



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 Small Industries Development Bank of India ("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.

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, out of which not more than 10 shall be 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.

It shall be ensured that the Directors nominated on the Board should 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 th

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.

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.

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 apprise 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 and updates, if any;
- 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 of the Board and its sub-Committees;
- v. Show-cause/ demand/ prosecution and other notices, which are materially important;
- vi. Annual Disclosure of interest by a director
- vii. Any significant development in Human Resources;
- viii. Details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement, if material;
- ix. Periodical compliance reports showing the status of compliance with regulatory, statutory or listing requirements and other applicable laws and any non-compliance thereunder.
- x. 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.

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.

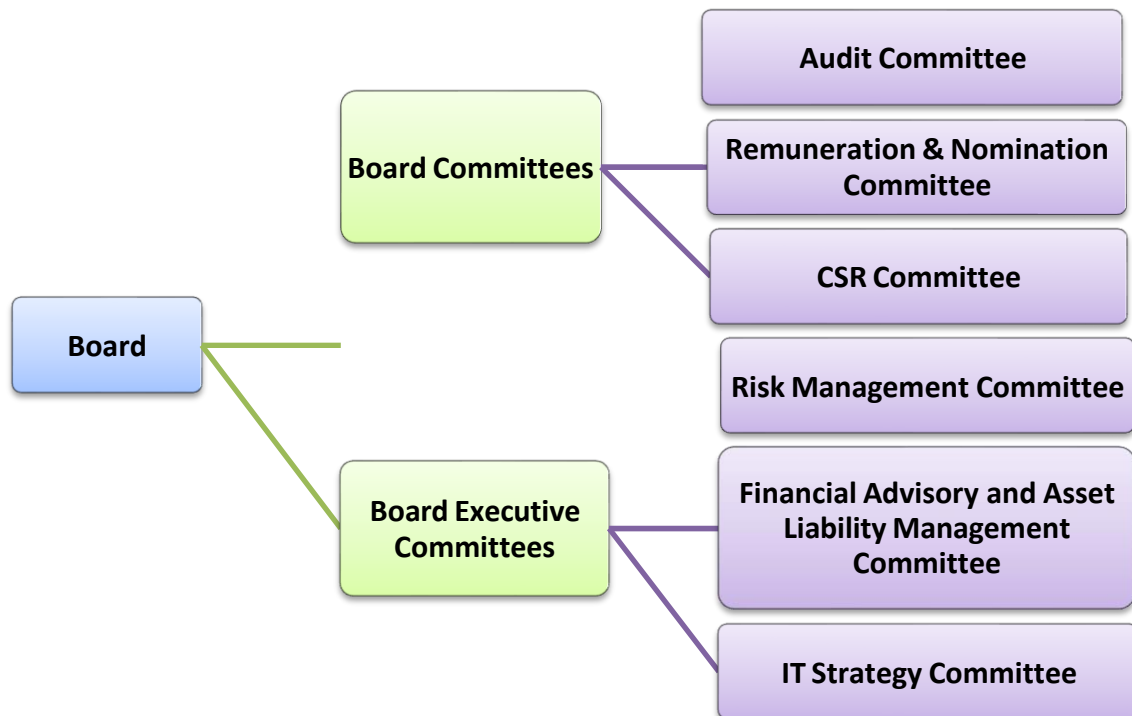
- d. Filling casual vacancies in the office of Directors.
- e. Granting donation to political parties.
- f. Granting loans to Directors.
- g. According sanction for specified contracts in which one or more Directors are interested and to sign the Register of Contracts.
- h. .
- i. Receiving notice of 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. Details of any joint venture or collaboration agreement
- p. .
- q. Any material default in financial obligations.
- r. Non-compliance of any regulatory / statutory provisions or listing requirements.
- s. 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.
- t. Any material effluent or pollution problems, industrial accidents, labour problems, signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
- u. Any issue which involves possible public or product liability claims.
- v. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- w. Details of any joint venture or collaboration agreement. ag. Material liability – legal or contractual
- x. 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

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. 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 quarterly, half yearly and annual financial statements prior to approval of the Board.

