



Avanti Finance Private Limited

Terms of reference – Risk Committee

This document was:

Version	Drafted by	Reviewed by	Committee approval date	Board approval and adoption date
Version 1	Mr. Nagaraj Subrahmanya, CRO	Mr. Rahul Gupta, CEO	-	September 30, 2022
Version 2	Mr. Nagaraj Subrahmanya, CRO	Mr. Rahul Gupta, CEO	-	March 13, 2023
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1. Introduction

Avanti Finance Company Private Limited (“Company”) considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

Risk can represent both a threat and an opportunity for the Company and is a fundamental factor in the success or failure of our business. Company promotes a risk-aware corporate culture to support key decisions made in the business. Our employees can identify risk through integrated risk analysis and then manage these risks to enhance commercial opportunities or reduce threats to maintain and build competitive advantage.

2. Purpose & Objective of the Risk Committee:

- a) To advise and assist the Board in its oversight of the design and effectiveness of the Enterprise Risk Management Framework.
- b) To advise and assist the Board of Directors in fulfilling its oversight responsibilities with regards to the risk appetite of the Company, its risk management and compliance framework and the governance structure that supports it.
- c) Overseeing risk appetite and risk tolerance appropriate to each business area
- d) Ensuring that there are adequate enterprise-wide processes and systems for identifying and reporting risks and deficiencies, including emerging risks
- e) To ensure alignment of the risk framework with the Company’s growth strategy, supporting a culture of risk taking within sound risk governance
- f) To monitor all material aspects of the risk profile and to notify the board of any material changes or exceptions to established risk policies

3. Authority

- 3.1. The Risk Committee (the “Committee”) is a committee of the Board of the Company from which it derives its authority and to which it regularly reports.
- 3.2. The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.
- 3.3. The Committee has authority to investigate any matter within its Terms of Reference and to obtain such information as it may require from any director, officer of the company, employee or Partner.
- 3.4. When required, the Committee may delegate matters to a panel comprising a minimum of two members of the Committee plus such additional individuals with relevant expertise as deemed appropriate, and subject to terms of reference (including protocols for escalation to the Committee) as determined by the Committee.
- 3.5. In addition, the Committee may have delegated authority from the Board for oversight of specified strategic, cultural or transformational projects led by the Executive.

4. Constitution

- 4.1. The Committee will be composed of Elected or Nominated Board Members, CEO of Company, heads of various risk verticals as well as other personnel as required and

ratified by the Board.

- 4.2 The Committee members present shall elect one of themselves to chair the meeting.
- 4.3 Members of the Committee shall be appointed by the Board.
- 4.4 Working groups of the Committee may be established by the Committee for specific tasks and activities, including for analysis, consultations and escalations as appropriate; such groups may be comprised of representatives of the Committee and other individuals with relevant expertise.
- 4.5 Members may be removed from the Committee at any time before the end of their term by the Board.
- 4.6 Unless otherwise determined, the duration of appointments of members of the Committee and of co-opted members shall be for a period of up to 2 years which may be extended for an additional period of 1 year.

5. Proceedings of Meetings

5.1 Frequency of Meetings

- 5.1.1 Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference, but at a minimum on a quarterly basis.

5.2 Quorum for Risk Committee

- 5.2.1 A quorum will require the presence of atleast 50% or 3 of the committee members, whichever is higher
- 5.2.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions

6. Attendees

6.1 Risk committee attendees

- 6.1.1 Only the members of the Committee and other Elected and Nominated members of the Board and Independent Non-Executives directors have the right to attend Committee meetings and the right to cast a vote, if called upon.
- 6.1.2 The following will be expected to attend Committee meetings on a regular basis (as and when appointed):
 - a) Chief Executive Officer;
 - b) Chief Risk Officer;
 - c) Chief Operating Officer;
 - d). Chief of Partnerships;
 - e) Chief Financial Officer;
 - f) General Counsel;
 - g) Head of Regulatory Affairs;
 - h) Head of Internal Audit;
 - i) Head of Corporate Affairs; and
 - j) Company Secretary

6.2 ALCO committee attendees

6.2.1 The members of the Committee, management team members (on a special invite basis) have the right to attend Committee meetings and the right to cast a vote, if called upon.

