

Internal Guidelines on Corporate Governance

Preamble

STCI Finance Limited (“the Company”) is registered with the Reserve Bank of India (“RBI”) as a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI) under RBI Act, 1934 and categorised as a “Loan -Non Deposit Taking NBFC”

In order to enable NBFCs adopt best practices and greater transparency in their operations, RBI issued guidelines on Corporate Governance under Chapter X of Master Direction DNBR. PD. 008/03.10.119/2016-17 September 01, 2016. In pursuance of the aforesaid RBI Guidelines, the Company has framed these Internal Guidelines on Corporate Governance.

This Policy is to be read in conjunction with the provisions of the Companies Act, 2013 and the Rules made there under, RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, SEBI Listing Obligations, 2015 and any other laws/ regulations relating to corporate governance as applicable to the Company.

Governance Structure

A. BOARD OF DIRECTORS

The Board of Directors along with its constituted Committees shall provide strategic direction and guidance to the Company’s management and review the performance of the Company. The Board of Directors of the Company shall have an optimum combination of Executive, Non-Executive, Independent and Woman Directors in compliance with provisions of the Companies Act, 2013 (the Act) read with the rules framed there under or other Regulations applicable to the Company.

The Board Meetings of the Company shall be held as per the provisions of the Companies Act, 2013, other laws and regulations applicable to the Company, the Articles of Association of the Company and as decided by the Board of Directors. The quorum for the Board Meetings shall be as per the requirements of the Companies Act, 2013 and Articles of Association of the Company. The minutes of the Board meeting shall be circulated to the Directors and placed before the Board for noting in its subsequent meeting.

B. COMMITTEES OF THE BOARD

The Board of Directors have constituted various Committees of the Board to act in accordance with provisions of the Companies Act, 2013, applicable RBI guidelines and other applicable laws and regulations. The composition, terms of reference, meetings and quorum of these Committees shall be as decided by the Board of Directors subject to the applicable provisions of the Companies Act, RBI Guidelines and other applicable laws and the Company’s Articles of Association. The minutes of the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting.

Currently, the Board has constituted the following five Board Level Committees:

- (i) Audit Committee
- (ii) Nomination, Remuneration & HRD Committee
- (iii) CSR Committee
- (iv) Credit and Investment Committee
- (v) Risk Management Committee

(i) Audit Committee:

The Board shall constitute the Audit Committee in terms of the provisions of Section 177 of the Companies Act, 2013, the applicable RBI guidelines and other applicable laws and regulations. The Audit Committee shall consist of minimum three Directors with independent directors forming a majority.

1. Scope and Functions

The scope and functions of the Audit Committee are as per Section 177 of Companies Act, 2013 as amended from time to time and in particular include the following:

- recommend appointment and terms of appointment of auditors;
- review and monitor auditor's independence and performance and effectiveness of audit process,
- approval or any subsequent modification of transactions with related parties,
- scrutiny of inter-corporate loans and investment
- Overseeing financial reporting processes
- valuation of undertaking or assets of the Company,
- oversee the functioning of vigil mechanism established under the Act for directors and employees and take suitable action where required.
- Reviewing periodic financial results, financial statements and evaluating the adequacy of internal financial control systems
- Reviewing the annual financial statements with the Management and Statutory Auditors and recommending consideration thereof to the Board of Directors
- Discussing and reviewing periodically the Internal and Concurrent Audit Reports and the scope and adequacy of the Internal Audit function.
- Reviewing the Audit/Inspection reports of the Comptroller & Auditor General of India, Reserve Bank of India etc.

2. Meetings & Quorum

The Audit Committee shall meet at least four times in a year.

The quorum shall be two members of the Committee, provided that atleast one Independent Director shall be present at the meeting.

ii. Nomination, Remuneration & HRD Committee:

The Board shall constitute the Nomination, Remuneration and HRD Committee in compliance with the provisions of Section 178 of the Companies Act, 2013 and applicable RBI guidelines. The Nomination, Remuneration & HRD Committee shall consist of minimum 3 non-executive Directors out of which atleast one half shall be independent. The Nomination, Remuneration & HRD Committee shall perform the role and functions of the Nomination & Remuneration Committee stipulated under section 178 of the Companies Act 2013 and review the Human Resources policy and procedure followed by the Company.

1. Scope and Functions

The scope and functions of the Nomination, Remuneration & HRD Committee in particular include the following:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director and Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
- Recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees.
- Ensure that in the remuneration policy (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of quality to run the company successfully, (ii) relationship of remuneration to performance is clear (iii) remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting the performance objectives appropriate to the working of the Company and goals.
- review the Human Resources policy and procedure to be followed by the Company besides the remuneration to be paid to the Managing Director

2. Meetings & Quorum

The Nomination, Remuneration & HRD Committee shall meet as and when required but at least once in an year.

