

Code of Corporate Governance

The company has framed Code of Corporate Governance in terms of circular issued by Reserve Bank of India dated July 11, 2007 which requires every Non-Banking Finance Company to lay down internal guidelines on corporate governance. The said circular also requires publishing of the same on the web site of the company.

Our Philosophy on Corporate Governance

Corporate Governance for the company means achieving high level of accountability, efficiency, responsibility, transparency and fairness in all areas of operation. Our workforce is committed towards the protection of the interest of the stakeholders viz. shareholders, creditors, investors, customers, employees, etc. Our policies consistently undergo improvements keeping in mind our goal of maximisation of value of all the stakeholders.

And the goal is achieved through...

- Infusion of best expertise in the Board.
- Board / Committee meetings at short intervals to enable the Board to lay down policy guidelines in response to changes in business environment and to monitor controls and operations of the company.
- Consistent monitoring and improvement of the human and physical resources.
- Introducing regular checks and audits and continuous improvements in control systems and procedures.

CODE:

This Code takes into account the relevant statutory applicable provisions of the Companies Act, 1956/2013, listing requirements with stock exchanges, wherever the company is listed and Reserve Bank of India (RBI) directives/guidelines and other applicable laws. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress should be on its substance and spirit rather than on its form.

1. Board of Directors :

The Company believes that 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. An active, well informed and independent Board is *sine qua non* to ensure the highest standards of corporate governance.

A. Composition of Board :

The Board of the company shall be chaired by a Non-Executive Director, nominated by Punjab National Bank, being the majority shareholder and the Board so comprised shall have optimum combination of executive and non-executive directors and independent directors in accordance with the Companies Act, 2013, Listing Agreement, RBI guidelines and other applicable

laws.

B. Meetings and Attendance :

The Board shall meet atleast four times at quarterly intervals and /or more frequently, if deemed necessary to conduct its business. The gap between two meetings should not exceed 120 days. Quorum shall be as per Companies Act, 2013 / Listing Agreement. All the Directors shall endeavor to attend the Meetings of the Board or Committees (in which they are member) held in a year and such attendance shall be one of the criterion for the Nomination and Remuneration Committee while recommending the name of such director for re-appointment/continuation. However, the company recognizes that it may not be possible for each Director to be physically present at every meeting. The company may use video / teleconferencing facilities, wherever possible, to facilitate the participation of these directors in accordance with the Companies Act, 2013 and other applicable laws.

As far as is feasible, the Board shall act as a whole, endeavoring to reach unanimous decisions, the Chairman playing a key role in this regard. Directors shall, however, enjoy full freedom to express their views, and where a Director is unable to go along with the majority, he shall be entitled to have his view suitably reflected in the Board proceedings.

The company shall minutize the proceedings of the Board/Committee Meetings within prescribed time limit.

C. Other Directorships/Chairmanships/Memberships

A director shall not occupy the position as Director in more than the number of companies as prescribed under the Companies Act, 2013 and Rules made thereunder, Listing Agreement and other applicable laws at any point of time. Every director shall inform the company about any change in his directorships and other positions within 30 days of his appointment or relinquishment, as the case may be. Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in prescribed manner.

Further, a director shall not be a member in more than 10 committees or act as Chairman of more than five committees across all public companies in which he is a director. The Committees to be considered for the said purpose are Audit Committee and Shareholders' Grievance Committee only. The Director shall inform the company about the committee positions he occupies in other companies on an annual basis and shall also notify the changes as and when they take place.

D. Information to be placed before the Board

The Management shall place all strategic and other information, including the minimum information prescribed under the Companies Act, 2013 and Rules made thereunder, Listing Agreement, RBI guidelines and other applicable laws.

E. Code of Conduct for Directors and Senior Management Personnel

The Code of Conduct for Directors and Senior Management Personnel is available on the company's website and the Board shall review the said code on time-to-time basis.

The Directors and Senior Management Personnel (as defined in the code) shall give an undertaking at the time of appointment/promotion to such scale that they have gone through the guidelines (code) defining the role and responsibilities of such office and understood what is expected from them and that they will abide with this code.

The persons covered under this code shall also affirm to the Board on annual basis that they have complied with the said code during the last year. The MD/CEO shall give a declaration to this fact and the same shall be appended to the Corporate Governance section of the Annual Report for the information of shareholders and other stakeholders.

2. Board Committees

2.1 Audit Committee

The primary objective of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

The Audit Committee will also from time to time as may be required oversee the work carried out in the financial reporting process by the management, including the internal auditor and the statutory auditor and shall take note of the processes and safeguards employed by each.

Composition of Audit Committee:

There shall be atleast 3 members and two-third of them shall be independent directors. Chairman shall always be an Independent Director. All the members shall be financially literate and one of them shall possess expertise in Accounting or Financial Management.

