

Avanti Finance Private Limited

Anti Child Labour And Forced Labour Policy

Version	Drafted by	Reviewed by	Committee approval date	Board approval and adoption date
Version 1	--	Mr. Manish Thakkar, COO	NA	February 03, 2021
Version 2	Mr. Nagaraj Subramanya, CISO/ CRO	Mr. Manish Thakkar, COO	October 27, 2023	October 31, 2023
Version 3	Mr. Nagaraj Subramanya, CISO/ CRO	Mr. Manish Thakkar, COO	December 19, 2024	December 19, 2024

Document Classification: Internal

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Prohibition of Child and Forced Labour Policy

1. INTRODUCTION

- 1.1 Avanti Finance Private Limited (hereinafter referred to as “**the Company**” or “**we**”), a NonBanking Financial Company (“**NBFC**”) registered with the Reserve Bank of India, is deeply committed to improving and strengthening the economic status of disadvantaged communities by rendering financial support through its products and services for small businesses across sectors.
- 1.2 The protection of human rights and fundamental freedoms is a top priority for the Company - a commitment which is codified and enforced through the Company's own Code of Conduct (accessible at: <https://avantifinance.in/policies/>) (“**Code**”) and its Environment and Social Governance Policy (“**ESG Policy**”).
- 1.3 The Company acknowledges and condemns the unfortunate and disturbing reality of global trade and business, where many vulnerable children and adults, denied of their basic rights and opportunities, are exploited as labour due to ignorance, poverty, irregular income streams for family, economic shocks, lack of access to social security, education, health facilities, food security etc.
- 1.4 The Company does not engage in or tolerate any forms of child labour or forced labour. Through this Child Labour and Forced Labour Policy (“**Policy**”), the Company affirms its commitment to eliminate child labour and forced labour from all its business-to-business (“**B2B**”) relationships at the institutional level i.e., with another company or a self-help group or trust or society to whom we extend institutional loans (hereinafter referred to as “**Institutional Entities**”).

2. OBJECTIVES OF POLICY

- 2.1 This Policy has been designed to:
 - a) codify a prohibition of both child labour and forced labour;
 - b) provide an operative framework for addressing instances where child labour or forced labour is identified; and
 - c) lay down strategies for its prevention.

3. RELATIONSHIP BETWEEN POLICY AND THE COMPANY'S ESG

- 3.1 The Company is committed to compliance with its ESG Policy which sets out the guidelines for environmental stewardship, social risk due diligence and mitigation based on internationally recognised standards.
- 3.2 The purpose of this Policy is to address the issue of child labour and forced labour with greater depth and rigour than in the ESG Policy. This Policy provides the background information and is to be read and operationalised in conjunction with the ESG Policy.

4. SCOPE

- 4.1 This Policy applies to Company's dealings at the B2B level while lending to Institutional Entities. The Company expects Institutional Entities to internalise similar standards to address instances of child and forced labour in the conduct of their business.

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5. CHILD LABOUR

5.1 Child Labour defined

5.1.1. Child Labour is all work that deprives children of their childhood, their potential and their dignity and is harmful to their physical and mental development. In keeping with the International Labour Organisation (“ILO”) standards, the Company defines child labour as:

- Work that is mentally, physically, socially or morally dangerous and harmful;
- Work that fails to take into account compulsory schooling;
- Work that prevents children from attending school;
- Work that makes it necessary for children to leave school prematurely; or
- Work that requires children to combine school attendance with long and heavy work.

5.1.2. The worst forms of child labour involve enslavement, separation of children from their families and exposure to hazardous conditions.

5.2 Distinction based on Hazardous Work

Under applicable Indian law, engagement of child labour and/or adolescent labour in hazardous occupations or processes is banned. Accordingly, Company will not tolerate and/or encourage such engagement under any circumstances.

5.3 Distinction between Child Labour and Young Worker

5.3.1 In keeping with Indian law and internationally recognised standards, the Company makes a distinction between child labour and young workers or adolescents.

