

# **BANDHAN FINANCIAL SERVICES LIMITED**

## **Fit and Proper Policy for Directors**

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## 1. REGULATORY FRAMEWORK AND BACKGROUND:

- 1.1** The Reserve Bank of India ('RBI') vide its Circular no. RBI/2014-15/299 DNBR (PD) CC.No. 002/03.10.001/2014-15 dated November 10, 2014 and Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 (**hereinafter referred as “Master Directions”**) dated April 10, 2015 and RBI circular no. DoR( NBFC)(PD) CC.No. 117/03.10.001/ 2020-21 dated August 13, 2020 requires all deposit accepting Non-Banking Financial Companies ('NBFC's) and non-deposit accepting NBFCs with asset size of Rs. 500 crore and above, to adopt policy on Fit & Proper Criteria for Directors.
- 1.2** Bandhan Financial Services Limited ('BFSL' or the 'Company') is a Systematically Important Core Investment Company registered with RBI and is exempted from the provisions of these Master Directions. However, the Company is complying with fit and proper status of directors not only at the time of appointment, but also on a continuous basis. ~~criteria for appointment of directors and on continuing basis voluntarily in letter and spirit of the law.~~
- 1.3** Accordingly, this Fit and Proper Policy for Directors (**hereinafter referred as “Policy”**) is being formulated. The Policy was recommended by Nomination and Remuneration Committee of the Company in its meeting held on August 30, 2021 and was approved by the Board at its meeting held on August 30, 2021. The Policy has been framed in line with the Master Directions.

## 2. APPLICABILITY

This Policy is applicable to the persons proposed for the candidature of director on the Board of BFSL and the continuing directors of the BFSL.

## 3. OBJECTIVE

- 3.1** The objective of the Policy is to set out the 'fit and proper' criteria based on which new directors proposed to be appointed and existing directors whose appointment is intended to be continued can be evaluated.
- 3.2** 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 fit and proper requirements on an on-going basis.

**3.3** The policy will further aid the Company's constant endeavour to ensure that only individual of high caliber and who possess the right blend of qualifications, expertise, track record and integrity are appointed to the Board.

**3.4** To adhere with the Master Directions in letter and spirit of law.

#### **4. EVALUATION OF FIT AND PROPER CRITERIA**

**4.1** The Nomination and Remuneration Committee of the Board (**'NRC'**) is empowered to identify, screen and review individuals qualified to serve as directors, consistent with qualifications or criteria as per the applicable statutes and recommend to the Board candidates to be appointed as Director and to oversee the performance evaluation for the existing Board Members.

**4.2** The NRC while appointing any person as a director on the Board or considering the proposal of continuing the appointment of any director, shall undertake adequate due diligence in respect of such individuals to ascertain the following parameters:

- Educational Qualification
- Experience and field of Technical Expertise
- Age Limit (Independent/Non-executive nominated to Board should be between 35 to 70 years of age).
- Relevant Back ground and Integrity
- Potential conflicts of Interest and Independence
- Relevant records of professional achievements
- Legal proceedings if any, against the Candidate/ Director
- Terms and Qualifications prescribed under other RBI Directives, Companies Act 2013 or any other statute, as may be applicable.
- Signed 'declaration and undertaking' as received from the director/proposed director.

**4.3** The Company, at the time of appointment/re-appointment of a director, obtain from such director following 'declaration cum undertaking' /disclosures as detailed in Table-1 hereunder to enable NRC to determine the 'Fit and Proper' status of such director.

**Table-1: ‘Declaration cum undertaking’/disclosures from Directors at the time of appointment and re-appointment**

<b>Sr. No.</b>	<b>Declaration cum undertakings/disclosures</b>	<b>Format</b>
1.	Declaration and Undertaking	Annexure-1
2.	Deed of Covenants	Annexure-2
3.	List of Relatives	Annexure-3
4.	Declaration by Director stating Directors was on the Board of NBFC whose license was cancelled by RBI	Annexure-4
5.	Declaration by Director stating Director is not associated with any unincorporated body that is accepting deposits.	Annexure-5
6.	Declaration by Director stating Director no criminal case, including for offence under section 138 of the Negotiable Instruments Act	Annexure-6
7.	Disclosure of Substantial Interest by Director	Annexure-7
8.	Declaration of regarding disqualification under section 164 of the Companies Act, 2013	
9.	Declaration of Interest in Form MBP-1	
10.	Declaration of Independence (in case of Independent Director)	

**4.4** The NRC shall scrutinize the ‘Declaration and Undertaking’ and disclosures received from Directors and shall after considering the result of its due diligence, decide and recommend to the Board the acceptance or otherwise of the potential new directors or existing directors whose appointment is to be continued or renewed, as the case may be.

**4.5** In order to conclude that a person is ‘fit and proper’ to be appointed as a Director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, on the basis of recommendations of the NRC, that:

- the person meets the fit and proper criteria expressly set out by the RBI in the RBI Circular or such other additional criteria (where applicable) which may be prescribed for the purpose by the RBI from time to time
- the person possesses the qualifications, competence, technical expertise, track record, integrity and judgement to perform properly the duties of a director on the Board;

- the person possesses the educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities as a director on the Board;
- the person 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 his/her duties properly as director and adequate disclosures are made by such person in this regard.

