

Code of Corporate Governance

PNB Gilts Limited (“the Company”) has framed its Code of Corporate Governance in accordance with the Reserve Bank of India (Non-Banking Financial Company – Governance) Directions, 2025, as amended from time to time. The Code lays down internal guidelines on corporate governance to ensure compliance with the regulatory framework prescribed by the Reserve Bank of India and to promote sound governance practices within the Company.

Company’s Philosophy on Corporate Governance

Corporate Governance, for the Company, encompasses the system, processes and principles by which the Company is directed and controlled, with a focus on achieving the highest standards of transparency, accountability, fairness, responsibility and operational efficiency. The Company is committed to protecting and balancing the interests of all stakeholders, including shareholders, creditors, investors, counterparties, employees and regulators.

The Company’s governance framework is based on ethical conduct, prudent risk management and sound internal controls. Its policies, systems and procedures are periodically reviewed and strengthened to ensure effective oversight by the Board and to support sustainable growth and long-term value creation. Core governance principles such as integrity, independence of the Board, transparency in disclosures, and accountability in decision-making, regulatory compliance and fairness in operations are integral to the Company’s functioning.

The Company endeavours to achieve its governance objectives through-

- Appointment of directors with appropriate qualifications, integrity, experience and expertise on the Board to ensure effective leadership, oversight and strategic guidance, in line with regulatory requirements.
- Holding meetings of the Board and its Committees at regular intervals to facilitate timely decision-making, formulation of policies, monitoring of performance and oversight of risk management and internal control systems.
- Continuous monitoring and improvement of human resources and infrastructure to enhance operational effectiveness and compliance capability.
- Establishment and maintenance of a robust internal control and audit framework, including regular internal and external audits, to ensure adequacy and effectiveness of controls, compliance with applicable laws and continuous improvement of processes and systems.

The Company believes that an active and well informed independent Board is necessary to ensure highest standards of corporate governance.

Objective of the Code

The objective of this Code is to establish a sound corporate governance framework that clearly defines the structure, roles, responsibilities and functions of the Board of Directors and senior management of the Company, in line with the expectations of stakeholders and the requirements of the regulators, particularly the Reserve Bank of India.

The Code seeks to ensure that the affairs of the Company are conducted in a manner that goes beyond mere compliance with applicable laws and regulations and reflects the highest standards of fairness, transparency, accountability and ethical conduct. It aims to promote effective oversight, prudent risk management and responsible decision-making at all levels of the organisation.

The Company is committed to maintaining the highest standards of ethical behaviour, professional integrity and corporate governance, while ensuring strict adherence to all applicable statutory and regulatory requirements.

Governance architecture and policy framework

The Company has established a structured governance architecture supported by various Board-approved policies that covers governance, risk management, business operations, regulatory compliance, internal financial controls, audit and assurance, information technology and cyber security, human resource management, sustainability and ESG, as well as stakeholder protection and Board processes. These policies collectively form part of, or support, the Corporate Governance Framework of the Company and establish the guiding principles, governance standards and control mechanisms that guide the conduct of company's affairs and support effective oversight by the Board, thereby promoting prudent risk management, regulatory compliance, ethical conduct of business, and overall transparency and accountability in the Company's functioning.

CODE:

This Code takes into account the relevant statutory applicable provisions of the Companies Act, 2013, listing requirements with stock exchanges, wherever the Company is listed i.e. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) 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. Role and responsibilities of the Board shall be as defined in the Articles of Association, Companies Act 2013 and the Listing Regulations and RBI directions/guidelines and other applicable laws.

A. Composition of Board:

The Board of the Company shall consist of minimum six (6) Directors and shall be chaired by a Non-Executive Director, nominated by Punjab National Bank, being the majority shareholder. The Board of the Company shall have at least one Women Independent Director.

Further, since the regular non-executive chairperson is related to promoter, at least half of the Board of Directors of the Company shall consist of independent directors.

