



Policy on Corporate Governance

October 2023

Philosophy of Corporate Governance

The Company believes that good Corporate Governance emerges from the application of sound management practices and compliance with applicable laws, adherence to the highest standards of business ethics and transparency. The Company believes that for the smooth functioning of the Company and for creation of value for its stakeholders on a continuous and long-term basis, there has to be good governance practices.

In order to adopt best practices and greater transparency in the operations of the Company and in compliance with the guidelines on Corporate Governance issued by Reserve Bank of India vide Master Direction no.: RBI/DNBR/2016-17/45 DNBR.PD.008/03.10.119/2016-17 dated 01st September 2016, the Company has formulated the Internal Guidelines on Corporate Governance.

Board of Directors

The Board of Directors are responsible to set strategic objectives for the management and to ensure that the long-term interests of all stakeholders are served by adhering to and enforcing the principles of sound Corporate Governance.

The role of the Board is to determine the overall direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is determined by the provisions of various laws and Articles of Association of the Company. In performing its duties, the Board meets regularly and acts in the best interests of the Company including shareholders, employees & clients. The Board of Directors is independent of the Management.

Board Meetings

Meetings of the Board of Directors shall be held at least four times in a financial year in such a manner that the time gap between two successive board meetings is not more than one hundred and twenty days. The Board of Directors has to be provided with all necessary information for the purpose of effective decision making. The Company shall observe Secretarial Standards with respect to General Meetings and Board Meetings specified by the Institute of Company Secretaries of India and Companies Act, 2013.

Committees of the Board of Directors

The Board has constituted various Committees to deal with specific matters and for operational convenience, delegated powers on different functional areas to different Committees in accordance with applicable laws. The Audit Committee, Risk Management Committee, Nomination & Remuneration Committee, Human Resources Committee and Corporate Social Responsibility Committee have been constituted in accordance with the provisions of the Companies Act, 2013, Guidelines issued by Reserve Bank of India as applicable to the Company as a Non-Banking Financial Company - Systemically Important Non-Deposit taking Company, Securities and

Exchange Board of India (“SEBI”) and for internal and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of applicable laws.

The Minutes of the Meetings of Board level Committee(s) constituted by the Board of Directors shall be placed before the Board of Directors for its information and noting.

1. Audit Committee of the Board:

The Audit Committee of the Board shall comprise of at least three Directors as Members, comprising of one Nominee Director of State Bank of India and remaining members shall be Independent Directors of the Company. The Managing Director & CEO will be an Observer in the meetings of the Audit Committee. The Audit Committee of the Board shall meet at least once in each quarter. The same shall be subject to review by the Board of Directors on an annual basis.

The Audit Committee shall act in accordance with the terms of reference which shall, *inter alia*, include —

- (i) the recommendation for appointment, remuneration and terms of appointment of internal and concurrent auditors, GST Auditor, Income Tax Auditor, Secretarial Auditor.
- (ii) to take note of the appointment of Statutory Auditors of the Company made by Comptroller and Auditor General of India.
- (iii) review and monitor the Auditor’s independence and performance, and effectiveness of audit process.
- (iv) examination of the financial statements and the Auditor’s Report thereon.
- (v) approval or any subsequent modifications of transactions of the Company with related parties. However, the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company subject to such conditions as may be prescribed under the law.
- (vi) scrutiny of inter-corporate loans and investments, if any.
- (vii) valuation of undertakings or assets of the Company, wherever it is necessary.
- (viii) evaluation of internal financial controls and risk management systems.
- (ix) monitoring the end use of funds raised through public offers and related matters.
- (x) overseeing the Company’s financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (xi) reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director’s Responsibility Statement to be included in the Board’s Report.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.

