



DIRECTOR FIT AND PROPER POLICY

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FIT AND PROPER POLICY

A. INTRODUCTION AND BACKGROUND

Protium Finance Limited (hereinafter referred to as ‘the **Company**’ or ‘**Protium**’), is a Non-Banking Financial Company Investment and Credit Company categorized as Middle Layer (“**NBFC ICC ML**”). The Company provides both secured and unsecured loans to consumers and educational institutions, and also extends secured and unsecured loans to Micro, Small, and Medium Enterprises (MSMEs) across India.

The Board of Directors (‘the Board’) of the Company, have adopted this Fit and Proper Criteria Policy (‘the Policy’) with regard to ascertaining the Fit and Proper criteria of Directors at the time of their appointment and on continuing basis in accordance with the directions prescribed by the RBI as provided below.

The Reserve Bank of India (“RBI”) had, vide para 96 and Annex XXIII of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, and any amendment thereof, has mandated every Middle Layer NBFC registered with the Reserve Bank of India under the provisions of RBI Act, 1934 to have in place a Policy, duly approved by the Board of Directors, for ascertaining the ‘fit and proper’ status of Directors at the time of their appointment and also on a continuous basis (hereinafter referred to as the “Fit and Proper Policy” / “Policy”).

This policy has been duly approved by the Board of Directors of the Company is suitably and periodically reviewed.

B. OBJECTIVE

This Policy intends to establish a system/process in place for undertaking due diligence of persons before their appointment as directors on the Board of the Company (“Board”) and on continuing basis by ascertaining their suitability for the post on the basis of their qualifications, technical expertise, track record, integrity, etc.

C. APPLICABILITY

The Policy shall apply in respect of appointment of directors on the Board as well as continuation of the appointment of the Directors on the Board. The Company believes that this policy will aid the Company’s constant endeavor 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.

D. EVALUATION OF “FIT AND PROPER” CRITERIA

- I. The RBI does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that NBFCs shall put in place an internal supervisory process on a continuing basis. While appointing/re-appointing directors following needs to be ensured before the director(s) are appointed/re-appointed to the Board:
 - a. Before appointing any person as a director on the Board or continuing the appointment of any such director, the Nomination and Remuneration Committee (NRC) as constituted by the Board, 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.

- b. 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**) of this Policy and as prescribed by the RBI, from time to time (“Declaration and Undertaking”).
 - c. 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**) to this Policy which is in the prescribed format of RBI.
 - d. The NRC shall scrutinize each Declaration and Undertaking received. The NRC shall after 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.
 - e. 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.
 - f. The process of due diligence shall be undertaken by the company at the time of appointment/renewal of appointment.
- II. The NRC shall be authorized to undertake any action/ step required to be taken to comply with the requirements prescribed under the RBI Master Direction or any amendments thereof in this regard;
- III. The NRC shall determine the criteria of appointment to the Board and shall be vested with the authority to identify candidates for appointment to the Board. In evaluating the suitability of a person for appointment / continuing to hold appointment as a director, the NRC will take into account apart from others his/her eligibility, qualification, expertise, track record, integrity and other ‘fit and proper’ criteria as may be determined from time to time;
- IV. The various ‘Fit and Proper’ criteria which need to be reviewed by the NRC before an appointment of a person as director or after a person is appointed as director on continuing basis shall include the following:
- a. Where the person is a member of a professional association/body, whether any disciplinary action is pending or initiated or which has resulted in conviction in the past of the person;
 - b. Whether the person or the entities in which the person is interested have been prosecuted / convicted for the violation of any economic laws and regulations;
 - c. Whether any criminal prosecution is pending or initiated or resulting in conviction in the last five years of the person;
 - d. 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;
 - e. 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;
 - f. Whether the person has been found guilty of contravention of any rules/regulations/legislative requirements by customs/excise/income-tax/foreign exchange/other revenue authorities; and
 - g. Whether the person has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA etc.;
- V. The NRC 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 and subsequently the aforesaid criteria will be reviewed/evaluated by the NRC on continuing basis.

E. QUARTERLY REPORTING

The Company shall provide a statement to the RBI on a quarterly basis (no later than 15 days from the end of every financial quarter) setting out the change of directors of the Company, which statement shall be certified by the auditors of the Company for the quarter ending March 31, and shall also be accompanied by a certificate of the Managing Director of the Company confirming that the fit and proper criteria in selection of such new directors has been followed.

This Document shall be subject to periodic review at least annually in accordance with any regulatory or statutory requirement and shall be approved by the Board.

F. REVIEW OF POLICY

The Board of Directors shall review this Policy annually or on a need-basis i.e., in the event of change in regulatory framework or for business or operational need (whichever is earlier). Such updates / changes to the Policy will be communicated to the relevant staff /personnel (both in-house or outsourced) and relevant stakeholders across the Company.

ANNEXURE - I

Name of NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)

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, 1961 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 para 5.1.33 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023	
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	
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 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.)	
V.	Any other explanation / information in regard to items I to III and other information considered relevant for judging fit and proper	
	<u>Undertaking</u>	
	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:	

ANNEXURE – II

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 "NBFC") 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 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 contract or 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 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 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 bodies 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 him / 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 interests 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 favour 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:

- d. not evade responsibility in regard to matters entrusted to him / her by the Board;
- e. 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
- f. 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 authorised 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		Director		
By				
Name:		Name:		
Title:				
In the presence of:				
1.		2.		