

Policy on Related Party Transactions

AVANSE FINANCIAL SERVICES LIMITED

1. Title

This policy shall be called 'Related Party Transactions Policy'

2. Objective

This policy is formulated in line with Section 188 and other applicable provisions of the Companies Act, 2013. The code of conduct for Independent directors as stipulated in Schedule IV of the Companies Act, 2013 provides that it is one of the duties of the Independent Directors to pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company.

In order to prevent abuse in related party transactions, one of the key functions of the Board of Directors is to monitor and manage potential conflicts of interest of management, members of the Board of Directors and the shareholders, including misuse of corporate assets and abuse in related party transactions. Further, according to Section 164(1)(h) of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company, if he has been convicted of the offence with related party transactions under section 188 at any time during the last preceding five years.

3. DEFINITIONS

- a) **Arm's length transaction** : The expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest
- b) **Audit committee** means the audit committee of the Board of Directors of Avanse Financial Services Ltd (Avanse). which is constituted in line with the requirements of Section 177 of the Companies Act, 2013 and applicable Rules prescribed by the Act
- c) **Board** means the Board of directors of the Avanse
- d) **Company** means Avanse Financial Services Ltd (Avanse)

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- e) **Material related party transaction** Contracts or arrangements with respect to clauses (a) to (e) of Section 188(1) and involves:
- i. Sale, purchase or supply of any goods or materials, whether directly or through any agent and wherein the amount involved exceeds ten per cent. of the turnover of the company or Rupees Hundred crore, whichever is lower;
 - ii. Selling or otherwise disposing of or buying property of any kind, directly or through any agent and where the amount involved exceeds ten percent of the net worth of the company or Rupees Hundred crore, whichever is lower;
 - iii. Leasing of property of any kind and the amount involved exceeds ten percent of net worth of the company or ten per cent. of turnover of the company or Rupees One Hundred crore;
 - iv. Availing and rendering of any kind of services, directly or through appointment of agent and which involves amount exceeding ten per cent. Of the turnover of the company or Rupees Fifty Crore, whichever is lower;

Further, it is clarified that the limits specified above shall apply for transaction/s to be entered into either individually or taken together with the previous transaction in the financial year. The turnover or the networth referred in the above definition shall be computed on the basis of audited financial statement of the preceding financial year of the company

- f) **Net Worth** shall mean as defined in section 2(57) of Companies Act ,2013
- g) **Policy** means this policy, as amended from time to time
- h) **Related Party** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013
- i) **Related party transaction** in relation to the Company means a transaction which is:
- i. a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transaction in a contract;
 - ii. a contract or arrangement with a related party with respect to :-
 1. sale, purchase or supply of any goods or materials ;
 2. selling or otherwise disposing of, or buying property of any kind ;
 3. leasing of property of any kind ;

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4. availing or rendering of any services ;
 5. appointment of any agent for purpose or sale of goods, materials, services or property
 6. such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company ;
 7. underwriting the subscription of any securities or derivatives thereof, of the Company;
- iii. defined as a "related party transaction" under the relevant provisions of the Companies Act, 2013 or any other related law, regulation, standard etc.

4. Applicability

This policy shall be applicable to all the related party transactions entered into by the Company with the related party as defined in the policy

5. APPROVAL OF RELATED PARTY TRANSACTIONS

a) **Prior approval of audit committee is mandatory in all related party transactions irrespective of any quantum or time period :**

All related party transactions shall require prior approval of the audit committee. The approval of the audit committee may be granted by way of circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. **Repetitive nature of transactions:** The audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii. **Need based and beneficial to the company :** The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company
- iii. **Such omnibus approval shall specify**
 - The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into ;
 - The indicative base price/current contracted price and the formula for variation in the price if any and
 - Such other conditions as the Audit Committee may deem fit :

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Provided that where the need for related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction.