The Board shall comprise at least one Director who possesses relevant prior experience of having worked in a Bank / Non-Banking Financial Company (NBFC). Within the permissible limits in terms of the Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. This restriction shall not apply in respect of directorships held

in NBFCs-BL, subject to compliance with the applicable provisions of the Companies Act, 2013

The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

The Board so comprised shall have an optimum combination of executive and non-executive directors, including independent directors, in accordance with the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the Listing Regulations'), RBI guidelines, and other applicable laws.

B. Meetings and Attendance :

The Board shall meet at least 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 the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws, which at present is "one-third of its total strength or three directors, whichever is higher, including at least one independent director". 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 Chairperson 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, the Listing Regulations and other applicable laws at any point of time.

At present under the Companies Act, 2013, maximum no. of directorships (including alternate directorships) which a director can hold is 20 companies at a time (excluding dormant companies). Further, maximum number of public companies in which a person can be appointed as a director should not exceed 10.

As per present Listing Regulations, a person shall not be a director in more than 7 listed entities. Further, a person shall not serve as an independent director in more than 7 listed entities. However, any person who is serving as a whole time director /

managing director in any listed entity can serve as an independent director in not more than three listed entities. It may be noted that no person shall act as Alternate Director for an Independent Director.

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 Chairperson 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 Stakeholders' Relationship 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, the Listing Regulations, 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.

F. Fit and Proper Criteria

A Policy in line with the guidelines of the Reserve Bank of India has been 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.

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.

The audit committee at its discretion shall invite the Chief Financial Officer, head of internal audit and a representative of the statutory auditor and any other such executives to be present at the meetings of the committee for discussion on relevant agenda, as may be considered necessary.

Occasionally the audit committee may meet without the presence of any executives of the listed entity.

Role of Audit Committee shall be as under :

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

At present, the terms of reference of Audit Committee prescribed under Section 177 of Companies Act, 2013 are as under –

- i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii) examination of the financial statement and the auditors' report thereon;
- iv) approval or any subsequent modification of transactions of the company with related parties;

Provided that 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 Rules notified by MCA. Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding Rs. 1 crore is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction,

such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:

- v) scrutiny of inter-corporate loans and investments;
- vi) valuation of undertakings or assets of the company, wherever it is necessary;
- vii) evaluation of internal financial controls and risk management systems;
- viii) monitoring the end use of funds raised through public offers and related matters.

At present, the terms of reference of Audit Committee prescribed under the Listing Regulations and RBI directions are as under –

- 1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- 2) recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- 3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- 4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a. matters required to be included in the director's responsibility statement to 76 be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - 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 listing and other legal requirements relating to financial statements;
 - f. disclosure of any related party transactions;
 - g. modified opinion(s) in the draft audit report;
- 5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- 6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, or preferential issue or a qualified institutions placement, and making appropriate recommendations to the board to take up steps in this matter;
- 7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- 8) approval or any subsequent modification of transactions of the listed entity with related parties;
- 9) scrutiny of inter-corporate loans and investments;
- 10) valuation of undertakings or assets of the listed entity, wherever it is necessary;
- 11) evaluation of internal financial controls and risk management systems;

- 12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- 13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- 14) discussion with internal auditors of any significant findings and follow up there on;
- 15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- 16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- 17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- 18) to review the functioning of the whistle blower mechanism;
- 19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- 20) Carrying out any other function as is mentioned in the terms of reference of the audit committee;
- 21) reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/advances / investments.
- 22) Consider and comment on rationale, cost benefits and impact of schemes involving merger, demerger, amalgamation etc. on the listed entity and its shareholders.
- 23) Reviewing the IS Audit of the internal systems and processes, as per the periodicity prescribed in RBI (NBFCs- Managing Risks in Outsourcing) Directions, 2025, as amended from time to time, to assess operational risks faced by the company.
- 24) Reviewing the Quality Assurance and Improvement Programme of the Internal Audit function.
- 25) Reviewing and monitoring the compliance framework within organisation through assessment of compliance risk, compliance failures, if any, and also reviewing the independence and performance of Chief Compliance Officer (CCO)
- 26) Interact with HIA and CCO, separately and individually, without presence of management, at least on quarterly basis, as applicable under RBI directions, from time to time.
- 27) Approving the IS Audit Policy of the Company and review it at least annually.

