



Corporate Governance Policy



Sonata Finance Pvt. Ltd.



Version 1- July 2015- for Approval of the Board



1. Company's Philosophy on Corporate Governance

SONATA Finance Pvt. Ltd. (the "Company" / "SONATA is a NBFC-ND-SI (Non Banking Financial Company- Non Deposit taking- Systemically Important) categorized as an Micro Finance Institution registered with Reserve Bank of India and is a financial conglomerate of immense repute and of high regard.

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. 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.

Corporate Governance for the Company is the 'way of the life' in the Company and there exists evidence enough through the policies, and procedures laid down by the Company, about its commitment to the same.

The Company ensures good governance through the implementation of effective policies and procedures, which is mandated and regularly reviewed by the Board or the committees of the members of the Board.

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 Company also complies with the existing Reserve Bank Governance Guidelines for NBFCs (MFI), as last summarized by RBI in its Master Circular dated June 03, 2015.

The need for adoption of good corporate governance practices continues to engage the 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. Corporate Governance

A. Regulators

SONATA, being a company incorporated under the provisions of the Companies Act, 1956 and exist within the purview of the Companies Act, 2013 and registered with Reserve Bank of India (RBI) as Non Banking Financial Company- Micro Finance Institution (NBFC-MFI) is regulated by two regulators, i.e. Ministry of Corporate Affairs (MCA) and RBI.

The Non Convertible Debentures of SONATA are listed on Bombay Stock Exchange of India Limited (BSE) Limited. In view of this, the affairs of SONATA are also regulated by regulation prescribed by Securities and Exchange Board of India (SEBI) and BSE.



B. Shareholders

The shareholders of SONATA include Domestic and Foreign Institutional Investors. SONATA is boasted of marquee socially focused investors viz. MSDf, IFIF, Creation Investments, Bellwether Microfinance Fund and SIDBI. Swaminathan Ankaleshwar Aiyar a renowned economist and columnist is also an investor.

Shareholders shall be informed of details regarding the appointment or re-appointment of a Director. Half yearly results and presentations made by the Company to analysts shall be put on the Company's web-site.

C. Board of Directors

SONATA has got a pool of very dynamic and effective Board members who not only have apt qualifications but also have in store a good experience in the sphere of microfinance, banking, technology, finance and social performance management. Each member of the board has the expertise in a different field.

The Board of the Company is elected by and is responsible to the shareholders. SONATA's business is conducted by its employees, managers and officers, under the direction of the Managing Director & Chief Executive Officer (MD & CEO), with the oversight of the Board to enhance the long-term value of the Company for its shareholders. The Board monitors the performance of the MD & CEO to assure that the long-term interests of the shareholders are being served.

The Board of SONATA is involved in strategy formulation and also approves the business plan of Sonata. The senior Management team updates the Board regularly on operations and key developments in each department. There are specific verticals for each function. Sonata conducts Board Meetings and maintains board meetings minutes. The Board along with its constituted Committees provides direction and guidance to the Company's Leadership Team and further direct, supervises as well as reviews the performance of the Company.

In addition to the aforesaid, the Board periodically reviews the compliances of all applicable laws in the Company as well as steps taken by the Company to rectify the instances of non-compliance, if any.

The MD & CEO is responsible for the execution of strategy and the day-today management of SONATA, and is supported by a team of senior executives.

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.

D. Composition of the Board of Directors



As per provisions of the Act and Article 18 of the Articles of Association of SONATA, the Board of SONATA will have at all times a minimum of 2 (two) Directors and the total number of Directors shall not be more than 8 (Eight).

The current Board of SONATA comprises 7 (Seven) Directors, including 3 (three) Independent Directors, 3 (three) nominees of financial institutions which had extended financial assistance to the Company including 1 (One) nominee represented by SIDBI, and 1 (one) Executive Director. The Investors holding minimum equity percentage in the paid up Share Capital of the Company has the right to appoint One Nominee in the Board in accordance with existing Articles of Association of the Company. No Director (or his/ her Alternate Director) is required to hold any Securities in the Company to qualify as a Director of the Company.

