

Policy

Internal Guidelines for Corporate Governance - J.P. Morgan Securities India Private Limited

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1. Summary or Rationale

It is extremely significant to have a good corporate governance practices for the proper conduct of the Company. Corporate governance means the manner in which a Company conducts its business. Corporate governance depicts the culture, values, policies followed in the day- to -day conduct of the business with the people within and outside the organization.

JPMorgan as a group has tradition of integrity on which it is built and places the utmost importance in the conduct of the business based on ethical values and integrity. It promotes an environment of high degree of transparency and relevant disclosures to all its stakeholders. Corporate Governance is a continued focus at JPMorgan.

Corporate Governance is the key to protecting the interests of the stake-holders in the corporate sector. Its universal applicability has no exception to the Non-Banking Financial Companies (NBFCs) which too are essentially corporate entities.

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI had, on May 8, 2007 and July 11, 2007, issued guidelines on Corporate Governance. In pursuance of the aforesaid Guidelines, the Company had framed the following internal Guidelines on Corporate Governance. Further, RBI vide Circular No. RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015, made certain amendments to the Guidelines issued earlier.

The purpose of this policy is to set out the minimum standards which RBI expects NBFCs to adopt in respect of their corporate governance. These guidelines lay down the corporate governance measures to be followed by JPMSI. These guidelines are to be read in conjunction with “Non-Banking Financial (Non - Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (hereinafter referred as “the Prudential Norms”) and all the circulars, directions, instructions issued by the RBI for Systemically Important Non-Deposit taking NBFCs (NBFC-ND-SI).

2. Scope

Legal Entities	J.P. Morgan Securities India Private Limited
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3. Board of Directors (BoD)

It is the primary responsibility of the BoD to ensure overall compliance with the corporate governance of the Company. The principal functions of the BoD are to oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance with law and the Company’s code of conduct; to review the major strategic, financial and other objectives of the Company; and to nominate directors and evaluate the structure and practices of the BoD to provide for sound corporate governance. The BoD accomplishes these functions acting directly and through its Committees.

3.1 Size of the Board

The number of directors shall not be less than two and shall not exceed fifteen at any time.
Responsibility of BoD

Apart from ensuring the functioning of JPMSI is in line with all applicable laws, regulations directions/ circulars/ instructions and statutes, the BoD would also have the responsibility to maintain an

environment encouraging ethical values and integrity. In order to achieve this, the BoD broadly should:

- approve the objectives, strategies and business plans and ensure that performance against plans is regularly reviewed, with corrective action taken as needed.
- approve annual budgets.
- ensure that the internal control systems in place are effective and that JPMSI's operations are properly controlled and comply with policies approved by the BoD as well as applicable laws and regulations.
- demonstrate consistently through their actions and behavior that they have a strong commitment to implementing an effective control environment.
- establish policies and procedures to ensure compliance with ethical values and integrity.
- have in place a comprehensive risk management process to identify, measure, monitor and control various types of risks faced by JPMSI.
- establish policies, procedures and controls to manage the various risks faced by JPMSI, including those risks identified by RBI.

The Directors shall act in accordance with the duties as provided under the Act and the Independent Directors (if any) shall abide by the Code for Independent Directors under Schedule IV of the Act.

3.2 Legal Obligations / Duties of BoD

All the members of the BoD share responsibility and accountability for ensuring that management discharges the functions in a prudent, professional and competent manner and in conformity with the law.

The BoD has many legal obligations, either imposed by all applicable law or statutes. However, the various duties broadly comprises as below:

3.2.1 Under Companies Act, 2013

- shall act in accordance with the articles of the 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, the community and for the protection of environment,
- shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment
- shall ensure that he/ she does not involve in a situation in which he/ she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.
- shall ensure that he/ she shall not achieve or attempt to achieve any undue gain or advantage either to himself / herself or to his/ her 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.
- shall ensure not to assign his office. Any assignment so made shall be void.

If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

3.2.2 Fiduciary

- shall act honestly and in good faith for the benefit of JPMSI ;
- must not act beyond the power conferred by JPMSI ;
- must guard against a conflict of interests in dealing JPMSI ;
- shall not use the property of JPMSI or any privileged access to information by virtue of his position for his personal advantage; and
- must apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience.

