

KLM AXIVA FINVEST LIMITED

COMPLIANCE POLICY

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COMPLIANCE POLICY

I. Preamble

The Compliance Policy is framed in accordance with the compliance framework prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFCs) classified under the *Middle Layer, Non-Deposit Taking, Systemically Important* category.

It also incorporates supervisory and governance obligations arising under the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), and all other applicable laws and regulatory authorities.

This Policy sets out the governance structure, roles, responsibilities, and accountability mechanisms for ensuring that KLM Axiva Finvest Limited ('the Company') conducts its business in full compliance with applicable laws, regulations, and internal policies.

The Board recognizes compliance as a core pillar of sound governance, ethical conduct, and risk management, and mandates strict adherence across all levels of the organization.

II. Objectives

The objectives of this Policy are to-

- a) Establish a structured and transparent framework for compliance governance and accountability,
- b) Ensure compliance with all applicable statutory and regulatory requirements,
- c) Define the roles and responsibilities of key stakeholders in compliance management,
- d) Identify, monitor, and mitigate compliance risk and,
- e) Promote and institutionalize a strong culture of compliance across the Company.

III. Scope and Applicability

This Policy shall apply to all business divisions, branches, departments, officers, and employees of the Company.

The Policy is intended to ensure compliance with -

- a) RBI Master Directions, guidelines, and circulars applicable to NBFCs,
- b) SEBI regulations governing Non-Convertible Debentures (NCDs), Perpetual Debt Instruments (PDIs), and Subordinated Debt,
- c) The Companies Act, 2013 and allied rules,
- d) Income Tax, GST, and other fiscal laws; and,
- e) Labour, welfare, and allied statutory obligations applicable to the Company.

IV. Compliance Charter

The Compliance Charter defines the mandate, authority, and independence of the Compliance function. The function shall-

- a) Operate independently of all business operations and decision-making processes;
- b) Have unrestricted access to all records, systems, and personnel necessary for the discharge of duties;
- c) Report functionally to the Audit Committee of the Board (ACB) and administratively to the Chief Executive Officer (CEO);
- d) Be adequately staffed and resourced; and
- e) Be empowered to advise the management and the Board on regulatory developments, compliance risks, and governance expectations.

V. Compliance Governance Framework

i. Board of Directors

The Board shall have ultimate accountability for ensuring compliance with all laws and regulations. It shall -

- Approve and periodically review the Compliance Policy;
- Ensure the independence, authority, and resourcing of the Compliance function;
- Review material compliance breaches, regulatory observations, and corrective actions;
- Promote a culture of compliance and integrity throughout the organization.

ii. Audit Committee of the Board (ACB)

The ACB shall provide Board-level supervision on compliance management. It shall -

- Review quarterly compliance reports submitted by the Chief Compliance Officer (CCO);
- Examine significant breaches and direct remedial measures;
- Assess the adequacy and effectiveness of compliance and internal control frameworks; and
- Report systemic deficiencies and emerging risks to the Board.

iii. Management Committee of Executives (MCE)

The MCE shall provide management-level supervision over compliance implementation.

It shall -

- Monitor compliance performance across business and functional units;
- Review compliance dashboards, exception reports, and regulatory updates;
- Facilitate cross-functional coordination on compliance matters; and
- Ensure that material issues are reported to the ACB, and Board as appropriate.

iv. Chief Executive Officer (CEO)

The CEO shall ensure that the compliance framework operates effectively and without interference. The CEO shall -

- Provide strategic direction to and monitor the Compliance function;
- Ensure the CCO has sufficient independence, authority, and resources;
- Reinforce compliance as a management priority and part of ethical business conduct;
- Ensure timely rectification of compliance deficiencies;
- Ensure that the Compliance function operates free from any conflict of interest or undue influence.
- Report significant compliance developments and breaches to the ACB and the Board.

v. Executive Vice President (Compliance and Regulatory Affairs)

The Executive Vice President (Compliance and Regulatory Affairs) shall ensure overall effectiveness of the compliance management system and shall -

- Supervise and guide the CCO and the Compliance Department;
- Ensure compliance coverage across all operations;
- Facilitate regulatory correspondence and timely submission of returns and reports; and
- Ensure that periodic updates are furnished to the MCE, ACB, and Board.

vi. Chief Compliance Officer (CCO)

The CCO shall be responsible for administering, maintaining, and improving the compliance framework. The CCO shall:

- Identify and monitor all applicable regulatory, statutory and internal norms/requirements;
- Maintain and periodically update the Compliance universe of the Company;
- Track regulatory changes and disseminate them to relevant functions;
- Conduct periodic compliance reviews and report deviations to the MCE, ACB, and Board;
- Verify departmental compliance checklists; and
- Submit consolidated quarterly and annual compliance certifications.