The Chairman of the Board is an Independent Director and is appointed for a period of 1 (one) year at a time and shall be rotated amongst the non-executive Directors as may be decided by the Board.

The composition of the Board is in conformity with the existing Articles of Association of the Company. The Board meets atleast 4 (Four) times a year in such a manner that not more than (120) one hundred and twenty days intervenes between two consecutive meetings of the Board.

The Board of SONATA ensures that Nominee Director nominated by Shareholder shall not be:

- (a) in the list of wilful defaulters as published by the Credit Information Bureau (India) Limited pursuant to the directions of the Reserve Bank of India from time to time; and
- (b) disqualified to discharge his duties as a director with respect of any Applicable Law.

In the event if any Nominee Director appears on the list of wilful defaulters, the Company is required to notify the relevant Shareholder in writing and the relevant Shareholder shall ensure to take corrective action, including, if necessary, replacement of such Director, within 30 (thirty) Days of receipt of such notice.

E. Duties of Board of Directors

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 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, 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.



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- (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.

F. Board Process

The Board is presented with relevant information on various matters relating to the working of the Company especially those that require deliberation at a strategic level, ahead of each Board meeting. All statutory and material information is placed before the Board to enable them in effective and efficient decision-making. The functional heads are invited to the Board and Committee meetings to appraise the Board on various issues concerning the operations of the Company.

a) Periodic Reporting to Board

In addition to the aforesaid, the following reports/documents/information are submitted to the Board for its noting and/ or approval.

- i. Annual operating plans/ budgets;
- ii. Capital budgets and any updates;
- iii. Quarterly results of the Company and its operating divisions or business segments;
- iv. Minutes of meetings of the Audit Committee and other Committees of the Board;
- v. The information on recruitment and remuneration of senior officers just below the Board level, including appointment/ removal of the Chief Financial Officer and the Company Secretary;
- vi. Show-cause/ demand/ prosecution and other notices, which are materially important;
- vii. Any material default in financial obligations to and by the Company;
- viii. Any issue which involves possible public or product liability claims of substantial nature;
- ix. Details of any joint venture or collaboration agreement;
- x. Any significant development in Human Resources;
- xi. Details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material;
- xii. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

b) Event based businesses requiring Board Approval

Additionally, following list of items of business shall be placed before Board of SONATA as and when the need arises:-



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- a. Calls on shareholders in respect of money unpaid on their shares.
 - b. Issue of debentures.
 - c. Borrowing money otherwise than by issue of debentures.
 - d. Investing the funds of the company.
 - e. Making loans.
 - f. Filling casual vacancies in the office of Directors.
 - g. Making donation to political parties.
 - h. Granting loans to Directors.
 - i. According sanction for specified contracts in which one or more Directors are interested and to sign the Register of Contracts.
 - j. Disclosure of interest by a Director.
 - k. Receiving notice of disclosure of Directors' interest.
 - l. Receiving notice of disclosure of Directors' shareholdings.
 - m. Appointment or Resignation of Managing Director or Whole-time Director or Manager.
 - n. Appointment and removal of the Chief Financial Officer and the Company Secretary.
 - o. Appointment of sole-selling agents.
 - p. Making a declaration of solvency where it is proposed to wind up the company voluntarily.
 - q. Forfeiture of shares.
 - r. Taking note of the quarterly financial results.
 - s. Approving the half-yearly financial results.
 - t. Noting Minutes of Meetings of Committees of the Board.
 - u. Quarterly results for each operating division or business segment.
 - v. Annual operating plans and budgets.
 - w. Any material default in financial obligations.
 - x. Non-compliance of any regulatory / statutory provisions or listing requirements.
 - y. Sale of investments, subsidiaries or assets which is not in the normal course of business.
 - z. Show cause notices, prosecutions and penalty notices of material nature.
 - aa. Any material effluent or pollution problems, industrial accidents, labour problems, signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
 - bb. Any issue which involves possible public or product liability claims.
 - cc. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
 - dd. Foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movements.
 - ee. Information on recruitment and remuneration of senior officers and transfers or resignations.
 - ff. Details of any joint venture or collaboration agreement.
 - gg. Report of the Compliance Officer regarding share transfer process and analysis of movement of bulk transfers
 - hh. Material liability – legal or contractual
 - ii. Fixed deposit advertisements
 - jj. Certificate regarding compliance with various applicable laws
 - kk. Events which are significant or have material commercial / financial implications, such as:
 - (a) strikes, lockouts, lay-off, closure of units/factory, etc.;
 - (b) change in the general character or nature of business;
 - (c) major expansion plans or execution of new projects;
 - (d) disruption of operations due to natural calamity or Act of God;



