

AVENDUS FINANCE PRIVATE LIMITED

Policy on Related Party Transaction

Related Party Transaction Policy

The Board of Directors (“the Board”) of Avendus Finance Private Limited (“the Company” or “AFPL”), has adopted the following Related Party Transaction Policy (“Policy”) with regards to any contract or arrangement with a Related Party under the applicable provisions of the Companies Act, 2013 read with rules framed thereunder (the “Act”).

This policy has been framed in order to comply with the requirements of Reserve Bank of India (RBI) Master Circular no. DNBR. PD. 008/03.10.119/2016-17 dated Sept 01, 2016 latest updated as on May 31, 2018 on “Non-Banking Financial Companies”. This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013 in relation to Corporate Governance and 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")*);

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").

a. **Related Party Transaction (RPT):** A Related Party Transaction means any contract or arrangement entered into by the Company with any of its Related Party.

b. **Related Party** means –

(a) a director or his Relative;

(b) a Key Managerial Personnel or his Relative;

(c) a firm, in which a Director, Manager or his Relative is a partner;

(d) a private company in which a Director or Manager or his relatives is a member or director;

(e) a public company in which a Director or Manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

(f) any body corporate whose Board of Directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager unless the advice, directions or instructions are given in a professional capacity;

(g) any person under whose advice, directions or instructions a Director or Manager is accustomed to act unless the advice, directions or instructions are given in a professional capacity;

(h) Director or Key Managerial Personnel of the holding company or his relative;

- (i) a Holding Company;
 - (j) a Subsidiary Company;
 - (k) an Associate Company;
 - (l) a Fellow Subsidiary Company;
 - (m) any other person that may be prescribed under Section 2(76) of the Companies Act, 2013;
- c. **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.
- d. **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 for this purpose under any law can also be considered for establishing this principle.
- 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

Policy

- a. The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.
- b. All RPTs shall be placed before Audit Committee for approval of the Audit Committee, as required under the provisions of the Act.
- c. The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year, during which period the commercial terms of approved RPTs may change, provided that arm's length criterion shall be ensured at the time of each such change.

- d. The RPTs should be in the interests of the Company and its terms should be based on commercial prudence/generally accepted commercial practices.
- e. Any RPT which is not in the ordinary course of business of the Company or not at arm's length shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee. In such cases approval of Shareholders of the Company may be taken in case the same is required as per applicable provisions of the Act, as may be amended from time to time.
- f. Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

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.