



## Corporate Governance Policy

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## SONATA FINANCE PRIVATE LIMITED

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## **Company's Philosophy on Corporate Governance**

Sonata Finance Private Limited (the "Company") is a NBFC-ND-SI (Non- Banking Financial Company- Non-Deposit taking- Systemically Important) categorized as a Micro Finance Institution registered with Reserve Bank of India ("RBI").

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. Our objective is to enhance shareholder value continuously.

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 Board.

### **1. RBI Guidelines on Corporate Governance**

In order to enable NBFCs to adopt best practices and greater transparency in their operations, Reserve Bank of India has been issuing guidelines on Corporate Governance, from time to time. The guidelines for corporate governance have been specified by the Reserve Bank of India under Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time. In pursuance of the RBI Guidelines and to ensure proper Corporate Governance and transparency at all levels the Corporate Governance Policy of the company has been framed. The said Policy on Corporate Governance shall act as the framework for ensuring proper governance and any amendments in the relevant regulations shall have the overriding effect upon this policy

### **2. Corporate Governance**

#### **A. Regulators**

The company is incorporated under the provisions of the Companies Act, 1956/2013 and is registered with Reserve Bank of India (RBI) as Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI).

The company is regulated by Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI) and is also subject to regulations of the Securities & Exchange Board of India (SEBI) to the extent of Listing of Debt Instruments.

#### **B. Shareholders**

The shareholders of the company include Domestic and Foreign Institutional Investors. The company's investors include socially focused investors such as Michael & Susan Dell Foundation ("MSDF"), India Financial Inclusion Fund ("IFIF"), Creation Investments Social Ventures Fund I, Creation Investments Social Ventures Fund II, L.P. ("Creation Investments"), Caspian Impact Investment Adviser Private Limited as trustee of Bellwether Microfinance Trust ("Bellwether"), Caspian Impact Investments Private Limited ("Caspian"), SIDBI Trusteeship Company Ltd. A/c Samridhi Fund ("STCL"), Triodos SICAV II-



Triodos Micro Finance Fund, Triodos Custody BV in its capacity as custodian of Triodos Fair Share Fund (“Triodos”), Societe de Promotion et de participation pour la cooperation (“Proparco”) and SIDBI. Also, Mr. Swaminathan Ankaleshwar Aiyar a renowned economist and columnist is an investor. Apart from these the shares of the company are also being held by the employees of the company under the ESOP schemes.

Shareholders shall be informed of details regarding the appointment or re-appointment of Directors. All the information which is important to the Shareholders as an investor shall be shared amongst them and further the company shall place the important information pertaining to Financial results, Policies, Board’s Report and Code of Conduct on the official website of the company [www.sonataindia.com](http://www.sonataindia.com) .

### **C. Board of Directors**

The Company has a pool of very dynamic and effective Board members who not only have appropriate qualifications but also possess rich experience in various fields such as Microfinance, Banking, Information Technology, Finance and Social Performance Management.

The Board is responsible for overall compliance with Corporate Governance norms so as to oversee and direct the management of the company’s affairs and business effectively.

The Board of the Company is elected by and is responsible to the shareholders. The Company’s business is conducted by its employees, managers and officers, under the direction of the Managing Director (MD) of the Company, with the supervision of the Board to enhance the long-term value of the Company for its shareholders. The Board monitors the performance of the MD to ensure that the long-term interests of the shareholders are being served.

The Board of the Company is involved in strategy formulation and also approves the business plan on yearly basis. The Senior Management team updates the Board regularly on operations and key developments in each department. The Company Secretary conducts Board Meetings and maintains the records in a systematic manner. The Board along with its constituted Committees, provides direction and guidance to the Management Team and also directs, supervises and reviews the performance of the Company.

In addition, the Board periodically reviews the compliances of all laws applicable to the Company. The MD is responsible for the execution of strategies and the day-to-day management of the Company, and is supported by a team of senior executives.

In Compliance with Section 165 of the Companies Act, 2013 (‘the Act’), none of the Board Members of the Company holds or shall hold directorship in more than 20 Companies, subject to the limit of 10 Public Limited Companies, at any point of time.

### **D. Composition of the Board of Directors**

As per provisions of the Act and Articles of Association, the Board of Company will have at all times a minimum of 2 (two) Directors.

