

CENTRUM FINANCIAL SERVICES LIMITED

GUIDELINES ON CORPORATE GOVERNANCE

Version 5.0

Version	Approved By	Date of Approval	Description of changes, if any
1.0	Board of Directors	August 19, 2017	--
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1. Preamble

Centrum Financial Services Limited (“**the Company / CFSL**”) is a subsidiary of Centrum Capital Limited (“**CCL**”) and is registered with the Reserve Bank of India (“**RBI**”) as a “NBFC – Core Investment Company”. CCL is a listed company and endeavors to practice high levels of Governance and fair and transparent practices across its subsidiaries.

Corporate Governance means the system of rules, practices and processes adopted to administer and control the company’s conduct. It involves balancing the interests of the various stakeholders including shareholders, employees, customers, regulators and the community within which it operates. The governance guidelines is expected to help the Company attain its objectives/goals and encompasses every sphere of operations, management, controls and disclosures.

2. RBI Guidelines on Corporate Governance

RBI, vide its Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 and applicable provisions under Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time (“**RBI Directions**”), directed NBFCs to frame guidelines on corporate governance which is to be approved by its Board of Directors.

3. Governance Structure

a. Board of Directors:

The Board of Directors (“**the Board**”), along with its Committees, shall provide leadership and guidance to the Company's management and direct, supervise and control the operations of the Company. The Board of the Company may have a combination of Executive, Non-Executive and independent directors in compliance with the Companies Act, 2013 and RBI Directions.

b. Code of Conduct:

All the directors on the Board of the Company are required to sign “Deed of Covenant (Deed)” as prescribed in the RBI Directions. This Deed prescribes the duties, responsibilities and obligations of the Directors. This may also be construed as “Code of Conduct for the Directors”.

Further, the Parent Company viz, Centrum Capital Limited (CCL) has adopted a Code of Conduct for its employees. The same maybe adopted by the Company covering the conduct of employees (including Executive Directors) of the Company.

c. Committees of the Board:

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. Accordingly, the Committees constituted by the Board and their brief remits are as follows:

i. Audit Committee:

The Company has in place an Audit Committee constituted under the provisions of Section 177 of the Companies Act, 2013 and in terms of applicable RBI guidelines in this regard.

The Audit Committee shall have the powers and duties conferred upon it in compliance with the

provisions of Section 177 of the Act, applicable RBI/ SEBI Regulations and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

ii. Nomination and Remuneration Committee:

The Company has in place a 'Nomination and Remuneration Committee' under the provisions of Section 178 of the Companies Act, 2013 and in terms of the applicable RBI guidelines issued in this regard from time to time.

The Nomination and Remuneration Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, applicable RBI Regulations and such other duties, obligations and powers as may be prescribed by the Board of the Company from time to time.

iii. Asset-Liability Management Committee:

The Company has in place the Asset-Liability Management Committee ("ALCO") constituted in accordance with the RBI guidelines. The ALCO's primary goal is to evaluate, monitor and approve practices relating to liquidity risk management and such other aspects as charged by the Board. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect shall be made from time to time.

iv. Risk Management Committee:

The Company has a Risk Management Committee comprising of executives and board members. The Risk Management Committee is responsible for assessing, monitoring and managing risks including liquidity risk, interest rate risk, currency risk and such other functions as may be charged by the Board of the Company. Further, the Risk Management Committee shall ensure that progressive risk management practices are adopted and implemented.

v. Stakeholders Relationship Committee

The Company has constituted a Stakeholders Relationship Committee ("SRC") in terms of Section 178 of the Companies Act, 2013. The remit of the SRC shall inter alia include, –

1. Resolution of grievances of security holders
2. Decisions pertaining to transfer/ transmission of securities issued by the Company

vi. Group Risk Management Committee

The Company has constituted a Group Risk Management Committee ("GRMC") in terms of the provisions of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016. The remit of the GRMC inter alia include, –

1. Oversight of Risk Management of the Company
2. Analyse material risks and evaluate risk strategies at an aggregated level
3. Identify potential intra-group conflicts of interest
4. Assess systems to facilitate exchange of information and corporate governance framework for effective risk management
5. Review of group structure and internal controls.
6. Initiate corrective actions wherever necessary

vii. Finance Committee

The Company has constituted a Finance Committee consisting of members of the Board of Directors to take decisions on Fund raise, Investments, Credit sanction and Operational matters. The remit of Finance Committee includes decision making on:

- 1) Offer and Allotment of Securities of the Company (Fund raise); Amend terms of the existing securities/ instruments, including restructuring or rollover of such securities.
- 2) Investments
- 3) Credit facilities to Centrum Group entities and Promoter entities
- 4) Approve operational decisions including
 - a. Appointment of intermediaries, managers, agents, trustees, depositories and such other bodies to facilitate investments and fund raise.
 - b. Business arrangements authorize documents/ applications/ agreements in connection with day to day operations of the Company
 - c. Authorize to represent the Company to regulatory / government / quasi- government bodies, Statutory /Judicial authorities etc.
 - d. Lease agreements, leave & license agreements, etc. for renting of premises
 - e. Open / operate various bank / depository / custody accounts
 - f. Expenses (both Capex and/or Opex) up to Rs.1 Crore.

Further in accordance with the needs of the business and applicable regulatory guidelines, the Company shall form additional committees which shall be deemed to form part of these guidelines.

d. Fit & Proper Criteria for Directors:

In terms of the RBI Direction, the Company has in place a Board approved policy on 'Fit and Proper Criteria for Directors' ("**the Policy**"). Pursuant to the Policy, the Company shall obtain necessary disclosures from Directors from time to time. Further, the Company ensures compliance with the provisions laid down in the said Policy. The Company shall also submit a certificate confirming that fit and proper criteria in selection of the directors has been followed to RBI.

As required under the above referred RBI Direction, the Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors. The same should be submitted to the Regional Office of RBI within 15 days of the close of the respective quarter and the statement for the quarter ending March 31, should be certified by the auditors.

e. Vigil Mechanism:

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, Vigil Mechanism Framework ("**the framework**") has been framed by the Company to enable directors and employees to report genuine concerns about unethical behavior, actual or suspected fraud or violation of Code of Conduct.

The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

f. Disclosure and Transparency:

(a) The Company shall update the Board of Directors, on annual basis or such other frequency as decided by the Board, 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.

(b) The following shall be disclosed in the Company's Annual Financial Statements including the disclosure prescribed in Annex V of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016:

- registration/ license/ authorisation, 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 the Company as also securitization/ assignment transactions and other disclosures, as may be prescribed by RBI from time to time.

In addition to the above, all other disclosures as mandated by regulatory guidelines shall be made by the Company.

g. Statutory Auditors:

The appointment of Statutory auditors and the partner/s of the Chartered Accountant Firm conducting the Statutory Audit of the Company, shall be in terms of the provisions of Section 139 and 141 of the Companies Act, 2013 and in accordance with the applicable RBI guidelines as amended from time to time.

h. Policies adopted by the Company

The policies adopted by the Board of the Company, form part and parcel of the overall corporate governance framework of the Company. The Company shall, as and when required, add, modify and withdraw policies and the extant policies so modified shall be deemed to be part of the Corporate Governance Guidelines.

4. Review:

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