

CFM ASSET RECONSTRUCTION PRIVATE LIMITED

Corporate Governance Policy

Valid till November 23, 2024

Last approved on November 24, 2023

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1. Introduction

RBI vide their circular DoR. SIG. FIN. REC. No. 75/26.03.001/2022-23 dated October 11, 2022, on Review of Regulatory Framework for Asset Reconstruction Companies (ARCs) and para 26 of their Master Circular DOR.SIG.FIN.REC/No. 8/26.03.001/2023-24 April 03, 2023, for the ARCs, has advised the ARCs to put in place a Board approved Corporate Governance Framework and take appropriate measures to enhance Corporate Governance of ARCs.

In terms of the RBI Master Circular the ARCs that were not in compliance with the guidelines on Corporate Governance Framework as on October 11, 2022, are required to comply with these guidelines latest by April 10, 2023.

The objective is to set out the Corporate Policy Framework for the company, as required under the RBI guidelines/directions and Indian Companies Act, 2013, as updated from time to time.

The deviation from the Policy shall be made only with the approval of the Board of Directors.

2. Principles of Corporate Governance

The broad principle of a good corporate governance inter alia covers the followings:

- i. Empower the Board of Directors to
 - a. set the culture and values of the organisation
 - b. recognise and manage conflicts of interest
 - c. set the appetite for risk and manage risks within the appetite
 - d. improve the supervisory oversight of senior management
- ii. Achieve clear division of responsibilities between the Board and the Management
- iii. Strengthen the oversight and assurance functions
- iv. Underpin accountability of the management to the Board and accountability of the Board to the shareholders
- v. Ensure transparency through complete disclosure of financial statements in annual report, and all the relevant information on the website of the company.

3. Board of Directors-Constitution, tenure, fit and proper criteria, and conduct of meetings

- i. The Chairman of the Board shall be an independent director. In the absence of the Chairman of the Board, meetings of the Board shall be chaired by another independent director.
- ii. The quorum for the Board meetings shall be one-third of the total strength of the Board or three directors, whichever is higher.
- iii. At least half of the directors attending the meetings of the Board shall be independent directors.
- iv. The maximum age for the directors shall be 75 years.
- v. The performance of the directors shall be reviewed by the Board on annual basis

- vi. In terms of section 3(6) of the SARFAESI Act, prior approval of RBI shall be obtained for appointment/ re-appointment of a director.
- vii. The company shall undertake due diligence to determine the suitability of the person for the post, based upon track record, integrity and other 'fit and proper' criteria. For this purpose, the company shall obtain necessary information and declaration from the appointed/existing directors in the prescribed format in Annexure-1. The Nomination and Remuneration Committee shall scrutinise the declarations for this purpose.
- viii. The declaration with updated information shall be obtained from the directors on an annual basis, as on March 31 of every year. Any change in position with reference to items in para 3 and 4 of Annexure-1 shall be communicated to the Department of Regulation, RBI, Central Office, Mumbai for their consideration.
- ix. The company shall require the directors to execute a covenant in the format at Annexure-2, at the time of their joining the company, binding them to discharge their responsibilities to the best of their abilities, individually and collectively. This deed shall be preserved by the company and shall be made available to RBI, as and when called for.
- x. The company shall seek consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, and thereafter enter any contract or arrangement with a related party with respect to
 - a. sale, purchase or supply of any goods or materials,
 - b. selling or otherwise disposing of, or buying, property of any kind,
 - c. leasing of property of any kind,
 - d. availing or rendering of any services,
 - e. appointment of any agent for purchase or sale of goods, materials, services, or property, and
 - f. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company.

4. Committees of the Board

To strengthen the oversight by the Board, the company shall constitute the following committees of the Board viz., Audit Committee of the Board (ACB), Nomination and Remuneration Committee (NRC), and Risk Management Committee (RMC).

a. ACB-Composition & Conduct of meetings

- i. The company shall constitute an ACB, which shall have the same powers, functions, and duties, as laid down in section 177 of the Companies Act, 2013.
- ii. The ACB shall comprise non-executive directors only.
- iii. The Chairman of the Board shall not be a member of the ACB.
- iv. The ACB shall meet at least once in a quarter with a quorum of three members.
- v. The meetings of the ACB shall be chaired by an independent director, who is not chairing any other committee of the Board.

