

**CORPORATE GOVERNANCE POLICY
OF
PROGFIN PRIVATE LIMITED (FORMERLY KNOWN AS HYTONE HOLDINGS PRIVATE LIMITED)**

INTRODUCTION

Progfin Private Limited (Formerly Known as Hytone Holdings Private Limited) ('The Company') believes that a good corporate governance system is necessary condition to ensure its long-term success. The Company ensures good governance through the implementation of effective policies and procedures, which are mandated and regularly reviewed by the Board or the by the committees duly constituted by the Board.

Further, the RBI SBR Framework/Directions provides that NBFC (ML) should frame internal guidelines on corporate governance with the approval of the Board and publish the same on the Company's website for the information of various stakeholders. The Company, being classified currently as NBFC-Base Layer, noting the change in the status as an NBFC-Middle Layer, intend to bring in the the policy on Corporate Governance ('the Policy') in light with adherence to RBI SBR Framework/Directions.

The objective of this Policy is to set forth corporate governance and management standards to be deployed across the Company and ensure that organizational structure of the Company is transparent and enables the Company to prudently manage its risks. The Policy specifies responsibilities, composition and procedures of the Companies' governing bodies and senior management, including Boards and their committees.

The purpose of the Policy is not only to ensure compliance with legal requirements but also to set standards for business governance/ conduct so that concerned officers act in accordance with the highest standards of governance while working for and on behalf of the Company. All the concerned are expected to read and understand this Policy to uphold these standards in day-to-day activities and comply with all applicable policies and procedures. This Policy shall be aligned with the prevalent regulatory and business requirements and reviewed by the Board at regular intervals.

Regulatory Context

The Policy takes into account the regulatory documents published by regulatory bodies, in particular:

- Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (as updated from time to time) (RBI SBR Framework/Directions)
- Companies Act, 2013 and rules made there under

Related Documents

The Policy represents an integral part of the overall corporate governance framework mainly laid down by the following documents:

- Risk Management Framework.
- Charter of Internal Audit Function

- IT Strategy
- Information Security Policy.
- Profin's Strategy and Business Model.
- Business Continuity Management Framework.
- Asset & Liability Committee (ALCO) Terms of Reference.
- Code of Business Conduct

COMPANY STRUCTURE & GOVERNANCE FRAMEWORK

Corporate Structure Requirements

The Company must obey the following requirements with respect to the corporate structure:

- Corporate Structures must be transparent;
- Corporate Structures shall not introduce barriers for financial and regulatory reporting and conducting internal or external controls, audits and inspections;
- Corporate Structures may not hamper conducting regulatory oversight over the Company;
- Purposes of Corporate Structures must not be tax evasion;

The Company shall:

- have pre-defined purpose,
- have clear strategic, business and operations.
- conduct its activities proportionately to its risk profile,
- efficiently utilise operational resources;

The completion of any change in Corporate Structure shall be subject to prior approval by the Board of Directors of the Company on the recommendation of Risk Management, Finance, Legal and Compliance Functions of the Company.

Organisation Structure

The organization structure of the Company shall be approved by the Board and reviewed on an annual basis.

Description of Governance Framework

The Governance Framework is the structure of rules, corporate bodies, senior management, practices and processes deployed to direct and manage the Company. The Governance Framework consists of the following governing bodies and senior management components:

- (a) Boards of Directors and their committees
- (b) Senior Management
- (c) Head of Functions ("Function Heads")

The Governance Framework is one of the three components of the Governance, Risk and Control System, which consists of:

- ✓ Governance Framework, as defined by this Policy;
- ✓ Risk management framework, as defined by the Risk Management Framework;

Governance Framework and Three Lines of Defense Model

Three Lines of Defense Model is embedded in the Governance Framework to ensure sound functioning of the Internal Control Framework across the Company.

Transparent Governance

Responsibilities of all corporate bodies of the Company (e.g., general meetings, BoD and committees) shall be transparent and shall set out:

- a. rules for holding meetings, minuting, and adopting decisions by the corporate bodies; and
- b. well-defined and traceable reporting lines, information flows and decision-making processes inside the Company.

