is present.
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 Audit Committee and the Board. The minutes of the Committee shall be placed to the Board for noting.

8.6. Agenda for the Committee Meetings

The agenda for the Committee Meetings along with information relevant to the agenda shall be sent in writing or electronically or through a digital meetings software specific to the Directors / Members at least 7 days before the Meeting.

8.7. Attendance at Committee Meetings

The Committee Meetings shall be attended by the Directors and on invitation of the Chairperson, by Senior Management 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 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 all meetings of the Committee shall be circulated within fifteen days from the date of the conclusion of the meeting and shall be confirmed in the next meeting. 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, 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)

The Committee shall consist of the Senior Management of the Company. The Committee shall attend to issues relating to Asset Liability Management; ensuring adherence to the Business Investment & Risk Policy approved by the Board/Committee of the Board; drafting of Business Investment & Risk Policy on risks associated with the Company's business for approval of the Board, etc. 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

The Committee shall consist of the Senior Management of the Company. 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. Primary Market Committee

The Committee shall consist of the Senior Management of the Company and the Committee shall be responsible to decide 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). 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. Equity Market Committee

The Committee shall consist of the Senior Management of the Company and this Committee shall be responsible to review the Equity Portfolio in Cash, F&O and Equity Linked Mutual Fund, the Investment in IPOs /FPOs/NFOs and decide on the appropriate trading strategies. 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. Credit Evaluation Committee

The Committee shall consist of the Senior Management of the Company and 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.**

9.6. 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 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. Internal Committee (CSR)

The Company shall consist of the Senior Management/Key Managerial Personnel of the Company who 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**.

9.8. Information Systems Security Steering Committee (ISSC)

ISSC consists of the Managing Director, Information Systems Security Officer (ISSO) and the IT department personnel. The role of the IS Security shall be 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 front office and back office. The front-office units usually act as client touch-point and drives profits/ turnover/sales while the Back-office carries out the entire processing, accounting and settlement of transactions in the Company's internal settlement and accounting system based on SAP.

The adherence to the risk management policy framework, definition and monitoring of limits, valuation is carried out by the Mid-office and the Risk Management Department. The Company's risk management department is independently headed by the Chief Risk Officer (CRO) who reports directly to the Managing Director and does not have any business targets or "dual hatting" of responsibilities. The CRO also directly reports to the Chairperson of the Risk Management Committee (RMC) at least on a quarterly basis in the absence of the Managing Director.

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. Biometric access control
- viii. Restricted access to Dealing and IT Server room
- ix. 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
- x. Segregation of front office, mid office and back office functions
- xi. Dual authorisation for making payments
- xii. Audit trails and logs directly extracted from systems
- xiii. Call monitoring and recording system for all transactions
- xiv. 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

The Compliance function is independently headed by a designated Compliance Officer who tracks, reviews and ensures compliance with regulatory guidelines and promotes a compliance culture in the Company.

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 policy 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. Internal & Concurrent Audit
4. C&AG Audit (Financial/Transaction Audit)
5. Internal Financial Control (IFC) over financial reporting Audit
6. Secretarial Audit
7. RBI Audit
8. IT Systems 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.

11.2. Connected Lending Relationships

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 guidelines. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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 (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) Such other matters as prescribed under the Companies Act, 2013 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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

11.8. 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 said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

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. The said policy shall be reviewed annually or earlier should there be a change/amendment in applicable regulations.

12. General Provisions

- i. In case of any contradiction between the provisions contained in the Policy and any other law or regulation/guidelines laid down by any other statutory authority like RBI, the latter shall prevail.
- ii. The contents of this policy shall always be read in accordance with the changes/modifications which may be advised by RBI and/or by any regulators from time to time.
- iii. This Corporate Governance Policy will be reviewed annually or earlier.

STCI PRIMARY DEALER LTD

Charter on Roles and Responsibilities of the Board & its Committees

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

2021

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1. Preamble

A clear definition of the roles and the segregation of responsibilities between the Board and the Management is necessary to enable the Board to effectively perform its 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.

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 regulations/guidelines. 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, management policies and their effectiveness. The Board's responsibilities further include overseeing the functioning of the Company's Management 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 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 Management

The Independent Directors are responsible for monitoring the performance of the 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 internal 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 comprising a team of Independent Directors.

