

Avanti Microfinance Private Limited

Policy on Internal Guidelines on Corporate Governance

This document was:

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Company's philosophy on Corporate Governance

Avanti Microfinance Private Limited ('Company' / 'AMPL') is a non-deposit taking NBFC registered with the Reserve Bank of India. The Company acknowledges its responsibility as a corporate citizen and is committed to upholding the highest standards of Corporate Governance. It strives for transparency in business ethics and accountability to customers, the government, and other stakeholders. The Company conducts its operations in alignment with sound corporate practices and continuously seeks to enhance them by adopting industry best practices.

Corporate governance refers to the framework of rules, practices, and processes that guide a company's administration and control. It ensures a balance of interests among key stakeholders, including shareholders, employees, customers, and the broader community in which the company operates. These corporate governance guidelines support the Company in achieving its objectives by covering all aspects of operations, management, strategic planning, internal controls, and regulatory compliance.

The Company ensures strong governance by implementing effective policies and procedures, which are mandated and regularly reviewed by the Board of Directors ('Board') or its committees.

RBI guidelines on Corporate Governance

Pursuant to Regulation 100 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and as amended from time to time ('Master Directions'), the Company has framed the following Internal Guidelines on Corporate Governance.

Board of Directors

The Board shall have an optimum combination of Directors in line with the requirements of the provisions of the Companies Act, 2013 and other applicable laws, Shareholders' Agreement as amended from time to time and the Articles of Association of the Company.

The Board shall meet at least four times a year, with a maximum time gap of one hundred and twenty days between any two meetings.

The Board shall be responsible for ensuring overall compliance with the Company's Corporate Governance and overseeing its business affairs. This includes guiding business strategy, maintaining financial soundness, making key personnel decisions, shaping the internal organization and governance structure, managing risks, and fulfilling compliance obligations. In carrying out these duties, the Board must act with honesty, integrity, and in the best interests of the Company.

The Board should actively participate in Company's key matters, stay informed about significant changes in the business and external environment, and take timely actions to safeguard the Company's long-term interests.

Duties and Responsibilities of Board of Directors

In accordance with the provisions of Section 166 of the Companies Act, 2013 and as a matter of corporate governance, the directors of the Company have the following duties: –

- Shall act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of the environment.
- Shall exercise his/her duties with due and reasonable care, skill and diligence and shall exercise independent judgement.
- Shall disclose any situation in which he/she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.
- Shall not achieve or attempt to achieve any undue gain or advantage either to himself/herself or to his/her relatives, partners, or associates and if such director is found guilty of making any undue gain, he/she shall be liable to pay an amount equal to that gain to the Company.
- Shall not assign his/her office and any assignment so made, shall be void.

Minimum Information to be placed before the Board

Pursuant to the Master Directions, the disclosures to be made by the Company to the directors shall include but not be limited to the following:

- a. all relevant information for taking informed decisions in respect of matters brought before the Board;
- b. The strategic and business plans and forecasts;
- c. The organizational structure of the Company and delegation of authority;
- d. Corporate and management controls and systems including procedures;
- e. Economic features and marketing environment;
- f. Information and updates as appropriate on the Company's products;
- g. Information and updates on major expenditure;
- h. Periodic reviews of performance of the Company;
- i. Report periodically about implementation of strategic initiatives and plans; and
- j. Advise the director about the levels of authority delegated in matters placed before the Board.

Committees of the Board

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board constitutes a set of Committees with specific terms of reference / scope. The Committees shall operate as empowered representatives of the Board as per their Charter / terms of reference.