The Company has a professional Board comprising independent directors, nominee directors and an executive director. The Investors holding prescribed minimum equity percentage in the paid-up Share Capital of the Company have the right to appoint a Nominee Director on the Board in accordance with existing Articles of Association of the Company. No Director (or his/ her Alternate Director) is obligated to hold any qualification shares in the company. The composition of the Board may change in future pursuant to the new investors associating with the company, however the company is committed to follow all the norms,



as may be prescribed by the Reserve Bank or the Ministry of Corporate Affairs in this regard. Further the company ensures that any person who is being appointed as the Director do give such declarations and covenants as may be specified by the Reserve Bank of India and the appointment shall be made in the manner as may be specified by the Companies Act, 2013, as amended from time to time

The Chairman of the Board shall be elected by the Directors amongst themselves and shall be subject to such rotation as may be decided by the Board. The retiring Chairman shall however be eligible for re- appointment without serving any cooling period.

The composition of the Board shall always be in conformity with the existing Articles of Association of the Company. The Board shall meet at least 4 (Four) times in a year, in such a manner that the gap between 2 meetings of the Board does not exceed 120 days.

The Board of the Company shall ensure that Nominee Directors nominated by Shareholders shall not be:

- (a) in the list of willful defaulters as published by the Credit Information Bureau (India) Limited pursuant to the directions of the Reserve Bank of India from time to time;
- (b) disqualified to discharge his duties as a director with respect of any Applicable Law;
- (c) associated with any unincorporated body that is accepting deposits;
- (d) associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the Bank;
- (e) have criminal case, including for offence under section 138 of the Negotiable Instruments Act, against them

In the event of any Nominee Director's name appearing in the list of willful defaulters, the Company shall 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 and in accordance with the articles of association of the company, in order to promote the objects of the company for the benefit of its members as a whole, and in the best interest 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.
- (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 shall be 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 shall be placed before the Board to enable them in effective and efficient decision-making. The Board shall oversee compliance with all relevant policies and procedures by which the Company operates and ensure that the Company operates at all times in compliance with all applicable laws and regulations, adhering to the highest ethical and moral standards. The functional heads shall, as and when required, be invited to the Board and Committee meetings to appraise the Board on various issues concerning the operations of the Company.

### **a) Periodic Reporting to the Board**

In addition to the aforesaid, the following reports/documents/information shall be 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 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 directors of the Company as and when the need arises:

- a. Calls on shareholders in respect of money unpaid on their shares.
- b. Issue of securities, including debentures, whether in or outside India.
- c. To borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital, free reserves and securities premium, apart from temporary loans obtained from the company's bankers in the ordinary course of business.
- d. Filling casual vacancies in the office of Directors.
- e. Granting donation to political parties.
- f. Granting loans to Directors.
- g. According sanction for specified contracts in which one or more Directors are interested and to sign the Register of Contracts.