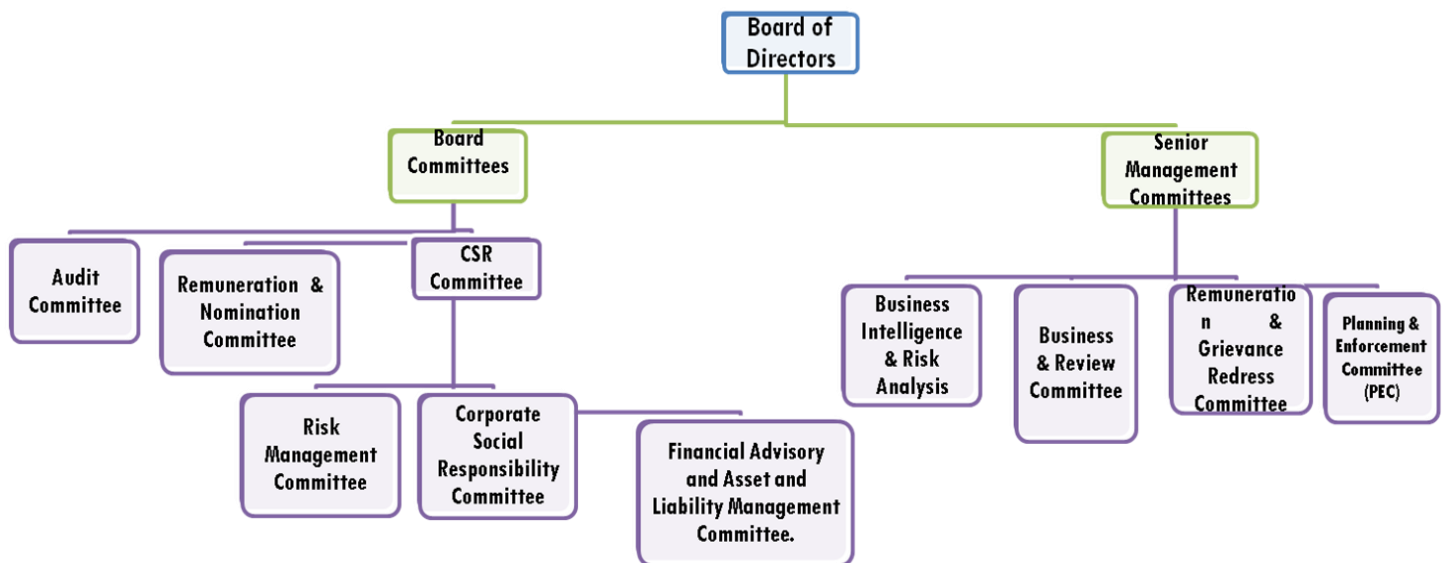
- (e) commencement of commercial production / commercial operations;
- (f) developments with respect to pricing/realisation arising out of change in the regulatory framework;
- (g) litigation / dispute with a material impact;
- (h) revision in ratings assigned by credit rating agencies;
- (i) issue of any class of securities;
- (j) acquisition, merger, demerger, amalgamation, restructuring, scheme of arrangement, spin off of divisions of the company;
- (k) change in market lot and sub-division of equity shares of the company;
- (l) voluntary delisting of securities from the Stock Exchange(s);
- (m) default in the repayment of any deposits or redemption of any securities including debentures and in payment of interest, if any, due thereon;
- (n) any action which will result in alteration in the terms regarding redemption / cancellation / retirement in whole or in part of any securities issued.
- (o) information regarding opening, closing of status of ADR, GDR or any other class of securities issued abroad
- (p) cancellation of dividend / rights / bonus, etc.;
- (q) formation of a subsidiary company and/or de-subsidiarisation of an existing subsidiary company

G. Committees of the Board

In compliance with the applicable provisions of the Act, and the RBI guidelines on Corporate Governance 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.

