

Meenakshi Mercantile Limited

Policy for ascertaining the 'Fit and Proper' status of Directors

1. Preamble

This Policy is framed with regard to ascertain the Fit and Proper criteria of Directors at the time of their appointment and on continuing basis as defined below. This Policy is to ensure that the Directors of the Company who are responsible for steering the affairs of the Company are fit and proper, besides having the necessary qualifications.

2. Purpose/ Objective

This Policy intends to establish a system/process in place for undertaking due diligence of persons before appointing them on the Board and on continuing basis by ascertaining their suitability for the post on basis of their qualifications, technical expertise, track record, integrity etc.

Meenakshi Mercantile Limited expects all its directors to be competent, honest, to have integrity and relevant expertise. This provides **Meenakshi Mercantile Limited** with the assurance that the directors are willing and able to fulfil their obligations under any written law. This also underpins our requirements that the Directors perform the activities regulated under the applicable law efficiently, honestly, fairly and act in the best interests of the Company.

- 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.
- The Company believes that this Policy will aid the Company's constant endeavor to ensure that only individuals of high caliber and who possess the right blend of qualifications, expertise, track record and integrity are appointed to the Board.

3. Applicability

This Policy shall be applicable to all the directors of the Company.

- This Policy shall apply in respect of appointment of directors on the Board of Directors of the Company ("Board") as well as continuation of the appointment of the directors on the Board.
- All existing directors on the Board will be required to submit a Declaration and Undertaking and execute the Deed of Covenant.



The term 'Director' in this Policy shall have the same meaning as it has been defined in Section 2(34) of the Companies Act, 2013 which states that 'director' means a director appointed to the Board of Directors ('Board') of a company. The Company shall evaluate "fit and proper" criteria for the Directors of the Company at the time of appointment and on a continuing basis.

4. Definitions

"Committee" means the Nomination and Remuneration Committee of the Board of Directors of the Company constituted under provisions of Companies Act, 2013.

"Directors" mean individual Director or Directors on the Board of the Company.

"Board" means Board of Directors of the Company.

"Policy" means the Policy for ascertaining 'Fit and Proper' status of Directors.

"Company" means the **Meenakshi Mercantile Limited**

5. Evaluation of 'Fit and Proper' Criteria

- Before appointing any person as a director on the Board or re-appointment of any such director, the Nomination and Remuneration Committee (NRC) shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the qualification, expertise, track record, integrity of such individual and also such other factors in respect of which information is obtained by the Company in the Declaration and Undertaking.
- The Company shall prior to the appointment of any person as a director on the Board, obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given in **Annexure - I (A)** of this Policy and as prescribed by the RBI, from time to time ("Declaration and Undertaking").
- Immediately on being appointed as Director, a Deed of Covenants shall be executed between the Company and the Director in the format as provided in **Annexure II (B)** to this Policy which is in the prescribed format of RBI.
- The Nomination and Remuneration Committee (NRC) shall scrutinize each Declaration and Undertaking received. The NRC shall consider the result of its due diligence and the information provided in the signed Declaration and Undertaking, recommend to the Board, the acceptance or otherwise of the prospective new directors or existing directors whose appointment is to be continued or renewed, as the case may be.
- The Company shall require every director on the Board to annually sign a simple declaration (reflecting the position as on 31st March) which either confirms that the information already provided to the Board, in the Declaration and Undertaking, has not undergone any change or where there is any change, specifies the requisite details are furnished to them forthwith.



6. Quarterly Reporting

The Company shall provide a quarterly statement to RBI (within 15 days of the close of the respective quarter) 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 the Company for the quarter ending March 31, shall be certified by the auditors as well.

7. Review and Amendment

This Policy may be amended or substituted by the NRC or by the Board on the basis of notification/circular/amendment to be issued by Reserve Bank of India.

8. Policy

8.1 Criteria for Board Membership;

(a) **Directors**

The Company shall take into account following points:

- The Director should possess adequate qualification, expertise, experience and/or networks that in the opinion of the Nomination and Remuneration Committee is satisfactory.
- The Director should be aligned to the mission and core values of the organization.
- The Director should have indicated willingness and availability of time required to function in the role.
- Any conflict of interest of directors shall be governed by the Conflict-of-Interest Policy as approved by the Board.
- The appointee must have a general reputation of fairness and integrity not limited to financial integrity, good reputation and character and honesty.