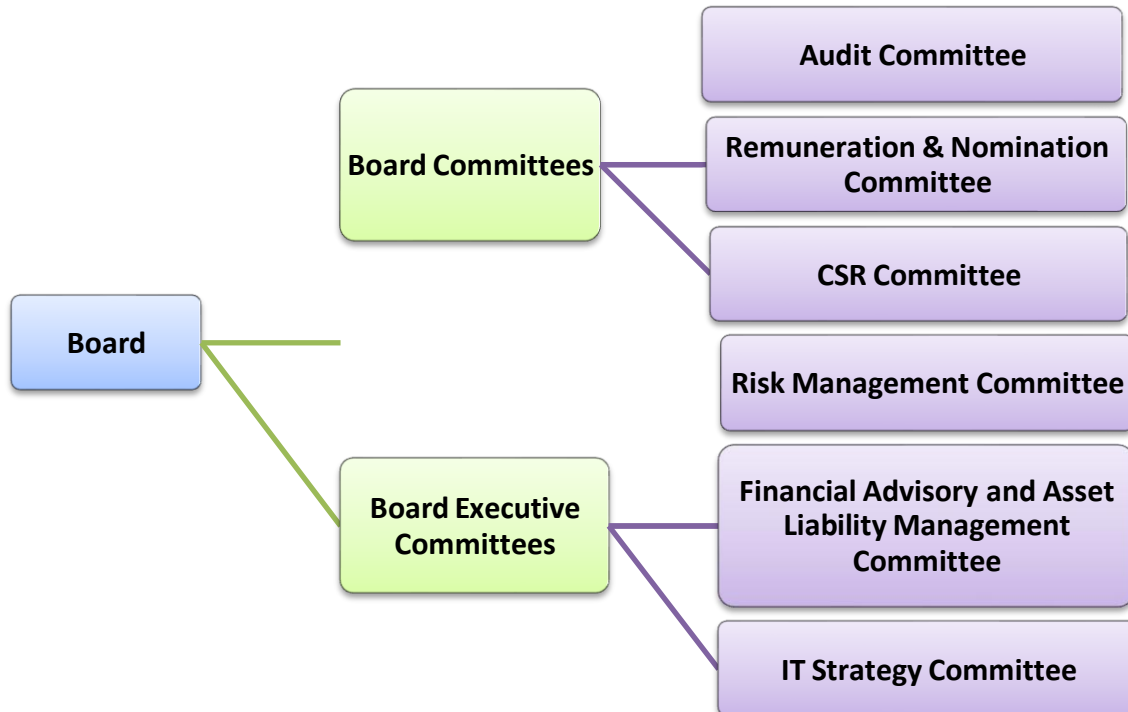
- h. Disclosure of interest by a Director.
- i. Receiving notice of disclosure of Directors' interest.
- j. Receiving notice of disclosure of Directors' shareholdings.
- k. Appointment or Resignation of Managing Director or Whole-time Director or Manager.
- l. Appointment and removal of the Chief Financial Officer and the Company Secretary.
- m. Making a declaration of solvency where it is proposed to wind up the company voluntarily.
- n. Forfeiture of shares.
- o. Taking note of the quarterly financial results.
- p. Approving the half-yearly financial results.
- q. Noting the financials that are supposed to be provided to the board
- r. Noting Minutes of Meetings of Committees of the Board.
- s. Quarterly results for each operating division or business segment.
- t. Annual operating plans and budgets.
- u. Any material default in financial obligations.
- v. Non-compliance of any regulatory / statutory provisions or listing requirements.
- w. Sale of investments, subsidiaries or assets which is not in the normal course of business. Show cause notices, prosecutions and penalty notices of material nature.
- x. Any material effluent or pollution problems, industrial accidents, labour problems, signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
- y. Any issue which involves possible public or product liability claims.
- z. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- aa. Foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movements.
- bb. Details of any joint venture or collaboration agreement.
- ag. Material liability – legal or contractual
- cc. Certificate regarding compliance with various applicable laws
- dd. Events which are significant or have material commercial / financial implications, such as:
  - i. change in the general character or nature of business;
  - ii. major expansion plans or execution of new projects;
  - iii. disruption of operations due to natural calamity or Act of God;
  - iv. developments with respect to pricing/ realization arising out of change in the regulatory framework;
  - v. litigation / dispute with a material impact;
  - vi. revision in ratings assigned by credit rating agencies;
  - vii. acquisition, merger, demerger, amalgamation, restructuring, scheme of arrangement, spin off of divisions of the company;
  - viii. change in market lot and sub-division of equity shares of the company;
  - ix. voluntary delisting of securities from the Stock Exchange(s);
  - x. default in the repayment of any deposits or redemption of any securities including debentures and in payment of interest, if any, due thereon;
  - xi. any action which will result in alteration in the terms regarding redemption / cancellation / retirement in whole or in part of any securities issued.
  - xii. information regarding opening, closing of status of ADR, GDR or any other class of securities issued abroad
  - xiii. cancellation of dividend / rights / bonus, etc.;
  - xiv. 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 these Committees will be altered from time to time as per the requirements of the business or as per the changes in the governing law.

A pictorial representation of Board Committees of the Company is given below:





## 1. Audit Committee

The constitution of the Audit Committee is required in compliance with Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time and the Companies Act, 2013. The constitution and powers of the Audit Committee shall be governed by the provisions of Section 177 of the Companies Act, 2013. The Company has in place the Audit Committee in accordance with the provisions of section 177 of the Companies Act, 2013.

The Committee has been established by the Board of Directors of the Company with the view to assist the Board in fulfilling its responsibilities. The Audit Committee is constituted with the basic objective of reviewing and monitoring the financial reporting process, system of internal financial reporting, accounting compliances, review of audit plans, and half yearly and annual financial statements prior to approval of the Board.