- vi. Each of the members of the ACB shall have the ability to understand the financial statements as well as the notes/reports attached thereto and at least one member shall have requisite professional expertise/qualification in financial accounting or financial management.
- vii. The ACB shall periodically review and assess the effectiveness of internal control systems, especially with respect to the asset acquisition procedures and asset reconstruction measures followed by the company and matters related thereto.
- viii. The ACB shall recommend to the Board for appointment, remuneration and terms of appointment of auditors of the company, and review and monitor the auditor's independence and performance, and effectiveness of audit process.
- ix. The ACB shall review the financial statements before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- x. The ACB shall approve any subsequent modification and ratify any transactions of the company with the related party.
- xi. The ACB shall review all the borrowings and investments as well as third party deposits, if any.
- xii. (xii)The ACB shall monitor the valuation of assets of the company, wherever necessary.
- xiii. The ACB shall also review the accounting of management fees/incentives/ expenses to ensure that the company is following the applicable regulations.
- xiv. The ACB shall oversee the internal financial controls and risk management systems of the company.
- xv. The ACB may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors.
- xvi. The ACB shall undertake any matter referred to it by the Board, and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.
- xvii. The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the ACB, when it considers the auditor's report but shall not have the right to vote.
- xviii. The annual report under section 134(3) shall disclose the composition of an ACB and if the Board has not accepted any recommendation of the ACB, the same shall be disclosed in such report along with the reasons therefor.
- xix. The company shall establish a vigil mechanism for its directors and employees to report genuine concerns in such manner as may be prescribed under the Companies Act,2013. The vigil mechanism shall provide for adequate safeguards against victimisation of persons, who use such mechanism and make provision for direct access to the Chairman of the ACB in appropriate or exceptional cases.

b. NRC-Composition & Conduct of meetings

- i. The company shall constitute an NRC, which shall have the same powers, functions and duties as laid down in section 178 of the Companies Act, 2013.
- ii. The NRC shall have three or more non-executive directors, out of which not less than one-half shall be independent director.
- iii. The NRC shall identify persons, who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance.
- iv. The NRC shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a Policy, relating to the remuneration for the directors, key managerial personnel, and other employees.
- v. The NRC shall, while formulating the Policy shall ensure that:
 - a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the directors of the quality required to run the company successfully,
 - b. relationship of remuneration to performance is clear and meet appropriate performance benchmarks, and
 - c. remuneration to the directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance, objectives appropriate to the working of the company and its goals.
- vi. The Remuneration Policy shall be placed on the website of the company, if any, and the salient features of the Policy and changes therein, if any, along with the web address of the Policy, if any, shall be disclosed in the Annual Report of the Board. Senior management means personnel of the company, who are members of its core management team, including the functional heads.
- vii. The NRC shall ensure 'fit and proper' status of proposed/ existing directors and sponsors. To ensure that all its sponsors are fit and proper, the company shall obtain within one month of the close of financial year a declaration from all its sponsors in Form I, and furnish a certificate in Form III, by the end of May every year, to RBI on the status of the sponsor. The company shall make an application along with Form II, for the RBI prior approval for change in shareholding of the company. The prescribed formats in Form-I, II & III are given at Annexure-3.

c. Risk Management Committee (RMC)-Composition & Conduct of meetings

- i. The company shall have an RMC with a minimum of three members.
- ii. The Company Secretary of the company shall act as the secretary of the RMC.
- iii. The meetings of the RMC shall be held on a quarterly basis.
- iv. The draft minutes for the RMC meetings shall be circulated, in manner permitted as per the Companies Act, 2013, to all the members of the RMC within a period of seven days for their comments and the members shall within a period of seven days communicate their comments, if any, in writing.
- v. The minutes finalised shall be entered in the minutes book within a period of 30 days from date of the RMC meeting. In case of no comments by the members within the prescribed time limit as above, the draft minutes shall be deemed to have been approved by such members.
- vi. The minutes of all meetings shall be preserved permanently in physical or electronic form.
- vii. The RMC shall review the key risks faced by the company, its impact on the company's operations/financials and various mitigation strategies adopted.
- viii. The RMC shall review and recommend revision in various policies of the company.

