



Avanti Finance Private Limited

Compensation Policy for Key Managerial Personnel (KMP) and Senior Management

Version	Drafted by	Reviewed by	Committee approval date	Board approval and adoption date
Version 1	Mr. Sunil Kumar Tadepalli, COP	Mr. Rahul Gupta, Director and CEO	February 10, 2025	February 12, 2025

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COMPENSATION POLICY FOR KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT

1. INTRODUCTION & OBJECTIVE

- 1.1. **AVANTI FINANCE PRIVATE LIMITED** (hereinafter referred to as “**Company**”) is a registered non-deposit taking non-banking financial company classified in the ‘Middle Layer’ (“**NBFC**”) and it is engaged in the business of, *inter alia*, providing credit facilities to eligible borrowers.
- 1.2. Company has adopted this compensation policy (“**Policy**”) in order to serve as a guidance for the current practices of Company in matters relating to compensation to key managerial personnel and senior management of Company in order to ensure effective governance of compensation and alignment of compensation practices with prudent risk taking.
- 1.3. In addition to and without derogation of Master Directions, Company adopts this Policy.

2. APPLICABILITY & GOVERNANCE

- 2.1. Applicability: Company shall adhere to this Policy in relation to key managerial persons and senior management. The terms “key managerial persons” and “senior management” shall have the meaning as ascribed to them, respectively, in the Companies Act, 2013.
- 2.2. Governance Framework: Nomination and Remuneration Committee of the Company (“**NRC**”) shall be responsible to oversee the framing, review and implementation of this Policy. NRC shall ensure that compensation levels are supported by the need to retain earnings of Company and the need to maintain adequate capital based on internal adequacy assessment processes. The NRC may work in close coordination with Risk Management Committee (RMC) of the Company to achieve effective alignment between compensation and risks. NRC shall also ensure ‘fit and proper’ status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management
- 2.3. Composition of NRC: The Company shall constitute the NRC through the Board. NRC will be appointed by the Board and will serve at its discretion. The NRC shall consist of no fewer than three directors, all of whom shall be non-executive directors and at least two-thirds of whom shall be independent directors.

3. PRINCIPLES OF COMPENSATION

- 3.1. **Compensation Components**. Compensation structure may broadly consist of following elements:
 - (i) Fixed Pay: All the fixed elements of compensation, including the perquisites and contributions towards superannuation/retiral benefits, as reflected in the Form 16 of the employee will be treated as part of fixed pay.
 - (ii) Variable Pay:
 - (A) The variable pay may be in the form of performance based cash, share-linked instruments, or a mix of cash and share-linked instruments.

- (B) The total variable pay, as a proportion of the total pay (i.e., including Fixed Pay and Variable Pay) as well as the component that may be deferred shall be decided by the NRC on a case-by-case basis in accordance with applicable laws.
- (C) Basis the performance of the individual, Company or a combination of individual and Company, variable pay can be reduced to zero in a given financial year.

4. PROVISIONS FOR MALUS AND CLAWBACK

- 4.1. The Variable Pay may be subject to malus and/or clawback arrangements in the event of certain circumstances as may be decided by NRC on a case-by-case basis.
- 4.2. Principles for applicability of malus and/or clawback: In deciding to apply malus and/or clawback, NRC shall take into account the principles of proportionality and strike a balance between the ability, capability and expertise of the individual/s and the events outside the control of the individual/s to the events or situations.
- 4.3. In reference to key managerial personnel and senior management, some of the relevant principles while determining the applicability of malus and/or clawback shall include:
 - (i) material breach of Company's code of conduct;
 - (ii) breach of confidentiality obligations;
 - (iii) breach of regulatory requirements;
 - (iv) breach of internal rules and regulations;
 - (v) fraud, breach of trust, dishonesty, or wrongful disclosure;
 - (vi) wilful misinterpretation / misreporting of financial performance of Company;
 - (vii) any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature;
 - (viii) non-disclosure of material conflict of interest or any misuse of official powers;
 - (ix) situation of significant deterioration of financial or risk performance from one financial year to the next; and/or
 - (x) any other such instance which the Board, in its discretion, deems it necessary to apply malus and/or clawback provisions.

5. REGULATOR REFERENCE

Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

6. RECORD OF UPDATES

This Compensation Policy comes from the date of approval by the Board and shall be monitored and reviewed periodically by the Board of the Company.