<b>Chairman</b>	The Chairman of the Audit Committee shall be a Director who is elected by the Board.
<b>Composition</b>	<p>The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.</p> <p>The majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statements.</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 deems appropriate (and particularly the Chief Financial Officer, Head of the Accounts, Treasury, Finance etc.) and Statutory, Internal Auditors or representative of auditors to be present at the meeting.</p>
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Audit Committee shall meet at least <b>Four</b> times in a year.</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>
<b>Meeting Minutes</b>	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.
<b>Terms of reference</b>	<b>Annexure 1</b>



## 2. Remuneration and Nomination Committee

The Company has in place a Remuneration and Nomination Committee to ensure the best corporate governance practices in line with RBI guidelines, The Committee was constituted on 30<sup>th</sup> July 2015 by merger of two Committees viz. Compensation Committee and Nomination Committee.

<b>Chairman</b>	The Chairman of the Committee shall be a Non-Executive Director.
<b>Composition</b>	The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors. MD shall also be a Member of the Committee
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	<p>The Committee shall meet as frequently as circumstances require.</p> <p>The Head of Human Resources Department along with such other management representatives as may be required by the Committee shall be the invitees to the committee.</p> <p>The quorum shall be at least 1/3<sup>rd</sup> of the total members or two members of the Committee, whichever is less.</p>
<b>Meeting Minutes</b>	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.
<b>Terms of reference</b>	<b>Annexure 2</b>

### 3. Corporate Social Responsibility Committee

As per the requirements of Section 135 of the Companies Act, 2013 the company has constituted a Corporate Social Responsibility Committee on November 15, 2013. The committee has been constituted for recommending the CSR Budget to the Board and to monitor the CSR activities of the company within the parameters of the CSR Policy.

<b>Chairman</b>	The members of the Committee may elect a chairman amongst themselves
<b>Composition</b>	The Corporate Social Responsibility Committee shall consist of three or more directors and out of which at least one shall be an independent director.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet as frequently as circumstances require. The quorum shall be at least 1/3 <sup>rd</sup> of the total members or two members of the Committee, whichever is less.
<b>Meeting Minutes</b>	Minutes of the meetings shall be approved by the Chairman of the Committee and noted and confirmed by the Board in its next meeting.
<b>Terms of reference</b>	<ul style="list-style-type: none"> <li>• to formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company in areas or subject, as specified in Schedule VII of the Companies Act, 2013;</li> <li>• To approve the annual action plan of the CSR expenditure to be made during the financial year</li> <li>• To recommend to the Board for setting off any expenditure which has been made in excess of the annual budget</li> <li>• To recommend to the Board for defining any project as “on going project as per the definition as covered in the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021</li> <li>• to recommend the amount of expenditure to be incurred on the activities referred in the CSR policy;</li> <li>• to monitor the Corporate Social Responsibility Policy of the company from time to time and</li> <li>• To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.</li> </ul>



#### 4. Risk Management Committee

The Corporate Governance requirements as specified by the Reserve Bank of India requires the constitution of the Risk Management Committee to manage the integrated risks associated with the business. The Company has in place a Risk Management Committee in accordance with RBI guidelines.

<b>Composition</b>	The Committee shall consist of such number of members as may be determined by the Board with at least 2 directors, CFO, Chief Risk officer/advisor
<b>Chairman</b>	The Non-Executive Director shall act as the Chairman of the Committee, in case of absence of the Non-Executive Director, any of the Directors, being the member of the committee may be elected as the Chairman.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Chief Risk Officer/ Advisor</b>	<ul style="list-style-type: none"> <li>• Shall be a senior official in the hierarchy and shall possess adequate professional qualification/ experience in the area of risk management.</li> <li>• The CRO can be removed only with the approval of the board and the intimation of the same shall be given to the DNBS</li> <li>• Shall have direct reporting lines to the MD &amp; Risk Management Committee (RMC) of the Board</li> <li>• shall not have any 'dual hatting' i.e. the CRO shall not be given any other responsibility of the company.</li> <li>• Shall be involved in the process of identification, measurement and mitigation of risks.</li> <li>• Shall have an advisory role in deciding credit proposals and shall not individually approve the same.</li> </ul>
<b>Meetings and Quorum</b>	<p>The Committee shall meet as frequently as circumstances require.</p> <p>The quorum shall be at least 1/3<sup>rd</sup> of the total members or two members of the Committee, whichever is less.</p>
<b>Meeting Minutes</b>	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.
<b>Terms of reference</b>	<b>Annexure 3</b>



## 5. Financial Advisory & Asset Liability Management Committee

In compliance with the RBI requirements on Corporate Governance and as provided in the Companies Act, 2013, the company has constituted a “Financial Advisory & Asset Liability Management Committee” by merger of two different committees viz. Asset Liability Management Committee and Financial Advisory Committee

Through the constitution of the “Financial Advisory & Asset Liability Management Committee” the Board evaluates, monitors and approves the flow of funds through borrowings from various available sources and ensures the balance of capital structure to that of debt is maintained.