- iv. **Quarterly review by Audit Committee:** Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company
 - v. **Omnibus approval validity up to one year :** Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- b) **Approval of Shareholders by passing Ordinary Resolution :** All material related party transaction shall require approval of shareholders through Ordinary Resolution as per Companies Act, 2013 and the related parties shall abstain from voting on such resolutions whether the entity is related party to the particular transaction or not.
- c) **Prior approval** of Audit Committee, Board and the shareholders by way of passing **Ordinary Resolution** in their general meeting, would be required in following situations.
- i. In case of **non-material related party transaction** which is in ordinary course of business or
 - ii. In case of **non-material related party transaction** which is in the ordinary course of business but is **not an arm's length transaction**
- d) **Prior approval** of Audit Committee, **prior approval** of Board and approval of shareholders (may or may not be prior) by way of passing **Ordinary resolution** in their general meeting, would be required in following situations.
- i. In case of **material related party transaction** which is not in ordinary course of business or ;
 - ii. In case of material related party transaction which is in the ordinary course of business but is **not an arm's length transaction**.
- e) **All related party transaction must be approved by audit committee:**
In accordance with the provisions Section 188 of the Companies Act, 2013 prior approval of only audit committee would be required for all related party transactions which is not a material related party transaction and which is in ordinary course of the business and on an arm's length basis.

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- f) **Interested director should not be present in the meeting** : Where any director is interested in any contract or arrangement with related party, such director shall not be present in the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

The related party/ies shall abstain from voting as shareholders in case of related party transactions which requires the approval of shareholders, whether the entity is a related party to the particular transaction or not.

6. Secretarial process with respect to proposed related party transactions

- a) Secretarial department shall provide the list of all related parties in relation to the company to all the concerned department in consultation with the CFO
- b) Every department prior to entering into any contract or arrangement with a related party shall submit details of contract and arrangement to the secretarial department.
- c) The secretarial department shall, within five working days of submission of details, convey to the concerned department the approvals required if any for the contract/arrangement and approximate time within which such approval can be obtained. If required, secretarial department may ask further information or clarification related to proposed related party transaction.
- d) The contract/arrangement shall not be entered into without the necessary approval from the audit committee/Board/shareholders, if such prior approvals are necessary under the policy.
- e) The secretarial department shall arrange for the approval of the audit committee/Board/shareholders, as may be necessary and upon receipt of necessary approval convey the same to the concerned department.

7. Amendments

Any subsequent amendment/modification in the applicable laws in this regard shall automatically apply to this Policy.

8. Interpretation

- a. Any words used in this policy but not defined herein shall have the same meaning as prescribed to it in the Companies Act, 2013 or rules made thereunder, accounting standards or any other relevant legislation/law applicable to the company
- b. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the audit committee and

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the decision of the audit committee in such case shall be final. In interpreting such term/provision, the audit committee may seek the help of the officers of the Company or an outside expert as it deems fit.

9. Disclosure

- a) Company shall disclose details of all material transactions with related parties along with the quarterly compliance report on Corporate Governance
- b) Company shall disclose this policy or any amendment thereof, on its website and a web link thereto shall be provided in the annual report.

Illustrations

| Sl. No. | Transactions | Prior approval of Audit Committee | Board | Shareholders by Ordinary Resolution (Prior approval as per Section 188) |
|---------|--|-----------------------------------|-------|---|
| 1. | Non-Material Related party transaction in the ordinary course of business at arm's length basis. | Yes | Yes | No |
| 2. | Material Related party transaction in the ordinary course of business at arm's length basis. | Yes | Yes | No |
| 3. | Non-Material Related party transaction in the ordinary course of business but not at arm's length basis. | Yes | Yes | Yes |
| 4. | Material Related party transaction in the ordinary course of business but not at arm's length basis. | Yes | Yes | Yes |

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|----|---|------------|------------|------------|
| 5. | Non- Material Related party transaction not in ordinary course of business, at arm's length basis | Yes | Yes | Yes |
| 6. | Material Related party transaction not in ordinary course of business, at arm's length basis | Yes | Yes | Yes |
| 7. | Non- Material Related party transaction not in ordinary course of business, not at arm's length basis | Yes | Yes | Yes |
| 8. | Material Related party transaction not in ordinary course of business, not at arm's length basis. | Yes | Yes | Yes |