

**CORPORATE GOVERNANCE POLICY**

**1. INTRODUCTION**

Shikhar Microfinance Private Limited (SMPL) came into existence to protect livelihood and provide greater economic stability and while following its vision it recognizes its role as a corporate citizen and has adopted the best practices of Corporate Governance through transparency, ethical behaviour and accountability to its stakeholders, regulatory bodies and employees.

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. In pursuing its Mission of “empowering communities by providing financial services and livelihood opportunities” Shikhar has been balancing its dual objectives of “social” and “financial goals, since its inception.

**2. RBI GUIDELINES ON CORPORATE GOVERNANCE**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has, on May 8, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company has framed the following internal Guidelines on Corporate Governance. The Code has been drafted bearing in mind the size of the Company’s operations and the sector in which it operates. The Code also complies with the existing Reserve Bank Governance guidelines for NBFCs (MFI), as last summarized by RBI in its Master Circular dated July 1, 2014.

The need for adoption of good corporate governance practices continues to engage regulator and stakeholder attention. In this connection and in continuation to its earlier circulars, RBI has made further amendments to the corporate governance guidelines by its circular dated November 10, 2014.

**3. GOVERNANCE STRUCTURE**

Shikhar’s Corporate Governance structure, systems and processes are based on two core principles viz. (a) Management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) This freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company the following governance level will be followed in Shikhar:

<b>Governance Level</b>	<b>Broad Responsibility</b>	<b>Responsible</b>
Level 1	Strategic Supervision	Board of Directors
Level 2	Strategic Management	Executive Directors and Core Management Team
Level 3	Executive Management	Head of the Departments

At the apex level, the general body of Shareholders of the Company shall elect the Board of Directors at the Annual General Meeting of the company and the Board appoints the Chairman, Managing Director, Chief Executive Officer and Chief Finance Officer of the Company, who in turn will appoint the various other management executives of the company.

#### **4. CONVENING OF GENERAL MEETING**

The Board is under the obligation of convening the Annual General Meeting of the member of the company within 6 months from the closure of the financial year. The convened Annual General Meeting will assemble to (a) review and adopt the board report (b) review and adopt the audited financial statement and (c) adopt resolutions on any other matter included in the notice. In addition to the Annual general Meeting, the Board of Directors can also convene an Extra Ordinary General Meeting (EGM) whenever it deems necessary on behalf of the institution's interests for their smooth functioning.

#### **5. RIGHT OF SHAREHOLDERS**

Along with the notice of General Meeting, Company will provide shareholders/ members documents and other information related to the matters that will be discussed at the meeting. Further before the GM is held, shareholders can ask the Board of Directors for any information or clarifications they consider necessary regarding the items on the agenda, and they can ask any questions they consider relevant.

#### **6. DELEGATION & REPRESENTATION**

Members have the right to appoint any person as representative to attend the general meeting on behalf of the respective member, even if they are not a shareholder. The representative powers must be conferred specifically for each meeting, which can always be revoked should the represented person attend the meeting in person.

#### **7. MEETING MINUTES**

The deliberations and resolutions at the meeting will be recorded in a minute's document. The minutes should reflect everything discussed and be approved at the General Meeting and also record the participation of the shareholders.

#### **8. BOARD OF DIRECTORS**

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

As per the Company's Articles of Association and Section 173 and 174 of the Companies Act, 2013, the board shall meet a minimum of four (4) times in a year, at least once in each quarter [in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board]. Further the quorum for a meeting shall be one third of its total strength or two directors, whichever is higher. Board's strength is required to be a

minimum of two directors and a maximum of fifteen directors and none of the directors are liable to retire by rotation.

The Board has a vital role to play in the matters relating to policy formulation, implementation and strategic issues which are crucial for the long term development of the organization.

In Compliance with Section 165 of the Companies Act, 2013 ('the Act'), a director shall not hold the office of a director in more than 20 companies. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.

The Shikhar's board shall comprise the following number of director;

- Two Executive directors
- Two Independent Director
- Investor Nominee Director\*
- Women Director

\* Investor has a right to appoint one or more nominee director on the board of the company.

The Board shall periodically review compliance reports of all laws applicable to the Company prepared by the Company as well as steps taken by the Company to rectify instances of noncompliance.

The structure of the Board will seek to be balanced in terms of member experience, qualifications and independence so as to undertake different tasks and inherent responsibilities. Also, it will be ensured that a member of the Board is not being involved in a legal procedure on the grounds of prohibition or incompatibility. Further if the manager sits on the Board of Directors, he will have the right to speak but not to vote to ensure that the administration and management functions are separated. The shareholders of the company will be responsible for determining the exact number and composition of Board members at the Annual General Meeting, subject to applicable legal regulations and to the institution's bylaws.