The Company Secretary shall act as Secretary to the Committee.

Role of Audit Committee shall be as under :

The terms of reference of the Audit Committee shall be as per Companies Act, 2013, RBI guidelines and other applicable laws and as may be fixed by the Board of Directors of the Company.

While exercising any of the prescribed functions , the Committee have the power to investigate any activity within its terms of reference, seek information from any employee or obtain external legal or professional advice from experts, when the same is necessary to carry out such function and such other powers as prescribed under Companies Act, 2013, Listing Agreement RBI guidelines and other applicable laws and as may be given by the Board of Directors of the Company.

Meetings and Quorum:

The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be as prescribed under the Companies Act, 2013 and Listing Agreement.

Other Relevant Provisions

The Chairman of the Committee shall attend the Annual General Meeting of the company to provide any clarification on the matters related to audit and other shareholder queries.

2.2 Share Transfer and Issue of Duplicate Share certificate Committee

The purpose of Share Transfer and issue of Duplicate Share Certificate Committee is to supervise and ensure efficient transfer / transmission/consolidation/splitting of shares and to issue duplicate share certificates in lieu of lost/torn/misplaced etc. share certificates.

Composition :

There shall be atleast 3 members and one of them shall be Executive Director. The Company Secretary shall act as Secretary to the Committee.

The Secretary shall be responsible for monitoring the share transfer process and shall also place a report to the Board in its each meeting as part of MIS on "Proceedings of Board level Committees". An inspection in this respect shall be made by a Practicing Company Secretary on half yearly basis as required in the Listing Agreement, who shall certify that all transfers have been completed within the stipulated time. Furthermore, a practising Chartered Accountant or practising Company Secretary shall inspect and certify that all the demat requests have been processed within stipulated time period, reconcile the share capital etc. as part of 'Reconciliation of Share Capital Audit' to be conducted on quarterly basis.

The said reconciliation report shall be placed before the Board alongwith the note on proceedings of the said Committee Meeting.

All the relevant registers, common seal, blank/cancelled share certificates etc. shall also be under the safe custody of the Company Secretary or any other person authorized by the Board.

Meetings and Quorum :

The Committee shall meet atleast on fortnightly basis and in consonance with the frequency of transfer/remat etc. requests received. The quorum shall be atleast two Directors or as prescribed under the Companies Act, 2013 or Listing Agreement or RBI guidelines or any other applicable law.

Terms of reference :

1. The Committee shall accord approval of transfer/transmission/split etc. of shares and updation of Register of Members. The endeavor of the committee shall be to dispose of the share transfer proposals received within a prescribed time limit from the date of its receipt. The committee shall oversee all the statutory requirements before approving such transfers etc.

2. The Committee shall recommend the Board for change in Registrar and Share Transfer Agent for speedy & expeditious processing of share transfer proposals.
3. The Committee shall affirm the compliance of Code of Insider Trading on monthly basis.

2.3 Stakeholders' Relationship Committee

Stakeholders' Relationship Committee shall consider and resolve the grievances of the security holders of the company including complaints related to transfer of shares, non-receipt of balance sheet, non- receipt of declared dividends.

Composition :

There shall be atleast 3 members, one of them shall be executive Director. The Committee shall be chaired a Non-Executive Director and the Company Secretary shall act as Secretary to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once a month and in consonance with the frequency of investor grievances received. The quorum shall be atleast two Directors or as prescribed under the Companies Act, 2013 or Listing Agreement or RBI guidelines or any other applicable law.

Terms of reference :

1. The Committee shall review, where necessary, complaints received from securityholders of the company regarding transfer of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters .
2. The Committee may initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future;

The chairperson of the Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

2.4 Nomination and Remuneration Committee

The purpose of Nomination and Reumneration Committee is to nominate the existing Director or the candidate nominated by the shareholders under the provisions of the Companies Act, 2013 or by the parent bank, Punjab National Bank in line with the provisions of Articles of Association of the Company, who is fit to be appointed and fulfill all eligible criterias as defined by the said Committee.

Composition

The Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors. Chairman of the Board may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. Further, Chairman of the Nomination and Remuneration Committee shall always be an Independent Director.

The Company Secretary shall act as Secretary to the Committee, who shall take all necessary undertakings required prior to appointment/reappointment in accordance with the Companies Act, 2013, Listing Agreement, RBI guidelines and other applicable laws.

Meetings and Quorum :

The Committee shall meet atleast once an annual basis and in consonance with the requirement of inducting a candidate on the Board.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, Listing Agreement, RBI guidelines and other applicable laws.

