

AVENDUS FINANCE PRIVATE LIMITED

CORPORATE GOVERNANCE POLICY

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Reviewed by	Compliance Team
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Change History				
Version	Effective Date	Created by	Approved by	Description of change
1.1	March 18, 2021	Secretarial Team	Board of Directors	Annual Review
1.2	August 30, 2021	Secretarial Team	Board of Directors	Annual Review
1.3	May 04, 2022	Secretarial Team	Board of Directors	Policy was aligned in line with Committee Charters
1.4	March 29, 2023	Secretarial Team	Board of Directors	Addition of details of Stakeholder Relationship & Grievance Redressal Committee and inserted reference of RBI guidelines in place of Annexures
1.5	February 8, 2024	Secretarial Team	Board of Directors	Annual Review and non-applicability of SEBI Listing Regulations and reference of RBI Master Direction updated
1.6	February 12, 2025	Secretarial Team	Board of Directors	Annual Review

1. PREAMBLE

- 1.1. Sound governance practices and responsible corporate behavior contribute to superior long-term performance of companies. A best practice on governance issues is an evolutionary and continuing process. Corporate governance practice embodies the dual goals of protecting the interests of all stakeholders while respecting the duty of the board of directors and senior management of the company to oversee the affairs of a company, ensure accountability, inculcate integrity and promote long-term growth and profitability.
- 1.2. The Reserve Bank of India ("RBI") has issued the Master Circular – "Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015" dated July 1, 2015 ("**Master Circular**"), as amended from time to time, which applies *inter alia* to every non-deposit accepting Non-Banking Financial Company with an asset size of INR 500 Crore and above (NBFC-ND-SI), as per its last audited balance sheet and the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("RBI Guidelines"). Avendus Finance Private Limited (the "**Company**") is registered with the RBI as a non-deposit accepting Non-Banking Financial Company ("**NBFC**"). The Company is a systemically important NBFC and classified as Middle Layer NBFC and accordingly the Master Direction and guidelines is applicable to the Company. Further, in terms of the Master Circular and the Master Direction, the Company is required to frame internal guidelines on corporate governance with the approval of the board of directors of the Company and accordingly the Company has put in place this policy on Corporate Governance ("**Corporate Governance Policy**").
- 1.3. The Company has framed this Corporate Governance Policy with the intent of following corporate governance in spirit as also the letter of law. The objective of this Corporate Governance Policy is to ensure compliance with legal requirements and set standards for corporate governance in relation to the Company so that concerned employees and executives of the Company act in accordance with the highest standards of corporate governance while working for and on behalf of the Company and further so that the affairs of the Company can be conducted with integrity, fairness, accountability and transparency. All the concerned employees and executives of the Company are expected to read and understand this Corporate Governance Policy in order to uphold the standards and to comply with all applicable policies and procedures stipulated herein in day to day operations and activities of the Company.

2. FIT AND PROPER CRITERIA FOR APPOINTMENT OF DIRECTORS

- 2.1. The Company shall ensure, at the time of appointment of any director on the board of directors of the Company (and thereafter on a continuous basis), that the person satisfies

the 'fit and proper' criteria and that he is suitable for the post and for this purpose the Company shall ensure that the procedure mentioned below is followed:

- 2.1.1. The Company will undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the board of directors of the Company, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.
- 2.1.2. The Company will obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format set out in the RBI guidelines, as prescribed and amended from time to time.
- 2.1.3. The Company shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting
- 2.1.4. The Company will undertake the process of due diligence at the time of appointment of the director and at the time of renewal of appointment of any director.
- 2.1.5. The Nomination & Remuneration Committee of the Board of Directors of the Company will scrutinize the declarations provided by the director.
- 2.1.6. The Nomination & Remuneration Committee of the board of directors of the Company will decide on the acceptance or otherwise of the director, based on the information provided in the signed declaration, where considered necessary.
- 2.1.7. The Company will obtain annually (as on 31st March) a simple declaration from each director that the information already provided by the director has not undergone change and where there is any change, the Company shall require such director to furnish the requisite details forthwith.
- 2.1.8. The board of directors of the Company will ensure in public interest that each of the nominated / elected directors executes a deed of covenants in the format set out in the RBI guidelines, as prescribed and amended from time to time.
- 2.1.9. Within the permissible limits in terms of Companies Act, 2013, an Independent Director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. Further, the Board of the NBFC shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time.
- 2.2. The Company will furnish to the 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 Company will ensure that such statement reaches the Regional Office of the RBI within 15 (fifteen) days of the close of the respective quarter. The Company shall ensure that such statement submitted by the Company for the quarter ending March 31, is certified by the auditors of the Company.

3. KEY MANAGERIAL PERSONNEL

Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-Middle Layer or NBFC-Upper Layer.

4. DISCLOSURE AND TRANSPARENCY

4.1. The Company shall put up to the board of directors of the Company, at regular intervals, the following:

4.1.1. Review of risk management system and risk management policy and strategy followed by the Company; and

4.1.2. 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.

