



Director's Fit and Proper Criteria Policy

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SONATA FINANCE PRIVATE LIMITED

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1. Background

The Reserve Bank of India ('RBI') vide its Circular RBI/2014-15/299 DNBR (PD) CC.No. 002/03.10.001/2014-15 dated 10th November 2014 ("RBI Circular"), and Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" dated July 01, 2015 and Master Circular- Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 vide its reference no. DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 requires NBFCs to adopt Policy on Fit & Proper Criteria for Directors. Thus, it becomes important that the Directors who are responsible for steering the affairs of the companies are fit and proper, besides having the necessary qualifications.

2. Applicability

This Policy on Fit and Proper Criteria for Directors (the "Policy") applies to the individuals to be considered for the position of director on the Board of Sonata Finance Private Limited (the "Company") and the continuing directors of the Company.

3. Purpose/ Objective

The Objective and purpose of this policy is: –

- To lay down fit & proper criteria & process of due diligence for determining the suitability of the Directors on the Board of the Company based on their qualifications, technical expertise, track record, integrity, etc. at the time of their appointment and on continuing basis.
- To frame fit and proper standards and measures for Directors and lay down the internal procedures for its implementation in order to comply with aforesaid RBI Circular.
- To ensure that each director to be appointed or already appointed understands, the fit and proper criteria policy and their obligation to continue to meet the requirements of the policy.

4. Definitions

"Remuneration and Nomination Committee" means the Remuneration and Nomination Committee of the Board of Directors of the Company constituted under provisions of Section 178 of Companies Act, 2013 and by Reserve Bank of India.

"Directors" means individual Director including whole time, executive, non-executive, Independent and Nominee Directors on the Board of the Company.

"Board" means Board of Directors of the Company from time to time.

"Policy" means Director's Fit and Proper Criteria Policy.



“**Company**” means Sonata Finance Private Limited, a Company incorporated under the provisions of the Companies Act, 1956/2013 and registered as NBFC-MFI under Section 45IA of Reserve Bank of India Act, 1934

5. Policy

5.1 The Company, while appointing the directors and at the time of their renewal, shall ensure that the procedures mentioned below are followed:

- a. The Company shall undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria.
- b. The Company shall obtain the necessary declaration and undertaking from the proposed/ existing directors in the format enclosed as **Annexure- A**.
- c. The process of due diligence along with the scrutiny of declarations shall be undertaken by the Remuneration and Nomination Committee at the time of appointment / renewal of appointment of Directors.
- d. Based on the information provided in the signed declaration, Remuneration and Nomination Committee shall decide on the acceptance or otherwise of the directors.
- e. Every year as on 31st March, the Company shall obtain a simple declaration from the directors that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith
- f. It shall be ensured that a ‘Deed of Covenant’ is executed with the directors as per the format enclosed as **Annexure-B**.
- g. The Company shall furnish to RBI, no later than 15 days from the end of every financial quarter, a quarterly statement on change of directors, and a certificate from the Managing Director that fit and proper criteria in selection of the directors has been followed.

5.2 The various ‘Fit and Proper’ criteria which needs to be reviewed by the Remuneration and Nomination Committee before an appointment of a person as Director or after a person is appointed as Director on continuing basis shall include the following:

- a. Whether the Person is qualified to be appointed as Director or not attracting any disqualifications as prescribed under various provisions of Companies Act, 2013, erstwhile Companies Act, 1956 and the provisions of Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015;
- b. Whether any Proceedings have been initiated against the person in the past and /

- or pending as on date involving any civil, criminal, economic offence, taxation authorities or relating to any other regulatory body such as SEBI, IRDA, MCA etc.;
- c. Whether the person or the entities in which he is interested have been subject to any investigation at the instance of any Government Department or Agency;
 - d. Whether the person or the entities in which the person is interested have been prosecuted / convicted for the violation of any laws and regulations.
 - e. the person either:
 - has no conflict of interest in performing such person's duties as a director on the Board; or
 - if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.

5.3 The Remuneration and Nomination Committee will assess and evaluate the eligibility of the person based on the above mentioned Fit and Proper criteria before the appointment or any renewal of appointment of director.

6. Disqualifications of Directors

6.1 The Company, shall not appoint any person as a director, who:

- a) Is disqualified to discharge his duties as a director under section 164 of the Companies Act, 2013 or under any other Applicable Law;
- b) 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;
- c) is associated with any unincorporated body that is accepting deposits;
- d) is associated with any company, the application for Certificate of Registration (CoR) of which has been rejected by the Bank;
- e) has a criminal case, including for offence under section 138 of the Negotiable Instruments Act, against him.

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.

7. Number of Directorships

No person shall hold directorship, including any alternate directorship, in more than twenty companies at the same time: Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

Annexure A

Declaration and Undertaking by Director (with enclosures as appropriate as on [**])

Name of NBFC:

I. Personal details of director

a) Full name	
b) Date of Birth	
c) Educational Qualifications	
d) Relevant Background and Experience	
e) Permanent Address	
f) Present Address	
g) E-mail Address / Telephone Number	
h) Permanent Account Number under the Income Tax Act and name and address of Income Tax Circle	
i) Relevant knowledge and experience	
j) Any other information relevant to Directorship of the NBFC	

II Relevant Relationships of director

a) List of Relatives if any who are connected with the NBFC (Refer Section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b) List of entities if any in which he/she is considered as being interested (Refer Section 299(3)(a) and Section 300 of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
c) List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2016 (Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 and as updated)	
d) Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	

e) Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f) Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.	