The CCO shall report functionally to the Audit Committee of the Board (ACB) and administratively to the CEO through the Executive Vice President (Compliance & Regulatory Affairs).

vii. Business and Functional Heads

Each Business or Functional Head shall be accountable for compliance within their functional area. They shall -

- Ensure adherence to all applicable regulatory, statutory and internal norms;

- Prepare and maintain a departmental compliance checklist covering relevant laws and internal rules;
- Review and update such checklists periodically to reflect regulatory or operational changes;
- Submit the checklist to the CCO for verification;
- Provide quarterly compliance certifications; and
- Undertake corrective measures for identified non-compliances.

VI. Three Lines of Defense Framework

The Company shall operate under the Three Lines of Defense model.

1. **First Line:** Business and functional units that own and manage compliance risk through day-to-day adherence to laws, regulations, and internal policies.
2. **Second Line:** Independent control functions—Compliance, Risk Management, and Legal—that monitor, advise, and report on the effectiveness of controls.
3. **Third Line:** Internal Audit, which provides independent assurance to the ACB and Board on the adequacy and effectiveness of compliance controls.

VII. Compliance Risk Management

Compliance risk shall form an integral part of the Company's overall risk management system. The Company shall:

- Identify, assess, and monitor compliance risks in all business activities;
- Evaluate the impact of regulatory changes on operations and systems;
- Integrate compliance risk into enterprise-wide risk assessment processes;
- Ensure timely rectification of deficiencies; and
- Report compliance risk indicators periodically to the MCE, ACB, and Board.

An Annual Compliance Risk Assessment shall be conducted jointly by the Compliance and Risk Management functions to evaluate the level and direction of compliance risk, taking into account the following.

- RBI Risk-Based Supervision (RBS) observations;
- Statutory audit findings and management responses;
- Regulatory actions, penalties, or warnings;
- Delays or defaults in filings or payments; and
- Internal control weaknesses or recurring exceptions.

The assessment results shall be documented, reviewed by the MCE, and submitted to the ACB and Board with the annual compliance certification.

VIII. Compliance Monitoring, Reporting and Certification

The Compliance Department shall maintain a structured monitoring and reporting system. It shall -

- Track statutory filings and regulatory submissions;
- Maintain a Compliance dashboard summarizing key metrics, pending items, and breaches;
- Review departmental checklists and exception reports;
- Report quarterly to the MCE and ACB; and
- Obtain quarterly compliance certifications from all Department Heads.

The CCO shall submit a Consolidated Annual Compliance Certificate to the MCE, ACB, and Board, affirming the Company's overall compliance status and pointing out any material deviations.

IX. Non-Compliance

Non-compliance, whether intentional or inadvertent, shall be viewed seriously. The Company shall -

- Investigate all breaches promptly;
- Undertake appropriate corrective or disciplinary action as per internal governance policies;
- Report material non-compliances to regulators as required; and
- Implement remedial and preventive measures to avoid recurrence.

X. Compliance Culture and Training

The Company shall nurture a compliance-oriented culture through continuous awareness, communication, and training.

- Periodic compliance training programs shall be conducted for employees at all levels;
- Adherence to compliance obligations shall form part of managerial performance evaluation; and
- Employees shall be encouraged to report compliance concerns in good faith, without fear of retaliation.

XI. Record Keeping and Documentation

All compliance-related records, filings, certifications, checklists, and regulatory correspondences shall be securely maintained and easily retrievable for inspection by internal or external auditors and regulators.

Record retention shall follow statutory requirements and the Company's approved Record Retention Policy.

XII. Review and custody of the Policy

This Policy shall be reviewed at least annually, or earlier if warranted by regulatory changes, business developments, or audit reports.

The CCO, in consultation with the Executive Vice President (Compliance and Regulatory

Affairs), shall initiate such review and submit the revised Policy to the MCE, ACB, and Board for approval.

The Chief Compliance Officer shall be the Custodian of the Policy, responsible for ensuring its implementation, maintenance, and continuous improvement, under the guidance of the Executive Vice President (Compliance and Regulatory Affairs) and the Chief Executive Officer.

The Annexures I and II appended below shall form part of this Policy.