3.2.3 Duty of Care

- In terms of duty of care, directors are expected to administer the affairs of JPMSI diligently.

The BoD shall also be accountable during the on-site and off-site inspections conducted by the regulators from time to time, primarily being RBI for JPMSI.

4. Governance of Meetings of the Board of Directors:

Meetings of the Board of Directors should have appropriate governance as described.

4.1. Frequency of Meetings

A minimum number of four meetings every year will be held of the BoD in such manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board. However, for any urgent matters, a meeting of the BoD may be called as and when required.

4.2. Notice of Meetings

The meetings should be called upon giving not less than seven days notice. However, it is at the discretion of the BoD to receive and accept a shorter notice.

4.3. Agenda of the Meetings

The agenda for the Board & Committee Meetings should be sent to the BoD at least seven days prior to the Meeting. However, the BoD reserves the discretion to receive a shorter notice. All material, information and documents relevant for the meeting should be circulated to the BoD prior to the meeting either physically or electronically to facilitate informed decisions at the Meeting except for any confidential information which may be provided only at the meeting. However, it is at the discretion of the BoD to receive and accept the agenda at a shorter notice.

Each member of the Board reserves a right to recommend/suggest any items to be included in the agenda which may be included at the discretion of the Chairman.

4.4. Resolution by Circulation

The BoD may pass a resolution by circulation as per the applicable provisions of the Companies, Act, 2013 for immediate matters that need to be resolved before the next scheduled Board meeting of the Company. In the event, not less than one-third of the total number of directors of the Company for the time being require that any resolution under circulation must be decided at a meeting, then the Chairperson should put the resolution to be decided at a meeting of the Board.

5. Governance and Constitution of the Committees:

In order to discharge the function of corporate governance effectively, JPMSI has constituted the following Committees. All the Committees operate as per its terms of reference which is approved by the BoD.

5.1 Asset Liability Committee (ALCO)

An ALCO is required to be constituted to discharge the function of monitoring the asset liability gap and strategize action to mitigate the risk associated. The ALCO should operate as per its terms of reference and the same shall be reported to the BoD as part of the ALCO minutes.

5.2 Audit Committee (AC)

An NBFC having assets of Rs. 50 crore and above as per its last audited balance sheet is required to constitute an AC consisting of not less than three members of its BoD. The AC of JPMSI was constituted on September 26, 2001 in accordance with paragraph 11 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007. As per the terms of reference, AC should meet as frequently as may be required but at least once in a quarter. The minutes of the AC should form part of the Agenda for the BoD meetings for the review of the BoD.

5.3 Nomination & Remuneration Committee (NRC)

In order to ensure 'fit and proper' status /credentials of the proposed/existing Directors of the Company, RBI had advised NBFCs to constitute a NC. JPMSI had resolved at its meeting of the BoD held on March 26, 2008 that the BoD themselves will discharge the function of the Nomination Committee. The BoD had approved the proposal of not constituting a separate Nomination Committee since JPMSI belongs to the JPMorgan group, the persons to be nominated as Directors would normally be employees / officers of the JPMorgan group and proper employee screening policies and procedures were in place and adhered to prior to hiring any employee. However, this was re-considered by the BoD at its meeting held on October 6, 2010 and decided to constitute a separate committee. Accordingly, the NC was constituted on October 6, 2010.

With the issue of non-convertible debentures in November 2015, the Company was regarded as a listed entity under the Companies Act and therefore the nomenclature of the Committee was changed from 'Nomination Committee' to 'Nomination & Remuneration Committee' to comply with the provisions of Companies Act, 2013.

The NRC shall meet at such other times as and when the need arises.

5.4 Risk Management Committee (RMC)

As per the RBI regulations, the RMC is required to be constituted in addition to ALCO to manage the integrated risk in this category of NBFCs. JPMSI had resolved at its meeting of the BoD held on March 26, 2008 that the functions of the Risk Management Committee would be discharged by the BoD itself. In view of this, the BoD approved the proposal of not constituting a separate Risk Management Committee. However, this was re-considered by the BoD at its meeting held on October 6, 2010 and decided to constitute a separate committee. Accordingly, the RMC was constituted on October 6, 2010.

