

AVANSE FINANCIAL SERVICES LIMITED

Corporate Governance Policy

VERSION CONTROL

Version	Date of Adoption*	Change reference	Owner	Approving Authority
1	October 14, 2016	Adoption of Policy	Secretarial	Board of Directors
2	July 17, 2018	Review of Policy	Secretarial	Board of Directors
3	May 6, 2021	Review of Policy	Secretarial	Board of Directors
4	May 5, 2022	Review of Policy	Secretarial	Board of Directors

* The Policy version controls are maintained from 2013 and onwards.

“If at any point a conflict of interpretation/information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by RBI arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by RBI shall prevail.

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1. CORPORATE GOVERNANCE

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers, suppliers, financiers, government and the community within which it operates. This corporate governance code will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure.

2. OBJECTIVE

The Company's philosophy of Corporate Governance is aimed at assisting the Management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders. The philosophy has strong emphasis on transparency, accountability and integrity.

Reserve Bank of India (RBI) vide its Master Direction No. RBI / DNBR /2016-17 / 45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 directed NBFCs to frame internal guidelines on corporate governance approved by the Board of Directors. Accordingly, this Corporate Governance Code of Avanse Financial Services Limited (Company) is framed in the spirit of the said directions of RBI and is approved by the Board of Directors of Company.

3. BOARD OF DIRECTORS

a) Composition of the Board

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 performance of the Company.

The current composition of the Board of the Company has an optimum combination of Executive and Non-Executive directors in compliance with the Companies Act, 2013 and other regulatory guidelines, if any:

Sr. No.	Name of Director	Designation
1	Mr. Neeraj Swaroop	Chairperson and Independent Director
2	Ms. Savita Mahajan	Independent Director
3	Ms. Vijayalakshmi Iyer	Independent Director
4	Mr. Ravi Venkatraman	Independent Director
5	Mr. Narendra Ostawal	Non-executive Director
6	Mr. Amit Gainda	Managing Director and Chief Executive Officer

b) Board Diversity

- i. The Board of Directors of the Company should have a fair combination of directors.
- ii. The company shall maintain the strength of independent directors on its Board keeping in mind the regulatory requirements of Companies Act 2013, RBI regulations or NBFC's and other applicable regulations.
- iii. The Board shall have at least one woman director.
- iv. The company shall appoint directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the Board and of the Company. The desired diversity may be fixed by the Nomination, Remuneration and Compensation Committee based on the nature of business of the Company from time to time.

4. CONSTITUTION OF COMMITTEES

The Board functions as a full Board and also through various Committees constituted to oversee specific areas. The functioning of these Committees is as per the scope of work defined by the Board.. Accordingly, the core Committees constituted by the Board in this connection are as follows:

a) **AUDIT COMMITTEE:**

The constitution of this Committee is in compliance with the provisions of Section 177 of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Listing Regulations"] and RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016, as amended from time to time. The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition and Criteria of Audit Committee

- i. The Audit Committee shall have minimum three directors as Members.
- ii. Majority of Directors of Audit Committee should be Independent Directors.
- iii. Majority of the Members of Audit Committee, including its Chairperson shall be financially literate.

Explanation (1).- For this specific purpose, "financially literate" shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Conduct and Quorum of Audit Committee Meetings

- i) The Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- ii) The quorum for Audit Committee Meeting shall either be presence of two members or atleast one-third of the members, whichever is greater, with at least two independent directors in attendance.
- iii) The Audit Committee shall meet either physically or through Audio Video

Conference, subject to applicable provisions of the Companies Act, 2013 and amendments thereof.

Powers of Audit Committee

The Audit Committee shall have powers

- (i) To investigate any activity within its terms of reference,
- (ii) To seek information from any employee,
- (iii) To obtain outside legal or other professional advice
- (iv) To secure attendance of outsiders with relevant expertise, if it considers necessary.
- (v) To have full access to the information contained in the records of the Company.