- c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
- (xii) discussing with Head (Internal Audit) about the internal audit function, any significant audit findings and follow up there on.
 - (xiii) to review the functioning of the Whistle Blower mechanism and vigil mechanism.
 - (xiv) to review the Compliance Policy annually and to receive and consider the reports under the Policy including exceptions.
 - (xv) to act as a Compliance Committee to discuss the level of compliance in the Company and any associated risks and to monitor and report to the Board on any significant compliance breaches.
 - (xvi) to assist the Board of Directors in the effective operation and management of compliance systems and compliance with all legal and regulatory requirements, and recommend to the Board of Directors, appropriate systems and procedures to ensure compliance with the requirements of applicable laws, regulations, industry codes and organizational policies and standards and to receive the quarterly compliance certificates thereon.
 - (xvii) ensuring that an Information System Audit of the Internal Systems and Processes is conducted at least once in two years to assess operational risk faces by the Company.

2. Risk Management Committee of the Board:

The Risk Management Committee of the Board shall comprise of at least four Directors as Members, comprising of the Managing Director & CEO, one or two Nominee Directors of State Bank of India and the remaining Members being Independent Directors of the Company. The Risk Management Committee of the Board shall meet at least once in a quarter. The same shall be subject to review by the Board of Directors on an annual basis.

Risk Management Committee of the Board shall have following roles and responsibilities:

- ❖ To assist the Board of Directors in the effective management of risks to which the Company is exposed to.
- ❖ To maintain an aggregated view on the risk profile of the Company.
- ❖ To report to the Board of Directors, details on the risk exposures and actions taken to manage the exposures.

- ❖ To advise the Board of Directors with regard to the Risk Management decisions in relation to strategic and operational matters such as corporate strategy.
- ❖ To review and monitor the effectiveness of the Risk Management Strategy (RMS).
- ❖ To review updates of Risk Management Strategy and recommend for approval of the Board of Directors annually.
- ❖ To assist the Board of Directors regarding the Company's Business Continuity Management and support processes and make recommendations thereon.
- ❖ Annual Review of ICAAP (Internal Capital Adequacy Assessment Process) document (as required by SBI Group Risk Department) and to recommend it to the Board of Directors for approval.
- ❖ Set the risk tolerance limits.
- ❖ Discuss and consider best practices in risk management in the market and advise on the respective functions.
- ❖ Quantifying the level of risk exposure (i.e., market, credit and liquidity) and assessing the expected rewards and costs associated with the risk exposure.
- ❖ Monitoring risk exposures at periodic intervals and revising Asset Liability Management (ALM) strategies wherever required.
- ❖ Reviewing, approving and monitoring systems, controls and reporting used to manage balance sheet risks including any mitigation strategies.
- ❖ Submitting Asset Liability Management information to the Board of Directors at periodic intervals.
- ❖ Annual review of strategic asset allocation.
- ❖ Managing capital requirements at the Company level using the regulatory solvency requirements.

3. Nomination & Remuneration Committee of the Board:

The Nomination and Remuneration Committee of the Board shall comprise of four Directors as Members. Out of the four members, one shall be the Managing Director & CEO, one shall be Nominee Director of State Bank of India and the remaining two shall be Independent Directors of the Company. The Nomination and Remuneration Committee of the Board shall meet at least once in a year. The same shall be subject to review by the Board of Directors on an annual basis.

The Nomination and Remuneration Committee of the Board shall have following roles and responsibilities:

- ❖ To formulate the criteria for determining qualifications, positive attributes and independence of a Director.
- ❖ To recommend to the Board of Directors the appointment / re-appointment / removal of Directors and to ensure 'Fit & Proper' status of proposed / existing Directors.

- ❖ To identify persons who are qualified to become Directors and who may be appointed in Senior Management / Key Managerial Personnel level in accordance with provisions of Companies Act, 2013 and as maybe prescribed by Reserve Bank of India from time to time.
- ❖ To carry out performance evaluation of each Director.
- ❖ To recommend to the Board of Directors payment of annual Performance Linked Incentive to the employees of the Company including the management team on deputation from State Bank of India and the Managing Director & CEO.
- ❖ To recommend to the Board of Directors the revision of the Sitting Fee to be paid to the Directors other than Managing Director & CEO.
- ❖ To consider, approve and make such recommendations to the Board, as may be deemed appropriate, on such other matters as may be referred to from time to time.