5. Managing Director (MD)/ Chief Executive Officer (CEO) or Whole time Director (WTD)- Tenure, and Fit & Proper Criteria

- i. The Board with the recommendation of the NRC shall appoint a MD and/or CEO of the company.
- ii. The tenure of MD/CEO or WTD shall not be for a period of more than 5 years at a time and the individual shall be eligible for re-appointment.
- iii. The post of the MD/CEO or WTD shall not be held by the same incumbent for more than 15 years continuously. Thereafter, the individual shall be eligible for re-appointment in the company, if considered necessary and desirable by the Board, after a minimum gap of 3 years, subject to meeting other conditions. During the cooling period of 3 years, the individual shall not be appointed or associated with the company in any capacity, either directly or indirectly.
- iv. The company shall put in place appropriate measures to ensure succession planning.
- v. No individual shall continue as MD/CEO or WTD beyond the age of 70 years. Within the overall limit of 70 years, as part of their internal policy, the Board of Directors may prescribe a lower retirement age.
- vi. The performance of MD/CEO or WTD shall be reviewed by the Board on annual basis.
- vii. In terms of section 3(6) of the SARFAESI Act, prior approval of RBI shall be obtained for appointment/ re-appointment of a MD/CEO or WTD.
- viii. The company shall undertake due diligence to determine the suitability of the person for the post, based upon track record, integrity and other 'fit and proper' criteria.

- ix. For this purpose, the company shall obtain necessary information and declaration from the appointed/ existing MD/CEO or WTD in the format Annexure-1 on an annual basis, as on March 31 of each year.
- x. The NRC shall scrutinise the declarations obtained from the appointed/ existing MD/CEO or WTD for this purpose.
- xi. Any change in position with reference to items in para 3 and 4 of Annexure-1 shall be communicated to the Department of Regulation of RBI for its consideration.

6. Strengthening of Assurance Functions

The assurance function constitutes three lines of defence with pivotal responsibilities. viz.,

- i. Business Functions (first line of defence), which are the risk takers and owners of the risk, have the responsibility of managing the risk generated by virtue of their day-to-day business activities,
- ii. Risk Management Function and Compliance Function (second line of defence) have the responsibility of exercising oversight on the business functions to ensure that their activities are within the risk and compliance policies of the ARC, and
- iii. Internal Audit Function (third line of defence) has the responsibility of identifying gaps from prescribed requirements and reporting to the ACB/Board.

a. Risk Management Function

- i. Risk Management Function shall focus on identification, measurement, monitoring, and management of risks, development of risk policies and procedures, use of risk management models, etc.
- ii. In order to follow best practices in risk management, the company shall appoint a Chief Risk Officer (CRO) with clearly specified role and responsibilities.
- iii. The CRO shall function independently to ensure highest standards of risk management.
- iv. The CRO shall be a senior official in the hierarchy and shall possess adequate professional qualification/ experience in Risk Management. If the company considers necessary, the CRO may be recruited from the market.
- v. The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be removed from his post before completion of the tenure only with the approval of the Board and such premature removal shall be reported to the Department of Supervision, RBI, CO.
- vi. The CRO shall not have any reporting relationship with the business verticals of the company and shall not be given any business targets. Further, there shall not be any 'dual hatting' i.e., the CRO shall not be given any other responsibility.
- vii. The acquisition/resolution shall be vetted by the CRO from the angle of inherent and control risks.