Terms of Reference of Audit Committee

The terms of reference of the Audit Committee inter alia includes the following;

1. Overseeing financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Reviewing, with the management, the quarterly financial statements before submission of the same to the board for approval;
3. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission of the same to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Directors Responsibility Statement to be incorporated in the board's report in terms of clause(c) of Sub-section 3 of section 134 of the Companies Act 2013.
 - b) Changes if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustment made in the financial statement arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to the financial statements.
 - f) Disclosure of any related party transactions.
 - g) Modified Opinion (s) in the draft audit report.
4. Recommending to the Board the appointment, reappointment along with terms of appointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee;
5. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer

document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;

6. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
7. Approval or any subsequent modification of transactions of the company with related parties;
8. Scrutiny of inter-corporate loans and investments;
9. Valuation of undertakings or assets of the company, wherever it is necessary;
10. Evaluation of Internal Financial Controls and Risk Management Systems;
11. Discussion with internal auditors of any significant findings and follow up there on;
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
13. To review the functioning of the whistle blower mechanism;
14. To 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 applicable NBFCs.
15. To approve payment of statutory auditors for any other services rendered by the statutory auditors.
16. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
17. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the office heading the department, reporting structure coverage and frequency of internal audit.
18. Discussion with internal auditors of any significant findings and follow up there on
19. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern
20. To look into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non-payment of declared dividends, if any) and creditors

21. To approve appointment of Chief Financial Officer after assessing the qualifications, experience and background etc. of the candidate
22. Performing such other activities as may be delegated by the Board and / or prescribed under the Companies Act, 2013, the Listing Regulations, RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India and any other regulatory authorities from time to time.

b) NOMINATION REMUNERATION AND COMPENSATION (NRC) COMMITTEE:

This Committee is constituted in compliance with the provisions of Section 178 of the Companies Act, 2013, RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015... The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition and Criteria of NRC

- i. The NRC shall have three or more Non-Executive Directors as Members.
- ii. Not less than one half of Directors of the NRC should be Independent Directors.

Conduct and Quorum of NRC Meetings

- a) The committee may meet as and when necessary to discuss the business under consideration. Minimum of one such meeting shall be held in each financial year for review of performance of directors, key managerial personnel and senior management persons.
- b) The quorum for NRC meeting shall either be two members or one third of the members of the NRC, whichever is greater, including at least one independent director in attendance.

Terms of Reference of NRC

The committee shall effectively discharge its roles and responsibilities in the following manner.

I. Role of Nomination

- a) The Committee shall put in place a broader policy describing the qualification, experience and other positive attributes for selection of Executive/Whole time Directors including their age of retirement.

- b) The committee shall formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the company's board shall maintain from time to time and subject to the applicable regulatory requirements. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
 - a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. consider the time commitments of the candidates
- c) Filling in a timely manner vacancies on the board of the company including the position of executive/whole time directors.
- d) Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the board and recommend to the board for their appointment and removal thereof.
- e) Devising a Policy on diversity of Board of Directors.

II. Role of Fixing Remuneration and Evaluation of performance

- a) The committee shall formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time.
- b) The policy as aforesaid shall be formulated to ensure that:-
 - i. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - iii. remuneration to directors, key managerial personnel involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals;
- c) The committee shall review the performance of individual directors of the company on a yearly basis at the end of each financial year or at such periodicity as the committee deem fit and recommend to the board on the basis of such review, whether a director to be recommended for re-appointment or not.
- d) The committee shall review whether to extend or continue the terms of

appointment of the independent director, on the basis of the performance evaluation report of independent director.

- e) The committee shall review the performance of the Executive/Whole time Directors of the company and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the company operates and financial position of the company. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review.
- f) The committee shall along with the management review the performance of Key managerial personnel on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board. The period of gap between two such reviews shall not elapse fifteen months.

III. Role on ensuring Compliance on governance standards

- a) The committee shall ensure that at all times, the board of the company has a fair combination of independent, nonexecutive and executive directors meeting the governance standards set by the board and in compliance with regulatory requirements, listing regulations.etc. prevailing from time to time.
- b) Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the company.
- c) The committee may evaluate and put in place proper mechanism for refreshment trainings for directors on relevant subject.
- d) The committee shall evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the company.
- e) The committee shall put in place subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other directors on the board of the company.
- f) Committee shall ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the company.
- g) The committee shall oversee the overall governance standards and policies of the company and delegation of authorities to match with the best practices in relation to the size of the company and the level of its operations to protect the interest of all stake holders.