## **9. DUTIES & RESPONSIBILITIES**

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company will have the following duties:-

1. A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, and the community and for the protection of environment.
2. A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.
3. A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
4. A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

5. A director of a company shall not assign his office and any assignment so made shall be void.

## **10. APPOINTMENT/RE-ELECTION**

The appointment and re-election of the Board of Directors falls on the Annual General Meeting. Once chosen, the Board members must represent the institution's interests. They must perform their duties in good faith, objectively and independently, with due care and diligence, so that their decisions are always aimed at the institution's best interests. The resolutions that the Board of Directors adopts in relation to the re-election of members and its deliberations in this regard shall take place in the absence of the Director whose re-election is proposed. If the Director is at the meeting, he must leave the room. The appointment/re-election of director will also be in accordance with the provisions of the Companies Act, 2013.

## **11. DURATION OF OFFICE**

Directors shall remain in office for the term defined by the Annual General Meeting and in accordance with the provision of the Companies Act, 2013. AGM establishes a longer term on ratifying the appointment agreed by the Board of Directors. Board of Directors members will remain in office until their successors are chosen, unless their powers are revoked or they are disqualified.

## **12. END OF TERM**

Directors shall resign from their office when the term for which they were appointed has expired, or when the Annual General Meeting decides so. When a Board member ceases to occupy his position before his term of office ends, through resignation or any other cause, he must explain the reasons in a letter to all of the members, and, regardless of whether this end of term of office is reported as a significant event, the reason should be included in the directors' report.

## **13. REMUNERATION**

The remuneration of the directors shall be decided in the AGM. Before AGM, Remuneration Committee shall recommend to the board to approve the remuneration of the directors which will final after the approval of members in the AGM.

## **14. BOARD MEETING AGENDA**

Meetings are governed by a structured agenda. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the board. All major agenda items are backed by comprehensive background information to enable the board to take informed decisions. Agenda papers are circulated at least seven working days prior to the board meeting. The Board is presented with relevant information on various matters relating to the working of the Company. The functional heads are invited to the Board and Committee meetings to apprise

the Board on various issues concerning the operations of the Company. The following information shall be presented to the Board for periodic review / information / approval:

- **Business Updates:** This includes trend of business growth, business performance in terms of budget, branch expansion, product diversification, quality of portfolio and also growth plan for the next quarter/year.
- **Financial Updates:** The quarter ended financials, budget comparison, and projection for next quarter, reasoning for financial outcomes, annual budget etc. shall be the part of financial updates.
- **Internal Control System:** Management shall be responsible for updating the board about the overall internal control system of the organization and ensure that process & policy is being followed accordingly.
- **Risk Management Updates:** The chairman of Finance and Audit Committee shall updates the board about the risk related issues and suggest measures for risk mitigation.
- **Regulatory Compliance:** Compliance officer shall update the Board about the status of compliance related issues and also propose further course of actions wherever necessary.
- **Audit Observations:** The Chairman of Finance Audit Committee shall update the board about the audit grading and the compliance level of the organization. He/she should also suggest the proposed course of corrective measures suggested by the internal as well as statutory auditors.
- **HR Updates:** The Chairman of Human Resource Committee shall updates the board about the HR related issues which may include status of recruitment vis a vis the budget, employee engagement initiatives, staff attrition and other HR challenges etc.
- **Admin Updates:** Board shall also be updated about the admin related issues of head office as well as branch offices, challenges and other relevant information as required.
- **IT Updates:** The status of application development in terms of original plan, capital investment, and plan for next quarter shall be considered relevant information for the board members. In addition of that road map of IT shall also be approved by the board.
- **Others :** In addition of above management shall also updates board about legal suits (if any), show-cause/ demand/ prosecution and other material notices, details of any joint venture or collaboration and any other material decision/information which may be important in terms of the interest of the Company.

## **15. GOOD GOVERNANCE IN MANAGEMENT**

The Board of are responsible for the general strategy, control and supervision. However, the separation between management and governance duties and administration duties must never result in important decisions or measures being taken by the institution's management bodies without the Board of Director's intervention.

## **16. MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

The Managing Director and the Chief Executive Officer are the institution's legal representative. They are appointed by the Board of Directors and shall be responsible for putting in place procedures to implement all the Board's policies, strategies and systems. They will actively

participate in the sessions, with the right to speak but not vote, in order to give their input on the items of the agenda or any other matter requested by them.