5.3.2 Applicable law in India defines an ‘adolescent’ to be a person between the ages of 14 (fourteen) to 18 (eighteen) years and permits employment of adolescent labour except in certain specified hazardous processes or occupations such as mines, inflammable substances, coal industries and such other occupations as may be notified under the applicable law. In keeping with ILO Convention 138, the Company is of the view that employment of children who are under 15 years of age and have not completed compulsory schooling shall not be allowed to work.

5.3.3 At the outset, it is pertinent to clarify that the Company only employs qualified and specialised professionals for undertaking the work as an NBFC, therefore, the question of employing children or adolescents does not arise. However, this may not be the case with many other stakeholders and partners across the Company’s value chain, particularly those at the grassroot level involved in mobilising the poor and vulnerable communities or seeking financial support from the Company for their small businesses. Further under Indian law, adolescents are permitted to work in occupations or processes that are demonstrably non-hazardous in nature. Accordingly, Company may engage with stakeholder that employs or engages adolescents in such non-hazardous occupations / processes. However, such stakeholder engagement should be undertaken upon prior assessment of the nature of the activities employing / engaging adolescents on a case to case basis.

5.4 Prohibition of Child Labour

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5.4.1. The Company is an ethically driven organisation that accepts the responsibility for setting standards for itself and Institutional Entities to achieve the minimum level of protection available as per applicable law. The ESG Policy provides the basis for all B2B collaboration, wherein Institutional Entities are expected to adhere to similar standards in the conduct of their business or operations. Accordingly:

- a. the minimum age for recruitment for all levels of employees at the Company shall be 18 years and above.
- b. in exceptional circumstances and in accordance with applicable law and subject to Clause 5.3.3 above, the Company may permit Institutional Entities to employ adolescents or young workers.

The Company will implement reliable control mechanisms at the level of hiring procedures to prevent child labour. Accordingly, the Company will require that Institutional Entities also put in place similar effective controls. In relation to the same, Institutional Entities shall be required to provide a self-declaration in the format as provided in **Annexure A** of this Policy.

5.5 Addressing instances of Child Labour

5.5.1 If there are any cases of violation concerning issues related to child labour, such cases shall be investigated, and suitable remedial action shall be initiated including in accordance with applicable law. In order to ensure the well-being of the child in such cases, the Company will require compliance with the minimum conditions set forth below:

- a. The child must cease work immediately.
- b. The employer must provide the child with appropriate compensation for the loss of employment.
- c. The employer must safeguard and promote the welfare of the child, which will include, for example, verification of continuation of compulsory schooling and financial assistance for the family of the respective child.

5.5.1 The Company shall strive to put in place mechanisms to monitor the implementation of these measures in its dealings with Institutional Entities which would be tailored in reference to the type of financial product being availed and the industrial sector in which the Institutional Entity operates. For example, Institutional Entities may be required to provide Company with a declaration confirming their compliance with the norms against child labour in the format as mentioned in **Annexure A** of this Policy to be obtained during onboarding and at the time of annual renewal.

5.5.2 The Company reserves the right to verify on site the implementation of such actions by Institutional Entities, as necessary. Appropriate obligations underscoring this requirement shall be incorporated in Company's agreements with Institutional Entities. In the event any Institutional Entity refuses to cooperate and/or fails to remedy the situation, the Company reserves the right to terminate the business relationship as a last resort.

6. **FORCED LABOUR**

6.1 Forced Labour defined

In line with international standards set by ILO, the Company understands forced labour to be any work or service, which is performed involuntarily under threat of penalty. The Company will not tolerate or condone any form of forced labour, bonded labour, modern slavery or human trafficking (collectively referred to as "**forced labour**").

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6.2 **Prohibition of Forced Labour**

6.2.1 Through compliance with the Code, the ESG Policy and Bonded Labour System (Abolition) Act, 1976 (“**BLSA**”), the Company takes a firm and active stand against all forms of forced labour.