A pictorial representation of Board Committees of SONATA is given below:





1. Audit Committee

SONATA has in place the Audit Committee in accordance with the provisions Section 292A of the Companies Act, 1956. SONATA has adopted and implemented the provisions of the Section 177 of the Companies Act, 2013 and RBI circular on Corporate Governance.

The Committee is established by the Board of Directors of SONATA with the view to assist the Board in fulfilling its oversight responsibilities. The Audit Committee is formed with basic object to review and monitor the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, and half yearly and annual financial statements before approval of the Board.

Chairman	The Chairman of the Audit Committee shall be an Independent Director and who is elected by the Board.
Composition	<p>The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.</p> <p>All members of the committee shall be financially sound and at least one director shall have accounting or related financial management expertise.</p> <p>The statutory auditors, internal auditors and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the Auditor's report but shall not have right to vote.</p> <p>The Audit Committee may invite such of the executives, as it appropriate (and particularly the head of the Accounts, Treasury, Finance etc.) and Statutory, Internal Auditors or representative of auditors to be present at the meeting.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<p>The Audit Committee shall meet at least Twice times in a year.</p> <p>The Committee shall also meet as and when a fraud has been detected.</p> <p>The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be One Independent member present.</p>
Meeting Minutes	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of reference	Annexure 1



2. Risk Management Committee

With a view to complying with the requirements under the Code of Corporate Governance framed by the RBI, the Board has set up the Risk Management Committee for monitoring the risk and to strategize action to mitigate risks associated with the Company.

Composition	The Committee shall consist of such number of members as may be determined by the Board. Present Membership:- <ul style="list-style-type: none"> ▪ Mr. Vishal Bharat, Nominee Director ▪ Mr. Anup Kumar Singh, CEO & Managing Director-Member ▪ Mr. Ashutosh Chaturvedi –Risk Head- Member ▪ Mr. Bramhanand, Finance Head of the Company-Member ▪ Mr. Mithun Bose- Treasurer of the Company- Member
Chairman	The Board shall appoint a Chairman of the Committee. Presently, Mr. Vishal Bharat acts as the Chairman of the Committee, in case of absence of Mr. Vishal Bharat, Mr. Anup Kumar Singh, CEO of the Company serving on the committee shall be appointed as Chairman for the said meeting.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The meetings of RMC shall be atleast four times of year in person or telephonically at any time upon serving atleast 5 business days prior notice to the members. Additional meeting may be convened if need be to the Committee. Various officers and executives, who are responsible for the day to day management or risk, can be invited to attend the meeting of the Committee to provide it with relevant input and reporting. Quorum of the Committee shall be atleast two (2) members one of them shall be any one from Mr. Vishal Bharat or Mr. Anup Kumar Singh.
Meeting Minutes	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of reference	Annexure 3

3. Financial Advisory & Asset Liability Management Committee

In compliance with the requirements under the Guidelines on Corporate Governance framed by the RBI and as provided in the Companies Act, 2013 the Board has re constituted two Committees the Asset Liability Management Committee and Financial Advisory Committee as one internal Committee.

The Board of SONATA has delegated its power of borrowings and evaluation, monitor and approval practices relating to risk due to imbalances in the capital structure.

Chairman	The members of the Committee may elect Chairman from the committee.
Composition	The Committee shall consist of such number of members of Board and Key Managerial Personnel as may be determined by the Board.