Other Powers of NRC

The NRC shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional

advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

Performing such other activities as may be delegated by the Board and / or prescribed under the Companies Act, 2013, the Listing Regulations, RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India and any other regulatory authorities from time to time.

c) CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

This Committee is constituted in compliance with the provisions of Section 135 of the Companies Act, 2013 and rules made there under. The Company has a Board approved CSR Policy in place and required disclosures to the effect are made from time to time. The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition:

The CSR Committee shall have three or more Non-Executive Directors (including one Independent Director) as Members. The members shall elect a Chairperson from amongst themselves or as elected by the Board of Directors of the Company. The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.

Terms of Reference:

The details of its terms of reference as approved by the Board of Directors of the Company are given below:

- To formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by the Company as per the Companies Act, 2013.
- To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Company.
- To monitor the CSR policy of the Company.
- To review the CSR Projects / initiatives from time to time
- Any other matter as the CSR Committee may deem appropriate after the approval of the Board or as may be directed by the Board from time to time.

d) RISK MANAGEMENT COMMITTEE:

This Committee is constituted in compliance with Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 and RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016. The Company has a Board approved Risk Management Policy in place and required disclosures to the effect are made from

time to time. The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition

The Risk Management Committee shall consist of minimum of three directors including one member shall be an Independent director. Senior Executives of the Company may be appointed as Members of this Committee. The Chairperson of the Committee shall be a Director of the Company.

Conduct and Quorum of RMC Meetings

The quorum at the meeting of the Risk Management Committee shall be either two members or one third of the members of the Risk Management Committee, whichever is higher, including at least one member of the board of directors in attendance.

This Committee shall meet on quarterly basis and minimum four such meetings be held in a financial year. The Company Secretary shall act as the Secretary to the Committee Meeting.

Terms of Reference of Risk Management Committee

1. To formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.

The Risk Management Policy framework of the Company, has been formulated to ensure that there is a formal process for risk identification, risk assessment and risk mitigation. It provides a way for the managers to make informed business decisions. Effective Risk Management affects everyone in the organization. All the employees of the Company shall adhere to this policy.

This Policy has been prepared to safeguard the Company's assets – employees, finance, property, information and reputation; create an environment where all executives assume responsibility for risk management and critically identify potential risks, measure their potential impact on the Company and formulate risk management strategies to mitigate potential loss from the risks.

2. To formulate and review the processes for management of NPAs, provisioning requirements and delinquencies.
3. Framing, implementing, reviewing and monitoring the risk management plan including cyber security for the Company.
4. To ensure that appropriate methodology, processes and systems are in place to

monitor and evaluate risks associated with the business of the Company

5. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems
 6. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity
 7. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
 8. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.
 9. Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
 10. Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness
 11. Deciding on business activities of a material nature to be outsourced, and approving such arrangements.
 12. Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the Listing Regulations, the Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India any other regulatory authority from time to time.
- e) **ASSET-LIABILITY COMMITTEE (ALCO):**

This Committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016. The Company has a Board approved Asset Liability Management Policy in place and required disclosures to the effect are made from time to time The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition

The macro-level management of Risk will be done by the Asset Liability Management Committee (ALCO). ALCO shall not consider individual cases for decision making. The role of ALCO is, thus, to formulate and oversee the function of ALM in the company without getting into the day to day decision making process for raising, or deployment, of resources. Chief Risk Officer and Head - Information Technology functions should be permanent invitees to the meetings of this Committee.

Quorum and Frequency

CEO of the Company shall Chair this Committee. The Committee should meet at least once in a quarter and at least two members including CEO should be present in all the meetings. The frequency may be increased as per the business requirements in terms of increased level of operation and when specific issues arise. The Company Secretary shall act as the Secretary to the Committee Meetings.