Chairman	The Chairman of the Audit Committee shall be a Director 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>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>
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 four times in a year and not more than 120 days shall elapse between two meetings.</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. 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 30th July 2015 by merger of two Committees viz. Compensation Committee and Nomination Committee.

Chairman	The Chairman of the Committee shall be a Non-Executive Director.
Composition	<p>The Committee shall consist of three or more Non-Executive Directors out of which not less than one-half shall be Independent Directors.</p> <p>MD shall also be a Member of the Committee.</p>
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	<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 may be the invitees to the committee.</p> <p>The quorum shall be at least 1/3rd of the total members or two members of the Committee, whichever is less.</p>
Meeting Minutes	Minutes of the meetings 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

3. Corporate Social Responsibility Committee

As per the requirements of Section 135 of the Companies Act, 2013 and the rules made there under, 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.

Chairman	The members of the Committee may elect a chairman amongst themselves
Composition	The Corporate Social Responsibility Committee shall consist of three or more directors and out of which 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 frequently as circumstances require. The quorum shall be at least 1/3 rd of the total members or two members of the Committee, whichever is less.
Meeting Minutes	Minutes of the meetings 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 in areas or subject, as specified in Schedule VII of the Companies Act, 2013; • To approve the annual action plan or revisions thereof for the CSR expenditure to be made during the financial year; • To recommend to the Board for setting off any expenditure which has been made in excess of the annual budget; • 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; • to recommend the amount of expenditure to be incurred on the activities referred in the CSR policy; • to monitor the Corporate Social Responsibility Policy of the company from time to time and • to ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company. • To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.

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.

Composition	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
Chairman	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.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Chief Risk Officer/ Advisor	<ul style="list-style-type: none"> • Shall be a senior official in the hierarchy and shall possess adequate professional qualification/ experience in the area of risk management. • Shall be appointed for a fixed tenure with the approval of the Board. He/ She can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision of the regional office of the RBI under whose jurisdiction the Company is registered. • Shall have direct reporting lines to the MD / Risk Management Committee (RMC) of the Board. • shall not have any 'dual hatting' i.e. the CRO shall not be given any other responsibility of the company. • Shall be involved in the process of identification, measurement and mitigation of risks. • Shall have an advisory role in deciding credit proposals and shall not individually approve the same.
Meetings and Quorum	<p>The Committee shall meet as frequently as circumstances require.</p> <p>The quorum shall be at least 1/3rd of the total members or two members of the Committee, whichever is less.</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 3

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.

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

6. IT Strategy Committee

Chairman	The Chairman of the Committee shall be an Independent Director.
Composition	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.
Secretary	The Company Secretary of the Company shall act as the Secretary to the Committee.
Meetings and Quorum	The Committee shall meet at least twice a year and not more than six months should elapse between two meetings. 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"> • The Committee shall work in partnership with other Board Committees and senior Management to provide input to them. • 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. • To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place. • To ensure that such process and practices have been implemented so that the IT delivers value to the business. • To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable. • To monitor and provide direction for sourcing and use of IT resources. • To ensure a balance between IT investments and exposure towards IT risks and controls. • 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. • 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. • To ensure that the company complies to Core Financial Services Solution (CFSS) requirements, as prescribed by the Reserve Bank of India.

H. Meeting of Independent Directors

In compliance with the provisions of Clause VII of Schedule IV of the Companies Act, 2013 („Act“) the Independent Directors of the company shall hold at least one separate meeting in a financial year without the presence of non-independent directors and members of the management.

The purpose of the meeting shall be to:

- (i) review the performance of non-independent directors and the Board as a whole;
- (ii) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
- (iii) and assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

I. 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 27th April 2021 upon the recommendations of Audit Committee.

J. Compliance Officer

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

K. 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.

L. 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.

M. 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'.

N. 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.

O. 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 as given under Annexure IV and XVI of the 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 RBI circular on Disclosures in Financial Statements- Notes to Accounts of NBFCs bearing reference number RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19,2022

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 asprescribed 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 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 effective evaluation of performance of Individual 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.