The Company shall ensure that processes, information flows, transactions and decisions are traceable and well-documented in the internal systems or storages to enable on-going controls of those processes, information flows, transactions and decisions. The archiving period shall be set for 10 years, unless Applicable Law or internal regulations require different period.

Segregation of Functions and Duties

In addition to the Three Lines of Defence Model and independence of its Internal Control Functions, the Company must ensure, at least, the following segregation of functions and duties:

- a. the Back Office and the Front Office shall be organisationally separated at appropriate level to allow for their independence;
- b. one individual, function, line, department or team of the Company shall not execute all phases of an internal key process or transaction with the Company's external counterparty (e.g., with a customer, vendor, funding partner or account bank)

For purposes of this clause:

- (i) "Back Office" means the Company business function, line, department or team which is not the Front Office and is – for example – responsible for (i) transaction settlements and clearances, (ii) payments, (iii) record keeping, reconciliation and accounting, (iv) management of any and all risks, (v) compliance, (vi) information security and (vii) IT services.
- (ii) "Front Office" means the Company business function, line, department or team dealing directly with the Company's external counterparty (e.g., with a customer, vendor, funding partner or account bank).

BOARD OF DIRECTORS

Constitution and Procedural Rules:

The Company implements "one-tier" Board system wherein all managerial and supervisory responsibilities vests in one unified corporate body (i.e. Board of Directors). As permitted under Applicable Laws, the Board may delegate any of its role to one or more directors, Senior Management or Head of Functions (jointly or severally).

The Board shall consist of minimum two (02) Directors and maximum fifteen (15) Directors. The Board shall have an optimum combination of executive, non-executive and Independent Directors in line with the Applicable Laws and Articles of Association of the Company, as amended from time to time.

All the Directors shall make the necessary annual disclosures regarding their change in concern or interest in any company or bodies corporate, firms, or other association of individuals including shareholding, directorships and committee positions and shall intimate changes as and when they take place.

The Company shall have a policy which shall form part of Terms of Reference of Nomination and Remuneration Committee' for ascertaining the 'fit and proper' criteria at the time of appointment/ re-appointment of Directors or Senior Management Officers. The Company shall carry out necessary due diligence on the eligibility of Directors or Senior Management Officers considering their qualifications, expertise, track record, integrity etc.

The Board shall ensure that all the Directors appointed meet the fit and proper criteria, as and when the reporting of the same becomes applicable.

Roles & Responsibilities:

The Board shall be responsible to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. The Board along with its committees provide direction and guidance to the Company's leadership team and further direct, supervise as well as review the performance of the Company. Apart from managing the Company and discharge all responsibilities which are reserved for the Board and the Articles of Association the roles and responsibilities of the Board shall include, among others, the following:

A. Leadership:

- (a) promoting the success of the business and operations of the Company;
- (b) promoting values and risk culture within the Company;
- (c) determining, adjusting (if necessary) and ensuring implementation of the Company's strategy, risk limits, risk appetites and liquidity targets within the boundaries set by the Company;
- (d) approving the Company's Internal Regulations, policy formulation, implementation and strategic issues which are crucial for the long-term development of the organization.
- (e) ensuring compliance with the Company's Internal Regulations, and external regulations; and
- (f) ensuring integrity of the accounting process and the process of financial and regulatory reporting by the Company.

B. Governance:

- a) establishing committees and other governance and corporate bodies of the Company and approving their Terms of Reference;
- b) appointing and removal of the Directors and Head of Functions in charge of the Internal Control Functions;
- c) ensuring that the Company is managed by suitable Directors and other Senior Management Officers having adequate expertise and experience and reflecting the diversity principle; and
- d) Review the minutes of the proceedings of the Committees to evaluate the functioning of the respective Committees and adherence to their respective charter/policy.
- e) safeguarding independence of the Internal Control Functions.