## **17. COMMITTEES OF BOARD**

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board shall be placed before the Board for confirmation/endorsement in subsequent meeting.

In compliance with the applicable provisions of the Companies Act, RBI guidelines and in order to meet business exigencies, the Company has constituted Board committees.

The terms of reference, roles and responsibilities of the aforesaid Committees will be further aligned based on the changes in the regulations and business requirements with the approval of Board. Shikhar complies with the above requirements of committee constitution and have the following committees of the Board:



The terms of reference, roles and responsibilities of the aforesaid Committees is enclosed in the annexure of this policy.

**1. Finance and Audit Committee (FAC)**

<b>Chairman</b>	The Chairman of the Finance & Audit Committee (FAC) shall be an Independent Director / Non- Executive Director and who is elected by the members of the FAC. The Board shall also designate, the Chairperson of the Committee.
<b>Composition</b>	<p>The Board of Directors will constitute FAC with at-least three directors. Majority of the directors shall be Non-Executive Director. FAC members shall be appointed by the Board and may be removed by the Board at any time.</p> <p>All members of the FAC shall be financially literate and at least one member shall have accounting or related financial management expertise.</p> <p>The FAC may invite such of the executives, as it considers appropriate to be present at the meetings of the Committee, but on occasions it may also meet without the presence of any executives of the Company. The Head of Accounts, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meeting of the FAC.</p>
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the FAC.
<b>Meetings &amp; Quorum</b>	<p>The FAC shall meet at least four times in a year. The Committee shall also meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater.</p>
<b>Terms of Reference</b>	
<b>Purpose/ Scope</b>	<p>The FAC is created by the Board of Directors of the Company to;</p> <ul style="list-style-type: none"> <li>• Oversee the Company's Financial, internal control and audit policies generally;</li> <li>• Evaluate financial performance and review the Company's operational plan;</li> <li>• Oversee and set Company's standards for effective financial management;</li> <li>• Oversee and set the Company's standards for effective management the risks associated with the operation of the Company.</li> <li>• Evaluate the management of risks to improve decision-making, define opportunities and mitigate material events that may impact shareholder value.</li> <li>• Oversee and set the Company's standards for effective management of the assets and liabilities, and associated financial risks to achieve satisfactory and consistent growth, profitability, and solvency.</li> <li>• Discharge any other responsibilities handed by the board from time to time.</li> </ul>

<b>Financial Role</b>	<p>i. Review with management the annual and quarterly financial statements of the Company, including:</p> <p>ii. Any material changes in accounting principles or practices used in preparing the financial statements;</p> <p>iii. Disclosures relating to internal controls over financial reporting; and</p> <p>iv. Meet to review the Company's specific disclosures under Management's Discussion and Analysis of Financial Conditions and Results of Operations.</p> <p>Review of management systems related to significant financial risks or exposures and evaluates steps taken to assess, minimize and manage such risks.</p>
<b>Audit Role and Responsibility</b>	<p>i. The Audit Committee should have the responsibility to -</p> <ul style="list-style-type: none"> <li>• monitor the integrity of the financial statements of the company;</li> <li>• review the company's internal financial controls, internal audit function and risk management systems;</li> <li>• make recommendations in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;</li> <li>• review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.</li> </ul> <p>ii. The Audit Committee should also monitor and approve all Related Party Transactions including any modification/amendment in any such transaction.</p> <p>iii. A statement in a prescribed/structured format giving details about all related party transactions taken place in a particular year should be included in the Board's report for that year for disclosure to various stake holders.</p>
<b>Internal Audit</b>	<p>The Committee will review the scope and staffing of the functions. The head of the Internal Audit department will report directly to the Committee and will reviews plans and findings of internal audits and will meet in executive session with the Committee.</p>
<b>Risk Management</b>	<p>The FAC shall have the responsibility to:</p> <ul style="list-style-type: none"> <li>• Oversee and set the Company's standards for effective management the risks associated with the operation of the Company.</li> <li>• Evaluate the management of risks to improve decision-making, define opportunities and mitigate material events that may impact shareholder value.</li> <li>• Identify and assess the nature and extent of internal and external risks that may impact the company in achieving its strategic objectives.</li> <li>• Determine the company's risk appetite; oversee the development and implementation of the Risk Management Framework and maintaining an adequate monitoring and reporting mechanism.</li> <li>• Monitor and report on material risks identified through the internal and external audit process.</li> </ul>
<b>Assets and</b>	<p>The FAC shall have the responsibility to:</p>