Before recommending any person for appointment/reappointment as Director, the Committee shall check “Fit and proper norms” as suggested by RBI/SEBI or any other regulatory authority, such as – formal qualification, experience, track record, integrity etc. For assessing integrity and suitability features like criminal records, financial position, civil actions initiated to pursue personal debts, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies, previous questionable business practices etc. should be considered. The above information may be sought by way of self- declaration by the Director

The chairperson of the Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

2.5 Committee of Directors for Operational Matters

The Board has delegated the power of taking the decisions with respect to investment and borrowing. The limits of these powers shall be defined and approved by the Board on an annual basis through its business policy.

Composition

The Committee shall consist of the following :

- i. Chairman
- ii. Executive Director – PNB (Director on the company's Board)
- iii. General Manager – PNB (Director on the company's Board)
- iv. Managing Director

Meetings and Quorum

The committee shall meet as and when required and the quorum shall be minimum of two directors or 1/3rd of total strength, whichever is more.

3. Other Operational Committees

The Board shall have power to constitute committees at operational level to carry out day-to-day functions. A few of them are :

3.1 Investment Committee

The Company is a Primary Dealer of Government Securities and the therefore, perceive the Investment Committee as an essential for survival and growth of its

business.

The Committee shall deliberate and decide on day-to-day investment and portfolio decisions. The Committee shall also performs the ALCO function as per RBI guidelines.

Composition :

The Investment committee shall be chaired by Managing Director (in absence of whom, the immediate authority (i.e. Executive Director / Sr. Exec. Vice President shall be the Chairperson) shall be the Chairperson) and committee shall be comprised of following other members:

- Executive Director
- Sr. Executive Vice President
- Executive Vice President
- Head – Dealing
- Dealing Team
- Mid-Office team

Frequency of Meeting :

The Investment Committee shall meet at least once a day

Terms of Reference :

1. All decisions regarding the day-to-day management of the company's portfolio shall be taken by this Committee. The committee shall also review the market conditions, company's portfolio and the strategy to be followed.
2. The Committee shall ensure that the company is following the procedures, laid down the Board, while putting the deals through deals, various prudential exposure limits, policy regarding dealings through brokers, systems for management of various risks, guidelines for valuation of the portfolio and the reporting systems etc.
3. The Committee shall also review the operational procedures and controls in relation to the day-to-day business operations and the Committee shall also ensure that operations in securities are conducted in accordance with sound and acceptable business practices.

3.2 Risk Management Committee

The purpose of this Committee is to lay down procedures for risk assessment and minimization. The Committee shall also review these procedures periodically to ensure that executive management is controlling the risk through means of a properly defined risk framework.

Composition

The Risk Management Committee shall comprise of :

1. Managing Director
2. Executive Director
3. Sr. Exec. Vice President
4. EVP-BackOffice
5. Chief Dealer
6. SVP/VP/AVP with entire Research Team.

Terms of Reference

The Risk Management Committee shall ensure that the company is complying with the internal policies already documented, controls, and procedures concerning the operation of the risk measurement system. The Committee shall review overall risk management process which should take place at regular intervals (ideally not less than once a year) and as and when policy changes are prescribed by RBI or any other regulator and should specifically address the following:

1. The adequacy of the documentation of the risk management system and process;
2. The organization of the risk control unit;
3. The integration of market risk measures into daily risk management;
4. The approval process for risk pricing models and valuation systems used by front and back-office personnel;
5. The validation of any significant change in the risk measurement process;
6. The scope of market risks captured by the risk measurement model;
7. The integrity of the management information system;
8. The accuracy and completeness of position data;
9. The verification of the consistency, timeliness and reliability of data sources used to run internal models, including the independence of such data sources;
10. The accuracy and appropriateness of volatility and other assumptions;
11. The accuracy of valuation and risk transformation calculations;
12. The verification of the model's accuracy through frequent back testing as described in RBI guidelines for Primary Dealers.

Other Disclosures

The company shall make all necessary disclosures in various public domains like Directors' Report, Report on Corporate Governance, website etc. as required under the Companies Act, 2013, Listing Agreement, RBI guidelines and other applicable laws

Waiver / Interpretation /Amendments of the Code of Corporate Governance:

Any waiver of the provisions of this code shall be approved by the Board of Directors of the company.

The Board of Directors of the company will handle any question or interpretation under this Code.

The code shall be reviewed continuously and any amendment to the provisions of this code must be approved by the Board and promptly disclosed on the Company's website and in applicable regulatory filings pursuant to applicable laws and regulations together with details about the nature of amendment.

It may be noted that provisions of this Code are in addition to and not in derogation with the Companies Act, 2013 and Rules made thereunder, Listing Agreement, RBI Guidelines/Directives and any other applicable law, for the time being in force. In case of any inconsistency between the provisions of this code and above laws, the later shall prevail.