The Committee shall mandatorily review the following as per present listing regulations –

1. management discussion and analysis of financial condition and results of operations;
2. management letters / letters of internal control weaknesses issued by the statutory auditors;

3. internal audit reports relating to internal control weaknesses; and (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
4. statement of deviations:
 - a. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1).
 - b. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7).

As per present RBI Master Directions, the Audit Committee shall have the same functions and duties as laid down in section 177 of the Companies Act, 2013.

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 the Companies Act, 2013, the Listing Regulations, 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 one hundred twenty (120) days shall elapse between two meetings. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. In terms of present Listing Regulations, the quorum requirement is either two members or one third of the members of the audit committee, whichever is greater, with at least two independent directors.

Other Relevant Provisions

The Chairman of the Audit Committee or, in his absence, any other member of the committee authorised by him in this behalf shall attend the General Meeting of the Company to provide any clarification on the matters related to audit and other shareholder queries.

2.2 Stakeholders' Relationship Committee

Stakeholders' Relationship Committee shall, inter-alia, 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. The Committee shall also look into various aspects of interest of shareholders, debenture holders, if any, and other security holders, if any. Also, it will supervise and ensure efficient handling of shareholders service request regarding transmission/ consolidation/splitting/ duplicate issue of shares certificates etc. and permitting the RTA/officers of the Company to effect direct credit of securities in dematerialisation account of the shareholders (earlier letter of confirmation).

Composition :

There shall be atleast 3 members, with at least one being an independent director. The Committee shall be chaired by a Non- Executive Director and the Company Secretary shall act as Secretary to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once in a year. The Committee may also consider the shareholders' service request through circular resolution.

The quorum for any meeting shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

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

At present, the terms of reference prescribed under Listing Regulations shall inter alia includes the following –

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non- receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
2. Review of measures taken for effective exercise of voting rights by shareholders.
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
5. The Committee shall recommend the Board for change in Registrar and Share Transfer Agent, if required for speedy & expeditious processing of shareholder requests.
6. The Committee shall permit the RTA/officers of the Company to effect direct credit of securities in dematerialisation account of the investor in respect of Shareholder Service request for split/consolidation etc. of shares certificate. *[RTA/officer(s) of the company shall verify and process the service requests and thereafter issue securities to the securities holder/claimant in dematerialised form, directly in the demat account of the securities holder/claimant, within 30 days of its receipt of such request after removing objections, if any. After verifying and processing the request, the RTA/Issuer Company shall initiate the demat conversion request in the depository system for direct credit of securities in the demat account of the security holder/claimant.]*

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.

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.

2.3 Nomination and Remuneration Committee

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

Composition

The Committee shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors. Chairperson of the Board may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee. Further, Chairperson 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, the Listing Regulations, 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. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. As per present Listing Regulations, quorum shall be either two members or one third of the members of the committee, whichever is greater, subject to presence of atleast one independent director.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, the Listing Regulations, Articles of Association of the company, 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.

At present, Listing Regulations provides that the role of committee shall, inter-alia, include the following:

(1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

(1A) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may: a. use the services of an external agencies, if required; b. consider candidates from a wide range of backgrounds, having due regard to diversity; and c. consider the time commitments of the candidates.

(2) formulation of criteria for evaluation of performance of independent directors and the board of directors;

(3) devising a policy on diversity of board of directors;

(4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.

(5) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

(6) recommend to the board, all remuneration, in whatever form, payable to senior management.