b. Compliance Function

- i. The adherence to applicable statutory provisions and regulations is the prime responsibility of the business team.
- ii. The senior management shall report promptly to the Board/RMC on any material compliance failure, while ensuring that appropriate remedial or disciplinary action is taken.
- iii. The compliance team shall ensure strict observance of all statutory and regulatory requirements for the company.
- iv. The compliance team shall ensure compliance of regulatory/supervisory directions given by RBI in both letter and spirit in a time-bound and sustainable manner.
- v. The compliance team shall serve as a reference point for the staff from operational departments for seeking clarifications/interpretation of various regulatory and statutory guidelines.
- vi. The compliance team shall have the authority to have access to all records or files that are necessary to enable to carry out entrusted responsibilities in respect of compliance issues.
- vii. The compliance team shall attend to compliance with directions from other regulators in cases where the activities of the entity are not limited to the regulation/supervision of RBI.
- viii. The compliance to RBI inspection reports shall be communicated to RBI necessarily through the compliance team.
- ix. The compliance team shall be independent and sufficiently resourced, its responsibilities shall be clearly specified, and its activities shall be subject to periodic and independent review.
- x. The Chief Compliance Officer (CCO) shall be the nodal point of contact between the company and the regulators/supervisors and shall necessarily be a participant in the structured or other regular discussions held with RBI.
- xi. The CCO shall be kept informed of audit findings related to compliance, which shall serve as a feedback mechanism for assessing the areas non-sustenance of compliance
- xii. The CCO shall not be given any responsibility, which brings elements of conflict of interest i.e., 'dual hatting', especially any role relating to business.
- xiii. The CCO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be removed from his post before completion of the tenure only with the approval of the Board and such premature removal shall be reported to the Department of Supervision, RBI, CO.
- xiv. The CCO shall have a good understanding of the industry and risk management practices, knowledge of regulations, legal requirements, and have sensitivity to supervisory expectations.
- xv. The CCO shall have the ability to exercise judgment independently and shall have the freedom and authority to interact with regulators/supervisors directly and ensure compliance.

c. Internal Control Function

- i. Internal audit shall provide an assurance to the Board and the senior management on the quality and effectiveness of the company’s internal controls, risk management and governance related systems and processes.
- ii. The company shall formulate an Internal Audit Policy with the approval of the Board. The policy shall clearly document the purpose, authority, and responsibility of the internal audit activity, with a clear demarcation of the role and expectations from Risk Management Function and Internal Audit Function.
- iii. Before taking up specific internal audit assignment, the plan, scope, objectives, timelines, and resource allocations of the assignment shall be clearly established
- iv. The company shall have proper MIS and data integrity arrangements for the risk assessment to be accurate.
- v. Internal audit shall assess and make appropriate recommendations to improve the governance processes on business decision making, risk management and control, and ensure effective performance management and staff accountability, etc.
- vi. Internal audit shall have a system to monitor compliance to the observations made by internal audit and status of compliance, especially persisting irregularities, non-sustenance of the compliance shall be an integral part of reporting to the ACB/Board.

7. Review/ Renewal of the Policy

The Board shall review the policy at least once every year. However, the Policy may be reviewed by the Board from time to time, keeping in view the changes in regulations.

8. Annexure on Amendments/Review/ Renewal of the Policy

Sr. No.	Particulars	Date	Approved by
1.	Framing of the Policy	December 28,2021	Board of Directors
2.	Extended by 3 months	December 27, 2022	CEO
3.	Review/Renewal of the Policy	June 05, 2023	Board of Directors
4.	Review/Renewal of the Policy	November 24, 2023	Board of Directors

Annexure-1

Declaration and Undertaking by Director/ MD/ CEO as on.....

Name:

1. Relevant Relationships of Director/ MD/ CEO

- (i) List of relatives, if any, who relate to the ARC (please refer to section 77(2) of the Companies Act, 2013
- (ii) List of entities, if any, in which he/ she is considered as being interested under 49(2) and section 184 of the Companies Act, 2013
- (iii) List of entities in which he/ she is considered as holding substantial interest (substantial interest means the beneficial interest held by an individual or any of his/ her relatives, whether singly or taken together, in the shares of an ARC/ firm, the aggregate amount paid-up on which exceeds ten percent of the paid-up share capital/ capital of the ARC/ firm)
- (iv) Name of the financial institutions including ARCs in which he/ she is or has been a member of the Board (also give details of period during which such office was held)
- (v) Fund and non-fund facilities, if any, presently availed of by him/ her and/ or by entities listed at 1(ii) and (iii) above from the financial institutions including ARCs
- (vi) Cases, if any, where the director or entities at 1(ii) and (iii) above are in default or have been in default in the past in respect of credit facilities obtained from financial institutions including ARCs.

