

AAVAS FINANCIERS LIMITED
(Formerly “Au Housing Finance Limited”)



Policy for determining Material Subsidiaries

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I. INTRODUCTION

Regulation 16 and Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 extends certain principle of corporate governance for determining and governing to material subsidiaries of listed companies.

The Board of Directors (the "Board") of Aavas Financiers Limited (the "Company") has adopted the policy and procedures with regard to determination of Material Subsidiaries as defined below.

II. OBJECTIVE

This Policy is framed in accordance with the requirement of Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is intended to determine the Material Subsidiary and/or Unlisted Subsidiary of the Company and to provide governance framework for such subsidiary companies.

III. DEFINITION

1. **"Act"** means Companies Act, 2013 & rules made thereunder.
2. **"Audit Committee or Committee"** means "Audit Committee" constituted by the Board of Directors of the Company, from time to time.
3. **"Board of Director" or "Board"** means the Board of Directors of Aavas Financiers Limited, as constituted from time to time.
4. **"Company"** means a company incorporated under the Companies Act, 2013 or under any previous company law.
5. **"Holding Company"** means a holding company as defined in sub-section (46) of section 2 of the Companies Act, 2013;
6. **"Independent Director"** means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group of the Company and who satisfies other criteria for independence under the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
7. **"Material Unlisted subsidiary"** means an unlisted subsidiary, incorporated in India, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.
8. **"Material Subsidiary/Unlisted Subsidiary"** means a subsidiary, whose income or net worth exceeds 10% of the consolidated income or net worth respectively,

of the listed entity and its subsidiaries in the immediately preceding accounting year. [w.e.f. 1.4.2019.]

9. **"Policy"** means Policy for determining Material Subsidiaries.
10. **"Subsidiary Company" or "Subsidiary"** means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013.
11. **"Significant transaction or arrangement"** shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary for the immediately preceding accounting year.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Companies Act, 2013 ("Act") and the Rules , Notifications and Circulars made/issued thereunder, as amended, from time to time.

IV. POLICY

i. At least one Independent Director of the Company shall be a director on the Board of the material unlisted subsidiary Company, whether incorporated in India or not. .

Explanation - For the purposes of this provision, notwithstanding anything to the contrary contained in policy, the term "material unlisted subsidiary" shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. [w.e.f. 1.4.2019.]

ii. The Audit Committee of the Board of the Company shall review the financial statements, in particular, the investments made by the unlisted Subsidiary on an annual basis.

iii. The Minutes of the meetings of the Board of Directors of the unlisted Subsidiary shall be placed before the Board of the Company on regular interval.

iv. The management should periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted Subsidiary.

v. The Company, without the prior approval of the members by special resolution as prescribed under Regulation 24 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, shall not:

- a) Dispose shares in the Material Subsidiary that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or

b) Cease the exercise of control over the Material Subsidiary; or

c) Sell, dispose of or lease the assets amounting to more than 20% of the assets of the Material Subsidiary on an aggregate basis during an accounting year; Except in cases where such divestment, sale, disposal, lease as the case may be is made under a scheme of arrangement duly approved by the Court /Tribunal.

vi. Where a listed entity has a listed subsidiary, which is itself a holding company, the above provisions shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

V.DISCLOSURE

This Policy on determining Material Subsidiary shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

VI.MISCELLANEOUS

The Board of Directors of the Company may, subject to applicable laws, is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy.

The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement or any other relevant legislation / law applicable to the Company.