<b>Liability Management</b>	<ol style="list-style-type: none"><li>i. Oversee and set the Company's standards for effective management of the assets and liabilities, and associated financial risks to achieve satisfactory and consistent growth, profitability, and solvency.</li><li>ii. Review and monitor the management of various financial risks that arise due to the mismatch of assets and liabilities, including the following various risks:<ol style="list-style-type: none"><li>a. Liquidity risk</li><li>b. Currency risk</li><li>c. Interest Rate Risk</li><li>d. Funding and capital planning</li><li>e. Profit planning and growth projection</li></ol></li><li>iii. Periodically review the asset/liability management process and related procedures;</li><li>iv. Overseeing the maintenance of a management information system that supplies, on a timely basis, the information and data necessary for the company to fulfil its role as asset/liability manager of the institution.</li></ol>
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**2. Human Resource Committee (HRC)**

<b>Chairman/ Members</b>	The Chairman of the Human Resource Committee (HRC) shall be Non-Executive Director and who is elected by the members of the HRC. The Board shall also designate, the Chairperson of the Committee.
<b>Composition</b>	The Human Resource Committee shall of at least three members, comprised solely of directors. HRC members shall be appointed by the Board and may be removed by the Board at any time.  The Head of HR shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the HRC.
<b>Meetings &amp; Quorum</b>	The HRC shall meet at least four times in a year. The Committee shall also meet as and when required.  The quorum shall be either two members or one third of the members of the committee, whichever is greater.
<b>Terms of Reference</b>	
<b>Purpose and Scope</b>	The HRC is created by the board of Directors of the Company to <ul style="list-style-type: none"> <li>• Oversee the company's compensation and benefits policies generally.</li> <li>• Evaluate ECO/MD performance and review the Company's management succession plan;</li> <li>• Oversee and set compensation for the Company's executive officers;</li> <li>• Review and discuss the Company's compensation discussion and analysis and provide a recommendation to the Board.</li> </ul>
<b>Responsibility</b>	In addition to any other responsibility which may be assigned from time to time by the Board, the HRC is responsib
1. Compensation Policies	The HRC shall review and approve the Company's compensation and benefit policies generally, including reviewing and approving annual increments, incentive compensation plans and equity based plan of the Company. In reviewing such compensation and benefits policies, the HRC shall report the results of such review and any action it takes with respect to the Company's compensation and benefits policies to the Board. In addition to compensation and benefits policies, the HRC may also consider and periodically review the Company's policies on diversity and values and such issues affecting employee morale as the committee deems appropriate.
2. Senior Management Compensation	The HRC shall review and approve for Managing Director; <ol style="list-style-type: none"> <li>i. Annual base salary level</li> <li>ii. Annual incentive compensation</li> <li>iii. Long-term incentive compensation and</li> <li>iv. Any other compensation, ongoing perquisites or special benefit item.</li> </ol> In so reviewing and approving Senior Management (CEO, CFO, COO,

	<p>Director and above) compensation, the HRC shall among other things;</p> <ul style="list-style-type: none"> <li>a) Identify corporate goals and objectives relevant to executive compensation</li> <li>b) Evaluate Senior Management performance in light of such goals and objectives and set each executive's compensation base on such evaluation and such other factors as the HRC deems appropriate and in the best interests of the Company (including the Cost of the Company of such compensation); and</li> <li>c) Determine policy for any long term incentive component of Senior Management and other senior executives compensation based on organization policy. The HRC deems appropriate and in the best interests of the Company (including the Cost of the Company of such compensation).</li> </ul>
3. Management Succession	<p>The HRC shall, in consultation with the Company's CEO, periodically review the Company's management succession planning including policies for CEO selection and succession in the event of the incapacitation, retirement or removal of the CEO, and evaluation of and development plans for, any potential successor to the CEO.</p>
4. Human Resource Activities	<p>The HRC will periodically review the Company's practices for supporting diversity in the workplace. The HRC may review, as appropriate, the Company value statements and programs in support of employee morale and satisfaction.</p> <p>HRC will also act as final tribunal if there are any grievances against CEO and above or nay adequately unaddressed/ unsatisfied with Sr. Management approach in addressing the issue can approach HRC in writing.</p>
<b>Reporting to the Board</b>	<p>The HRC shall report to the Board periodically. This report shall include a review of any recommendations or issues that arise with respect to Company compensation and benefits policies, executive compensation, management succession planning and any other matters that the HRC deems appropriate or is requested to be included by the Board.</p> <p>The HRC shall periodically review and assess the adequacy of this TOR and recommend any proposed changes to the Board.</p>
<b>Authority</b>	<p>The HRC has to sole authority to retain and terminate any compensation consultant assisting the HRC in the evaluation of CEO or executive officer compensation, including sole authority to approve all such compensation consultant's reasonable fees and other retention terms. Such consultant retained by the HRC shall be independent of the HRC members.</p> <p>The HRC may delegate its authority to sub committee or the Chairperson of the committee when it deems appropriate and in the best interest of the Company.</p>
<b>Procedure</b>	<p>The HRC shall meet as often as it determines is appropriate to carry out its responsibilities under this ToR. The chairperson of the HRC, in consultation with the other committee members, shall determine the frequency and length of the committee meetings and shall set meeting agendas consistent with this ToR.</p> <p>No executive officer should attend that portion of any meeting where such executives performance or compensation is discussed, unless specifically invited by the HRC.</p>