The quorum shall be two members of the Committee, provided that atleast one Independent Director shall be present at the meeting.

(iii) CSR Committee

The Board shall constitute the CSR Committee of the Board as per the requirements of Section 135 of the Companies Act, 2013 to perform the scope and functions stipulated under the Companies Act 2013 and the rules made hereunder. The CSR Committee shall consist of minimum three directors out of which atleast one director shall be independent.

1. Scope and Functions

The scope and functions of the CSR Committee in particular include –

- Formulate and recommend to the Board, a CSR policy indicating the activity or activities to be undertaken by the company as specified in Schedule VII of the Act.
- Recommend the amount to be spent on these activities; and monitor the company's CSR policy periodically.
- Institute transparent monitoring mechanism for the implementation of CSR projects

2. Meetings & Quorum

The CSR Committee shall meet as and when required but at least once in an year. The quorum shall be two members of the Committee, provided that atleast one Independent Director shall be present at the meeting.

(iv) Credit and Investment Committee (CIC)

The Board of Directors shall constitute the Credit & Investment Committee of the Board to approve loan and investment proposals beyond the limits specified by the Board from time to time and review matters relating to credit and investments. The CIC shall consist of minimum three directors.

1. Scope and Functions

The scope and functions of the CIC Committee in particular include –

- Consider and approve loan and investment proposals beyond the delegated authority of the Credit Committee of Executives (CCE), subject to the limits laid down by the Board for exposures to a single borrower and a borrower group etc.
- Examine/vet policies, concept papers, delegation of powers etc relating to credit and investments and recommend these to the Board for approval
- Review reports / other matters relating to credit and investments.

2. Meetings & Quorum

The Credit & investment Committee shall meet as and when required but at least four times in an year.

The quorum shall be two members of the Committee, provided that atleast one Independent Director shall be present at the meeting

(v) Risk Management Committee of the Board (w.e.f July 23, 2015)

The Board shall constitute the Risk Management Committee of the Board in accordance with the RBI guidelines on corporate governance as applicable to non-deposit taking systemically important NBFCs. The Risk Management Committee shall consist of minimum three directors

1. Scope and Functions

The scope and functions of the Risk Management Committee in particular include as follows:

- Approve and review the Risk management framework, policies governing various risks and the reporting mechanism.
- Approve and review the various limits and parameters for trading and investment, stop loss policies viz. setting up of trading and investment limits for the Company's officials, counterparty exposure limits, instrument wise exposure limits etc.

- Review of ALM and reports that are submitted to the Committee from time to time under RBI NBFC Directions.
- Monitoring of compliance with the approved risk policies, prudential limits, procedures, parameters etc and
- Any other risk/ALCO related matter that the Committee may consider relevant and appropriate
- Any other matter that may be delegated by the Board from time to time.

2. Meetings & Quorum

The Risk Management Committee shall meet four times in an year.

The quorum shall be two members of the Committee, provided that atleast one Independent Director shall be present at the meeting

C. MANAGEMENT AND EXECUTIVE COMMITTEES

The Board of Directors have constituted various Committees of Senior Executives to manage its business and the related risks for effective functioning. The Committees meet regularly to deliberate on matters which have a bearing on the Company's operations and functions as a forum to elicit inputs from departmental heads and also keeps departmental heads aware of these issues. The various Committees of Senior executives constituted by the Board of Directors include:

- (i) ALCO & Risk Management Committee
- (ii) Credit Committee of Executives (CCE)
- (iii) Investment Committee
- (iv) CSR Committee of Executives
- (v) Grievances Redressal Committee

(i) ALCO & Risk Management Committee

The Board shall constitute the ALCO and Risk Management Committee of Executives in accordance with the applicable RBI guidelines issued from time to time. It shall comprise of the Managing Director, Deputy Managing Director and senior executives as nominated by Managing Director from time to time.

1. Scope and functions

The scope and functions of the ALCO & Risk Management Committee of Executives in particular include as follows:

- Ensure adherence to the prudential limits and guidelines set by the Board of Directors and the Audit Committee / Risk Management Committee of the Board
- Formulate Risk Management Policies under the supervision of the Risk Management Committee of the Board
- Monitor the asset liability composition of the Company's business and manage the liquidity gaps, structural liquidity and interest rate sensitivity
- Develop a view on future direction on interest rate movements and decide on the funding mixes
- Attend to all other issues related to Asset-Liability Management.