6.2.2 The Company prohibits the use of forced labour and expects the same of the Institutional Entities. The freedom of workers may not be restricted and must be ensured at all times. At the minimum, the following standards must be complied with:

- a) ensuring that employees working in a facility are doing so voluntarily;
- b) paying, at the least, minimum wage as applicable;
- c) informing employees of the terms of their employment i.e. job description, hours of work, over time details etc. and that there is no expectation to work beyond these hours or on holidays without their consent;
- d) ensuring that all personnel shall have the right to leave the workplace premises after completing the standard workday and be free to terminate their employment provided that they give reasonable notice to their employer. This is in compliance with applicable law in India including the BLSA and the Contract Labour (Regulation and Abolition) Act, 1970; and
- e) training employees particularly in recruitment and business development functions on requirements and other instruments relating to forced labour to ensure that violations do not take place.

6.2.3 The Company shall strive to periodically verify the processes and procedures of Institutional Entities aimed at ensuring that forced labour does not become a part of the value chain of Institutional Entities.

6.3 **Addressing instances of Forced Labour**

6.3.1 If there are any cases of violation concerning issues related to forced labour, we shall cease our engagement with the concerned Institutional Entity.

6.3.2 The Company shall make reasonable endeavours to ensure that the concerned Institutional Entity (where the instance of forced labour has been identified) takes responsibility to adequately compensate and rehabilitate the affected parties in line with applicable law.

6.3.3 In the event any Institutional Entity refuses to cooperate and/or fails to remedy the situation, the Company reserves the right to terminate the business relationship as a last resort.

7. **POINT OF CONTACT FOR ISSUES INVOLVING CHILD LABOUR AND FORCED LABOUR**

7.1 Any questions on this Policy or on the subject of child labour and forced labour in general may be directed to the Chief Risk Officer of the Company. Chief Risk Officer shall be responsible for the implementation of the Policy.

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8. POLICY REVIEW AND UPDATES

This document shall be reviewed by the COO, and shall be reviewed at least once a year. Reviews shall also account for any significant business changes and/or any regulatory requirements.

This Policy was:

- I. Drafted on behalf of the Company by: Mr Nagaraj Subrahmanya, CRO
- II. Internally reviewed by: Mr Manish Thakkar, COO
- III. Approved by the Board of the Company on: February 03, 2021, Revision 1 on: October 31, 2023, Revision 3 on: December 19, 2024

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Annexure A

(To be on the letterhead of the Institutional Entity)

Ref: [•]

Date: [•]

To:

Avanti Finance Private Limited
#2727, 2nd Floor,
1st Main Road, HAL 3rd Stage,
Ward No. 58 (Old No. 83),
New Thippasandra, Bangalore,
Bangalore North, Karnataka, India, 560075

Sub: Declaration in relation to required compliances for the purposes of availing loan from Avanti Finance Private Limited.

Dear Sirs,

Please refer to loan application dated wherein we seek to avail a loan of amount (“**Loan**”). In pursuance of the same, and as required by Avanti Finance Private Limited, we hereby declare the following statements to be true and correct:

1. Before grant of employment, we verify the age of the applicants by requiring them to present valid identification issued by Central Government, State Government or other relevant authority prior to employment. Such documents may include birth certificates, school records, etc.;
2. At the time of grant of employment, we have retained a copy of such verified documents in the personnel file of the employee for the entire period of employment; and
3. Under no circumstances shall any adolescent/young worker’s school, work, and transportation time exceed a combined total of 10 hours per day, and in no case shall young workers work more than 8 hours a day. Young workers or adolescents may not work during night hours and shall be entitled to all benefits and pay on the principle of ‘equal pay for equal work’ as an adult worker.

We understand and agree that if at any point of time any of the statements above that are represented to be true becomes untrue during the period the Loan remains outstanding, Avanti Finance Private Limited shall be entitled to terminate the Loan Agreement and immediately recall the loan amount.

Yours faithfully,

For [Insert Name of Institutional Entity]

Authorised Signatory