<b>Chairman</b>	The Managing Director shall be the Chairperson of the committee
<b>Composition</b>	The Committee shall consist of such number of members of Board, Key Managerial Personnel and Senior Management as may be determined by the Board.
<b>Meetings and Quorum</b>	The quorum shall be at least 1/3 <sup>rd</sup> of the total members or two members of the Committee, whichever is less.
<b>Meeting Minutes</b>	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.
<b>Terms of reference</b>	<b>Annexure 4</b>



## 6. IT Strategy Committee

<b>Chairman</b>	The Chairman of the Committee shall be an Independent Director.
<b>Composition</b>	The IT Strategy Committee shall consist of such number of executives as may deem fit with at least an Independent Director, CIO and CTO of the Company forming part of the Committee.
<b>Secretary</b>	The Company Secretary of the Company shall act as the Secretary to the Committee.
<b>Meetings and Quorum</b>	The Committee shall meet at least <b>twice a year</b> and not more than six months should elapse between two meetings. The quorum shall be at least two members of the Committee.
<b>Meeting Minutes</b>	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.
<b>Terms of reference</b>	<ul style="list-style-type: none"> <li>• The Committee shall work in partnership with other Board Committees and senior Management to provide input to them.</li> <li>• To review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, Cyber security arrangements, and any other matter related to IT Governance.</li> <li>• To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place.</li> <li>• To ensure that such process and practices have been implemented so that the IT delivers value to the business.</li> <li>• To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable.</li> <li>• To monitor and provide direction for sourcing and use of IT resources.</li> <li>• To ensure a balance between IT investments and exposure towards IT risks and controls.</li> <li>• To oversee the implementation of any new software and to monitor the progress of the project and the milestones to be reached according to the project timetable.</li> <li>• To ensure due compliance of RBI Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated 08th June, 2017 or any amendments thereof.</li> </ul>

#### **H. Statutory Auditors**

The Statutory Auditors of the Company shall be appointed/ re-appointed or rotated as per the provisions of Companies Act, 2013, and the RBI guidelines on Appointment of Statutory Auditors as prescribed in Circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27<sup>th</sup> April 2021 upon the recommendations of Audit Committee.

#### **I. Compliance Officer**

The duly appointed and nominated Chief Compliance Officer shall act as the Compliance officer of the Company for all the regulatory purposes.

#### **J. Fair Practices Code**

The Master Directions Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 mandates every NBFC's having customer interface to adopt the guidelines on Fair Practices Code as given in Chapter VI of the Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by Reserve Bank of India. The Company has adopted and implemented a policy on Fair Practices Code and the same is reviewed by the Board from time to time.

#### **K. 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.

#### **L. Participative Management**

The Company has constituted various committees at operational levels with greater participation of Executives and Staff, to harvest their collective knowledge, skills and expertise and to sharpen the process towards qualitatively better performance, with 'Excellence' as the goal. This process will reinforce the steps towards 'transparency'.

#### **M. Compliance with Laws and Ethical standards**

The systems and procedures shall be constantly reviewed to ensure due conformance with ethical standards of the highest order. All guidelines and regulations issued by the concerned regulators shall be strictly complied with in letter and spirit.

#### **N. Disclosure and Transparency**

As directed by the Corporate Governance guidelines of RBI, the Company duly discloses the following in their Annual Financial Statements:

- (i) registration/ license/ authorization, 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; and
- (iv) Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures.

### **3. Appointment of Directors**

#### **A. General**

The Remuneration and Nomination Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director of the company and recommend to the Board his / her appointment.

#### **B. Fit and Proper Criteria of Directors**

- (1) The Company 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 the RBI and as amended from time to time.
- (2) The Company shall obtain a declaration and undertaking from the directors giving additional information. The declaration and undertaking shall be on the lines of the format prescribed by the RBI;
- (3) The Company shall execute a Deed of Covenant with the directors, which shall be in the format as prescribed by the RBI;
- (4) The Company shall furnish to the Reserve Bank of India 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.