	CEO shall act as the one of the Members to the Committee.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The presence of Shri Anup Singh shall be mandatory at all times with quorum of at least as 3/4 th or three members whichever is higher
Meeting Minutes	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of reference	Annexure 2

4. Remuneration and Nomination Committee

SONATA has Remuneration and Nomination Committee in place to ensure that the best corporate governance practices are put in place in the Company in line with RBI guidelines of Corporate Governance applicable to certain class of NBFCs.

The Committee was derived from the merger of two independent Board Level Committees viz. Compensation Committee and Nomination Committee. The Board w.e.f July 30, 2015 decided to combine them as the majority of members in the two Committees are same.

Chairman	The Chairman of the Committee shall be an Independent Director and who is elected by the Board.
Composition	The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors. CEO shall also act as the one of the Members to the Committee.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<p>The Committee shall meet atleast once in a year and as frequently as circumstances dictate. Meetings of the Committee may be held in person or telephonically at any time.</p> <p>The Committee shall also meet with the Human Resources Head or any other corporate officers, as it deems appropriate. However, the Committee shall meet regularly without such officers present, and in all cases such officers shall not be present at meetings at which their performance and compensation are being discussed.</p> <p>All non-management directors who are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite other persons to its meetings as it deems appropriate.</p> <p>The quorum shall be at least two Directors</p>



Meeting Minutes	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of reference	Annexure 4

5. Corporate Social Responsibility Committee

SONATA has put in place Corporate Social Responsibility Committee pursuant to the requirement under Section 135 of the Companies Act, 2013, w.e.f November 15th 2013.

Chairman	The members of the Committee may elect Chairman from the committee.
Composition	The Corporate Social Responsibility Committee shall consist of a minimum three directors and at least one shall be an independent director.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet as and when required. The quorum shall be at least two members of the Committee.
Meeting Minutes	Minutes of the meetings of shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
Terms of reference	<ul style="list-style-type: none"> • to formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII; • to recommend the amount of expenditure to be incurred on the activities referred to above; • to monitor the Corporate Social Responsibility Policy of the company from time to time and • To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

H. Fair Practices Code

Pursuant to the guidelines on Fair Practices Code issued by Reserve Bank of India, the Company has adopted a policy on Fair Practices Code which is posted on the website of the Company and also a regular review on the implementation of the same is conducted by operating committee members.

I. Code of conduct

The Company has adopted a code of conduct for employees of the Company and due care is taken that the employees adhere to it. The copy of Code of Conduct of the Company is published on the website both in English and Vernacular language.

J. Compliance Officer

The Head – Legal & Compliance shall be the Compliance Officer of the Company.



K. Statutory Auditors

The Statutory Auditors of the Company shall be appointed in terms of provisions under Companies Act, 2013, at the recommendation of Audit Committee.

SONATA shall rotate the partner/s of the Chartered Accountant firm conducting the audit, **every three years** 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 will be eligible for conducting the audit of the Company after an interval of three years, if SONATA, so decides. SONATA shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

L. Disclosures and transparency

SONATA shall require place following information before Board at regular intervals as may be prescribed by the Board in this regard:-

- Progress made in putting in place a progressive risk management system and risk management policy and strategy followed.
- Conformity with Corporate Governance Standards viz, in composition of various committees, their role and functions, periodicity of the meetings, and compliance with coverage and review functions etc.

SONATA shall also disclose the following in their Annual Financial Statements, with effect from March 31, 2015:

- i. registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- v. Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet
- vi. exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures, as per prescribed format of RBI.

M. Policies adopted by the Company

The following other policies have been framed and adopted by the Company, viz.

- a. KYC and PMLA Policy
- b. Grievance Redressal Policy
- c. Whistle Blower Policy
- d. Investment Policy
- b) Credit and Lending Policy



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- c) Policy against Sexual Harassment at workplace
 - d) Risk Management Framework Policy
 - e) The above policies may be reviewed from time to time.