2. Records of Professional Achievements

Relevant professional achievements

3. Proceedings, if any, against the Director/ MD/CEO

- (i) Whether 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.
- (ii) 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 at 1(ii) and (iii) above for violation of economic laws and regulations.
- (iii) Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director
- (iv) Whether the director attracts any of the disqualifications envisaged under the section 164 of the Companies Act, 2013? If so, details of the same.
- (v) Has the director or any of the entities at 1(ii) and 1(iii) above been subject to any investigation at the instance of any Government department or agency? If so, details of the same.

(vi) 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, details of the same.

(vii) Whether the director has at any time come to the adverse notice of a regulator such as RBI, SEBI, IRDA, MCA, etc.?

(viii) Whether the director has been declared as a wilful defaulter at any time in the preceding five years?

(ix) Whether the director is continuing as a wilful defaulter?

4. Any other explanation/ information considered relevant for judging the Director/ MD CEO, 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 Board of the ARC 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 the directors of the ARC.

Place: Signature:

Date: Name:

* Applicable only for directors

Remarks of Nomination and Remuneration Committee (NRC) of having satisfied itself that the above information is true and complete.

Place:

Signature of the Chair of the NRC:

Date:

Name:

Annexure-2
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 (hereinafter called the 'ARC') of the one part and Mr./ Ms _____ of _____ (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 ARC (hereinafter called 'the Board') and as a term of his/ her appointment, is required to enter a Deed of Covenants with the ARC.

B. The Director has agreed to enter into this Deed of Covenants pursuant to his/ her said terms of appointment which has been approved by the Board.

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 ARC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the ARC and the provisions of this Deed of Covenants.

(2) The Director covenants with the ARC that:

(i) The Director is required to 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 ARC 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 is required to 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 is required to 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 is required to keep the Board apprised of all changes therein.

(iii) The Director is required to provide to the ARC a list of his/ her relatives as defined in the Companies Act, 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 is required to in carrying on his/ her duties as director of the ARC:
- (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 ARC
 - (c) keep himself/ herself informed about the business, activities, and financial status of the ARC 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 the 'Board') with fair regularity and conscientiously fulfil his/ her obligations as director of the ARC
 - (e) not seek to influence any decision of the Board for any consideration other than in the interests of the ARC
 - (f) bring independent judgment to bear on all matters affecting the ARC 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) 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
 - (h) express his/ her views and opinions at the Board meetings without any fear or favour and without any influence on exercise of his/ her independent judgement

(v) The Director is required to have:

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

(vi) The Director is required to:

- (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 ARC and wherever the director has reasons to believe otherwise, he/ she is required to 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 is required to use the information disclosed to him/ her by the ARC in his/ her capacity as director of the ARC only for the purposes of performance of his/ her duties as a director and not for any other purpose

- (3) The ARC covenants with the Director that:
- (i) the ARC is required to apprise the Director about the:
 - (a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations
 - (b) control systems and procedures
 - (c) matters in which Director shall 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
 - (k) changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the ARC, delegation of authority, Senior Executives, etc.

 - (ii) the ARC is required to 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 ARC 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 ARC to the directors is required to 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) ARC's strategic and business plans and forecasts
 - (c) organisational structure of the ARC and delegation of authority
 - (d) corporate and management controls and systems including procedures
 - (e) economic features and marketing environment
 - (f) information and updates on major expenditure
 - (g) periodic reviews of performance of the ARC
 - (h) periodic reports about implementation of strategic initiatives and plans

 - (iv) the ARC is required to communicate the outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of meetings of the 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

(v) advise the Director about the levels of authority delegated in matters placed before the Board

(4) The ARC shall provide to the Director periodic reports on the functioning of internal control systems including effectiveness thereof.