#### **C. Managing/ Whole time Director**

- (1) The company shall appoint a managing director and whole-time director in accordance with the provisions of section 196 of the Companies Act, as amended from time to time.
- (2) The Company shall not appoint or continue the employment of any person as Whole-time Director or Managing Director, who is below the age of 21 years or has attained the age of seventy years. However, the term of the person holding this position may be extended beyond the age of seventy years, as applicable, with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- (3) A whole-time director of the Company shall not hold office in more than one company, except in its subsidiary company, at the same time.

#### **D. Independent Director**

- (1) An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director, who satisfies the criteria laid down under Section 149 (6) of the Companies Act, 2013 for appointment as Independent Director.

#### **4. Term/Tenure of Directors**

##### **A. Managing/ Whole time Director**

- (1) The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole-time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

##### **B. Independent Director**

- (1) An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- (2) No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

- (3) At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.



## **5. Board Evaluation**

1. The Remuneration and Nomination Committee shall make recommendations to the Board on appropriate performance criteria for Directors.
2. The Committee shall carry out evaluation of performance of Directors, the Board of directors and the Committees on an annual basis, in accordance with the guidelines adopted by the company for board evaluation detailed in Annexure-5.

## **6. Removal of Directors**

1. Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Remuneration and Nomination Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

**Terms of Reference of Audit Committee**

- To recommend for appointment, remuneration and terms of appointment of auditors of the company to the Board.
- To review and monitor the auditor's independence and performance, and effectiveness of audit process. To discuss with the Auditors, before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- 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;
- To ensure that an Information System Audit of the internal systems and processes is conducted at least once in a year to assess operational risks faced by the Company and to review the report of the Auditors thereof.)
- Discussion with internal auditors any significant findings and follow-up thereon;
- 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;
- To oversee the Financial Reporting Process and the disclosure of financial information, to ensure that the financial statements are correct, sufficient and credible;
- To consider the approval and subsequent modification of any transactions of the Company with related parties
- Reviewing the Company's Internal financial controls and risk management policies/systems;
- Reviewing the valuations of undertakings and assets of the Company, wherever necessary;
- 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;
- To review the functioning of the whistle-blower mechanism;
- To review the end use of funds raised/ borrowed by the Company and related matters.
- Reviewing and scrutinizing with management the periodic financial statements/results before submission to the Board, focusing primarily on:
  - o 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;
  - o any changes in accounting policies and practices;
  - o major accounting entries based on exercise of judgement by the management;
  - o significant adjustments arising out of the audit;
  - o compliance with accounting standards;
  - o 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;
  - o Qualifications in the draft audit report;
- To carry out any other function as may be specified from time to time as per the regulatory amendments/ requirements.

**Terms of Reference of Remuneration & Nomination Committee**

- To ensure fit and proper credentials of proposed/ existing Directors;
- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria of selection, evaluation, appointment as laid down, and recommend to the Board their appointment and removal.
- To formulate criteria for evaluation of the Board of Directors, the committees constituted by the Board and the Board as a whole in accordance with the section 178 (2) of the Companies Act, 2013 and requirements of Rule 8(4) of the Companies (Accounts) Rules, 2014.

The broad parameters for evaluation has been contained herein as **Annexure- 5** for the guidance of the committee/Board, however the same are only for referral purpose and the same may be altered depending upon the circumstances and business requirements from time to time;

- To determine the revenue matrix, fees, salary and bonus to be paid to Independent Director(s), Whole- Time-Director(s) or Managing Director of the Company, based on the criteria for determining qualifications, positive attributes, independence of a director and related matters as provided under the said act.
- To determine the sitting fee to be paid to the members of the Board;
- To make recommendations to the Board with respect to the compensation to be paid to the ExecutiveDirectors
- To authorize to implement any matter in relation to the above functions/ powers; and
- To delegate any of the powers mentioned above to the executives of the Company.
- To do such other acts, deeds and things as covered under Section 178 of the Companies Act, 2013 or as may be directed by the Board to comply with the applicable laws.

**Terms of Reference of Risk Management Committee**

- To assist the Board in formulating risk management strategy and policies in coordination 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 the Company 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
- To review the risk bearing capacity of the Company 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.
- To carry out any other function as may be specified from time to time as per the regulatory amendments/ requirements.