III Records of professional achievements

a) Relevant professional achievements	
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IV. Proceedings, if any, against the director

a) If the director is a member of a professional association / body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him / her or whether he / she has been banned from entry into any profession/ occupation at any time.	
b) Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c) Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d) Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?	
e) Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f) Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars	
g) Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA. (Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the	

regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)	
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V. Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper:

Undertaking

I, confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place:

Date:

Signature

VI. Remarks of Chairman of Remuneration and Nomination Committee/Board of Directors of NBFC

Place:

Date:

Signature

'Substantial Interest' means: Holding of beneficial interest by an individual or his/ her spouse or minor child, whether singly or taken together, in shares of Company the amount paid up on which exceeds 10 percent of paid up capital of the Company or the capital subscribed by all the partners of partnership firm.

Annexure B

Deed of Covenant with Directors

THIS DEED OF COVENANTS is made this _____ day of _____ Two Thousand between Sonata Finance Pvt. Ltd., an Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI), registered with Reserve Bank of India and having its registered office at IInd Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026, Uttar Pradesh (hereinafter called the "**Company**") of the one part and [******] (hereinafter called the "**Director**") of the other part.

WHEREAS

- A. The director has been appointed as a Director on the Board of Directors of the Company (hereinafter called "the Board") and is required as a term of his/ her appointment to enter into a Deed of Covenant with the Company.
- B. The director has agreed to enter into this Deed of Covenant, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

1. The director acknowledges that his/her appointment as director on the Board of the Company is subject to applicable laws and regulations including the Memorandum and Articles of Association of the Company and the provisions of this Deed of Covenants.
2. The director covenants with the Company that:
 - i. The director shall disclose to the Board the nature of his/her interest, direct or indirect, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Company and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

- ii. The director shall disclose by general notice to the Board his/her other directorships, his/her memberships of bodies corporate, his/her interest in other entities and his/her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.
- iii. The director shall provide to the Company a list of his/her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.
- iv. The director shall in carrying on his/her duties as a Director of the Company:
 - a) use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;
 - b) in the performance of his/her duties take such care as he/she might be reasonably expected to take on his own behalf and exercise any power vested in him/her in good faith and in the interests of the Company;
 - c) shall keep himself/herself informed about the business, activities and financial status of the Company to the extent disclosed to him/her;
 - d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his/her obligations as director of the Company;
 - e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the Company;
 - f) shall bring independent judgment to bear on all matters affecting the Company brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
 - g) shall in exercise of his/her judgment in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgment; and
 - h) shall express his/her views and opinions at Board meetings without any fear or favor and without any influence on exercise of his/her independent judgment;
- v. The director shall have:
 - a) Fiduciary duty to act in good faith and in the interests of the Company and not for any collateral purpose;
 - b) duty to act only within the powers as laid down by the Company's Memorandum and Articles of Association and by applicable laws and regulations; and
 - c) duty to acquire proper understanding of the business of the Company.

vi. The director shall:

- a) not evade responsibility in regard to matters entrusted to him/her by the Board;
- b) not interfere in the performance of their duties by the whole-time directors and other officers of the Company and wherever the director has reasons to believe otherwise, he/she shall forthwith disclose his/her concerns to the Board; and
- c) not make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to him/her by the Company in his/her capacity as director of the Company only for the purposes of performance of his/her duties as a director and not for any other purpose.

3. The Company covenants with the director that:

(i) the Company shall apprise the director about:-

- a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
- b) control systems and procedures;
- c) voting rights at Board meetings including matters in which Director should not participate because of his/her interest, direct or indirect therein;
- d) qualification requirements and provide copies of Memorandum and Articles of Association;
- e) corporate policies and procedures;
- f) insider dealing restrictions;
- g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;
- h) appointments of Senior Executives and their authority;
- i) remuneration policy,
- j) deliberations of committees of the Board, and
- k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the Company, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the Company shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the Company and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

- (iii) the disclosures to be made by the Company to the directors shall include but not be limited to the following:
- a) all relevant information for taking informed decisions in respect of matters brought before the Board;
 - b) Company's strategic and business plans and forecasts;
 - c) organizational structure of the Company and delegation of authority;
 - d) corporate and management controls and systems including procedures;
 - e) economic features and marketing environment;
 - f) information and updates as appropriate on Company's products;
 - g) information and updates on major expenditure;
 - h) periodic reviews of performance of the Company; and
 - i) report periodically about implementation of strategic initiatives and plans;
- (iv) the Company shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the director about the levels of authority delegated in matters placed before the Board.
4. The Company shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
 5. The Company shall appoint a Compliance Officer who shall be a Senior Executive Reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.
 6. The director shall not assign, transfer, sublet or encumber his office and his/her rights and obligations as director of the Company to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the Company.



7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.
8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the Company.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For Sonata Finance Pvt. Ltd.

Director

By

Name:

Title:

Name:

In the presence of:

1. _____

2. _____