At present, Section 178 of Companies Act, 2013 and RBI directions provides that the role of committee shall, inter-alia, include the following:

- (1) The Nomination and Remuneration Committee shall 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 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.
- (2) The Nomination and Remuneration Committee shall 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 other employees.
- (3) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (2) ensure that—
 - (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals
- (4) With regard to compensation of key managerial personnel and senior management, the Committee to closely coordinate with the Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risk assumed. The Committee may ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on ICAAP.
- (5) To ensure that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.
- (6) To oversee the framing, review and implementation of its Board-approved remuneration policy.

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 CSR Committee

The Board has constituted the CSR Committee in accordance with the provisions of Section 135 of the Companies Act, 2013 and the rules made thereunder and to oversee social programs undertaken by the Company.

Composition

The Committee shall consist of three or more directors, out of which at least one director shall be an Independent Director. The Company Secretary shall act as Secretary to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once on an annual basis. The quorum shall be minimum of two directors or as prescribed under the Companies Act, 2013, The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

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

At present, terms of reference of CSR Committee mentioned under Section 135 of the Companies is as under -

- (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII;
- (b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and
- (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

2.5 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 and also Risk Management committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

Composition

The Risk Management Committee shall comprise of minimum three directors, including at least one independent director.

Terms of reference of the said Committee shall be as defined in the Companies Act, 2013 and Rules made thereunder, the regulation 21 of SEBI(LODR) Regulations, 2015 & Articles of Association of the company, RBI guidelines and other applicable laws. Role

of Risk Management Committee, as defined in Listing Regulations and RBI guidelines, at present, inter alia, shall include the following:

1. To formulate a detailed risk management policy which shall include:
 - a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, IT related risks (including cyber security risks) or any other risk as may be determined by the Committee.
 - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
 - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
7. monitoring and reviewing of the risk management plan and such other functions as the Board may deem fit (such function shall specifically cover cyber security).
8. Review ICAAP policy and framework of the company on an annual basis.
9. In consultation with IT Strategy Committee shall periodically review and update the IT related risk including the Cyber Security related risk in risk management policy of the Company.
10. Interact with Chief Risk Officer, separately, without presence of management, atleast on quarterly basis for reviewing the risk profile of the company.
11. The Committee shall have discretion of approving outsourcing of activities in respect of financial services.
12. To review on a regular basis (quarterly or at more frequent intervals) the exposures to CCPs, including exposures arising from trading through a CCP and exposures arising from CCP membership obligations such as default fund contributions

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

The Risk Management Committee shall ensure that the company is complying with the statutory/regulatory and internal policies already documented, controls, and procedures concerning the operation of the risk measurement system. Chief Risk Officer shall be a permanent invitee to the risk management committee meetings of the Company and shall present the risk management reports, which shall have review of compliance with the statutory/regulatory and internal risk policies, procedures, parameters, etc., to the Committee.

Meetings and Quorum :

The Committee shall meet atleast once in a quarter. The quorum shall be as prescribed under the Companies Act, 2013, the Listing Regulations, the Articles of Association of the Company, RBI guidelines and other applicable laws. As per present Listing

Regulations, quorum shall be either two members or one third of the members of the committee, whichever is greater, provided one independent director shall be present at the meeting.

The meetings of the risk management committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.

2.6 IT Strategy Committee (ITSC)

The Board has constituted an IT Strategy Committee in terms of RBI Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated November 7, 2023, as amended from time to time. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them.

Composition

The Committee shall consist of three or more directors. The Chairperson of ITSC shall be an Independent Director and have substantial IT expertise in managing/guiding information technology initiatives and other members shall be technically competent.

Explanation: "Substantial IT expertise" means the person has a minimum of 7 years of experience in managing information systems and/or leading/ guiding technology/ cybersecurity initiatives/ projects. Such a member should also understand the business processes at a broader level and the impact of IT on such processes.

"Technically competent" hereinabove will mean the ability to understand and evaluate information systems and associated IT/ cyber risks.