**3. Executive Committee (HRC)**

<b>Chairman</b>	The Chairman of the Executive Committee (EC) shall be Non-Executive Director and who is elected by the members of the EC.
<b>Composition</b>	The Executive Committee shall consist of such number of members as may be determined by the Board.
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the HR & Compensation Committee.
<b>Meetings &amp; Quorum</b>	<p>The Committee shall also meet as and when required.</p> <p>The Quorum of the EC shall be minimum 2 directors personally present out of which one shall be either an Independent Director or Non-Executive Director.</p>
<b>Terms of Reference</b>	<p>EC shall have the following powers to take such decisions as may be required for the smooth functioning of the operations of the Company. Any decision beyond the scope of the EC would be put up to the Board for approval.</p> <ul style="list-style-type: none"> <li>• Opening of Bank Accounts</li> <li>• Modification – Addition/ Deletion of Signatory with Banks.</li> <li>• Availing Net Banking facilities.</li> <li>• Availing Overdraft facility with the bank.</li> <li>• Opening of New Branch for microfinance operations.</li> <li>• Any other powers as may be decided by the Board from time to time.</li> <li>• Raising of loans per transaction up to Rs. 10 cr.”</li> </ul>

**4. Nomination and Remuneration Committee (NRC)**

<b>Chairman</b>	The Chairman of the Nomination and Remuneration Committee (NRC) shall be Non-Executive Director and who is elected by the members of the NRC.
<b>Composition</b>	The Nomination and Remuneration Committee shall consist of such number of members as may be determined by the Board.  The Head of HR shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the HRC.
<b>Meetings &amp; Quorum</b>	The HRC shall meet as and when required.  The quorum shall be either two members or one third of the members of the committee, whichever is greater.
<b>Scope</b>	The committee shall annually review performance of the Managing Director & CEO of the company by evaluating their performance in terms of the corporate goals and objectives.  The scope of Nomination and Remuneration Committee is;  <ul style="list-style-type: none"> <li>• To formulate a criteria for determining qualifications, positive attributes and independence of a Director.</li> <li>• To ensure 'fit and proper' status of proposed/existing Directors</li> <li>• To recommend to the Board the appointment and removal of Senior Management.</li> <li>• To carry out evaluations of Director's performance and recommend to the Board appointment/removal based on his/her performance</li> <li>• To make recommendations to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors' remuneration and incentive.</li> <li>• To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time, including the suspension or termination of service of an Executive Director as an employee of the company subject to the provision of the law and their service contract.</li> <li>• Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.</li> <li>• To devise a policy on Board diversity</li> </ul>

**5. Risk Management Committee (RMC)**

<b>Chairman</b>	The Chairman of the Risk Management Committee (RMC) shall be either Executive Director or Non-Executive Director.
<b>Composition</b>	<p>The Risk Management Committee shall consist of such number of members as may be determined by the Board.</p> <p>The Head of Operation shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.</p>
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the HRC.
<b>Meetings &amp; Quorum</b>	<p>The RMC shall meet at least four times in a year. The Committee shall also meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the committee, whichever is greater.</p>
<b>Scope</b>	<ul style="list-style-type: none"> <li>• To take strategic actions to mitigate the risk associated with the nature of the business.</li> <li>• Reviewing the Risk Management Strategy and Policy before being approved by the Board and assessing its effectiveness on a continuous basis.</li> <li>• Reviewing the Credit Risk Policy including the risk acceptance criteria, identification of early warning signals, reviewing loan loss provisioning and write off policies, and the reports by the credit risk committee of executive management.</li> <li>• Reviewing operational risk events that occurred during the quarter and the systemic improvements taken/proposed by the Executive Committee of Management to deal with operational risk.</li> <li>• To lay down procedures to inform Board Members about risk assessment and minimization procedures.</li> </ul>