C. Supervision:

- a) supervising and reviewing the report submitted by the Senior Management Officers and various functions of the Company;
- b) monitoring risks of and performance by the Company.
- c) overseeing compliance of the Company and the Company Staff with the Internal Regulations and external regulations.
- d) overseeing integrity of accounting and reporting systems, internal models and systems for management of compliance risk; and
- e) monitoring and preventing conflicts of interests set at the Company level.
- f) Review of the compliances with applicable legal provisions
- g) Review of portfolio risk performance and special mention accounts.
- h) Review of complaints received from customers and investors.
- i) Review of adherence to the policies on customer due diligence and fair practices.
- j) Review of functioning of business contingency plan and undertake comprehensive risk assessment of IT systems to identify the gap and steps to mitigate it.
- k) Review of the new laws/regulations as well as important amendments therein having impact over the business operations of the Company.

Meetings of the Board:

At least four meetings of Board shall be held in a year. The maximum time gap between any two meetings shall not be more than one hundred and twenty days or as extended by regulator under Applicable Laws from time to time. The meetings of the Board can be convened either in person or through audio-video means as permitted under Applicable Laws. The meeting's agenda and related documents shall be circulated within a reasonable time prior to the Board(s) meetings in compliance with Applicable Laws.

SECRETARY TO THE BOARD

The Company Secretary of the Company shall be the secretary of the Board of Directors. The Company Secretary shall be responsible for the following:

- a. Coordinate with respective members of the Board for their availability for the meeting of the Board and the mode of attending the meeting.
- b. Coordinate with respective functions of the Company for preparation of agenda of the meeting and ensuring that concerned functions provide adequate information & other related materials to enable the members of the Board to take an informed decision on the matters placed before them.
- c. Issue notices of the meeting and circulate the agenda and other related materials to all the Board members within a reasonable time prior to the meeting.
- d. Convene the meetings in such a manner convenient to all the members of the Board and ensure that all the members are able to participate, discuss and vote for the matters placed before the Board.
- e. Recording the minutes of the Board meeting in such manner that it clearly states out the details of matter considered, and decision taken by the Board which inter-alia includes the concerns raised or the dissenting views expressed by the members of the Board.
- f. Circulate the draft of the minutes of meeting of the Board for review by the respective members.
- g. Circulate the finalized minutes of meeting of the Board for the record of the respective members of the Board.
- h. ensure the finalized minutes of meeting of the Board are signed by the chairman of the meeting of the Board
- i. Keeping the records of the minutes of each meeting of the Board in a minute book maintained under the custody of the Company Secretary of the Company.

COMMITTEES OF THE BOARD OF DIRECTORS

To have close supervision on areas/ activities that are critical from compliance or business perspective, expedite decision making and operational convenience, the Board shall implement an appropriate structure in the form of various Committees with defined terms of reference /scope and delegated requisite powers to respective Committees. The Board shall establish committees required either under Applicable Law or Internal Regulations. The Board may also establish such non statutory committees as they consider necessary and delegate certain aspects (but not all) of their management responsibilities to those committees.

The Board(s) shall adopt terms of reference of each of their committees. The Terms of reference shall detail at least the following:

- a. composition of the committee;
- b. chairperson in meetings of the committee
- c. responsibilities of the committee;
- d. quorum and required majority for making decisions by the committee and veto rights (if any);
- e. person(s) responsible for convening meetings, preparing and distributing agendas and keeping minutes of the committee meetings

The functions of these Committee shall be reviewed by Board on regular basis through review of the minutes of the meetings of all these Committees placed before the Board. All decisions pertaining to the constitution, appointment of members and revision/ modification of terms of reference/ scope of these Committees shall be placed before the Board for approval. The Board may require presence of Chairperson or any member of the committee to answer questions or provide clarification in the meeting of Board.

The constitution and responsibilities of the Statutory Committees shall be in adherence with the extant regulations as applicable.