(b) **Independent Director**

Independent Director is a director who has no direct or indirect material relationship with the Company or any of its officers, other than as a director or shareholder of the Company. Independent Director shall meet all criteria specified in Section 149(7) of the Companies Act,2013 and rules made thereunder.



- 8.2 The Company, while appointing directors, shall ensure adherence to the below mentioned procedure:
- The Company shall receive all such information from all the directors in applicable format (as per **Annexure A**) and necessary/ relevant declarations, undertakings, including the deed of covenants (as per **Annexure B**).
 - The Committee shall also review the fit and proper criteria as per RBI Guidelines of all the directors on a half-yearly basis.
 - Every year as on 31st March, a simple declaration from the directors shall be obtained that the information already provided has not undergone change and wherever there is any change, requisite details are furnished by them forthwith.
- 8.3 The Committee shall be authorized to undertake any action/ step required to be taken to comply with the requirements prescribed under the Companies Act, 2013, SEBI /RBI Guidelines, or any amendments thereof.
9. The Committee will assess and evaluate the eligibility of the person based on the above mentioned Fit and Proper criteria before any appointment or renewal of appointment of director and subsequently the aforesaid criteria will be reviewed /evaluated by the Committee on continuing basis.



Annexure A

Declaration and Undertaking by Director
(With enclosures as appropriate as on.....)

I.	Personal Details of Directors	
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 IA of the Companies Act, 1956 and corresponding provisions of New Companies Act, 2013)	
b	List of entities if any in which you are 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 you are considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007#	
d	Name of NBFC in which you are 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 you and/ or by entities listed in II (b) and (c) above from the NBFC	
f	Cases, if any, where you 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	



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, and 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 toto, 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.)	
H.	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:

Signature

Date:

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

Place:

Signature

Date:

'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/ Capital of Firm, the amount paid up on which exceeds 10 percent of paid-up capital of the Company or total capital subscribed by all the partners of partnership firm



AnnexureB

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this..... day of Two thousand

..... BETWEEN..... having its registered office at(here-in-after called the "NBFC") of the one part and Mr./ Ms.of (here-in-after called the "Director") of the other part.

WHEREAS

A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his/ her appointment to enter into a Deed of Covenants with the NBFC.

B. The director has agreed to enter into this Deed of Covenants, 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 NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.
2. The director covenants with the NBFC 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 contractor arrangement entered into or to be entered into between the NBFC 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 body corporate, his/ her interest in other entities and his/ her interest as a partner or proprietor shall keep the Board apprised of changes therein.



(iii) The director shall provide to the NBFC 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 body corporate, firms and other entities.

(iv) The director shall in carrying on his/ her duties as director of the NBFC:

- 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 his / her in good faith and in the interests of the NBFC;
- c) shall keep himself/ herself informed about the business, activities and financial status of the NBFC 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 NBFC;
- e) shall not seek to influence any decision of the Board for any consideration other than in the interest of the NBFC;
- f) shall bring independent judgment to bear on all matters affecting the NBFC 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 judgement 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 judgement; 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 judgement;

(v) The director shall have:

- a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;
- b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
- c) duty to acquire proper understanding of the business of the NBFC.

(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 NBFC 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 NBFC in his/ her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

- (i) the NBFC 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 NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

- (ii) The NBFC 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 NBFC 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 NBFC 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) NBFC's strategic and business plans and forecasts;
 - (c) Organizational structure of the NBFC 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 NBFC's products;
 - (g) Information and updates on major expenditure;
 - (h) Periodic reviews of performance of the NBFC and
 - (i) Report periodically about implementation of strategic initiatives and plans;



- (iv) The NBFC 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 NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The NBFC 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 NBFC 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 NBFC.
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 NBFC.
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 the NBFC
By

Director

Name:

Name:

Title:

In the presence of:

1.

2.