Annexure 1

Terms of Reference of Audit Committee

- To recommend for appointment, re-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 quarterly, half-yearly, and annual 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 and other legal requirements relating to financial statements;
 - o any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc and subsequent modifications thereof, that may have potential conflict with the interest of the company at large;
 - o Qualifications in the draft audit report;
- Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
- To carry out any other function as may be delegated by the Board and /or specified under the SEBI Listing Regulations, the Companies Act, the RBI Master directions or other applicable law.

Annexure 2

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, re-appointment and removal.
- To formulate criteria for effective evaluation of performance of the Board of Directors, the committees constituted by the Board and the individual directors 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 have 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 Independent Directors;
- To make recommendations to the Board with respect to the compensation to be paid to the Executive Directors
- To authorize to implement any matter in relation to the above functions/ powers;
- To delegate any of the powers mentioned above to the executives of the Company; and
- 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.

Annexure 4

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.

Annexure 5

Broad Guidelines for Evaluation Process to be followed by the company

The Company is required to effectively evaluate the performance of the Board of directors; individual directors 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: _____

S. No.	Criteria for evaluation	Ratings (1 to 5)
	Knowledge and Competency:	
1	The Director has sufficient understanding and knowledge of the company and the applicable regulations.	
2	The Director has constructive and analytical decision-making abilities and core competencies for contributing to effective functioning of the Board. Also, has sufficient understanding of the risks involved in the business.	
	Fulfilment of functions:	
3	The Director understands and fulfils the functions as assigned to him/her by the Board and the regulations.	
	Ability to function as a team member:	
4	The Director listens attentively to the contributions of others and gives adequate consideration to the views and perceptions of other Board members.	
5	The Director shares good interpersonal relationship with other directors.	
	Availability and attendance:	
6	The Director is available for meetings of the Board and Committees	

	regularly and in a timely manner, without delay.	
	Contribution:	
7	The Director actively participates in the Board and Committee meetings keeping in mind the interests of various stakeholders.	
8	The Director actively deliberates and contributes on proposed business matters and takes decisions after taking into consideration pros and cons of such propositions, long term outlook, business targets, regulatory implications etc.	
	Independent views and judgment:	
9	The Director exercises his own judgment and expresses his opinion freely, clearly and without favour.	
10	The Director's participation in decisions taken during meetings is unbiased, based on ethical judgment and is in strict conformity to the applicable regulatory norms. He/She raises concerns if anything is observed contrary to regulatory norms and ethical conduct.	
	Independence: (for Independent Directors only)	
11	The Independent Director is independent from the company and the other directors and has no conflict of interest.	
12	Whenever required, the Independent Director is willing to inform regulators/rating agencies/lenders etc. regarding the material developments in the Company's functioning, from time to time.	

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: _____

S. No.	Criteria for evaluation	Ratings (1 to 5)
1	The Chairman has sufficient understanding and knowledge of the company and the sector in which Company operates.	
2	The Chairman displays effective leadership, is open-minded, decisive, courteous, displays professionalism, and is able to coordinate the discussion in the board, and is able to steer the meeting effectively to taking decisions, while keeping the meeting within the planned timings.	
3	The Chairman maintains a good working relationship with members of the Board and understands their respective roles.	
4	The Chairman actions are motivated by a sense of accountability to Shareholders and a desire to create value for all stake holders.	
5	The Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc.	
6	The Chairman is an effective link between the board and management.	
7	The Chairman demonstrates the highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.)	