4. Human Resources Committee of the Board:

The Human Resources Committee of the Board shall comprise of at least three Directors as Members, comprising of one Nominee Director of State Bank of India and the remaining members shall be Independent Directors of the Company. The Managing Director & CEO will be a full-time invitee to the Committee. The Human Resources Committee of the Board shall meet at least once in a year. The same shall be subject to review by the Board of Directors on an annual basis.

The Human Resources Committee of the Board shall have following roles and responsibilities:

- ❖ To ensure that the Human Resources Policy of the Company is in alignment with the objectives and values of the Company.
- ❖ To ensure that the Human Resources Policy / Practices of the Company are reviewed periodically and kept in alignment with the best practices in the market.

5. Corporate Social Responsibility Committee of the Board:

The Corporate Social Responsibility Committee of the Board shall comprise of at least three Directors as Members, comprising of Managing Director & CEO, one Nominee Director of State Bank of India and the remaining members shall be Independent Directors of the Company. The Corporate Social Responsibility Committee of the Board shall meet at least once in each half year. The same shall be subject to review by the Board of Directors on an annual basis.

The Corporate Social Responsibility Committee of the Board shall have following roles and responsibilities:

- ❖ To ensure that the Corporate Social Responsibility Policy of the Company is in alignment with Section 135 and Schedule VII of the Companies Act, 2013 and also with the objectives and values of the Company.
- ❖ To ensure that the Corporate Social Responsibility Policy of the Company is reviewed periodically.
- ❖ To review the end use of the CSR funds deployed by the Company directly or through implementing agency / agencies, on a half yearly basis.
- ❖ To recommend to the Board of Directors annual payment of Corporate Social Responsibility funds or the CSR activities to be undertaken by the Company in consonance with the provisions of Companies Act, 2013 and Corporate Social Responsibility Policy of the Company.

Code of Conduct for Directors & Senior Managerial Personnel

The Company has laid down a Code of Conduct for Directors and Senior Managerial Personnel. The Code is applicable to Executive / Non-Executive Directors including Independent Directors and Senior Managerial Personnel of the Company.

Fit and Proper Criteria

A Policy in line with the guidelines of Reserve Bank of India shall be framed with the approval of the Board of Directors of the Company for ensuring compliance with the Fit & Proper Criteria for appointment of Directors on the Board of Directors of the Company. The Fit & Proper Criteria for Directors shall be ensured on an on-going basis.

Related Party Transactions Policy

Related Party Transaction Policy has been framed based on the provisions of Companies Act, 2013, and rules made there under. This policy intends to ensure proper approval and reporting of transactions between the Company and its Related Parties in accordance with the provisions of Companies Act, 2013 and rules made there under or any other law for the time being in force. Such transactions are appropriate only if they are in the interest of the Company and its stakeholders.

Policies for Operational Purposes of the Company

For internal requirements and operational convenience, the Company has framed and / or adopted the following Policies / Codes / Manuals, which shall be updated / revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company:

- Fair Practice Code
- Risk Management Policy
- Interest Rate Futures Policy
- Asset Liability Management Policy
- Nomination & Remuneration Policy

- Fit & Proper Criteria Policy
- Corporate Social Responsibility Policy
- Performance Linked Incentive Policy
- Record Retention Policy
- Code for Independent Directors
- Corporate Governance Policy
- Manual of Operations
- Compliance Policy
- Whistle Blower Policy
- Policy on Prevention of Sexual Harassment of Women in Work Place
- Information Technology Policy
- Information Security Policy
- Disaster Recovery and Business Continuity Plan Policy
- Related Party Transactions Policy
- Policy for Investment and Trading
- Short Sale Policy
- Policy for When Issued Transactions in Central Government Securities
- Know Your Customer - Anti Money Laundering Policy
- Fraud Risk Management Policy
- Code of ethics
- Risk Based Internal Audit Policy
- Work From Home Policy
- Cyber Security Policy & Standards
- ICAAP Document
- Performance Evaluation Policy for Directors
- Social Media Policy
- Policy on Material Outsourcing of IT Services
- Policy for submission of Constituent Bids in the Primary Auction
- Policy on Daksh – Reserve Bank’s Advanced Supervisory Monitoring System

Statutory Auditors

The Comptroller & Auditor General of India (CAG) appoints Statutory Auditors of the Company. The partner (s) of the Chartered Accountant firm conducting the audit shall be rotated once in every three years so that same partner shall not conduct audit of the company continuously for more than three years. Such partner so rotated shall be eligible for conducting audit of the Company after an interval of three years, if reappointed by CAG. Appropriate terms shall be incorporated on this aspect in the letter of appointment issued to the firm of auditors.

