

# RELATED PARTY TRANSACTION POLICY

Version 3.0

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## I. BACKGROUND

The Companies Act, 2013 ('Companies Act' or 'the Act') has introduced sections 177 and 188, which contain provisions regarding related party transactions. These sections, along with the relevant Rules framed under the Companies Act, have introduced certain compliance and approval requirements regarding the related party transactions. Further, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016(" Directions") provides for formulation of a policy on materiality of related party transactions and dealing with RPTs.

Accordingly, Aye Finance Pvt. Ltd. (Aye) has adopted the following policy with regard to related party transactions. The Policy will be reviewed at least once a year.

## II. OBJECTIVE

The Board of Directors of the Company ("the Board"), on the recommendation of the Audit Committee, has adopted this Policy and associated procedures for regulating related party transactions, in line with the requirements of the Act and the Directions. This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all the transactions between the Company and its related parties. This policy specifically deals with the review and approval mechanism of material Related Party Transactions.

## III. DEFINITIONS

**Audit Committee or Committee**" means a Committee of the Board of Directors of the Company constituted in terms of the Listing Regulations and the Act;

**"Board"** means the Board of Directors of the Company;

**"Arm's length basis"**: In terms of the Companies Act, 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.

A transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

**"Manager"**: means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not

**“Material Related Party Transaction”**: Except with the prior approval of the Shareholders, a company shall not enter into a transaction or transactions:

(a) as contracts or arrangements as mentioned below-

(i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees one hundred crore, whichever is lower;

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company or rupees one hundred crore, whichever is lower;

(iii) leasing of property any kind amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the company or rupees one hundred crore, whichever is lower;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower;

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees;

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth;

**“Ordinary course of business”**: includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular
- iii. The transaction is a source of income for the business
- iv. Transactions that are part of the standard industry practice even though Aye may not have done it in the past.

These are not exhaustive criteria and Aye will have to assess each transaction considering its specific nature and circumstances.

**“Related party”**: with reference to Aye means:

- i. a director or his relative;
- ii. a key Managerial personnel (KMP) or his relative;
- iii. a firm, in which a director, Manager or his relative is a partner;

- iv. a private company in which a director or Manager or his relative is a member or director;
- v. a public company in which a director and Manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. anybody 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;
- vii. any person on whose advice, directions or instructions a director or Manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

viii. any body corporate which is—

(A) a holding, subsidiary or an associate company of such company;

(B) a subsidiary of a holding company to which it is also a subsidiary; or

(C) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix. a director (other than an independent director) or key Managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

**“Related party transaction”:** A related party transaction is a transfer of resources, services or obligations between a Company and are related party, regardless of whether a price is charged.

**“Relative”:** with reference to any person, means anyone who is related to another, if—

- a) they are members of a Hindu Undivided Family;
- b) they are husband and wife;
- c) Father including step-father:
- d) Mother including step-mother:
- e) Son including step-son:
- f) Son’s wife.
- g) Daughter.
- h) Daughter’s husband.
- i) Brother including step-brother:

j) Sister including step-sister:

**“Subsidiary Company” or “subsidiary”:** in relation to any other company (that is to say the holding company), means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

Explanation - For the purposes of this clause:

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes any body corporate;

**“Significant influence”:** means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

**“Turnover”:** has been defined as the aggregate value of the realization of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for Aye, the ‘turnover’ is considered as the ‘Total Income’, i.e., total of interest income and other income.

#### IV. APPROVAL OF RELATED PARTY TRANSACTIONS

##### A. Audit Committee

All the transactions which are identified as related party transactions should be pre- approved by the Audit Committee and recommended to the Board for the final approval before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

Any member of the Committee who has any interest in any related party transaction shall not vote to approve 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 of Directors or of shareholders as discussed herein below.

Approval of the Audit Committee is not required for a transaction, other than a transaction as given below, between Aye and its wholly-owned subsidiary company-

- a. Which is not at an Arm’s length basis;
- b. Which is not in ordinary course of business

**B. Board**

In case any related party transactions are referred by Audit Committee to the Board for its approval,, 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 shall not vote to approve the related party transaction.

**C. Shareholders**

Every Material Related Party Transaction shall require shareholders’ approval by a resolution based on the recommendation of the Audit Committee and the Board. In such a case, any member who is a related party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving related party transaction.

**V. OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS ON ANNUAL BASIS**

Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company and that are recurring in nature subject to the following conditions:

- A.** The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following:-
  - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - (b) the maximum value per transaction which can be allowed;
  - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- B.** The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - (a) repetitiveness of the transactions (in past or in future);
  - (b) justification for the need of omnibus approval.
- C.** The omnibus approval shall contain or indicate the following: -
  - (a) name of the related parties;
  - (b) nature and duration of the transaction;
  - (c) maximum amount of transaction that can be entered into;
  - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and

(e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

- D.** Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- E.** Omnibus approval shall not be obtained by resolution passed through circulation.

## **VI. REVIEW OF RELATED PARTY TRANSACTIONS**

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by Aye 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.

## **VII. RATIFICATION**

A related party transaction entered into by Aye, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification within three months from the date of the transaction or next Audit Committee meeting whichever is earlier.

Any transaction entered into by the Company with any Related Party, without obtaining approval of the Audit Committee/Board/Shareholders as the case may be would be voidable at the option of the Audit Committee/Board/Shareholders, unless it has been ratified by the Audit Committee//Board/Shareholders within three months from the date of the transaction.

## **VIII. DISCLOSURE**

The Company shall disclose this Policy on its website and provide the weblink in the Annual Report. In addition to the disclosures required under the Accounting Standards, Related Party Transactions including Material Related Party Transactions, or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.

## **IX. AMENDMENT**

This policy may be amended or modified in whole or in part, at any time without assigning any reason, whatsoever with the approval of the Board.

## **X. POLICY REVIEW FREQUENCY**

This policy shall be reviewed as an when required or at least once annually for incorporating regulatory updates and changes, if any.