



**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

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

**“If at any point a conflict of interpretation/information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by RBI arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by RBI shall prevail.**

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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, provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and applicable provisions of Reserve Bank of India Directions (collectively referred to as 'Applicable Regulatory Provisions').

In order to prevent abuse in Related Party Transactions (RPT), 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 Companies Act, 2013 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 -
  - (a) the chief executive officer or the managing director or the manager of the Company;
  - (b) the company secretary of the Company;
  - (c) the whole - time director(s) of the Company;
  - (d) the chief financial officer of the Company;
  - (e) such other officer as may be prescribed under Section 2(51) of the Companies Act, 2013.
- e. **"Material Related Party Transaction"** means
  - (i) a transaction(s) with a 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;
  - (ii) 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.
- 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%.

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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. Approvals:**

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking approvals from the following:

##### **I. Audit Committee:**

- a) The RPT should be in conformity with the applicable laws, rules and regulations.
- b) All RPT and Material Modifications thereto shall be placed before the Audit Committee for their prior approval and also before the Board of Directors and Shareholders of the Company, as required under the provisions of the applicable laws.
- c) The Audit Committee may grant omnibus approval for RPT 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 ₹1 crore. The Audit Committee shall review, at least on a quarterly basis, the details of the related party transactions entered into pursuant to such omnibus approval.
- d) 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. Board of Directors:**

Any RPT which is not in the Ordinary Course of Business of the Company or not at Arm's Length Basis shall be affected only with the prior approval of the Board of Directors of the Company, on recommendation of the Audit Committee.

##### **III. Shareholders' approval**

- a) All RPT specified in the Act and Listing Regulations which are not in Ordinary Course of Business of the Company or not at Arm's Length Basis and exceed the thresholds laid down in the Act and Listing Regulations, shall be placed before the shareholders for its approval. Notwithstanding, the RPTs which cross the thresholds as defined herein shall be entered by the Company only with the prior approval of shareholders of the Company, as per applicable provisions of the Act.
- b) Notwithstanding the above, all Material Related Party Transactions and any subsequent Material Modifications thereto shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.
- c) Subject to the provisions of the applicable laws, the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, shall have the power to ratify, revise or terminate the RPT, which are not in accordance with this Policy or as per the provisions of the applicable laws.

## **5. Amendments**

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

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.

## **6. Review**

The Audit Committee or the Board of Directors of the Company shall have the power to review, amend / alter the policy as and when necessary.