CISO shall be permanent invitee to ITSC.

Meetings and Quorum :

The Committee shall meet atleast once on a quarterly basis. The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher, provided one independent director shall be present at the meeting; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company or RBI guidelines or any other applicable law.

Terms of reference of the Committee: ITSC shall

- (i) Ensure that the Company has put an effective IT strategic planning process in place;
- (ii) Guide in preparation of IT Strategy and ensure that the IT Strategy aligns with the overall strategy of the Company towards accomplishment of its business objectives;
- (iii) Satisfy itself that the IT Governance and Information Security Governance structure fosters accountability, is effective and efficient, has adequate skilled resources, well defined objectives and unambiguous responsibilities for each level in the organisation;
- (iv) Ensure that the Company has put in place processes for assessing and managing IT and cybersecurity risks;

- (v) Ensure that the budgetary allocations for the IT function (including for IT security), cyber security are commensurate with the Company's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives;
- (vi) Review, at least on annual basis, the adequacy and effectiveness of the Business Continuity Planning and Disaster Recovery Management of the Company.
- (vii) Review and recommend the strategies and policies related to IT, Information Assets, Business Continuity, Information Security, Cyber Security (including Incident Response and Recovery Management/ Cyber Crisis Management) to the Board for approval at least on an annual basis.
- (viii) Review the assessment of IT capacity requirements and measures taken to address the issues.
- (ix) Approve documented standards and procedures regarding access to information assets of the Company.
- (x) Review of cyber security risks/arrangements/preparedness of the Company, as placed by CISO, on a quarterly basis.

2.7 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. The terms of reference shall be as per Business Policy of the Company.

Composition

The Committee shall consist of the following :

- (i) Chairman of the Company
- (ii) General Manager/Chief General Manager – PNB (Director on the company's Board)
- (iii) Managing Director & CEO

Meetings and Quorum

The committee shall meet as and when required. The quorum shall be (a) atleast two Directors or 1/3rd of the Committee members, whichever is higher; or (b) as prescribed under the Companies Act, 2013, the Listing Regulations, Articles of Association of the Company RBI guidelines or any other applicable law.

2.8 Special Committee of Board for Monitoring and Follow-up of cases of Frauds (SCBMF)

The Board has constituted this Special Committee RBI's Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) issued vide notification no. -RBI/DOS/2024-25/120 DOS.CO. FMG.SEC.No.7/23.04.001/ 2024-25 dtd. 15.07.2024.

Terms of Reference: The Committee shall –

- a) oversee the effectiveness of the fraud risk management in the company.
- b) review and monitor cases of frauds, including root cause analysis, and suggest mitigating measures for strengthening the internal controls, risk management framework and minimising the incidence of frauds.

Composition shall be as per para 2.3 of aforesaid Master Directions dtd. 15.07.2024.

Quorum shall either be two members or one third of the members of the committee, whichever is greater, with at least two independent directors.

Meeting: As and when any case of fraud happens and as may be required to discharge its terms of reference.

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 IT Steering Committee

IT Steering Committee shall assist the ITSC in playing its role.

Composition of IT Steering Committee: As per RBI directions, the IT Steering Committee shall have representation at Senior Management level from IT, business functions for assisting the Board/ IT Strategy Committee in the implementation of the IT Policy and IT Strategy. Thus, this Committee shall comprise of the following –

- a. SEVP (Front office)
- b. CTO
- c. CFO

CISO shall be permanent invitee to IT Steering Committee.

Periodicity of meetings and Quorum: The IT Steering Committee shall meet atleast on a quarterly basis.

Terms of reference of the Committee shall inter-alia includes the following-

- a) Assist the ITSC in strategic IT planning, oversight of IT performance, and aligning IT activities with business needs
- b) Oversee the processes put in place for business continuity and disaster recovery
- c) Define IT project success measures and follow up progress on IT projects
- d) Ensure compliance with technology standards and guidelines
- e) Ensure implementation of a robust IT architecture meeting statutory and regulatory compliance.
- f) Update ITSC and CEO periodically on the activities of IT Steering Committee.