6.2.2 The following will be expected to attend Committee meetings on a regular basis (as and when appointed):

- a) Chief Executive Officer;
- b) Chief Risk Officer;
- c) Chief Operating Officer;
- d) Chief of Partnerships
- e) Chief Financial Officer / Head of Finance;

7. Powers of Risk Committee: The Risk committee shall have the powers –

- a) Investigate any matter within its terms of reference and seek information from any director, office of the company, employee or Partner.
- b) To obtain advice from auditors or lawyers or experts, retain services of external consultants for redressing issues relating to and arising from risk management framework.
- c) To call for any information, documents, records from any officers of the Company for ascertaining the adherence to the Risk policies, procedures and standards laid for effective monitoring, evaluating and reporting of risks.
 - d) To institute and periodically review the terms of reference of the Asset Liability committee (ALCO)

8. Roles and responsibilities of the Committee

- a) Review and recommendation to the Board of Directors (Board) for approval:
 - i. Enterprise Risk Management (ERM) framework for the Company and its subsidiaries
 - ii. Risk appetite for the Company
 - iii. Stress testing framework
 - iv. Internal Capital Adequacy Assessment Process (ICAAP)
 - v. Framework for capital allocation.
- b) Review the governance of the following policies based on regulatory guidelines, risk environment and business considerations:
 - i. Interest rate Policy
 - ii. Policy on Asset Classification and Provisioning norms
 - iii. Credit Risk Management Policy
 - iv. Household Income Assessment and Fixed Obligation Calculation Policy
 - v. KYC/ AML Policy
 - vi. Outsourcing Policy
 - vii. Loan Restructuring Policy
 - viii. Risk Management Policy
 - ix. Customer Service Policy
 - x. Fair Practices Code
 - xi. Terms of Reference – Credit Committee
 - xii. Terms of Reference – Risk Committee
 - xiii. Fraud Risk Management Policy
 - xiv. Outsourcing IT services Policy

- xv. Default Loss Guarantee Policy
 - xvi. Business Continuity Policy & Disaster Recovery
 - xvii. TOR - Special Committee of Board
 - xviii. Policy on Child Protection and PSEAH
 - xix. Policy for Treatment of Wilful Defaulters And Large Defaulters
 - xx. Policy on Compromise Settlement & Technical Write-Off
 - xxi. Policy on Internal Capital Adequacy Assessment Process
 - xxii. Liquidity risk management policy
 - xxiii. ECL Policy
 - xxiv. ECL on FLDG Policy
- c) Review key risk indicators, level and direction of major risk categories as detailed below on a quarterly basis:
- i. Credit risk: corporate, retail, small enterprises, rural, micro-banking and agri portfolio

- ii. Market risk: interest rate risk, credit spread risk, foreign exchange risk and equity risk
 - iii. Liquidity risk: domestic and international operations
 - iv. Operational risk: process risk, people risk, technology risk, event risk, outsourcing risk and reputation risk
 - v. Compliance risk: domestic
 - vi. Capital at risk
- d) Review of outsourcing activities
 - e) Review report on activities of Asset Liability Management Committee
- h) Review of Cyber Security Risk on periodic basis.
 - i) Setting limits on any industry, sector or country
 - j) Authorised to delegate abovementioned functions to *sub-committees* (comprising members of Risk Committee and/or whole-time directors).
 - k) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.
 - l) The Risk Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.
 - m) Advise the Board in relation to its determination of overall risk appetite, tolerance levels and strategy, taking account of the Company's values and public interest purpose, as well as the current and prospective regulatory, macroeconomic, technological, environmental and social developments and trends that may be relevant for the Company's risk policies
 - n) Using internal and external sources of assurance monitor the robustness of the Company's risk management policies and processes, including the Company's Enterprise-Wide Risk Management Framework and their fitness for purpose when tested against the Board's strategy and risk appetite;
 - o) Consider and review the prevailing risk culture in the organisation (values, beliefs, knowledge, attitudes and understanding about risk) and maintain oversight of relevant work streams and projects to bring about the desired risk culture which may include specific training when required
 - p) Review the integration of risk management and control objectives (and consequences) in the compensation structure
 - q) Annually review and approve the Executive Committee's objectives and goals in relation to risk management
 - r) Provide advice and assurance to the Board by adopting a holistic and enterprise-wide view of the Company and the key risks that it is exposed to, assessing the adequacy and effectiveness of the Company's adoption of the Enterprise-Wide Risk Management Framework;
 - s) Consider and review the prevailing risk culture in the organisation (values, beliefs, knowledge, attitudes and understanding about risk) and maintain oversight of relevant work streams and projects to bring about the desired risk culture;
 - t) Ensure the internal audit work plan is aligned to the identified risks
 - u) Review regularly and approve the parameters used in risk assessment measures and the methodology adopted

- v) Review the Company's adherence to all applicable regulations as updated from time to time by various regulatory authorities
- w) Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available
- x) Review reports on any material breaches of risk limits and the adequacy of proposed action
- y) Review and approve the statements to be included in the annual report concerning risk management
- z) Review and monitor management's responsiveness to the findings and recommendations of the CRO

9. Review of Terms of Reference:

The Committee shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.

10. Amendment:

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and decision of the Board or its Committee in this respect shall be final and binding.

This TOR comes into effect immediately on the above date of approval.