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 read alongwith RBI Master Direction(s) applicable to NBFC-ND-SI, 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.
- Majority of the members of the Committee including the Chairperson shall be persons with ability to read, understand & interpret the financial statements.
- 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 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 of the Company, as considered appropriate (and particularly the Chief Financial Officer) to attend the meetings of the Committee. The representatives of the Statutory Auditor & Internal Auditor shall be invited for the meetings of the Audit Committee for discussion on the agenda pertaining to the Financial Audit and/or 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 internal & statutory auditors of the Company;
- ii. Reviewing and monitoring the auditor's 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 internal and statutory auditors and the 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 internal audit of all activities covered under the outsourcing policy.
- xiii. Reviewing and advising the Board on the deviations/ observations arising from regulatory inspections/ audits.
- xiv. 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-ND-SI, 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 atleast one Independent Director
- The members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall be an Independent Director of the Company and shall possess a sound financial markets knowledge and background.
- 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 of 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, but 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:

- Reviewing compliance with the RBI prudential norms and internal business risk policy parameters;
- Reviewing risk policies, procedures and reporting mechanisms;
- 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;
- Reporting to the Board of Directors of the Company on periodic basis on the above matters;
- Reviewing and recommending to the Board the policies of the Company that may carry the legal risk, operational risk, compliance risk and reputational risk;
- 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-ND-SI, 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 majority shall be Independent Directors
- 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 chair the meeting 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 meetings in a financial year.
- The Nomination and Remuneration Committee may invite Senior Management of the Company and/or 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
 - 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;
- 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;
- 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 - Information Technology Framework for the NBFC Sector 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 at least three members, out of which atleast two members who shall be domain knowledge experts.
- The Chairperson of the Committee shall be an Independent Director.
- The Company Secretary of the Company shall act as the Secretary of 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 two meetings in a financial year and not more than six months shall elapse between two successive meetings.
- The IT Strategy Committee may invite Senior Management 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. 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;
- ii. 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;
- iii. 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;
- iv. Monitoring the use of IT resources needed to achieve strategic goals;
- v. Ensuring that there is a robust BCP / DR plan in place which has been developed and tested adequately;

- vi. Ensuring that there is a robust Cyber Security plan in place which has been developed and tested adequately;
- vii. 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
- viii. 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 alongwith RBI Master Direction(s) applicable to NBFC-ND-SI, 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 members of the Committee may elect from amongst themselves a Chairperson for the meeting, who shall be an Independent Director.
- 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 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;

11. Internal Committees

11.1. Primary Market Committee

The Committee shall consist of Managing Director, Head of Trading, Head of Sales (who shall also act as Secretary to the Committee), Head of Risk (Chief Risk Officer), Research Analyst and Traders. The Committee shall meet before every Primary Market Auction. The Committee shall be responsible to decide 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.

11.2. Asset Liability Management Committee (ALCO)

The Committee shall consist of Managing Director, Head of Trading, Head of Sales, Head of Risk (Chief Risk Officer) (who shall also act as Secretary to the Committee) and Traders. The Committee shall meet every fortnight. 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 consist of Managing Director, Head of Trading, Head of Sales, Head of Risk (Chief Risk Officer), Head of Operations, Head of IT, Chief Financial Officer (CFO), Company Secretary (who shall also act as Secretary to the Committee). 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.

11.4. Equity Market Committee

The Committee shall consist of Managing Director, Head of Trading, Head of Risk (Chief Risk Officer), Equity Traders (who shall act as Secretary to the Committee). The Committee shall meet every fortnight. The Committee shall be responsible to review the Equity Portfolio in Cash, F&O and Equity Linked Mutual Fund, the Investment in IPOs /FPOs/NFOs/OFS and decide on the appropriate trading strategies.

11.5. Credit Evaluation Committee

The Committee shall consist of Managing Director, Head of Treasury, Head of Sales, Head of Risk (Chief Risk Officer) (who shall also act as Secretary to the Committee), Head of Operations. 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.

11.6. 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 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.

11.7. Internal Committee (CSR)

The Committee shall consist of Managing Director (MD), Senior Vice President (SVP), Key Managerial Personnel (KMP) (who shall also act as Secretary to the Committee). 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.

11.8. Information Systems Security Steering Committee (ISSC)

The Committee shall consist of Managing Director, Information Systems Security Officer (ISSO), IT department personnel (who shall also act as Secretary to the Committee). The Committee shall meet at least once a month. 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, Monitoring the implementation of Information Systems Security policies and standards and any other matter pertaining to the Information Security framework of the Company.