Terms of Reference of ALCO Committee:

- a) To review and approve the ALM Policy of the Company
 - b) developing an asset/liability management process and related procedures;
 - c) developing asset/liability strategies and tactics;
 - d) establishing a monitoring and reporting system;
 - e) Submitting a written report to the Board at least quarterly; and overseeing the maintenance of a management information system that supplies, on a timely basis, the information and data necessary for the ALCO to fulfill its role as asset/liability manager of the institution.
 - f) To receive and review reports on liquidity risk, interest rate risk, market risk and capital management
 - g) To identify balance sheet management issues like balance sheet gaps, capital planning, funding interest rate gap/profiles etc.
 - h) To review product-pricing strategy for the market
 - i) Review liquidity contingency plan for the Company
 - j) Decide on Source and Mix of Liabilities or Sale of Assets
 - f) Develop a view on future direction of interest rate movements and decide on funding mixes between fixed vs. floating rate funds, money market vs. capital market funding, domestic vs. foreign currency funding, etc
- f) **IT STRATEGY COMMITTEE:**
- This committee is constituted in compliance with the provisions of RBI Master Direction No. RBI/DNBS/2016-17/53 DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 on Information Technology Framework for the NBFC Sector The Company has a Board approved Information Technology and Information Security Policy in place and required disclosures to the effect are made from time to time. The details of its terms of reference as approved by the Board of Directors of the Company are given below:

Composition:

The Committee is composed as per the requirement of the RBI Master Directions. The Committee shall comprise of an Independent Director, CIO / CTO and any other members as decided by the Board from time to time. The Chairperson of IT Strategy Committee shall be an Independent Director who shall chair the said Committee. The Company Secretary shall act as the Secretary to the Committee Meeting.

Conduct and Quorum of IT Strategy Committee:

The quorum for transacting business at a meeting of the Committee shall be at least two or one-third of the members of the Committee, whichever is higher.

The Committee shall meet at least two times a year and not more than 6 months shall intervene between two consecutive meetings.

Terms of Reference of IT Strategy Committee:

- a) To frame and approve IT Strategy and Policy documents and ensure that the management has put an effective strategic planning process in place
- b) To ensure that Management has implemented processes and practices that ensures that the IT delivers value to the business.
- c) To ensure IT investments represent a balance of risks and benefits and that budgets are acceptable.
- d) To monitor the method that Management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- e) To ensure proper balance of IT investments for sustaining the Company's growth and becoming aware about exposures towards IT Risks and Controls.

For Outsourced Operations:

- a) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
- b) Defining approval authorities for outsourcing depending on nature of risks and materiality of outsourcing;
- c) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- d) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- e) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- f) Periodically reviewing the effectiveness of policies and procedures;
- g) Communicating significant risks in outsourcing to the NBFC's Board on a periodic basis;
- h) Ensuring an independent review and audit in accordance with approved policies and procedures;
- i) Ensuring that contingency plans have been developed and tested adequately;
- j) Company should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. To adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.
- k) Any other matter as the Committee may deem appropriate after the approval of the Board or as may be directed by the Board from time to time or as per the

applicable RBI directions, circulars etc.

g) **Stakeholders Relationship Committee:**

This Committee is constituted in compliance with Regulation 20 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI(LODR)”).

Composition: The Committee is composed as per the requirement of SEBI(LODR).

Conduct and Quorum of Stakeholders Relationship Committee Meetings

Quorum for a meeting of the stakeholders relationship committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance. The stakeholders relationship committee shall meet at least once in a year.

Terms of Reference of Stakeholders Relationship Committee

(1) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.

(2) Review of measures taken for effective exercise of voting rights by shareholders.

(3) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.

(4) Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

In addition to the aforesaid Committees, the Company has constituted following Committees:

- i. Borrowing Committee
- ii. Investment Committee
- iii. Share Transfer Committee

5. FIT & PROPER CRITERIA

The Board of Directors of Avanse has adopted the “Policy on Directors Fit and Proper Criteria” with regard to ascertaining the Fit and Proper criteria of Directors at the time of their appointment and on continuing basis in terms of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016,.. This Policy intends to establish a system/process in place for undertaking due diligence of persons before appointing them on the Board and on continuing basis by ascertaining their suitability for the post on basis their qualifications, technical expertise, track record, integrity etc.

- Every individual at the time of his / her appointment / re-appointment and on annual basis, as Director of Company, provides a Fit & Proper declaration in the manner and format as may be prescribed by RBI from time to time.
- In case there is any change to the information already provided by the director, declaration to that effect shall be furnished to the Company
- Nomination and Remuneration Committee (NRC) of the Board of Directors of the Company scrutinizes the aforesaid declarations as given by the individuals. The said declarations are scrutinized by the NRC on the following basis:
 - ii. Suitability of the individual to be appointed as Director of the Company
 - iii. Qualification of the director
 - iv. Age of the Director
 - v. Expertise of the Director vis-a-vis business of the Company
 - vi. Track record of the Director
 - vii. Integrity of the Director
 - viii. Directorship in other entities
 - ix. Relationship with or substantial interest in other entities
- Based on the information provided in the signed declarations, the NRC decides on the acceptance or otherwise of the Directors.
- Every Individual, once appointed as Director of the Company shall enter into a Deed of Covenant, as prescribed by RBI, with the Company.
- The Company shall ensure to furnish to the Reserve Bank 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 will be submitted to the Regional Office of the Department of Non-Banking Supervision of RBI where the company is registered within 15 days of the close of the respective quarter. The statement submitted by the Company for the quarter ending March 31, would be certified by the auditors.

6. PERFORMANCE EVALUATION

The corner stone of best governance practices is the board composition. The Company believes that the synergy of versatile individuals with diversified skill sets at the board level has contributed a lot in bringing this company into its present heights. In line with the statutory requirement under sections 149 and 178 of the Companies Act, 2013 and the regulatory frame work for Non-Banking Financial Companies (NBFC's) issued by Reserve Bank of India (RBI) the Company has adopted for the following guiding principles in the evaluation of directors and the matters connected therewith:

d) Evaluation criteria for the Board of Directors

I. Executive Director

The evaluation of the Executive Director shall be carried out on the basis of the

present performance (financial/non-financial) and the achievements of the said Director against various key performance parameters at the end of every financial year. On the basis of the future growth aspects of the Company the performance parameters of the Executive Director shall be for the subsequent years.

The broad parameters for reviewing the performance of Managing Director/Executive Director are:

- Achievement of financial/business targets prescribed by the Board;
- Developing and managing / executing business plans, operational plans, risk management, and financial affairs of the organization;
- Display of leadership qualities i.e. correctly anticipating business trends, opportunities, and priorities affecting the Company's prosperity and operations;
- Development of policies, and strategic plans aligned with the vision and mission of Company and which harmoniously balance the needs of shareholders, clients, employees, and other stakeholders;
- Establishment of an effective organization structure to ensure that there is management focus on key functions necessary for the organization to align with its mission; and
- Managing relationships with the Board, management team, regulators, bankers, industry representatives and other stakeholders.

II. Independent Director

The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated. The evaluation should be carried out as per Schedule IV (Code for Independent Directors) of the Companies Act 2013, as amended from time to time.

While evaluating the Independent Director, the contribution made by the Director in the decision taken at the board level and its impact on the performance of the Company shall be considered. The time devoted including the attendance of the Independent Director at various Committee/Board Meetings shall also be considered while evaluating an Independent Director.

On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of an Independent Director.

III. Performance Evaluation of all Directors

The broad parameters for reviewing the performance of the Board are:-

- Participation at the Board / Committee meetings;
- Commitment (including guidance provided to senior management outside of Board/ Committee meetings);
- Effective deployment of knowledge and expertise;
- Effective management of relationship with stakeholders;
- Integrity and maintaining of confidentiality;
- Independence of behaviour and judgment; and

- Impact and influence

The Performance evaluation exercise of Non-Independent Directors and Board as a whole would be carried out at a separate meeting of the Independent Directors once in a year, preferably at the beginning of the Financial Year.

In determining the re-election of a director, the Board shall consider the performance review carried out by Board, Director's past attendance at meetings and participation in and contributions to the activities of the Board.

7. CODE OF CONDUCT FOR BOARD AND SENIOR MANAGERIAL PERSONNEL

This Code is intended to provide guidance to Board of Directors and the Senior Management Personnel to manage the affairs of the company in an ethical manner. The purpose of this code is to recognize and emphasis upon the ethical behavior and to develop a culture of honesty and accountability.