Annexure I – Compliance Implementation Framework

Sl. No.	Area / Activity	Responsibility	Process / Frequency	Reporting / Escalation
1	Identification of Regulatory Requirements	Compliance Department	Continuous monitoring of all RBI, SEBI, MCA, Tax, and other regulatory issuances relevant to the Company.	Periodic updates to all concerned Departments; quarterly summary to MCE & ACB.
2	Maintenance of Compliance Universe	Chief Compliance Officer (CCO)	Compilation of all applicable Acts, Rules, Regulations, Guidelines, and Internal Policies; review semi-annually.	Reviewed by EVP (Compliance & Regulatory Affairs); submitted to ACB / Board annually.
3	Departmental Compliance Checklists	Department / Function Heads	Preparation and periodic updating of compliance checklists relevant to their activities.	Verified by CCO; major deviations escalated to CEO & ACB.
4	Compliance Reviews / Testing	Compliance Department	Thematic and risk-based reviews across business areas; frequency: quarterly / half-yearly.	Findings to MCE; summary of significant issues to ACB / Board.
5	Regulatory Reporting & Returns	Compliance Department with respective functions	Timely filing of all returns / statements as per regulatory calendar.	Consolidated status report quarterly to the ACB.
6	Monitoring & Exception Tracking	Compliance Department	Continuous monitoring through dashboards; exception logs maintained.	Quarterly consolidated compliance report to the ACB.
7	Training & Awareness	HR Dept & Compliance Dept	Induction and periodic refresher training;	Attendance / participation tracked;

Sl. No.	Area / Activity	Responsibility	Process / Frequency	Reporting / Escalation
			circulation of regulatory updates.	summary to MCE annually.
8	Corrective & Preventive Actions	Department Heads with Compliance Dept	Root-cause analysis of breaches; implementation of corrective measures.	Status to be reviewed by MCE; closure reported to ACB.
9	Annual Compliance Risk Assessment	Compliance and Risk Management functions	Evaluate compliance risk exposures, severity & trend; annual exercise.	Results to be presented to ACB & Board with annual certification.
10	Review of Policy and Framework	CCO / EVP (C&RA)	Annual review or as required by regulatory changes.	Revised Policy to be submitted to ACB and Board for approval.

Annexure II – Roles and Responsibilities matrix for the Compliance function

Level / Function	Key Responsibilities	Accountability / Reporting
Board of Directors	Approve the Compliance Policy and review its implementation. Ensure independence, stature, and adequate resources of the Compliance function. Review major compliance breaches, regulatory actions, and remedial measures. Promote a strong compliance culture.	Accountable to ensure overall compliance.
Audit Committee of the Board (ACB)	Oversee the Compliance function. Review quarterly & annual compliance reports. Examine significant deviations / breaches and ensure corrective actions. Evaluate adequacy of resources, skill and authority of CCO. Promote a strong compliance culture.	Accountable to ensure overall compliance. Reports to the Board.
Chief Executive Officer (CEO)	Ensure that Compliance function operates with independence and effectiveness. Facilitate implementation of Board / ACB directions.	Accountable for overall compliance- In compliance matters, reporting to ACB.

Level / Function	Key Responsibilities	Accountability / Reporting
Executive Vice President (Compliance & Regulatory Affairs)	Promote compliance culture and provide management support. Escalate significant issues to the ACB/Board.	
	Guide and supervise the CCO in policy implementation. Interact with other control functions in compliance matters (Risk / Legal / Internal Audit). Facilitate regulatory correspondence and ensure timely response. Facilitate implementation of Board / ACB directions. Promote compliance culture and provide management support. Escalate significant issues to the ACB/Board.	Accountable for overall compliance- reporting functionally to WTD and administratively to CEO.
	Conduct Compliance function with independence. Identify, monitor and report on all regulatory obligations and compliance risks. Maintain the Compliance universe and conduct periodic reviews. Verify functional checklists and certifications. Submit quarterly and annual compliance reports to MCE/ACB / Board. Liaise with regulators and ensure timely submission of all returns. Ensure effective dissemination of regulatory developments.	Accountable for overall compliance- reporting functionally to ACB and administratively to CEO.
Department / Function Heads	Ensure compliance within respective areas. Maintain and periodically update departmental checklists. Submit quarterly compliance certificates. Implement corrective measures for deviations.	Accountable for overall compliance within the function- reporting to CEO.

Level / Function	Key Responsibilities	Accountability / Reporting
Internal Audit Function	Independently evaluate adequacy and effectiveness of the Compliance function.	Report to MCE/ACB/Board independently.