



# Internal Guidelines on Corporate Governance

**Version: 1.0**

## **INTERNAL GUIDELINES ON CORPORATE GOVERNANCE**

### **1. PREAMBLE**

Corporate governance is the system of rules, practices, and processes to direct and monitor the operations 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/goals since it encompasses every sphere of operations, management, action plans, internal controls, and regulatory disclosure.

Protium Finance Limited (“PFL” or “Company”) is registered with the RBI as a Non-Deposit Taking Systematically Important Non-Banking Finance Company (“NBFC-ND-SI”). It is the Company’s endeavor to excel through better corporate governance and fair and transparent practices.

These internal guidelines on corporate governance have been framed in line with the requirements of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“Master Directions”), as amended from time to time.

### **2. RBI GUIDELINES ON CORPORATE GOVERNANCE**

RBI vide its Master Directions, has directed NBFCs to frame internal guidelines on corporate governance which is to be approved by its Board of Directors (“BoD” or “Board”), and the same is to be published on Company’s website for the information of various stakeholders.

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

#### **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.

#### **Composition of the Board**

The composition of the Board shall be governed by the Articles of Association of the Company read with the 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 responsibilities and duties as provided under the Act.

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 as they 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.

## **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 the meetings of all Committees of the Board shall be placed before the Board for noting in subsequent meeting. The details of some of the important Committees of the Company are as under:

### ● **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 of the Act.

#### **Composition of the committee -**

Accordingly, the Company shall constitute an Audit Committee, consisting of not less than three members of its Board. 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 Committee shall meet with management, the internal auditor and the statutory auditor as deemed fit by it.

The Audit Committee would also ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

### ● **NOMINATION 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 down in Section 178 of the Act. The Company shall form a Nomination Committee to ensure 'fit and proper' status of proposed/ existing directors.

- **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, which reports to the Board and consisting of Chief Executive Officer (CEO)/ Managing Director and heads of various risk verticals shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk.

Risk Management Committee shall ensure to look into identifying, assessing and prioritizing the major risks faced by the Company and developing strategies to minimize, monitor, and control the probable and/or impact of unfortunate events. The Risk Management Committee shall ensure that progressive risk management system and risk management policy and strategy followed by the Company are put in place.

- **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 consisting of the Company's top management 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.

**Role of the committee -**

The role of the ALCO with respect to liquidity risk would include, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions of all branches.

- **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 Company and 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 CIO & CTO will be a part of the committee.

The IT Strategy Committee would meet at an appropriate frequency and not more than six months should elapse between two meetings.

**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**

In terms of the Master Directions, the Company shall:

- ensure that a policy is put in place with the approval of the Board 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 shall be on the lines of the Guidelines contained in Annex XIII of the Master Directions;
- 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 from time to time;
- obtain a Deed of Covenant signed by the directors in the format as prescribed by RBI from time to time;
- furnish to RBI a quarterly statement on change of directors, and a certificate from the Managing Director of the Company that fit and proper criteria in selection of the directors has been followed. The statement would be sent to the Regional Office of the RBI within 15 days of the close of the respective quarter. The statement submitted by NBFCs for the quarter ending March 31, will be certified by the auditors.

**D. DISCLOSURE AND TRANSPARENCY**

In terms of the Master Directions, the Company shall put up to the Board, at regular intervals, as may be prescribed 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**

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 company continuously 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 27<sup>th</sup> 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. REVIEW**

These guidelines shall be reviewed by the Board at such intervals, as and when deemed necessary, in order to align the same with the prevalent regulatory and business requirements.

#### **G. REFERENCE**

Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.