3.2 Information Security Committee (ISC)

Information security Committee, under the oversight of ITSC, shall manage cyber/information.

Composition : The composition of ISC, with Chief Information Security Officer (CISO) and other representatives from business and IT functions etc. shall be decided by the ITSC. The Head of ISC shall be from risk management vertical.

Terms of reference of ISC, inter-alia shall include-

- (ii) Development of information/ cyber security policies, implementation of policies, standards and procedures to ensure that all identified risks are managed within the RE's risk appetite;
- (iii) Approving and monitoring information security projects and security awareness initiatives;
- (iv) Reviewing cyber incidents, information systems audit observations, monitoring and mitigation activities; and
- (v) Updating ITSC and CEO periodically on the activities of ISC.

3.3 Investment Committee

The Company is a Primary Dealer of Government Securities and therefore, it perceives 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.

Composition : The Investment committee shall be comprise of the following members:

- Managing Director & CEO, Chairperson
- **Sr. Executive Vice President (Front Office)**
- Chief Dealer
- **Chief Risk Officer**
- Chief Financial Officer

Frequency of Meeting :

The Investment Committee shall meet at least once a day

Quorum: Quorum shall be minimum of three members with MD and CEO as mandatory member, in his absence, the Chief Financial Officer shall be the head of the committee. Minutes/decisions in such cases shall be communicated to MD & CEO for information.

Terms of Reference :

- (i) 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.
- (ii) 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.
- (iii) 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.

3.4 Asset Liability Committee (ALCO)

The Company is a Primary Dealer and therefore, perceives the ALCO as an essential to monitor the asset liability gap and strategize action to mitigate the risk associated.

Composition

The ALCO shall comprise of :

1. Managing Director & CEO
2. Executive Director/Dy. CEO

3. Senior Executive Vice President
4. Chief Dealer
5. Chief Financial Officer
6. Head Mid-office/Head of Risk/CRO

Frequency of Meeting :

The ALCO shall meet at least once in a quarter.

Quorum: Quorum shall be minimum of three members with MD and CEO as mandatory member, in his absence the Executive Director/Dy. CEO shall be head of the committee. In case of absence of MD & CEO and Executive Director/Dy CEO, the Chief Financial Officer shall be the head of the committee. Minutes/decisions in such cases shall be communicated to MD for information.

Terms of Reference

The business issues that an ALCO would consider, inter alia, will include review of maturity profile, mix of the incremental assets and liabilities, monitoring the risk levels of the company etc.

3.5 Internal Committee on Fraud Risk Management

The Company has formed an internal committee on Fraud Risk Management to monitor and mitigate fraud risk in the Company. The Committee shall be responsible for periodic review and investigation of fraud cases. The committee may constitute a sub-committee for operational purpose for investigation of fraud in line with SOP for fraud risk management as defined in the Fraud Risk Management Policy.

Composition shall be as under

- Deputy CEO/SEVP
- CRO
- CCO
- HR Head

The Company Secretary shall be a permanent invitee to the meeting.

Frequency of Meeting: The committee shall meet at least once in a quarter or earlier in case need arises.

Terms of reference of the Committee shall be as per the Fraud Risk Management Policy of the Company.

3.6 Risk Management Committee of Executives:

The Company has formed a Risk Management Committee of Executives responsible for overall risk management in the company and its scope shall be defined by, but not limited to:

- i. Review the risk profile; understand future changes and threats; concur on areas of highest priority and related mitigation strategy.
- ii. Review Company's consolidated credit, market and operational risk exposure, and resources allocated to cover the same periodically and ensure a balance.
- iii. Review and approve the development and implementation of all risk methodologies and tools, including assessments, reporting, capital and loss event databases.
- iv. Receive and Review reports/presentations from the business lines and other areas about their risk profile and mitigation programs.

