



**AVANSE FINANCIAL SERVICES LIMITED**

**Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions**

### Version Control

Version	Date of Adoption	Change reference	Owner	Approving Authority
1	January 25, 2016	Adoption of Policy	Secretarial	Board of Directors
2	October 29, 2018	Revision in Policy	Secretarial	Board of Directors
3	February 1, 2022	Revision in Policy - Renaming of Policy, addition of definition of Material related party transactions to align with SEBI (LODR) Regulations	Secretarial	Board of Directors
4	February 2, 2023	Revision in Policy - amendment to policy for covering material modifications to material RPTs	Secretarial	Board of Directors
5	August 2, 2023	Periodic review of the Policy	Secretarial	Board of Directors
6	April 30, 2024	Amendment in definition of Material Related Party Transactions	Secretarial	Board of Directors
7	January 21, 2025	Amendment in Policy in line with the SEBI (LODR) (Third Amendment) Regulations, 2024	Secretarial	Board of Directors
8	April 30, 2025	Amendment in Policy in line with the SEBI (LODR) (Amendment) Regulations, 2025	Secretarial	Board of Directors

*\* The Policy version controls are maintained from 2013 and onwards.*

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### 1. Title:

This Policy shall be called as 'Policy on materiality of related party transactions and dealing with related party transactions' ("**the Policy**").

### 2. Objective:

This Policy is formulated in line with the Section 188 and other applicable provisions, if any, of the Companies Act, 2013 ("**the Act**") as amended or re-promulgated and in force from time to time, applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**the Listing Regulations**") and any other applicable acts, laws, statutes, rules, regulations, directions, circulars, notifications as issued by the Reserve Bank of India, the Securities and Exchange Board of India ("**SEBI**"), any stock exchange on which any of the Securities of the Company are listed or proposed to be listed or any other government, regulatory, semi-regulatory and / or registering authority, body or entity ("**the Applicable Laws**").

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.

### 3. Definitions:

- a. "**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, and the term 'arm's length' shall be construed accordingly.
- b. "**Audit Committee**" or "**Committee**" means a committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act read with rules framed thereunder and Regulation 18 of the Listing Regulations.
- c. "**Board**" means Board of Directors of the Company.
- d. "**Key Managerial Personnel**" means key managerial personnel as defined in sub-section (51) of section 2 of the Act or as may be specified under the Listing Regulations.
- e. "**Material Related Party Transaction**" or "**Material RPT**" means:

- (i) transaction(s) with any related party which individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower;

Notwithstanding anything mentioned at point (i) above, a transaction(s) involving payments made to a related party with respect to brand usage or royalty individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company; and

- (ii) transaction(s), as specified under section 188(1) of the Act, with any related party which are not on arm's length basis and / or are not in ordinary course of business and which exceed the limit(s) prescribed under the said section.

f. **“Material Modifications”** shall mean and include all changes to approved Related Party Transactions which have a cumulative effect of exceeding the total transaction value for each type of such related party transaction qua each related party by 20%.

g. **“Related Party Transaction”** or **“RPT”** shall mean:

A transaction involving a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries

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 transactions in a contract:

In addition to the above, any transaction(s), as specified under section 188(1) of the Act, with any related party, which are not on arm’s length basis and / or are not in ordinary course of business shall also be considered as RPT.

Provided that the following shall not be a RPT for the purpose of this Policy:

- (a) the issue of Specified Securities, including but not limited to Equity shares and convertible preference shares, on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- (c) availing loan and / or other products / services from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable / offered to all employees and directors;
- (d) transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- (e) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, the Act, the Listing Regulations and / or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

#### **4. Approval Mechanism:**

Any RPT should be in conformity with the Applicable Laws.

##### **I. Approval of Audit Committee:**

- a) Save as otherwise provided in clause (c) hereunder, all RPT, including any modification(s) thereto, shall be placed before the Audit Committee for their prior approval.

Provided that any transaction(s) with any wholly owned subsidiary of the Company and which are covered under section 188 of the Act shall require approval of the Audit Committee.

- b) The Audit Committee may grant omnibus approval for RPT proposed to be entered by the Company or its subsidiary which are repetitive in nature. Based on the requisite information, the omnibus approval may be granted for such amount, period etc., as the Audit Committee may deem fit, provided that such approval shall remain valid for a period not exceeding one year, during which period the commercial terms of approved RPT may change, provided that arm's length criterion shall be ensured at the time of each such change. Further, where the need for RPT cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions provided that the value of each such transaction shall not exceed Rs. 1 crore. The Audit Committee shall review, at least on a quarterly basis, the details of the RPTs entered into pursuant to such omnibus approval.
- c) The Audit Committee shall not grant omnibus approval for the following transactions:
- (i) Transactions in respect of selling or disposing of the undertaking of the Company.
  - (ii) Transactions which are not in the interest of the Company.
  - (iii) Such other transactions specified under the Applicable Laws from time to time.

##### **II. Approval of the Board of Directors:**

Any Related Party Transaction or any modification thereto which is not in the ordinary course of business of the Company or not at the arm's length shall be approved by the Board of Directors of the Company, on recommendation of the Audit Committee.

##### **III. Shareholders:**

All Material RPT and / or any Material Modification thereto shall be placed before the shareholders for its prior approval and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

## **5. Interpretation, Review & Amendment**

Any amendment to this Policy shall be done post obtaining approval from the Board of Directors.

It is hereby clarified that if and when any applicable laws concerning the subject matter of this Policy are promulgated, amended, enacted, re-enacted or modified, this Policy shall, unless otherwise prescribed, be deemed to be amended to take into account or to give effect to such promulgated, amended, enacted, re-enacted or modified applicable laws.

It is further clarified this Policy and any Related Party Transaction shall be subject to the Applicable Laws and in case any provision, process, term, mode, requirement, permission, exemption is not defined or provided under this Policy but is defined or provided under the Applicable Laws then such provision, process, term, mode, requirement, permission, exemption shall be deemed to have been incorporated under this Policy.