Internal Auditors

The Board of Directors of the Company shall, on the recommendation of Audit Committee of the Board, appoint Head (Internal Audit) in accordance with the Scale Based Regulations and applicable guidelines of Reserve Bank of India, who shall

perform independent and objective assessment of the internal controls, processes and procedures laid down by the Management and accordingly monitor its adequacy and effectiveness. The Internal Audit Report shall be placed before the Audit Committee of the Board for its noting.

Secretarial Auditors

The Board of Directors shall appoint an independent Company Secretary in Practice as the Secretarial Auditor, in accordance with the provisions of Companies Act, 2013 and rules made there under to conduct a Secretarial Audit of the Company in respect of each Financial Year. The Secretarial Auditor shall provide his report in the form and manner as prescribed under the applicable laws / regulations. The Secretarial Audit Report shall be placed before the Audit Committee of the Board and also Board of Directors for its noting and the same shall be annexed to the Board's Report which shall be circulated to the Shareholders of the Company in accordance with the applicable laws / regulations.

Chief Compliance Officer (CCO)

The Company Secretary of the Company shall be the Chief Compliance Officer. The Chief Compliance Officer shall report to the Managing Director & CEO but shall have the right to report directly to the Audit Committee of the Board. He / She shall be responsible for management of compliance risk, meeting regulatory compliance requirement etc. However, he / she shall have limited functional reporting relationship with the Group Compliance Officer of State Bank of India, for ensuring effective implementation of the Group Compliance Policy and other Group-wide compliance initiatives. In case the Chief Compliance Officer reports to the Managing Director & CEO, the ACB / Board shall meet the CCO without the presence of the Managing Director & CEO, at least on a quarterly basis.

The Chief Compliance Officer would assist the Board / Top Management in effectively managing the compliance risks faced by the Company and would be responsible for providing clarifications on issues or concerns relating to compliance policy of the Company, guiding the compliance functionaries in performance of risk assessments and reviewing results of compliance risk assessments, compliance risk reviews, compliance monitoring and testing programs.

Appointment of Chief Risk Officer (CRO)

The Board of Directors shall appoint a senior official possessing adequate professional qualification / experience in the area of risk management as Chief Risk Officer (CRO) for the Company who shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets. Further, there shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility. The CRO shall be involved in the process of identification, measurement and mitigation of risks. The Board shall put in place policies to safeguard the independence of the

CRO. The CRO shall have direct reporting lines to the Managing Director & CEO / Risk Management Committee of the Board (RMCB). In case the CRO reports to the Managing Director & CEO, the RMCB / Board shall meet the CRO without the presence of the Managing Director & CEO, at least on a quarterly basis.

Disclosures & Transparency

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees of the Company shall ensure to make necessary disclosures to the Regulator(s) / Statutory Authorities, Shareholders, Debenture holders as may be required by the applicable laws and codes / policies of the Company.

The Board of Directors of the Company or such other person authorized by the Board or any law / regulation, shall ensure that all the disclosures statutorily required to be made on behalf of the Company are duly made to the Regulatory / Statutory Authorities or such other persons as may be required under applicable laws / regulations.

The Company shall put up to the Board of Directors at regular intervals, at least annually, the following:

- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company.
- ii. 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.

The Company shall also disclose all mandatory disclosures in their Annual Financial Statements as required under the Companies Act 2013, RBI guidelines and any other applicable laws, rules & regulations.

Annual Report

The Annual Report of the Company shall contain a separate Report on Corporate Governance detailing the activities undertaken by the Company as part of its efforts towards good Corporate Governance.

Review

The Policy on Corporate Governance shall be reviewed annually by the Board of Directors or as and when necessary.