Various Committees constituted by the Board are:

A. Statutory Committees:	B. Non-Statutory Committees:
<ol style="list-style-type: none">1. Risk Management Committee.2. Asset Liability Management Committee.3. Internal Committee.	<ol style="list-style-type: none">1. Banking Relation Committee.

RISK MANAGEMENT COMMITTEE ("RMC")

Constitution:

RMC shall report to the Board and shall consist of Chief Executive Officer and heads of various risk verticals. The Board may appoint any functional head as the member of RMC as it may require. Any reconstitution of RMC shall be done with the prior approval of the Board.

Meetings:

The Chief Executive Officer shall chair the meetings of Committee. In the absence of Chief Executive Officer, the Chief Risk Officer shall be the chairman of the meeting.

Roles & Responsibilities:

RMC shall ensure timely identification of the integrated risk associated with the Company and evaluation of the overall risks faced by the Company including liquidity risk. The integrated risks may comprise of credit risk, liquidity risk, market risk, operational risk, financial risk, legal risk and/or any other risks of

the Company. RMC may constitute sub-committees or group of officers to control and supervise credit risks and operational risks.

For the purpose of managing aforesaid risks, RMC shall also ensure that the Company shall implement various policies on operational risk, loan underwriting, anti-fraud management, collection, provisioning, outsourcing and liquidity risk. All such policies shall be reviewed and approved by RMC.

RMC shall ensure that the Company has appropriate tools and procedures for identifying, reporting, managing and mitigating the risks. RMC shall also monitor the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company. The functions, roles and responsibilities of RMC shall be decided and supervised by the Board on regular basis.

ASSET LIABILITY MANAGEMENT COMMITTEE ("ALCO")

Constitution:

ALCO shall report to the Board and shall consist of Chief Executive Officer (who is also member of the Board), Financial Officer and the senior officers responsible for investment, credit, resource planning, treasury shall be the members of this Committee. In addition, the head of the technology division may be invited to ensure requisite technical support. The Board may appoint any functional head as the member of ALCO as it may require considering the size of the Company and business operations. Any reconstitution of ALCO shall also be done with the prior approval of the Board.

Meetings:

The Chief Executive Officer shall be the head of the ALCO, and in his absence, the meetings shall be chaired by the Financial Officer or the head of treasury.

Roles & Responsibilities:

The Company shall prepare the policy on the asset liability management of the Company and include the provisions on the roles, functions, responsibilities and powers of ALCO as well as the procedure for convening meetings of ALCO. The policy shall be approved by the Board and reviewed on the regular basis.

The role of ALCO shall cover liquidity risk which include, 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. The ALCO shall also be responsible for ensuring adherence to the risk tolerance/limits set by the Board, implementing the liquidity risk management strategy.

ALCO shall evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure and manage the sources and uses of funds as it relates to pricing, maturities, and structure of products. The priority of the ALCO will be to manage the Company's assets and liabilities in such a way as to manage risk and reach financial goals while staying within the risk parameters. ALCO is responsible to decide on source and mix of liabilities or sale of assets. Towards this end, it will have to develop a view on future direction of interest rate movements and decide on funding mixes (i.e. between fixed **vs** floating rate funds, money market **vs** capital market funding, domestic **vs** foreign currency funding, etc.)

INTERNAL COMPLIANTS COMMITTEE ("ICC")

Constitution:

The Company shall have ICC in accordance with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules framed thereunder ("POSH Act"). The Board shall constitute ICC subject to meeting the criteria for membership of the Committee as defined under the POSH Act. The Board shall also be authorised to change the constitution of ICC on need basis from time to time.

Meeting:

ICC shall hold necessary inquires and meetings and initiate the necessary proceedings as may be required to resolve the complaints received under POSH Act.

Roles & Responsibilities:

The Board shall approve and implement the 'Policy on Prevention of Sexual Harassment at Workplace' defining the roles & responsibilities of ICC as well as the procedure for addressing the complaints against sexual harassment. ICC shall recommend appropriate action to the employer on the complaints received by ICC.