**Terms of Reference of Financial Advisory & Asset Liability Management Committee**

- To review and monitor Company's borrowings from existing or new lenders, including the External Commercial Borrowing Transactions
- To review and approve the Company's Business Correspondent, securitisation and assignment transactions.
- To explore the options available from banks & financial institutions for borrowing, compare the earnings, approve the borrowings after considering the market scenario and other terms and conditions of the borrowings.
- To negotiate the terms and conditions of borrowing 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 interest rate charged by the company on quarterly basis in order to comply with the Reserve Bank of India Pricing of Credit Guidelines.
- Evaluate new business products, any variance of existing products or any cost cutting methods with particular focus on pricing.
- To review the fund position of the company and to analyse the ALM returns before filing with the Regulatory Authorities.
- To consider and approve the opening of Bank account of the Company, delegation and alteration of the authorised signatories and closing of bank accounts.
- To report to the board of directors on a quarterly basis.

**Broad Guidelines for Evaluation Process to be followed by the company**

The Company is required to evaluate the performance of the Board of directors; Board as a whole and also the committees of the Board at least once in every year. As per the requirement of Rule 8 (4) of The Companies (Accounts) Rules, 2014 every listed company shall in its Board Report contain a statement pertaining to formal annual evaluation by the Board of its own performance and that of its committees and individual directors. Since the company is categorized as the Listed Company as its NCD’s are listed on the Stock Exchange therefore the Board is required to evaluate the following:

- (a) Performance of the Directors of the Board;
- (b) Committees of the Board of Directors; and
- (c) Board as a whole

Based on the requirements of the Companies Act, 2013 pursuant to the evaluation process the company may adopt any one of the following methods of evaluation. (a) adopt physical mode by circulating to the members of the Board list containing the broad Parameters wherein the directors shall be evaluating the performances by marking the performances as “strong” or “needs improvement”; or (b) make use of latest tailor-made online computer software for conducting the evaluation.

If the evaluating director feels that any of the member of the board needs any specific improvement in any of the attributes specified, the same can be specified separately along with the area of improvement.

**i. Evaluation as Director**

**Name of the Director:** \_\_\_\_\_

Sl. No.	Criteria for evaluation	Ratings (1 to 5)
1	Does the Director demonstrate good understanding of the business of the company, the challenges faced by the company, developments in the industry and other related industries, and the regulatory and statutory environment applicable to the company?	
2	Does the director actively participate in the discussions and make meaningful contributions to the functioning and decisions of the Board?	
3	Does the Director display maturity and team spirit when interacting with other members of the Board and the Executive Management?	
4	How would you assess the commitment of the Director in terms of attendance, coming to the meeting with adequate preparation?	
5	Does the Director adequately understand his/her role, duties and responsibilities as a Board member?	
6	Does the Director display independence of behaviour and judgment?	
7	How would you rate the overall positive impact of the Director on the functioning of the Board?	



Areas in which the Director is strong:


Areas in which the Director could improve or needs improvement:


**Signature of the evaluating Director: -**

**ii. Evaluation as Chairman of the Board**

**Name of the Chairman:** \_\_\_\_\_

Sl. No.	Criteria for evaluation	Ratings (1 to 5)
1	Chairman is able to lead the Board effectively and encourages contribution from all the members.	
2	Chairman maintains a good working relationship with members of the Board and understand their respective roles.	
3	Chairman actions are motivated by a sense of accountability to Shareholders and desire to create value for all stake holders.	
4	Chairman sets the tone at the top for ensuring ethical business practices, compliance with laws and regulations and good corporate governance.	
5	Extent to which the Chairman is effective in being a link between the board and management.	
6	Does the Chairman conduct the board proceedings in a fairmanner, and facilitates decision making.	

**Signature of the evaluating Director –**





**iii Evaluation of the Board’s Committees**

The company has constituted Board level committees for the smooth working of the company. List of committees enclosed as Appendix – (i). The Board members shall evaluate each individual committee on the basis of the following parameters.