N. Fit and Proper Criteria of Directors

- SONATA has put in place a policy with the approval of the Board of Directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. The policy on the fit and proper criteria shall be on the lines of the Guidelines prescribed by RBI.
- SONATA shall obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format prescribed by RBI;
- SONATA obtain a Deed of Covenant signed by the directors, which shall be in the format as prescribed by RBI;
- Compliance officer of SONATA shall furnish to the Reserve Bank a quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed.. The statement submitted by Company for the quarter ending March 31, should be certified by the auditors.



Annexure 1

Terms of Reference of Audit Committee

- a) To oversee the Financial Reporting Process and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible;
- b) Overseeing the hiring and performance of the Statutory Auditor and Recommending to the Board, audit fees payable to Statutory Auditors and approving payments for any other services;
- c) To discuss with the 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;
- d) To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- e) To review the functioning of the whistle-blower mechanism;
- f) Reviewing with management the periodic financial statements/results before submission to the Board, focusing primarily on:
 - matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (c) of sub-section 3 of section 134 of the Companies Act, 2013;
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgement by the management;
 - significant adjustments arising out of the audit;
 - compliance with accounting standards;
 - any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large;
 - Qualifications in the draft audit report;
- g) Reviewing the adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits;
- h) Discussion with internal auditors any significant findings and follow-up thereon;
- g) Reviewing the findings of any internal investigations by the internal auditors into the 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;
- i) Reviewing the Company's financial and risk management policies;
- j) To ensure that an **Information System Audit** of the internal systems and processes is **conducted at least once in two years** to assess operational risks faced by the Company.
- k) To carry out any other function as is mentioned in the terms of reference of the Audit Committee.



Annexure 2

Terms of Reference of Financial Advisory & Asset Liability Management Committee

- To review and monitor Company's borrowings from existing or new lenders.
- To explore the options available from banks & financial institutions for the lending, compare the earnings, approve the borrowings after considering the market scenario and other terms and conditions of the borrowings.
- To negotiate the terms and condition of lending with lenders and finally approve the same.
- To continuously review the fund requirement of Company on monthly and quarterly basis in accordance with the ongoing business plan (projections etc).
- To review the cash management and optimum utilisation of the funds available to the company at frequent intervals
- To review the fund position in each prescribed ALM buckets
- To report to the board of directors on a regular basis.



Annexure 3

Terms of Reference of Risk Management Committee

- To assist the Board in setting risk strategy policies in liason with management and in discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting.
- To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;
- To review and assess the nature, role, responsibility and authority of the risk management function within Sonata and outline the scope of risk management work
- To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
- To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
- To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risks facing Sonata
- To review the risk bearing capacity of Sonata in light of its reserves, insurance coverage, guarantee funds or other such financial structures.
- The Chairman of the RMC shall report to the Board of Directors regularly on the deliberations of the Committee.



Annexure 4

Terms of Reference of Remuneration & Nomination Committee

- a. To ensure fit and proper credentials of proposed/ existing Directors;
- b. To identify 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 their appointment and removal;
- c. To formulate criteria for evaluation of Independent Directors and the Board;
- d. the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment;
- e. To determine the revenue matrix, salary and bonus to be paid to Whole-Time-Director(s) or Managing Director of the Company;
- f. To determine the sitting fee to be paid to the members of the Board;
- g. To make recommendations to the Board with respect to the compensation to be paid to the Executive Directors
- h. To authorize to implement any matter in relation to the above functions/ powers; and
- i. To delegate any of the powers mentioned above to the executives of the Company.
- j. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws; and
- k. To 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.
- l. To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws;
- m. To review and approve corporate goals and objectives relative to the CEO's compensation,
- n. To evaluate the CEO's performance in light of these goals and objectives and establishing the annual compensation of the CEO, taking into consideration such evaluation,
- o. To approve the material terms of any employment agreements, severance arrangements, change-in-control arrangements or similar agreements or arrangements with the CEO and any material amendments thereto
- p. To review the administration of ESOP Schemes of the Company, determining the eligibility criteria, vesting conditions, grant of options, performance evaluation and recommending the same to the board.