5.5 Corporate Social Responsibility (CSR) Committee

The CSR Committee is a statutory committee formed pursuant to Section 135 of the Companies Act, 2013. The Committee is responsible for the Company's CSR and Philanthropic strategy, administering CSR activities and ensuring compliance with the Companies Act 2013 and Rules, J.P. Morgan's global philanthropic priorities and programs and J.P. Morgan India's business priorities. The CSR Committee was constituted on June 12, 2014 and operates as per its terms of reference.

5.6 Anti-Sexual Harassments Complaints Committee (SHCC)

As per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ('the Act'), the BoD at its meeting held on June 12, 2014 approved the constitution of SHCC in order to comply with the provisions of the Act. The SHCC shall operate as per its Charter which is approved by the BoD.

5.7 Credit & Investment (CIC) Committee

Due to the increasing number of loan/facility proposals in the Company, the BoD at its meeting held on November 11, 2016 approved the proposal to constitute CIC which will be a sub-committee of BoD pursuant to Sec 179 of Companies Act, 2013. Section 179 of Companies Act 2013 authorizes the BoD to delegate its power to grant loans or give guarantee or provide security in respect of loans/ to any other committee of the Board.

The mandate of the Committee is to consider loan and investment proposals which entail booking of credit and investment exposure to JPMSI.

6. Enforcement Roles & Responsibilities:

The following are the various mechanisms for the enforcement of these guidelines:

6.1 Role of Compliance

The Compliance Officer/ Company Secretary will play a primary role in discharging sound implementation of various corporate governance practices in the various areas of the business. Adherence with the RBI regulations/directions/ circulars/ instructions etc and putting sound checks to ensure best practices are being followed for the corporate governance will be a primary role of Compliance Officer/ Company Secretary .

6.2 Audit

JPMSI should have an external auditor and an internal audit function. The BoD should recognize the importance of the audit process and also review carefully and make use of, in a timely and effective manner, the findings of both internal and external auditors. The deliberations of the BoD on whether or not the auditors' recommendations are accepted should be documented so that audit recommendations are properly dealt with. Where the review is carried out by an AC, key issues should be brought to the BoD's attention. The BoD should review periodically, the progress in resolving problems raised by auditors.

6.2.1 External Audit

External auditors play an important role in the corporate governance structure. The BoD should control the selection of external auditors.

6.2.2 Internal Audit

Internal auditors also have an important role to play. They normally assist the BoD on a continuing basis by performing the following duties:

- reviewing operating procedures to ensure that they incorporate adequate controls and comply with policies approved by the BoD;
- reviewing and testing operations regularly to ensure that internal controls are functioning properly; and
- helping management develop appropriate solutions to problems.

The following submissions would be made to the Board of Directors by the internal audit department on a periodic basis:

- The overall plan of audit coverage for the year (on an annual basis) and key changes thereto, if any.
- Results of the audits conducted during the year.
- Summary of key audit issues noted relevant to the controls environment of JPMSI.
- Status of previously identified issues. (Until closure).

Internal auditors should have unfettered access to the BoD or its Audit Committee, so that they can report their findings directly.

The Company shall follow the guidelines issued by RBI from time to time in relation to auditors of the Company.

6.3 Implications of Non – Compliance

Any failure on the part of BoD in discharge of any the aforesaid mentioned obligations shall make them liable as may be prescribed under the applicable law/ statute/ regulations/ circulars/ directions instructions etc. as the case may be.

6.4 Accounting Year

The accounting year for JPMSI should be from April 1 to March 31 every year.

6.5 Validity

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

Legal Obligations or Guidance

Legal Obligations or Guidance	<ul style="list-style-type: none">• RBI vide Circular No. RBI/2014-15/552 DNBR (PD) CC.No. 029/ 03.10.001/ 2014-15 dated April 10, 2015• Companies Act, 2013
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7 Document Information

Procedure Owner / Primary Contact / Secondary Contact/Procedure Manager	Ketki Bhogle Assistant Vice President			
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