Name of the Committee: \_\_\_\_\_

Sl. No.	Criteria for evaluation	Ratings (1 to 5)
1.	Composition of the Committee is appropriate in terms of the number and experience of its members, and such that the committee is effective.	
2.	The Committee is achieving the purpose for which it is constituted and discharges its duties and responsibilities effectively.	
3.	The Committee spends the right amount of time in review of key processes, critical issues, issues of strategic importance, etc.	
4.	The deliberations of the committee are conducted well, and the interactions are such that they contribute to its effectiveness.	
5.	The Committee receives timely and adequate information.	

Aspects on which you feel the Committee is strong:


Aspects on which you feel the Committee need improvement:


**Signature of the evaluating Director: -**

#### **iv Evaluation of the performance of the Board as a whole**

The company has constituted the Board of Directors as a mix of Independent Directors and Nominee Directors as per the requirements of the Companies Act, 2013. The members of the Board evaluate the performance of the Board as a whole on the following aspects:

<b>Sl. No.</b>	<b>Criteria for evaluation</b>	<b>Ratings (1 to 5)</b>
1	Whether the Board's monitoring of governance practices and compliance issues is done well, and contributes to the effectiveness of policies and procedures laid down?	
2	Whether the Board ensures integrity of the company's accounting and financial reporting systems, adequacy of independent audits, and effectiveness of control systems?	
3	Is the composition of the Board good in terms of age, diversity, , qualifications, experience, background and competence)	
4	Are the minutes of Board discussions and decisions being recorded accurately and appropriately?	
5	Is the monitoring of business performance by the Board adequate and effective, and does the Board play an active role in assisting the executive management in course corrections if warranted?	
6	How do you assess the Board deliberations in terms of the time available for discussions, comprehensiveness of the discussions, all members being able to express their views freely.	
7	Are the number, composition and terms of reference of the Board Committees adequate, and is their functioning effective?	
8	Does the Board monitor performance of the IT function, including hardware and applications, and ensure that the Company's IT infrastructure is continually updated and is scaled up periodically to meet the needs of the growing and changing business?	
9	Does the Board play an active and appropriate role in the appointment of top and senior management personnel, in evaluating their performance, and ensuring their remuneration is appropriate with due regard to the long-term interests of the company?	
10	Does the Board pay adequate attention to assessment of various risks impacting the organization and help in the development and implementation of risk management policies, practices and procedures?	
11	How do you assess the quality of board papers submitted, and submission of agenda items well in time.	
12	Does the Board spend adequate time on discussion of strategic issues and business plans, and also guides the executive management on strategic matters.	
13	Does the Board ensure that the management structure of the company is appropriate to effectively manage the growth of the company, and that the company pays sufficient attention to succession planning at top and senior management levels?	



Aspects on which you feel the board is strong:


Aspects on which you feel the board needs to improve:


**Signature of the evaluating Director: -**

**LIST OF BOARD COMMITTEES**

S.No.	Name of the Committee	Names of Chairman and Members
1	Audit Committee (AC)	Mr. P.K. Saha (Chairman)
		Mr. Sethuraman Ganesh (Member)
		Mr. Saurabh Kumar Johri (Member)
		Mr. Anal Kumar Jain (Member)
		Mr. R.V. Dilip Kumar (Nominee)
2	Nomination & Remuneration Committee (NRC)	Mr. Anal Kumar Jain (Chairman)
		Mr. Anup Kumar Singh (Member)
		Mr. P.K. Saha (Member)
		Mr. Kenneth Dan Vandar Weele (Member)
3	Risk Management Committee	Mr. Sethuraman Ganesh (Chairman)
		Mr. Aditya Mohan (Member)
		Mr. P.K. Saha (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Shrikant Bhargawa (Member)
		Mr. Snehdeep Agnihotri (Member)
4	Corporate Social Responsibility Committee (CSR)	Mr. Sethuraman Ganesh (Chairman)
		Mr. Sanjay Goyal (Member)
		Mr. P.K. Saha (Member)
		Mr. Anup Kumar Singh (Member)
5	Financial Advisory and Asset & Liability Management Committee	Mr. Anup Kumar Singh (Chairman)
		Mr. Shrikant Bhargava (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Snehdeep Agnihotri (Member)
		Mr. Davendra Singh (Member)
		Mr. Manish Raj (Member)
		Mr. Ashutosh Chaturvedi (Permanent Invitee)
6	IT Strategy Committee	Mr. Anal Kumar Jain (Chairman)
		Mr. Anup Kumar Singh (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Shyam Kanhaiya Yadav (Member)
		Mr. Ashutosh Chaturvedi (Member)