INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

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Review Period	Annual
Approved by Board of Directors	25.01.2025
Version	4
Formation	21.04.2022

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1. 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.

Corporate governance is the system of rules, practices, and processes to direct and monitor theoperations of a company. It essentially involves balancing the interests of a company's stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government,and the community. The aim of such guidelines is to help the company attain its overall objectives/goalssince it encompasses every sphere of operations, management, action plans, internal controls, and regulatory disclosure.

It is the Company's endeavorto excel through better corporate governance and fair and transparent practices. The Company practices a culture that is built on core values and ethical governance practices and is committed to transparency in all its dealings. The Company believes that sound Corporate Governance is essential for enhancing long term shareholder value The Company manages its affairs with diligence, transparency, responsibility and accountability to generate long term value for its stakeholders on a continuous and sustainable basis thus ensuring ethical and responsible leadership both at the Board and at the Management levels. The Company's Governance processes and practices ensure that the interest of all stakeholders are taken into account in a balanced and transparent manner and are firmly embedded into the culture and ethos of the organization. The Company has an active, experienced and a well-informed Board. The Board along with its committees undertakes its fiduciary duties towards all its stakeholders with the Corporate Governance mechanism in place.

These internal guidelines on corporate governance have been framed and adopted in lines of chapter XI of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as may be amended from time to time.

These guidelines have been duly approved by the Board of Directors of the Company and are reviewed periodically.

2. SCOPE

These guidelines would formalize the existing Corporate Governance framework and practices across the functions and operations of the Company.

Thus, in order to adopt best practices and ensure greater transparency in the operations of the Companyand in order to comply with the requirements of the Master Directions, the Company has framed these 'Internal Guidelines on Corporate Governance' ("Policy").

3. GOVERNANCE STRUCTURE

A. BOARD OF DIRECTORS

The Board of the Company shall provide leadership and strategic guidance to the Company's management. The Company's management shall act in accordance with the supervision, control, and direction by the Board. The Board plays a vital role in matters relating to formulation of various policies,it's implementation and strategic issues which are crucial for the company's long-term development, success, and growth.

It is the primary responsibility of the Board of Directors to ensure overall compliance with the corporate governance framework of the Company. The Board shall provide the overall strategic direction and periodically review strategy and business plans, and oversee the actions and results of the management to ensure that the long-term objectives of enhancing stakeholders' value are met. The Board shall also, inter-alia, review and consider the investment and exposure limits, compliance report(s) of all laws applicable to the Company, as well as steps taken to rectify instances of non-compliances if any, review major legal issues, approval and adoption of quarterly/half-yearly/annual results, , major accounting provisions and write-offs, corporate restructuring, minutes of Meetings of the Audit and other Committees of the Board and information on recruitment of Key Managerial Personnels

The Board shall satisfy itself that plans are in place for orderly succession for appointment to the Board of Directors. The Board accomplishes these functions acting directly and/ or through its Committees.

Composition of the Board

The composition of the Board shall be governed by the Articles of Association of the Company read withthe applicable provisions of Companies Act, 2013 and the rules framed thereunder ("Act"). In terms of Articles of Association of the Company and the Act, the number of Directors shall not be less than 3 (three) and shall not exceed the maximum number of directors as prescribed by the Companies Act, 2013. The Directors shall act in accordance with the duties as provided under the Companies Act, 2013 ("the Act") and the Independent Directors shall abide by the Code for Independent Directors under Schedule IV of the Act.
The Board shall have a suitable combination of executive and non-executive Directors and all the Directors shall meet the "fit and proper" criteria, as prescribed by the Reserve Bank of India (RBI). The Directors bring to the Board, wide range of experience and skills and have a vital role to play in the matters, inter-alia, relating to policy formulation, implementation and strategic issues, which are crucial for the long-term development of the organization.

The Board, may from time to time appoint one or more of the directors of the Board to be a Managing Director or a Whole-time Director or Manager of the Company for a fixed term in accordance with the provisions of the Act, on terms and conditions as they may deem fit and delegate such power to him asthey may deem proper and from time to time remove or dismiss him or them from office and appoint another in his/their place, subject to and in accordance with the provisions of the Act.

Meetings of the Board

Meetings of the Board shall be held at least 4 (four) times a year, such that not more than 120 (one hundred and twenty) days shall intervene between two consecutive board meetings.
The Quorum for a Meeting of the Board shall be one-third of the total strength of the Board, or two Directors, whichever is higher and the same shall be maintained for the entire meeting.

The Company, in consultation with the Directors, agrees to the annual schedule of Board Meetings for a given financial year, to assist the Directors for planning, in advance, to participate in the meetings.