(5) The Director shall not assign, transfer, sublet or encumber his/ her office and his/ her rights and obligations as director of the ARC to any third party provided that nothing herein contained is required to 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 ARC.

(6) 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.

(7) 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 ARC.

(8) 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 ARC

Signature:

Name:

Title:

Date:

Director

Signature:

Name:

In the presence of:

- 1.
- 2.

Annexure-3
Schedule forms for fit & proper of the sponsors
Form-I: Declaration to be submitted by the Sponsor

Name of the ARC:

Sl. No.	Particulars	Remarks
PART- A		
1.	Name of the sponsor (including previous names, if any, along with date of such changes)	
2.	Present & Permanent address of the sponsor	
3.	Registered & Corporate Office address of the sponsor	
4.	Occupation/ Nature of business of the sponsor	
5.	Citizenship and Resident status, if the sponsor is an individual/ ownership and control status if the sponsor is an entity. (As per the FEMA)	
6.	Date of Birth / Incorporation	
7.	CIN/ Registration No./ PAN/TAN	
8.	Details of bank accounts - bank, branch, and account no.	
9.	Profitability and Average Income for the last three years and Net Worth (Duly certified by the Statutory Auditors)	
10.	Sources of fund for acquisition of shares/ compulsorily convertible preference shares/ debentures/ bonds (Duly certified by the Statutory Auditors)	
11.	Income Tax Returns and audited financial statements of the sponsor for the last three years	
12.	Details of directorship/ shareholding/ voting rights/ compulsorily convertible preference shares/ debentures/ bonds, etc. of the sponsor in banks and other institutions in the financial sector	
13.	Details of acquisition by the sponsor (shareholding in Rs. and %) in ARC	
14.	Whether any other person has beneficial interest in the proposed acquisition	
15.	Detailed profile on the background and experience of the sponsor, expertise and track record of business	
16.	Whether the sponsor is a financial sector entity/ Government/ public sector undertaking	

17.	Whether the sponsor has been declared as a wilful defaulter at any time in the preceding five years. If yes, whether they continue as a wilful defaulter	
PART-B		
18.	<p>(A) List of 'Relatives' of the sponsor</p> <p>(B) List of "Persons acting in concert' with the sponsor</p> <p>(C) List of Associate Enterprises of the sponsor</p> <p>(D) List of Entities which hold 10% or more of the paid-up share capital of the sponsor</p> <p>(E) List of HUFs where the sponsor or his family member is a member/karta</p> <p>(F) List of entities in which the HUF at (E) above is holding 10% or more of the paid-up share capital of that entity</p> <p>(G) List of entities in which the sponsor is holding 10% or more of the paid-up share capital of that entity</p>	
	<p>(H) Entities, if any, in which the sponsor is considered as being interested (Refer Section 184 of Companies Act, 2013)</p> <p>(I) Entities where there are common shareholders of the sponsor who collectively hold 20% or more of the paid-up share capital of the sponsor and also those entities</p> <p>(J) Related Party (Refer AS 18) of the sponsor</p> <p><i>Explanation: For the purpose of this part,</i> <i>"Relatives" means 'relatives' as defined in Section 2(77) of the Companies Act 2013.</i></p> <p><i>(i) Persons shall be deemed to be "acting in concert" who, for a common objective or purpose of acquisition of shares in excess of 10%, pursuant to an agreement or understanding (formal or informal) directly or indirectly cooperate by acquiring or agreeing to acquire shares in the ARC</i></p> <p><i>'Associate enterprises of the sponsor', means a company whether incorporated or not, which is a holding company or a subsidiary company of the sponsor; or is a joint venture (defined in terms of AS 23) of the sponsor; or controls the composition of the Board of Directors or other body governing the sponsor; or is able to obtain economic benefits from the activities of the applicant.</i></p>	