- v. Monitor and ensure that appropriate overall risk management frameworks are in place.
- vi. To discuss and recommend suitable controls/ mitigations for managing credit, market and operational risk.
- vii. To discuss any issues arising/ directions in any one business unit/product which may impact the risks of other business/products/processes /activities.
- viii. Review of guidelines contained in RBI/applicable statutory body based.
- ix. Communicate to business areas the importance of risk management, and ensure adequate participation and cooperation.
- x. To proactively review and manage potential risks which may arise from regulatory changes/or changes in economic/political environment in order to keep ahead.
- xi. To continually promote risk awareness across all business units so that complacency does not set in; and
- xii. Such other terms as defined in Operational Risk Management Policy and other policies of the Company.

Composition - The Committee consists of the following:

- MD & CEO
- Deputy CEO/ED
- SEVP
- CRO
- CFO
- CTO
- CCO

Frequency of meetings -The committee shall meet at least once in a quarter or more frequently, as and when required.

3.7 Internal Committee on Climate Change & Sustainability (ICCS):

An internal committee dedicated to climate change & sustainability will provide guidance, support, and will promote best practices driving continuous improvement in PNBG's approach to managing climate change risks. Through this structured and collaborative effort, PNBG aims to embed climate resilience and sustainability deeply into its operational and strategic framework.

Composition : The Committee shall comprise of CRO (Head of the committee), CFO, Chief Dealer, CS, CTO and CCO.

Quorum and frequency of meeting: The quorum of this committee shall be of at least three members with CRO being the mandatory member. The committee may invite other members as invitee as deemed necessary. The Committee shall meet on an annual basis.

The key responsibilities of the ICCS will include:

- Assess the materiality of climate risks faced by the Company through the survey conducted.
- Provide inputs/feedback for policy enhancement.
- Deliberate & decide the required mitigants for material risk driven by climate risk factors.
- Reviewing portfolio strategy and align it with the decarbonization timelines as defined in the policy on best effort basis.
- Review Company's position with respect to decarbonization of operations and other voluntary initiatives as defined in the Climate Risk Strategy

3.8 Internal BRSR Committee

Internal BRSR Committee will be responsible for reporting & publishing the BRSR guidelines. The Managing Director & CEO of the Company shall be responsible for implementing the Policy. BRSR Head shall be the Company Secretary of the Company. The Managing Director & CEO/ Company Secretary may take support of such functional heads and internal and external experts, which he/she may deem fit for effective implementation of the Policy. Functional Heads – SEVPs/CXOs shall be the other members of BRSR Committee.

The sustainability initiatives will be implemented by a working group, members of which will be decided by the BRSR Committee Head. The working group will, as deemed appropriate, might engage with service providers for limited or reasonable assurance on the reported metrics as per guidance provided by SEBI or any other regulator.

Quorum and Frequency of Meeting: The quorum of the committee shall be 5, with the Managing Director & CEO, Company Secretary, CFO and CRO of the company being the mandatory members. The Committee shall meet at least on annual basis.

3.9 New Product Approval Committee:

Approval of the product from Product Approval Committee (PAC) which is a two tier committee structure, is required for launching new product/ business activity. The Committees are named as under:

- I. Committee of Head of Department comprising of Heads of various departments (departments to be decided by the MD & CEO) with CRO as the head of the said Committee shall be the members, in the absence of CRO, CFO or any personnel designated by the MD & CEO shall be the Head of the Committee.
- II. Committee of Sr. Executives comprising of MD & CEO (Head of the committee), ED/SEVP, CFO, CRO, CTO, and CCO. In the absence of the MD & CEO, ED/SEVP shall be the head of the committee.

Terms of reference of each such committee shall be as per Policy on New Product Approval. Frequency of meetings shall be as and when required.

3.10 Incident Validation Committee: As per the Incident Response Framework, an internal committee comprising the following personnel shall be the authority to appoint investigator/validator/reviewer.

