

AVENDUS FINANCE PRIVATE LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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Reviewed by	Audit Committee
Approved by	Board of Directors
Approval Date	February 13, 2023
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Change History				
Version	Effective Date	Created by	Approved by	Description of change
1.1	June 27, 2020	Secretarial Team	Board of Directors	Operational Changes
1.2	February 11, 2022	Secretarial Team	Board of Directors	Changes as required under SEBI Listing Regulations
1.3	February 13, 2023	Secretarial Team	Board of Directors	Changes as required under SEBI Listing Regulations

A. Introduction:

The Board of Directors ("the Board") of Avendus Finance Private Limited ("the Company" or "AFPL"), has adopted the following Policy on Related Party Transaction ("Policy") and procedures with regards to any contract or arrangement with a Related Party, upon recommendation of the Audit Committee under the applicable provisions of the Companies Act, 2013 read with rules framed thereunder (the "Act") and in line with the requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and subsequent amendments thereto.

The Reserve Bank of India (RBI), as part of their Master Directions – Non-Banking Financial Company Systematically Important Non-Deposit taking Company & Deposit taking Company (Reserve Bank) Directions 2016 ("RBI Guidelines") require the NBFCs to disclose the:

- a) details of all material transactions with related parties in the annual report
- b) policy on dealing with Related Party Transactions (RPT) on its website and also in the Annual Report

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, SEBI Listing Regulations and RBI Guidelines, in relation to Governance around Related Party Transactions.

The Board of the Company, on recommendation of the Audit Committee, has adopted this policy to-

- a. regulate transactions of the Company with its related parties (*as defined and identified under the Companies Act, 2013 (the "Act")*) and SEBI Listing Regulations;
- b. ensure high standards of Corporate Governance while dealing with related parties;
and
- c. ensure optimum compliance with various applicable laws prescribed for related party transactions ("RPT").

B. Intent and Objective of the Policy:

Regulation 23 of the SEBI Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with Related Party Transactions including clear threshold limits duly approved by Board of Directors, and such policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report.

The Objective of this policy is to set out:

- a) the materiality thresholds for related party transactions
- b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company; and

- c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

C. Definitions:

- a. Arm's Length Basis: Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed or this purpose under any law can also be considered for establishing this principle.
- b. Materiality: Any contract / arrangement with a related party as defined under Section 188(1) of the Act, which is equal to or exceeds the limits mentioned under Rule 15(3) of the Companies (Meetings of the Board and its powers) Rules, 2014.
- c. "Material Related Party Transaction" means a transaction to be entered into with Related Party, individually or taken together with previous transactions during a financial year, exceeding the following threshold:
 - 1) In case of transaction(s) involving payments made to a Related Party with respect to brand usage or royalty, if the amount exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
 - 2) In case any other transaction(s), if the amount exceeds Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- d. "Material Modifications to a related party transaction" shall mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as approved by the Audit Committee / Board / Shareholders, as the case may be.
- e. Ordinary Course of Business: Transactions will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities and all such activities which the Company can undertake as per the Memorandum & Articles of Association.
- f. Related Party Transaction (RPT) means:

1. for the purpose of the Act, specified transactions of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188 and clause (iv) of sub-section 4 of Section 177 of the Act;
2. for the purpose of Regulation 2(1)(zc) of the SEBI Listing Regulations, a transfer of resources, services, or obligations between:
 - i. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
 - ii. a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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

Following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. the following corporate actions by the listed entity 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. acceptance of fixed deposits by banks/Non-Banking Finance Companies, in accordance with the applicable guidelines, at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

This definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

- g. Related Party means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards-

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

D. Policy on Related Party Transactions

All Related Party Transactions before being entered into *and* subsequent material modifications must be reported to the Audit Committee of the Company for its prior approval in accordance with this Policy. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. This Policy shall be reviewed by the Board of Directors at least once in a year and updated accordingly based on the recommendations of the Audit Committee.

E. Review and Approval of Related Party Transactions

a. Prior approval of Audit Committee is required for:

1. All the transactions which are identified as Related Party Transactions and subsequent material modifications shall be subject to prior approval of the Audit Committee of the Company whether at a meeting or by resolution by way of circulation. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval;
2. Any Related Party Transaction, as covered under SEBI Listing Regulations which is not applicable to the Company but may become applicable on a later date;
3. With effect from April 1, 2023, the Company 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;
4. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions;
5. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently;
6. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria /conditions as mentioned under Regulation 23(3) of the SEBI Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year;
7. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review

- of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy;
8. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification;
 9. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee shall review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - a. Type, nature, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f. the transaction relates to any loans, inter-corporate deposits, advances or If investments made or given by the Company or its subsidiary:
 - 1) details of the source of funds in connection with the proposed transaction
 - 2) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - 3) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - 4) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - g. Justification as to why the RPT is in the interest of the Company;
 - h. A copy of the valuation or other external party report, if any such report has been relied upon;
 - i. Any other relevant information or such information as may be prescribed under SEBI Listing Regulations.

10. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

b. Approval of Board of Directors under the Act

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

c. Shareholders' approval requirements

i) All material related party transactions and subsequent material modifications as defined in this policy or ii) Related Party Transactions not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, shall require *prior* approval of the shareholders through special resolution.

In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

The provisions of regulation 23(2), (3) and (4) shall not be applicable in case of transactions entered into between:

- a) a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- b) two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

F. Disclosures

- a) The Company will disclose to the Stock Exchange on a half yearly basis detail of all transactions with related parties in the format specified by the Securities and Exchange Board of India, and the same shall be published on the Company's website;
- b) Additionally, the Company shall disclose to the Stock Exchanges along with the compliance report on corporate governance on a quarterly basis, details of all material RPTs with related parties, if any;
- c) The Annual Audited Financial Statements and Board's Report shall contain details of RPTs as required under applicable law and as may be guided by the regulatory authorities.

Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

G. Administrative Measures

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy.