PART C		
19.	Has the sponsor or the persons/ entities listed in Part B been adjudged bankrupt/insolvent at any time	
20.*	If the sponsor or the persons/ entities listed in Part B 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 at any profession/ occupation at any time	
21.*	Details of serious disciplinary or criminal prosecution, if any, pending or commenced or resulting in conviction in the past against the sponsor or the persons/ entities listed in Part B	
22.*	Has the sponsor or the persons/ entities listed in Part B at any time been found guilty of violation of rules / legislative requirements by customs / excise/ income tax/ foreign exchange/ other revenue authorities/ investigative agencies/ economic laws/ any regulation, including issuance of Show Cause Notice, if so, give particulars	
23.	Whether the sponsor or the persons/ entities listed in Part B have been convicted for any offence due to dishonesty, incompetence or malpractice under any legislation designed to protect members of the public from financial loss	
24.	Whether the persons/ entities listed in Part B has been declared as a wilful defaulter at any time in the preceding five years? If yes, whether he/she continues as a wilful defaulter?	
PART-D		
25.	If the sponsor is a regulated entity, names, and addresses of the regulators of the applicant in India and abroad	
26.	Shareholding pattern of the sponsor	
27.	Details of capital raised by the sponsor during the past 3 years	
28.	Detailed corporate structure of the Group in case the sponsor belongs to a Group (preferably in a pictorial form)	

*Though it shall not be necessary for a person to mention in the column about orders and findings made by regulators which have been later reversed / set aside in toto, however, 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.

Undertaking

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

Signature and stamp of the sponsor

Place :

Date :

I solemnly declare that to the best of my knowledge and belief the information furnished in the statement above is correct, complete, and truly stated.

Signature of authorised official of the company

Name :

Designation :

Company seal :

Date :

Place :

PART- E

Additional information to be submitted by the ARC

Sl. No.	Particulars	Remarks
29.	Any other explanation / information in regard to items above considered relevant for judging "fit and proper" status of the sponsor	
30.	Brief details of shareholder agreements	

Signature of authorised official of the company

Name :

Designation :

Company seal :

Date :

Place :

Form II: Information to be furnished to the Reserve Bank by the ARC while forwarding the application for seeking prior approval of Sponsors

Sl. No.	Particulars	Remarks
1.	Name of the ARC	
2.	Paid-up share capital of the ARC	
3.	Name of the existing sponsors of the ARC	
4.	Name of the proposed sponsor	
5.	Proposed sponsor's track record on integrity and reputation	
6.	Report of the ARC on the acquisition (based on a review by the Board of Directors)	
7.	Whether the proposed sponsor is resident or non-resident	
8.	Whether the proposed sponsor or persons/ entities listed in Part B of Form I has been subject to any proceedings of serious disciplinary or criminal nature	

Encl:

1. Report of the ARC
2. Copy of the Board Resolution
3. Form I for individual sponsors

Signature of authorised official of the company

Name :

Designation :

Company seal :

Date :

Place :

**Form III: Annual declaration (as on March 31 every year) to be furnished to the ARC by
all the existing Sponsors of ARCs**

Name of the ARC:

Sl. No.	Particulars	Remarks
1.	Name of the sponsor	
2.	Address of the sponsor	
3.	Occupation of the sponsor (in case of individuals)	
4.	Total number of shares /compulsorily convertible preference shares/ debentures /bonds held by the sponsor in the ARC	
5.	Date/s of acquisition of shares/ compulsorily convertible preference shares/ debentures/ bonds in the ARC in the past 5 years	
6.	Details of regulatory actions against the sponsors and persons/ entities listed in Part B of Form I by regulators in India or abroad, during the last 5 years	
7.	Whether there have been any criminal proceedings against the sponsor and persons/ entities listed in Part B of Form I during the last 5 years, if so, details thereof.	
8.	Whether there have been any civil proceedings against the sponsor and persons/ entities listed in Part B of Form I during the last 5 years, if so, details thereof.	
9.	Change of ownership of the sponsor in the last 5 years (in case of entities), if any	

Signature and stamp of the sponsor

Place :

Date :