- SEVP (Head of the Committee)
- CFO (Head in absence of SEVP)
- CRO
- HR Head
- HIA

Further process handling shall be done in accordance with the Incident Response Framework.

4. Three Lines of Defence: The Company follows the three-lines-of-defence model where the first line of defence consists of risk- taking business function, which is Front Office and support functions such as Back Office, Accounts, IT etc. The Front Office is responsible for day-to-day risk management and is required to comply with the relevant internal policies, regulations and procedures. The second line (Risk & Compliance teams) should be in place to establish policy, provide guidance and to verify that policies and procedures are complied with across all risk categories. The third line (Internal Audit) provide oversight, monitoring and

audit activities and provide independent evaluations and reporting to the senior management on the adequacy of the Company's first two lines of defence.

Specific responsibilities of the First Line include:

- Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures
- Adhering to frameworks, policies and procedures set
- Reporting on the performance of risk management activities (including ongoing risk identification, assessment, mitigation, monitoring and reporting)
- Accounting for the effectiveness of risk management in operation including ensuring that procedures and controls are operated in a consistent and ongoing basis in order to effectively manage risks.

The Risk Management Function in the Second Line focusses on real-time monitoring and review and is responsible for:

- Developing and monitoring the implementation of risk management frameworks.
- Policies, systems, processes and tools
- Ensuring that risk management frameworks, policies, systems, processes and tools
- Are updated and reviewed periodically and that these are communicated effectively to the First Line
- Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting and they are being implemented.
- Establishing an early warning system for breaches of the PD's Risk Appetite or Limits
- Influencing or challenging decisions that give rise to material risk exposure
- Reporting via the Head of Risk/CRO, on all these items, including risk mitigating actions, where appropriate

The Compliance function, in the second line of defence, assists the Company in managing its compliance risk. The Compliance function will monitor and evaluate the effectiveness of the first line's internal controls ensuring compliance with relevant laws, regulations, and internal rules and promotes a compliance culture in the Company.

The Third Line of Defence comprises Internal Audit who is responsible for:

- Independently reviewing the design and operating effectiveness of the Company's internal controls, risk management and governance systems and processes
 - Periodically assessing the PD's overall risk governance framework, including, but not limited to an assessment of:
 - the effectiveness of the Risk Management and Compliance Functions
 - the quality of risk reporting to the Board and Senior Management
 - The effectiveness of the PD's system of internal controls
 - Providing independent assurance to the Board on the above
 - Recommending improvements and enforcing corrective actions where necessary
 - Tracking the implementation of all internal audit recommendations and external audit management letter points
5. Reporting to the Board on the status and progress of the above.

6. 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 (RMC). In case the CRO reports to the Managing Director & the RMC / Board shall meet the CRO without the presence of the Managing Director & CEO, at least on a quarterly basis.

7. Appointment of Chief Compliance Officer (CCO)

The Board of Directors shall appoint a senior official as Chief Compliance Officer who 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. 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 and Senior Management in effectively managing the compliance risks faced by the Company and will act in accordance with the Board approved policy which lays down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the Company.

8. Senior Management (including KMP) and Independent Director

- a. Key Managerial Personnel (KMP) shall not hold any office (including directorships) in any other NBFC-Middle Layer (ML) or NBFC-Upper Layer (UL). However, Such KMP may assume directorship in NBFCs-Base layer (BL).
- b. Within the permissible limits in terms of the Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. The Board shall ensure that there is no conflict arising out of its independent director/s being on the Board of another NBFC at the same time. NRC will support the Board on this.
- c. The Company shall have a Board approved remuneration policy, aligned with RBI directions, Companies Act, 2013 and Listing Regulations, to address issues arising out of excessive risk taking caused by misaligned compensation packages

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.

10. 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, the Listing Regulations, RBI guidelines and other applicable laws.

11. 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, the Listing Regulations, RBI Guidelines/Directions 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.