Comments, if any, on functioning of Chairman:

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: _____

S. No.	Criteria for evaluation	Ratings (1 to 5)
	Mandate and Composition	
1	Composition of the Committee is appropriate in terms of the number and experience of its members including choice of Chairman, and such that the committee is effective.	
	Effectiveness of the Committee	
2	The Committee fulfils its functions as assigned by the Board.	
	Objective of the Committee and meetings	
3	The frequency of the Committee meetings is adequate for the Committee to undertake its duties properly	
4	The logistics for the Committee meeting is handled properly, venue, format, timing, etc.	
5	The agenda is circulated well before the Committee meeting and has all the relevant information to take decisions on matters to be discussed.	
6	The outstanding items of previous Committee meetings are followed-up and taken up in subsequent meetings	
7	The Committee discusses every issue comprehensively (especially substantive items) and is able to finish discussion and take decision on all agenda items in the meetings	
8	The Committee functioning is such that critical and dissenting suggestions are welcomed.	
9	The minutes of the Committee meeting are recorded and circulated to all the Committee members clearly, completely, accurately and in a timely manner.	
	Contribution to decisions of the Board	
10	The Committee's recommendations contribute effectively to the decisions of the Board.	

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:

S. No.	Criteria for evaluation	Ratings (1 to 5)
	Structure of the Board	
1	The Board as a whole has directors with a proper mix of qualifications, experience and competencies to conduct Board affairs effectively.	
2	There is sufficient diversity on the Board (Gender/background/ experience)	
3	The process of appointment to the board of directors is clear and transparent and includes provisions to consider diversity of thought, experience, knowledge, perspective and gender	
	Meetings of the Board	
4	The meetings are held on a regular basis, which is adequate for the Board to undertake its duties properly.	
5	The logistics for the meeting is handled properly, including venue, format, timing, etc.	
6	The agenda papers are circulated well before the meeting and have all the relevant information to take decisions on matters to be discussed.	
7	The outstanding items of previous meetings are followed-up and taken up in subsequent meetings	
8	The agenda papers of the meeting include adequate information on the various Committees' activities	
9	Meetings are conducted in an environment that encourages and allows free-flowing discussions, healthy debate, and contributions by everyone without any fear or favour	
10	The minutes of the Board meeting are being recorded and circulated to all the Board members clearly, completely, accurately and in a timely manner.	
	Functions of the Board	
11	The Board reviews and guides corporate strategy, major plans, risk policy, annual budgets and business plans, sets performance objectives, monitors implementation and corporate governance, and oversees major capital expenditure.	
12	Adequate time of the Board is devoted to analyse and examine governance and compliance issues	
13	The Board ensures the integrity of the Company's accounting and financial reporting systems, including the independent audit, and the appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant	

	standards	
14	The Board undertakes a review of the high-risk issues impacting the Company's Business. It also reviews the grievance redressal mechanisms for employees and investors, to ensure grievances received are disposed of in a fair and timely manner	
	Board and management	
15	The Board monitors the management fairly and provides constructive feedback and guidance. The level of independence of the management from the Board is adequate and appropriate.	

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 (Member)
2	Remuneration and Nomination Committee (RNC)	Mr. Anal Kumar Jain (Chairman)
		Mr. Anup Kumar Singh (Member)
		Mr. P.K. Saha (Member)
		Mr. Saurabh Kumar Johri (Member)
3	Risk Management Committee (RMC)	Mr. Sethuraman Ganesh (Chairman)
		Ms. Remika Agarwal (Member)
		Mr. P.K. Saha (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Shrikant Bhargava (Member)
		Mr. Snehdeep Agnihotri (Member)
		Mr. Saurabh Kumar Johri (Member)
4	Corporate Social Responsibility Committee (CSR)	Mr. Sethuraman Ganesh (Chairman)
		Mr. Shreekanta Das (Member)
		Mr. P.K. Saha (Member)
		Mr. Anup Kumar Singh (Member)
5	Financial Advisory and Asset & Liability Management Committee (FAALMC)	Mr. Anup Kumar Singh (Chairman)
		Mr. Shrikant Bhargava (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Snehdeep Agnihotri (Member)
		Mr. Manish Raj (Member)
		Mr. Ashutosh Chaturvedi (Permanent Invitee)
6	IT Strategy Committee (IT)	Mr. Anal Kumar Jain (Chairman)
		Mr. Anup Kumar Singh (Member)
		Mr. Akhilesh Kumar Singh (Member)
		Mr. Shyam Kanhaiya Yadav (Member)
		Mr. Ashutosh Chaturvedi (Member)