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

4.2.1. Registration / license / authorisation, by whatever name called, obtained from other financial sector regulators;

4.2.2. ratings assigned by credit rating agencies and migration of ratings during the year;

4.2.3. penalties, if any, levied by any regulator, details of non-compliance with requirements of Companies Act, 2013;

4.2.4. information namely, area, country of operation and joint venture partners with regard to joint ventures and overseas subsidiaries;

4.2.5. asset-liability profile, divergence in asset classification and provisioning, extent of financing of parent company products, non-performing assets ("NPAs") and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization / assignment transactions and other disclosures, as stipulated in the RBI guidelines, as prescribed and amended from time to time.

4.2.6. Composition of Board, change in composition of Board, Committees of Board and their

composition, details of General Body meetings; and

4.2.7. Breach of covenants of loan availed or debt securities issued

5. CONSTITUTION OF COMMITTEES OF THE BOARD OF DIRECTORS

To focus effectively on the issues and ensure expedient resolution of diverse matters, the Board has constituted set of Committees with specific terms of reference / scope. The Committees shall operate as empowered agents of the Board as per their Charter / terms of reference, as approved by the board of directors. The Board of Directors of the Company shall constitute the following committees:

5.1. Audit Committee

The constitution of Audit Committee is in compliance with RBI Guidelines and the provisions of Section 177 of the Companies Act, 2013 (Act).

The Audit Committee shall have the powers and duties conferred upon it in compliance with the provisions of Section 177 of the Act and RBI Directions and such other duties, obligations and powers as may be prescribed by the Board from time to time.

The Company has an Audit Committee Charter in place, which is approved and reviewed by the Board. A copy of the Audit Committee Charter is Annexed as Annexure 1.

5.1.1. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is constituted in compliance with the provisions of RBI Guidelines. The Nomination and Remuneration Committee shall have the constitution, functions, powers and duties conferred upon it in compliance with the provisions of Section 178 of the Act, rules made thereunder, RBI Guidelines and such other duties, obligations and powers as may be prescribed by the Board of Directors from time to time.

The Company has a Nomination and Remuneration Committee Policy and a Charter in place which is approved and reviewed by the Board. A copy of the Nomination and Remuneration Committee Charter is Annexed as Annexure 2.

5.1.2. Grievance Redressal Committee:

This Grievance Redressal Committee is constituted in compliance with the RBI Guidelines. The Company has a Grievance Redressal Committee Charter in place which is approved and

reviewed by the Board. A copy of the Grievance Redressal Committee Charter is Annexed as Annexure 3.

5.1.3. Risk Management Committee

The Risk Management Committee (RMC) is constituted in compliance with the provisions of RBI Guidelines. The Risk Management Committee shall have the powers and duties conferred upon it in compliance with the provisions of RBI Directions, and such other duties, obligations and powers as may be prescribed by the Board of Directors from time to time. Further, the RMC shall be responsible for evaluating the overall risks faced by the Company including liquidity risk and shall report to the Board.

The Company has a Board approved Charter in place and the required disclosures to that effect are made from time to time. A copy of the RMC Charter is Annexed as Annexure 4.

5.1.4. Asset Liability Management Committee

Asset Liability Management Committee is constituted in compliance with provision of RBI Guideline. The Committee consists of Company's top management which is 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 Company has a Board approved Charter in place and the required disclosures to that effect are made from time to time. A copy of the Asset Liability Management Committee Charter is Annexed as Annexure 5.

6. ROTATION OF PARTNERS OF STATUTORY AUDITORS / AUDIT FIRM

In order to protect the independence of the auditors / audit firms, the Company will have to appoint the Statutory Auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Detailed policy on for Appointment of Statutory Auditors is available on the website of the Company.

Note: The provisions of this para may be read with the provisions contained in circular, DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 on 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs)', as amended from time to time.

7. ANNUAL FINANCIAL STATEMENTS / BALANCE SHEET

- 7.1. The Company will, after taking into account the degree of well-defined credit weaknesses and extend of dependence on collateral security for realisation, classify its assets, loans and

advances (including any other forms of credit) into the following classes, namely:

- 7.1.1. standard assets;
 - 7.1.2. sub-standard assets;
 - 7.1.3. doubtful assets; and
 - 7.1.4. loss assets.
- 7.2. The Company will modify the classification of assets, loans and advances of the Company in compliance with the directions and guidelines stipulated by the RBI for this purpose.
- 7.3. Further, the Company will disclose the following particulars on its balance sheet:
- 7.3.1. Capital to risk assets ratio ("CRA Ratio");
 - 7.3.2. Exposure to real estate sector, both direct and indirect; and
 - 7.3.3. Maturity pattern of assets and liabilities.
- 7.4. The Company will make such other disclosures in its annual financial statements, in relation to the asset liability management of the Company, as set out in the RBI guidelines, as prescribed and amended from time to time.

8. REVIEW OF CORPORATE GOVERNANCE POLICY

The Board of Directors of the Company may review this Corporate Governance Policy on an annual basis and as required from time to time.

9. COMPANY WEBSITE

- 9.1. The Company will publish this Corporate Governance Policy on its website for the information of various stakeholders.