**4.6** The Company shall require every director on the Board to provide annually not later than April 30 the declaration cum undertaking (Annexure 1) and Deed of Covenants (Annexure 2). The declarations received from directors shall also be scrutinized by the NRC and the NRC shall keep the Board apprised of any material changes.

## **5. QUARERLY REPORTING**

The Company shall furnish to the RBI 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 must reach the Regional Office of the RBI within 15 days of the close of the respective quarter.

The statement submitted by the Company for the quarter ending March 31, should be certified by the auditors.

## **6. REVIEW**

The Policy shall be reviewed by the NRC annually or in case of any amendment or additional guidelines or directions which may be issued by the RBI whichever is earlier.

## **7. LAWS TO TAKE PRECEDENCE**

If any of the provisions of this Policy are inconsistent with the applicable Laws, then the provisions of applicable Laws shall prevail over the Policy to that

extent and the Policy shall be deemed to have been amended so as to be read in consonance with Applicable Laws.

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**Annexure-1**

Name of NBFC : <b>Bandhan Financial Services Limited</b>		
<b>Declaration and Undertaking by Director (with enclosures as appropriate as on March 31, ____)</b>		
<b>I.</b>	<b>Personal details of director</b>	
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	
<b>II.</b>	<b>Relevant Relationships of director</b>	
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, 2007	
	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.	
<b>III. Records of professional achievements</b>			
	a.	Relevant professional achievements	Same as I (i)
<b>IV. Proceedings, if any, against the director</b>			
	a.	If the director is a member of a member of 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 of at 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 Company's 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.	
V.	<b>Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper</b>		
<b><u>Undertaking</u></b>			
	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 of director
VI.	<b>Remarks of Chairman of Nomination Committee/Board of Directors of NBFC</b>		
	Place :		Signature
	Date :		

## **Annexure-2**

### **DEED OF COVENANTS WITH A DIRECTOR**

THIS DEED OF COVENANTS is made this \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand \_\_\_\_\_ BETWEEN Bandhan Financial Services Ltd., having its registered office at DN-32, Sector-V, Salt Lake, Kolkata-700091 (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 Covenants with the Company.
- B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his/her 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, 2013 and to the extent the director is aware 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 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/her 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 favour 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 directors 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) organisational 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/her 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 authorized 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 Bandhan Financial Services Limited      Director

By

In the presence of:

Witness:

1.

Witness:

2.

### Annexure-3

#### A. LIST OF RELATIVES – (Section 2(77) of the Companies Act, 2013)

<b>Sr. No.</b>	<b>Relationships</b>	<b>Names</b>
1.	Member of Hindu Undivided Family (HUF)	-
2.	Spouse	
3.	Father (including Step-father)	
4.	Mother (including Step-mother)	
5.	Son (including Step-Son)	
6.	Son's Wife	
7.	Daughter	
8.	Daughter's husband	
9.	Brother (including Step-Brother)	
10.	Sister (including Step-Sister)	

(Signature) \_\_\_\_\_

Name:

DIN:

Date:

Place:

**Annexure-4**

**To,  
Bandhan Financial Services Limited  
DN-32, Salt Lake, Sector-V,  
Kolkata-700091**

**Subject: Declaration by Director**

I undersigned hereby declare that I have not been on the Board of any NBFC whose registration was cancelled or whose application for registration rejected or which has been declared as a vanishing company by Reserve Bank of India.

**Regards**

**Name  
Designation  
DIN-**

**Annexure-5**

**To,  
Bandhan Financial Services Limited  
DN-32, Salt Lake, Sector-V,  
Kolkata-7000091**

**Subject: Declaration by Director**

I undersigned hereby declare that I am not associated with any unincorporated body that is accepting deposits.

**Regards**

**Name  
Designation  
DIN-**

**Annexure-6**

**To,  
Bandhan Financial Services Limited  
DN-32, Salt Lake, Sector-V,  
Kolkata-700091**

**Subject: Declaration by Director**

I undersigned hereby declare that there is no criminal case, including for offence under section 138 of the Negotiable Instruments Act, against me.

**Regards**

**Name  
Designation  
DIN-**

**Annexure-7**

To,  
Company Secretary  
Bandhan Financial Services Limited  
DN-32, Salt Lake, Sector V  
Kolkata-700091

**Subject: Disclosure of Directorship and Substantial Interest**

I undersigned hereby declare that i do not hold directorship in any other Company and neither i hold substantial interest in any company.

<b>Name of the Company</b>	<b>Line of Activity</b>	<b>Whether an NBFC or Regulated by SEBI/IRDA/MCDEX/IRDA/MCDEX/NCDEX/NHB/FMC/Foreign Regulators</b>	<b>Registration No. with the Regulators</b>
Nil	N.A.	N.A.	N.A.

Company in which Director holds substantial Interest

<b>Name of the Company</b>	<b>Line of Activity</b>	<b>Whether an NBFC or Regulated by SEBI/IRDA/MCDEX/IRDA/MCDEX/NCDEX/NHB/FMC/Foreign Regulators</b>	<b>Registration No. with the Regulators</b>
Nil	N.A.	N.A.	N.A.

**Regards**

**Name**

**Designation**  
**DIN-**