This Code of Conduct attempts to set forth the guiding principles on which the Company and its Board and Senior Management shall operate and conduct themselves with various stakeholders, government and regulatory agencies, media and anyone else with whom it is connected. It recognizes that the company is a trustee and custodian of public money and in order to fulfill its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of its stakeholders and public at large.

The basic principles of this code are as follows

- The Board of Directors and the Senior Management Personnel shall act honestly, ethically, in good faith and in the best interest of the Company and to fulfill their fiduciary obligations.
- Whilst carrying out the duties, the Board of Directors and the Senior Management Personnel shall ensure that it is executed in terms of the authorizations granted and within the limits prescribed under the relevant policies, codes, guidelines and other directives issued by the Board of directors or Committee of Directors of the Company, from time to time.
- The Board of Directors and the Senior Management Personnel shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations, or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business except accepting gifts or entertainment if warranted by accepted ethical customs and practices.
- The Board of Directors and the Senior Management Personnel shall refrain from indulging in any discriminatory practice or behavior based on race, color, sex, age, religion, ethnic or national origin, disability or any other unlawful basis. The ethical conduct, performance and skills shall be the qualifying indicatives for an employee's performance.
- The Board of Directors and the Senior Management Personnel shall conduct themselves in a professional, courteous and respectful manner and shall not take any improper advantage of their position.
- The Board of Directors and the Senior Management Personnel shall use the Company's asset, property, proprietary information and intellectual rights for

- business purposes of the Company and not for any personal benefits or gains.
- The Board of Directors and the Senior Management Personnel shall maintain confidentiality of the information that is entrusted upon them for carrying on their respective responsibilities and duties and shall not use the same for personal benefits or gains.

8. DISCLOSURE AND TRANSPARENCY

The Company shall put up to the Board of Directors or its Committee, at regular intervals, as may be prescribed by the Board in this regard, the following:

- i. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
- ii. 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.
- iii. Details of all material transactions with related parties shall be disclosed in the annual report. The company shall disclose the policy on dealing with Related Party Transactions, as approved by the Board on its website and a web link shall be provided in the Annual Report.

The Company shall also disclose the following in their Annual Financial Statements:

- i. Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
- ii. Ratings assigned by credit rating agencies and migration of ratings during the year;
- iii. Penalties, if any, levied by any regulator;
- iv. information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries and
- v. Asset-Liability maturity, extent of financing of parent company products, credit impaired loans and movement of credit impaired loans, 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 Reserve Bank of India from time to time.

9. ROTATION OF STATUTORY AUDITORS

The Company shall rotate the Statutory Auditors in compliance with the provisions of the RBI circular DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 on "Guidelines for Appointment of Statutory Auditors (SCAs) / Statutory Auditors (SAs), as amended from time to time.

The Statutory Auditor appointed by the Company shall be conducting the audit, for a continuous period of three years only, subject to the firms satisfying the eligibility norms each year. . The Statutory Auditor / an audit firm so appointed would not be eligible for re-appointment in the Company for six years (two tenures) after the completion of full or part of one term of the audit tenure. These terms shall be incorporated appropriately in the letter of appointment of the firm of auditors.

10. CHIEF RISK OFFICER (CRO)

- a) The Company shall appoint a CRO who shall be a senior official in the hierarchy of the Company and he shall possess adequate professional qualification/ experience in the area of risk management.
- b) The CRO shall be appointed for a fixed tenure with the approval of the Board. The CRO can be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/ removal shall be reported to the Department of Supervision, RBI.
- c) The CRO shall have direct reporting lines to the MD & CEO/ Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC/ Board shall meet the CRO without the presence of the MD & CEO, 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.
- d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals shall be limited to being an advisor.

11. OTHER POLICIES

The following policies have been framed and adopted by the Board of the Company, and shall form part and parcel of the overall corporate governance framework of the Company:

- i. Fair Practice Code
- ii. AML / KYC Policy
- iii. Whistle Blower Policy
- iv. Related Party Transactions Policy
- v. Prevention of Sexual Harassment Policy
- vi. Disclosure of Information Policy
- vii. Preservation of Documents and Archival Policy
- viii. Policy regarding administration of Risk Management function by the Chief Risk Officer (CRO)

12. REVIEW

This Code shall be reviewed by the Board of Directors on an annual basis, in order to align with the prevalent regulatory and business requirements.