In compliance with the applicable provisions of the Companies Act, RBI guidelines and in order to meet business exigencies, the Company has constituted the following Board committees:

1. IT Strategy Committee
2. Committee of the Executives (monitoring and follow-up on fraud cases)

The terms of reference, roles and responsibilities of the aforesaid Committees is provided hereunder:

1. IT Strategy Committee

Chairperson & Members	The Member of the Board shall act as Chairperson of the Committee and have substantial IT expertise and the Committee shall comprise of Minimum 3 (three) Directors as Members who shall be technically competent.
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee
Meetings and Quorum	The quorum shall be two members or 1/3 rd of the members of the Committee, whichever is greater, and the Committee shall meet as and when required
Terms of reference	a) Facilitating and building an effective IT security framework b) Assist in aligning IT strategy to business strategy/plan c) Approve and periodically review the IT Policy of the Company d) Identify the risks affecting IT and managing it by documenting controls and monitoring e) Ensure timely and effective resolution of IT issues

2. Committee of the Executives (monitoring and follow-up on fraud cases)

Chairperson & Members	The Member of the Board shall act as Chairperson of the Committee and the other directors, CCO of the holding company and CAO & CCO of the holding company shall be the members of the Committee
Secretary	The Company Secretary of the Company shall act as the Secretary of the Committee
Meetings and Quorum	The quorum shall be minimum 3 members of the Committee and the Committee shall meet as and when required to accomplish its duties

Terms of reference	<ul style="list-style-type: none"> a) To take stock of incidents categorized as fraud. b) To monitor and follow up on cases categorized as fraud. c) To review the status of FMR1 filing and update on FMR3 d) Review the effectiveness of Fraud Risk Management in the organization e) Assist the board in achieving its responsibilities regarding control monitoring. f) To review root cause analysis of the fraud incidents and provide mitigative measures to enhance effective internal controls, risk management and minimize incidents of fraud. g) To promote accountability and responsibility in Internal control matters. h) To constitute a transparent mechanism to ensure that Whistle Blower complaints on possible fraud cases / suspicious activities in account(s) are examined and concluded appropriately under their Whistle Blower Policy. i) Assessment of control framework of the company, including compliance, assurance, financial crime prevention, managing conflicts of interest, adherence to ethical principles and independence. j) To facilitate timely communication and corrective action.
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Fit and Proper Criteria

The Company has in place a Board approved policy for ascertaining the 'Fit and Proper Criteria of directors' at the time of appointment and on continuing basis. Pursuant to the said Policy, the Company obtains necessary disclosures from the Directors from time to time.

The Company ensures compliance with the provisions laid down in the said Policy. The Company shall ensure to furnish to the RBI on a quarterly basis, statement on change of directors and a certificate confirming that fit and proper criteria in selection of the directors has been followed. 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, shall be certified by the Statutory Auditors.

Adoption of Policies

The Company has framed and adopted policies as per regulatory requirements and as approved by the Board of the Company which forms an integral part of the overall corporate governance framework of the Company.

Rotation of Statutory Auditors /Audit Partner(s)

The appointment and rotation of Statutory Auditors shall be as per the Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) issued by RBI and as amended from time to time and Policy on Appointment of Statutory Auditors adopted by the Company and as may be amended from time to time.

Key Managerial Personnel

In terms of the Master Directions, the Company ensures that except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL.

Independent Directors

The requirement for the appointment of Independent Directors is not applicable to the Company, as it is a private limited company and does not fall under the categories specified in Section 149(4) of the Companies Act, 2013 or the relevant rules made thereunder.

Disclosure and transparency

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

1. The progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the Company;
2. 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.

Chief Risk Officer (“CRO”)

Pursuant to Para 95 of the Master Directions, the CRO is required to function independently so as to ensure highest standards of risk management. The Company does not have a separately designated CRO. However, the risk management activities of the Company are overseen and guided by the CRO of the holding company. The CRO of the holding company is responsible for managing the risk operations and overall activities related to risk assessment, mitigation and monitoring across the group. This centralized approach ensures consistency in risk management practices and alignment with the group’s broader risk governance framework.

Review

The Policy will be reviewed on an annual basis or as and when deemed necessary by the Board in the context of changing regulation and guidelines and emerging best practices with a view to enhancing the Company’s governance.