2. Meetings & Quorum

The ALCO meets at least twice a month at fortnightly intervals. The quorum shall be presence of three members of whom one has to be an MD, DMD or the GM.

(ii) Credit Committee of Executives (CCE)

The Credit Committee considers and sanctions loan within the powers delegated to it by the Board from time to time. The Committee comprises of the Managing Director & CEO, Deputy Managing Director and senior executives.

(iii) Investment Committee

Investment Committee takes investment / divestment decisions and manages and supervises the long term investment portfolio in accordance with the prudential limits and long term investment guidelines approved by the Board. The Committee comprises of Managing Director & CEO, Deputy Managing Director and senior executives as nominated by the Managing Director from time to time.

(iv) CSR Committee of Executives

The CSR Committee of Executives implements and monitors the CSR activities of the Company within the Policy Framework under the overall supervision of the CSR Committee of the Board. The Committee comprises of Managing Director, Deputy Managing Director and senior executives nominated by the Managing Director from time to time.

(v) Grievances Redressal Committee

The Grievances Redressal Committee reviews the complaints and grievances of staff and that of Customers/clients. The Committee comprises of the Managing Director, Deputy Managing Director and Senior executives as may be appointed by the Managing Director under his delegated powers.

In addition to the above, the Board may constitute such other Committees as may be required for effective functioning of the Company.

D. FIT & PROPER CRITERIA

The Company has in place a policy for ascertaining the 'fit and proper' criteria for the proposed/ existing directors as per the applicable RBI guidelines for NBFCs. The Nomination, Remuneration & HRD Committee shall review the appointment/re-appointment of Directors considering their qualifications, expertise, track record, integrity and other 'fit and proper' criteria. For this purpose, necessary declarations/undertakings/Statements shall be obtained in line with the Guidelines issued by the RBI for the time being in force.

A quarterly statement on change of directors (certified by the Auditors of the Company wherever required) and a certificate by the Managing Director of the Company certifying that 'fit and proper' criteria in selection of Directors has been followed by the Company shall be furnished to the Regional Office of the RBI in terms of the Guidelines issued by the RBI for the time being in force

E. CODES AND POLICIES

The Company has formulated / adopted various Policies and codes in line with the provisions of the Companies Act, 2013, applicable RBI Regulations / Directions, SEBI regulations and other applicable laws/ regulations for operational convenience as a matter of good corporate governance. These policies are reviewed and updated at regular intervals based on the statutory requirements or amendments under various applicable laws or regulations. The various policies and Codes approved by the Board include:

- (i) Whistle Blower Policy / Vigil Mechanism
- (ii) Lending Policy
- (iii) Treasury & Investment Policy
- (iv) Asset Liability Management (ALM) Policy
- (v) Fair Practices Code
- (vi) Know Your Customer (KYC) and Anti-Money Laundering (AML) Policy
- (vii) Corporate Social Responsibility (CSR) Policy
- (viii) Nomination, Remuneration & Evaluation Policy
- (ix) Fair Practice Code
- (x) Code of Conduct to regulate, monitor and report trading by Insiders
- (xi) Preservation Policy
- (xii) Code for Independent Directors
- (xiii) Human Resources Policy

The Company may adopt such Policies as approved by the Board and/or its various Committees from time to time as required by the RBI Regulations/Directions and other laws or regulations as applicable to the Company.

F. STATUTORY AUDITORS

The appointment of Statutory auditors and the partner/s of the Chartered Accountant Firm conducting the Statutory Audit of the Company, shall be governed by the applicable provisions of the Companies Act, 2013 and the applicable provisions of the RBI Regulations.

G. DISCLOSURE AND TRANSPARENCY

(i) The following disclosures shall be made to the Board of Directors at regular intervals (preferably once in a year) as may be prescribed by the Board in this regard:

a. Progress made in putting in place a progressive risk management system, and risk management policy and strategy followed;

b. Conformity with Corporate Governance standards viz. composition of various Committees, their role and functions, periodicity of the meetings, coverage and review functions, etc.

(ii) The following additional disclosures shall be made in the annual financial statements in terms of the RBI Directions:

a. Registration / licence / authorisation by whatever name called, obtained from other financial sector regulators;

b. Ratings assigned by credit rating agencies and migration of ratings during the year;

c. Penalties, if any, levied by any regulator;

d. Information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries; and

e. Asset-liability profile, extent of financing of parent company products, Non Performing Assets (NPA) and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.

Requisite disclosures as may be required under any Applicable Laws from time to time shall also be made in the Financial Statements.

H. REVIEW OF GUIDELINES

These guidelines shall be reviewed by the Board of Directors at such intervals as and when deemed necessary in order to align the same with the business requirements.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, are inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc