



# CORPORATE GOVERNANCE POLICY

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| Approved by        | Board of Directors             |
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## CORPORATE GOVERNANCE POLICY -

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## CORPORATE GOVERNANCE POLICY

### A. Main Principles:

Corporate Governance at Smiti Holding and Trading Company Private Limited [Smiti Holding] to have the following Main principles:

- Constitution of a Board of Directors of appropriate composition, size, varied expertise and commitment to discharge its responsibilities and duties.
- Ensuring timely flow of information to the Board and its Committees to enable them to discharge their functions effectively.
- Independent verification and safeguarding integrity of the Company's financial reporting.
- A sound system of risk management and internal control.
- Timely and balanced disclosure of all material information concerning the Company to all stakeholders.
- Transparency and accountability.
- Compliance with all the applicable act, rules and regulations.
- Fair and equitable treatment of all its stakeholders including employees, customers, shareholders and investors.

### B. Board of Directors

The Company's Board has a primary role of trusteeship to protect and enhance stakeholders' value through supervision and strategic inputs. The Board along with its Committees provides supervision and exercises appropriate controls and in addition to basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Board shall have a suitable combination of Executive and Non-Executive Directors. All the Directors shall meet the 'fit and proper' criteria as prescribed by the Reserve Bank of India and in accordance with the policy as approved by the Board of Directors of the Company.

A Director shall not hold the office of director in more than 20 (twenty) companies including 10 (ten) public companies. The Directors shall submit disclosures as required under the provisions of applicable laws and the codes and policies adopted by the Company.

### **B.1. Meetings of the Board**

At least 4 meetings of the Board shall be held in every calendar year and at least 1 (one) meeting will be held every calendar quarter, with a maximum time gap of 120 (one hundred and twenty) days between two Board meetings.

The decisions of the Board shall be taken by simple majority of the Directors and each Director shall exercise one vote.

The Company shall strive to comply with the following guidelines in letter and in spirit.

### **B.2. Board Independence**

Independent Directors are expected to play a key role in the decision-making process of the Board by participating in the process of framing the overall strategy of the Company. Independent Directors appointed on the Board of the Company shall fulfil the criteria of independence as set out under the provisions of Companies Act, 2013 and other applicable laws in this regard. They shall submit an annual declaration affirming compliance with the criteria of independence for every financial year and such declaration shall be submitted whenever there is any change in circumstances which may affect their independence.

An Independent Director shall hold office for a term of up to five consecutive years and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company. Provided that an Independent Director, who completes two consecutive term(s) shall be eligible for appointment as Independent Director in the Company only after the expiration of three years of ceasing to be an Independent Director in the Company.

### **B.3. Board Compensation Review**

The remuneration payable to the Directors shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval. The remuneration payable shall be in accordance with the Board approved Remuneration Policy and applicable laws.

## **C. Internal guidelines for the Corporate Governance**

In order to establish a framework for ensuring compliance with the corporate governance in letter and in spirit, the Board has established following committees:

- 1) Audit Committee;
- 2) Nomination and Remuneration Committee;
- 3) Risk Management Committee;
- 4) Asset Liability Management Committee;

## 5) Investment Committee

The above Committee(s) have been constituted in accordance with the provisions of the Companies Act, 2013, guidelines/directions issued by the RBI as applicable to the Company and for internal requirements and operational convenience. The composition, terms of reference and functioning of the Committee(s) shall be decided by the Board of Directors in accordance with the provisions of the applicable laws.

Minutes of meetings of Board Committees and other Committee as specified by the Board shall be placed before the Board for its perusal, discussion and noting. The decisions of the Committees shall be taken by simple majority of the members of the respective Committees and each member shall exercise one vote. Chairman of the Committee(s) shall not be entitled to a second or casting vote at any meetings of the Committee(s).

The constitution and role of each of these committees are described hereunder:

### C.1. Audit Committee

The Audit Committee shall be responsible to deal with all material questions concerning the auditing and accounting policies of the Company and their financial controls and systems or any other function as may be determined by the Board.

#### **Composition:**

The Audit Committee shall have at least 3 members out of which at least 1 Director shall be independent.

#### **Quorum:**

The Audit Committee shall meet as and when required and the quorum for the meetings of the Audit Committee shall be presence of any 2 members of the Committee;

#### **Terms of reference:**

The Members of the Audit Committee shall work within the scope and shall also have the same role, powers, duties, functions as provided under the applicable laws, rules, acts, regulations including the Master Directions, Guidelines, Circulars, etc issued by Reserve Bank India, from time to time, including but limited to following:

1. Appointment of Internal Auditor/Statutory Auditor and fixation of remuneration thereof;
2. Consider and approve the scope of work, functioning, methodology and related matters for Internal as well as Statutory Audit.
3. Consider, approve and recommend the Financial Statements [Standalone & Consolidated, as the case may be] of the Company to the Board of Directors of the Company;
4. Consider and review Financial Statements of Company[ies] including where the Company has invested and has stake more than 20% for the purpose of consolidation.

5. Review and approval of transactions with related party[ies].
6. Review of outcome of Asset Liability Committee and Investment Committee.
7. To review the strategy and business model[s] and further recommend it to the Board of Directors of the Company.
8. The Chairman of the Audit Committee shall review the complaints if received under the Whistle Blower Policy of the Company.
9. Overall compliance oversight of the Company.
10. Such other functions as may be required under the Master Directors, guidelines, circulars, etc issued by Reserve Bank of India; as per the Companies Act, 2013 and compliance to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 from time to time and as may be assigned by the Board of Directors of the Company from time to time.

The Minutes of the Audit Committee shall be approved by the Chairman / Chairperson and shall be noted and confirmed by the Board of Directors at its ensuing Board Meeting.

#### **C.2. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall be responsible to identify the persons who are qualified to become director[s] and key managerial personnel and shall recommend their appointment and/ or removal, as the case may be, to the Board of Directors. Further, Nomination and Remuneration Committee shall also carry out performance evaluation of every director of the Company.

The committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director[s] in accordance with the policy for ascertaining the 'Fit and Proper' status of Directors. The Committee shall also formulate a policy relating to the remuneration of directors.

The committee shall consider the following while formulating the Nomination and Remuneration Policy:

- (a) The level and composition of remuneration that is reasonable and sufficient to attract, retain and motivate directors of the competence required to run the Company.
- (b) Remuneration shall be clearly linked to the performance and appropriate performance benchmarks.

The Nomination and Remuneration Committee shall meet at such periodic intervals as required. Minutes of the Nomination and Remuneration Committee shall be approved by the Chairman / Chairperson and shall be noted and confirmed by the Board of Directors at its ensuing Board Meeting.

**Term of Reference:**

The members of the Nomination & Remuneration Committee shall work within the scope of the Nomination and Remuneration Policy as approved by the Board of Directors and shall also have the same role, powers, duties, functions as provided under the applicable laws, rules, acts, regulations including Master Directions, Guidelines, Circulars, etc issued by Reserve Bank India, from time to time.

**Composition:**

The Nomination and Remuneration Committee shall have atleast 3 members out of which atleast 1 Director shall be independent.

**Quorum:**

The Nomination and Remuneration Committee shall meet as and when required and the quorum for the meetings of the Nomination and Remuneration Committee shall be presence of any 2 members of the Committee.

**C.3. Risk Management Committee**

The Risk Management Committee shall be responsible for setting up and reviewing risk management policies of the Company from time to time. The Risk Management Committee shall primarily be responsible for identifying, monitoring, managing and mitigating the credit risk, market risk, operational risk and other risks of the Company that can be applicable to the Company considering the business operations of the Company through integrated risk management systems, strategies and mechanisms.

**Quorum:**

The Risk Management Committee shall meet on a quarterly basis review quorum for the meetings of the Risk Management Committee shall be presence of any 2 members of the Committee.

**Composition:**

The risk management committee shall have 3 members of which at least 1 shall be independent.

**Term of Reference:**

1. To identify, assess and mitigate risk that affects the operations of the Company.
2. To monitor and assess the overall leverage and liquidity position.
3. Review and assess various risks including liquidity, market, interest rate, operational risk and IT security / cyber risk with respect to financial operations of the Company.
4. To review and monitor various debt related covenants.
5. To review the performance of various investments.
6. To monitor and review the risk appetite statement.
7. To formulate and recommend the ICAAP Policy to the Board of Directors of the Company.

8. To summarize and update the Board of Directors on periodical intervals the outcome of risk management committee meetings and an Annual ICAAP Statement.
9. To periodically monitor and assess action taken reports with respect to any regulatory observations/ inspection / supervision reports.
10. To review compliance as submitted by the management on adherence to the various policies of the Company.
11. The Members of the Risk Management Committee shall work within the scope and shall also have the same role, powers, duties, functions as provided under the Master Directions, Guidelines, Circulars, etc issued by Reserve Bank India, from time to time.

#### **C.4. Asset Liability Management Committee [ALCO]**

The Committee shall meet 4 times every in a year with a minimum of one meeting every financial quarter to discuss asset/liability management issue. Informal meetings may be held on an as needed basis. Minutes of the ALCO meetings will be placed before the Board of Directors for noting.

##### **Composition:**

The Asset Liability Management Committee shall have at least three members out of which atleast one member shall be from the Board of Directors of the Company and other members shall be from the Top management of the Company.

##### **Quorum:**

The quorum for the meetings of the Asset Liability Management Committee shall be presence of any 2 members of the Committee;

##### **Term of Reference:**

1. To review periodically the interest sensitivity report and asset -liability mismatch in various buckets.
2. To approve various borrowings and investment in short term instruments to management short term liquidity requirements.
3. To manage compliance to the RBI requirements w.r.t. liquidity risk management framework
4. To review contingency funding plan
5. To periodically conduct and review stress testing levels and outcomes.
6. To align maturity profile of the borrowings and reduce dependency on short term funding.
7. To submit periodical reports to Risk Management Committee and Board of Directors of the Company.
8. To monitor leverage ratio in accordance with RBI regulations and adjusted net worth within the regulatory limits.
9. To monitor and manage liquidity and market risk.
10. To monitor and ensure that the pledge ratio is within the approved limits.
11. To ensure compliance relating to various borrowing related covenants.
12. The members of the Asset Liability Management Committee shall work within the scope and shall also have the same role, powers, duties,

functions as provided under the Master Directions, Guidelines, Circulars, etc issued by Reserve Bank India, from time to time;

#### **C.5. Investment Committee**

The role of the Investment Committee shall be to approve investment/ disinvestments proposals and review of investment done by the company or any other function as may be determined by the Board.

##### **Composition:**

The Investment Committee shall have at least three members out of which atleast one member shall be from the Board of Directors of the Company and other members shall be from the Top management of the Company.

**Quorum:** The Investment Committee will meet as and when required and the quorum for the meetings of the Investment Committee shall be presence of any 2 members of the Committee;

##### **Term of Reference:**

The Members of the Investment Committee shall work within the scope and shall also have the same role, powers, duties, functions as provided under the applicable laws, rules, acts, regulations including the Master Directions, Guidelines, Circulars, etc issued by Reserve Bank India, from time to time, including but limited to following:

1. Consider and approve investment/ disinvestments proposals from time to time
2. Review investments of the Company
3. Act and function as per the investment Policy of the Company
4. Such other functions as may be required under the Master Directors, guidelines, circulars, etc issued by Reserve Bank of India from time to time and as may be assigned by the Board of Directors of the Company from time to time.

#### **D. AUDITORS:**

##### **D.1. Statutory Auditors**

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence in conformity with the Policy on appointment of Statutory Auditors of the Company. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

Further, the Company shall rotate the partner/s of the Chartered Accountant firm(s) conducting the statutory audit of the Company every three years or such other earlier period as may be decided by the Board, so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated shall be eligible for conducting the audit of the Company after an interval of three years.

##### **D.2. Internal Auditors**

The Board of Directors of the Company shall appoint Internal Auditors in accordance with the provisions of applicable laws and regulations who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the management and accordingly monitor its adequacy and effectiveness.

**E. Codes and Policies:**

In accordance with the applicable provisions of the Companies Act, 2013, the directions/ guidelines issued by the Reserve Bank of India and applicable to the Company from time to time and for internal requirements and operational convenience, the Company has framed and adopted the following policies and codes. These are going to be reviewed at regular intervals and shall be updated/revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company. The codes and policies approved by the Company inter-alia includes the following:

- a. Code of Conduct for Directors;
- b. Fit & Proper Criteria for Directors;
- c. Liquidity Risk Management Framework;
- d. Whistle Blower Policy/Vigil Mechanism;
- e. Demand and Call Policy;
- f. Investment Policy;
- g. Related Party Transaction Policy;
- h. Policy on Know Your Customer and Anti Money Laundering Policy;
- i. Nomination and Remuneration Policy;
- j. Policy on Appointment of Statutory Auditors;
- k. Internal Capital Adequacy Assessment Process (ICAAP) Policy;
- l. Policy on Monitoring Frauds;
- m. Employee Handbook;
- n. Accounting Policy;
- o. Policy on Prevention of Sexual Harassment of Women at Workplace.

**F. Disclosure**

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

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

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