**6. Compensation Committee (CC)**

<b>Chairman</b>	The Chairman of the Compensation Committee (CC) shall be Non-Executive Director and who is elected by the members of the NRC.
<b>Composition</b>	<p>The Compensation Committee shall consist of such number of members as may be determined by the Board.</p> <p>The Head of HR shall be present as invitee for the meeting. Further the committee may also invite such Company executives, as it considers appropriate.</p>
<b>Secretary</b>	The Company Secretary of the Company shall act as Secretary to the HRC.
<b>Meetings &amp; Quorum</b>	<p>The CC shall meet as and when required.</p> <p>The quorum shall be either two members or one third of the members of the committee, whichever is greater.</p>
<b>Scope and Power delegated to Compensation Committee (CC)</b>	<p>CC shall-</p> <ol style="list-style-type: none"> <li>i. ensure compliance of all regulatory requirements;</li> <li>ii. meet at such time and place as may be necessary and convenient for the purpose of taking decisions to administer the scheme effectively.</li> <li>iii. Recommend to the board of directors of the company to make grants from time to time.</li> <li>iv. Supervise transfer of shares to eligible employees by Trust.</li> </ol> <p>CC has the powers to take decision in the following matters as may be required for the smoothing functioning of the scheme. Any decision beyond the scope of the EC would be put up to the Board for approval.</p> <ol style="list-style-type: none"> <li>i. Lay down the criteria for being regarded as eligible employees.</li> <li>ii. Determining the Employees amongst the categories of Employees to whom the Options are to be granted</li> <li>iii. Approving the appraisal process followed by the management of the company so as to factor the result of such process suitably while carrying out the grant.</li> <li>iv. Determining the number of options per eligible employees depending upon his category, no. of years of his service, rank and grade.</li> <li>v. Determine the term and conditions subject to which the options granted would vest in the Employee.</li> <li>vi. Determine the date of Vesting of the options.</li> <li>vii. Determining the terms and conditions subject to which vested option can be exercised by eligible employees.</li> <li>viii. The number of options to be reserved, if any, for accommodating new employees who may join the services of the company after commencement of the scheme subject to their eligibility.</li> </ol>

	<p>ix. Determining any issue relating to unvested options, expired options and such other matter as the board of directors of the company may from time to time entrust to CC.</p> <p>x. Determining the suitable adjustment to be made for Grant of Option or for cancellation of Vested Option, before or after exercise, in case of eligible employee who are on long sanctioned leave.</p> <p>xi. Determining the circumstances in which and the extent to which, Vested Options, before and after exercise, would lapse or are liable to be cancelled, upon termination of employment on account of resignation or indiscipline or misconduct or for other reasons such as loss or damage to life and property or persistent defaults arising from negligence or otherwise, persistent under performance or part performance caused by an Options Grantee. Provided cancelling exercised options before actual issue of shares against such options shall require prior approval of the Board of Directors.</p> <p>xii. Framing suitable policies and systems to ensure that there is no violation of SMPL Code of Conduct applicable for SMPL employees by any eligible employee.</p> <p>xiii. Approving re-issue of forfeited/ lapsed/ cancelled Options.</p> <p>xiv. Deciding the procedure for making reasonable adjustment to grant size and /or Exercise Price of options in the case of any intervening corporate action such as bonus issue, rights issue, share split, sub-division, consolidation of shares, merger, acquisition, demerger, sale of division or undertaking. For this purpose, the CC may consider the following factors;</p> <ol style="list-style-type: none"> <li>a. the number and price of the ESOS shares shall be adjusted in a manner that the total values of ESOS shares remains the same after the said corporate action;</li> <li>b. the vesting period and the life of the Options shall be left unaltered as far as possible to protect the rights of the option holders.</li> </ol> <ul style="list-style-type: none"> <li>• To advise the Trust on matters that may arise in the course of implementation of the scheme through the Trust effectively.</li> <li>• To remove difficulties and to settle all issues that may arise in connection with any question relation to the scheme. Provided the decision of CC shall be final and binding upon any Eligible Employee who may be aggrieved as a result of anything done or omitted to be done under the scheme.</li> </ul>
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