The remuneration, when payable to the Director(s) shall be determined by the Nomination and Remuneration Committee and shall be recommended to the Board for its consideration and approval.

B. COMMITTEES OF BOARD

The Board shall constitute various Committees which will enable the Board to deal with specific areas /activities that need a closer review and to have an appropriate structure to assist in the discharge of its duties and responsibilities.

The Committees shall operate as per the terms of reference approved by the Board. The minutes of themeetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting. In compliance with the applicable provisions of the Companies Act, 2013 and Master Direction – Scale Based Regulation and to meet business exigencies, the Company may constiture Board Committees. The Company has constituted following committees of the Board or as may constitute more as be required by regulation/ business exigencies from time to time :

- **AUDIT COMMITTEE**

In terms of the Master Directions, the Company is required to constitute an Audit Committee. Such Audit Committee constituted shall have the same powers, functions and duties as laid down in Section 177 ofthe Act.

Composition of the committee –

The Audit Committee shall comprise of not less than three members of its Board. All members of Audit Committee shall be financially literate and at least one member shall have accounting or relevant financial management expertise. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee shall meet at least 4 (four) times in a year and not more than 4 (four) months shall elapse between 2 (two) meetings.

The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.The Committee shall meet with management, theinternal auditor and the statutory auditor as deemed fit by it.

Roles and Responsibilities:

The roles and responsibilities of the Audit Committee are set out in the terms of reference approved by the Board annually. TOR is prepared in accordance with Section 177 of the Companies Act, 2013, the Rules framed thereunder, and the Master Direction – Scale Based Regulation, as amended

- **NOMINATION AND REMUNERATION COMMITTEE**

In terms of the Master Directions, the Company is required to constitute a Nomination Committee. Such Nomination Committee constituted shall have the same powers, functions, and duties as laid downin Section 178 of the Act. The Company shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors.

Constitution:

Nomination and Remuneration Committee (NRC) shall consist of three or more non-executive directors out of which not less than two-third shall be non-executive directors. The Company Secretary shall act as the Secretary to the Committee.

Meetings:

The Committee to meet at quarterly intervals. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Roles and Responsibilities:

The roles and responsibilities of the Nomination and Remuneration Committee are set out in the terms of reference approved by the Board annually. TOR is prepared in accordance with Section 178 of the Companies Act, 2013, the Rules framed thereunder, and the Master Direction – Scale Based Regulation, as amended

- **RISK MANAGEMENT COMMITTEE**

In terms of the Master Directions, the Company shall form a Risk Management Committee, to manage and mitigate the integrated risk.

Composition and role of the committee:

The Risk Management Committee shall comprise of Chief Executive Officer (CEO)/ Managing Director and heads of various risk verticals and shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk.

Meetings

The Committee to meet at quarterly intervals. The quorum shall be either two members or one third of the total strength of the members of the Committee, whichever is greater.

Roles and Responsibilities:

The roles and responsibilities of the Risk Management Committee are set out in the terms of reference approved by the Board annually. TOR is prepared in accordance with the Companies Act, 2013, the Rules framed thereunder, and the Master Direction – Scale Based Regulation, as amended.

- **ASSET LIABILITY MANAGEMENT COMMITTEE**

In terms of the Master Directions, the Company shall form an Asset Liability Management Committee (“ALCO”).

- **Composition of the committee –**

The ALCO shall comprise of the Company’s top management and shall be responsible for ensuring adherence to the risk tolerance/ limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The CEO/ MD or the Executive Director (ED) would head the ALCO. The Chiefs of Investment, Credit, Resource Management or Planning, Funds Management/ Treasury (forex and domestic), Economic Research may be members of the Committee.

Meetings

The Committee to meet at quarterly intervals. The quorum shall be two (2)

Role of the committee –

The roles and responsibilities of the ALCO Committee are set out in the terms of reference approved by the Board annually. TOR is prepared in accordance with the Master Direction – Scale Based Regulation, as amended.

- **IT STRATEGY COMMITTEE**

The IT Strategy Committee shall be constituted in accordance with the provisions of the Master Direction - Information Technology Framework for the NBFC Sector ("IT Directions") as applicable to the Companyand as amended from time to time. Accordingly, the Company shall constitute an IT Strategy Committee.

Composition of the committee –

The chairman of the committee shall be an independent director and have substantial IT expertise in managing/ guiding information technology initiatives. The Head- IT will be the permanent invitee to the Meeting.

The Committee to meet at quarterly intervals.

Role of the committee –

The Committee shall work in partnership with other committees of the Board and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, cyber security arrangements and any other matter related to IT Governance. The deliberations of the Committee may be placed before the Board.

C. FIT AND PROPER CRITERIA

The Company has in place a Board approved Policy for ascertaining the Fit and Proper criteria of the Directors at the time of appointment and on a continuing basis. The Policy on the Fit and Proper Criteria is in accordance with the Circular issued by the RBI.

The Board and the NRC shall ensure to obtain a declaration and undertaking from the directors giving additional information on the directors. The declaration and undertaking shall be on the lines of the format prescribed by RBI fromtime to time and obtain a Deed of Covenant signed by the directors in the format as prescribed by RBI from time to time.

All the Directors shall meet the 'Fit and Proper' criteria as prescribed by the RBI.

D. DISCLOSURE AND TRANSPARENCY

The Company is committed to make adequate disclosures based on the principles of transparency, timeliness, fairness and continuity. The Board of Directors and employees shall ensure and make necessary disclosures to the Company, Regulators, Statutory Authorities, Shareholders, or other stakeholders as may be required by the applicable laws/ policies of the Company.

In terms of the Master Directions, the Company shall put up to the Board, at regular intervals, as may beprescribed by the Board in this regard, the following:

- the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company.
- conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions,etc.

Further, the following information, if applicable, shall be disclosed in the Annual Financial Statements of the Company:

- registration/ license/ authorization, by whatever name called, obtained from other financial sector regulators;
- ratings assigned by credit rating agencies and migration of ratings during the year;
- penalties, if any, levied by any regulator;
- information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and;
- Asset-Liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them and other disclosures, as given in Annex XVI of the Master Directions.

E. ROTATION OF PARTNERS OF THE STATUTORY AUDITORS AUDIT FIRM

The Board and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors who demonstrate professional ability and independence. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically. Declaration shall be obtained from the Auditors affirming their eligibility for being appointed as the Statutory Auditors of the Company.

In terms of the Master Directions, the Company shall rotate the partner/s of the Chartered Accountant firm conducting the audit, every three years so that same partner does not conduct audit of the companycontinuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the Company after an interval of three years, if the Company, so decides. The Company shall incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

Further, the aforementioned provisions will be read with the provisions contained in the RBI circular dated 27th April, 2021 dealing with ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)’as amended from time to time.

F. CHIEF RISK OFFICER (CRO)

The Company has appointed a CRO with specified role and responsibilities in terms of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended and Master Direction – Scale Based Regulation.

Appointment of CRO

The CRO shall be a senior official in the hierarchy of the Company and shall possess adequate professional qualification/ experience in risk management.

The CRO shall be appointed for a fixed tenure with the approval of the Board.

Reporting Line

CRO shall have direct reporting lines to the MD & CEO/ ED/ RMC of the Board. In case the CRO reports to the MD & CEO/ ED, the RMC/ Board shall meet the CRO on one-to-one basis without the presence of the MD & CEO/ ED, at least on a quarterly basis.

The CRO shall not have any reporting relationship with the business verticals of the Company and shall not be given any business targets.

There shall not be any 'dual hatting' i.e. the CRO shall not be given any other responsibility.

Responsibilities of CRO

The CRO shall have such role and responsibilities as may be entrusted pursuant to the Master Direction – Scale Based Regulation, Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended, and such functions as may be directly assigned by the RMC and Board of Directors.

G. CHIEF COMPLIANCE OFFICER (CCO)

The Company has appointed a CCO leading the compliance function with specified role and responsibilities in terms of the RBI circular on Compliance Function and Role of Chief Compliance Officer (CCO) - NBFCs dated April 11, 2022 under RBI guidelines on 'Scale Based Regulation'.

Appointment of CCO

The CCO shall be a senior executive of the Company with a position not below three levels from the CEO/ ED.

The CCO shall be appointed for a minimum fixed tenure of not less than 3 years. In exceptional cases, the Board / Board Committee may relax the minimum tenure by one year, provided appropriate succession planning is put in place.

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.

Reporting Line

The CCO shall have direct reporting lines to the ED/ MD & CEO and / or Board / Board Committee.

In case the CCO reports to the ED/ MD & CEO, the Board / Board Committee shall meet the CCO at quarterly intervals on a one-to-one basis, without the presence of the senior management, including ED/ MD & CEO.

The CCO shall not have any reporting relationship with the business verticals.

There shall not be any 'dual hatting' i.e. the CCO shall not be given any other responsibility.

H. KEY MANAGERIAL PERSONNEL

The Company shall appoint key managerial personnel (KMP), as applicable, pursuant to the provisions of section 203 of the Companies Act, 2013. The Company shall adhere to the Guidelines on Compensation of KMP and Senior Management, as may be approved by the Board. Except for directorship in a subsidiary, KMP shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer. However, they can assume directorship in NBFC-Base Layer.

I. REVIEW

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).