

## **AAVAS FINANCIERS LIMITED**



### **Policy on Materiality of related party transactions and on dealing with related party transactions**

## **Table of Contents**

1.	Objective of Policy.....	3
2.	Definitions .....	3
3.	Procedures .....	8
4.	Approval of Shareholders.....	10
5.	Disclosure .....	11
6.	Reporting .....	11
7.	Review of Policy .....	12
8.	Administrative Measures .....	12
9.	Interpretation.....	12
10.	Dissemination of Information .....	12
11.	Implementation.....	12
12.	Exclusion of Policy.....	12

## 1. Objective of Policy

The Board of Directors ('the Board') of Aavas Financiers Limited (hereinafter referred to 'the Company' or 'AFL'), in pursuance of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations) and other applicable provisions, as amended from time to time, has adopted Related Party Transaction Policy ('this policy') to regulate the transactions between the Company and its Related Parties. The Board of Directors (the "Board") further recognizes that transaction with related party(s) could raise conflicts of interest and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. All Transactions with Related Party shall be subject to review and approval in accordance with the procedures set forth below, inter-alia, the provisions of applicable laws.

## 2. Definitions

Unless the term(s) otherwise defined, the following terms shall have the following meaning assigned to them wherever appearing in the policy:

- i) **"Applicable Laws"** includes (a) the Companies Act, 2013 ('the Act') and rules made thereunder; (b) the SEBI LODR Regulations (c) Accounting Standards (d) National Housing Bank (NHB) Act, 1987, Reserve Bank of India (Housing Finance Companies) Directions, 2025 issued by Reserve Bank of India (RBI) and Notifications issued by RBI/NHB from time to time, as amended from time to time and (e) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- ii) **"Arm's length transaction"** shall mean transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. (Explanation to Section 188(1) of Act)
- iii) **"Audit Committee"** means the committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder and SEBI LODR.
- iv) **"Company" or Listed Entity" or "AFL"** means Aavas Financiers Limited.
- v) **"Control"**
  - a) ownership, directly or indirectly, of more than one half of voting power of an enterprise, or
  - b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
  - c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.
- vi) **"Key Managerial Personnel" or ("KMP")** shall have the meaning as defined in the Act.
- vii) **"Material Modification"** shall mean a 10% or more increase/Decrease in the original value/ consideration of any Related Party Transaction which was approved by the Audit Committee/Shareholders of the Company, as the case may be.

- viii) Material Related Party Transaction** A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds the following:

<b>Consolidated Turnover of Listed Entity</b>	<b>Threshold</b>
Up to Rs. 20,000 Crore	10% of the annual consolidated turnover of the listed entity
More than Rs.20,000 Crore to upto Rs. 40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
More than Rs. 40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

The annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

Notwithstanding anything contained above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed Five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company."

Further, A transaction with related party, if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year which is not in ordinary course of business and/or not on arm's length basis, exceeds the limit prescribed under the Companies Act, 2013 and rules made thereunder shall also be considered as Material Related Party Transaction.

- ix) "Material Modifications" means any modification resulting in an overall change in transaction/ agreement value beyond \_\_% of a previously approved RPT.**

- x) Omnibus approval**

In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company and on Arm's length basis, the Independent Directors of the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by Company or its subsidiary, subject to the following conditions, namely-

- (a) the audit committee shall, after obtaining approval of Board, lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

- (b) the audit committee shall satisfy itself regarding the need and justification for such omnibus approval and that such approval is in the interest of the entity;
- (c) the omnibus approval shall specify, inter-alia:
  - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
  - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
  - (iii) such other conditions as the audit committee may deem fit: Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
  - (iv) such other conditions as may be specified by the law from time to time.
- (d) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.
- (f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

However, Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of regulation 23 (1) of SEBI (LODR), Regulations, 2015.

Where the need for proposed Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;

In case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board;

In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

- (g) In case of omnibus approval, granted by shareholders in general meetings other than AGM, the validity of such omnibus approvals shall not exceed one year from the date of such approval.
- (h) The Audit Committee shall also consider the details as required by Industry Standards notified by SEBI and such other disclosure as may be required to be placed before the committee for the omnibus approval of Related Party Transactions.

**xi) Ratification of transactions by Audit Committee:**

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

**xii) "Related Party"**

In relation to the Company, 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 promoter or promoter group of the Company or
- b) Any person or any entity holding equity shares of
  - (i) 20% or more or
  - (ii) 10% or more (with effect from April 01, 2023)

in the Company 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."

**xiii) "Related Party Transaction" (hereinafter referred as "RPTs")**

As per SEBI (LODR) Regulation, "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- (i) Company or any of its subsidiaries on one hand and a related party of the company or any of its subsidiaries on the other hand; or
- (ii) Company 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 company 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:

**Exemptions: ("Transactions not to be considered as Related Party Transactions"):**

Provided that the 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 company 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 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.
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:  
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.
- (e) retail purchases from the Company or its subsidiary by [the directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel], without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

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

As per the Act, related party transaction will include following specific transactions:

- i) sale, purchase or supply of any goods or materials;
- ii) selling or otherwise disposing of, or buying, property of any kind;
- iii) leasing of property of any kind;
- iv) availing or rendering of any services;
- v) appointment of any agent for purchase or sale of goods, materials, services or property;
- vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii) Underwriting the subscription of any securities or derivatives thereof, of the company.

**xiv) Relative**

In terms of Section 2(77) of the Act read with the rules prescribed therein.

**xv) "Transaction"** with a related party shall be construed to include single transaction or a group of transactions in a contract.

**xvi) "Undertaking"** shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent. of the total income of the company during the previous financial year

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI Regulations or any other applicable law, guidelines or regulation, as amended from time to time.

### **3. Procedures**

#### **3.1 Audit Committee**

- 3.1.1 Each of AFL directors and KMPs are instructed to inform the Company Secretary or Management of the Company of any potential Related Party transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- 3.1.2 All related party transactions and subsequent material modifications shall require approval of those members of the Audit Committee who are Independent Directors irrespective of the RPT being in ordinary course of business or arm length basis.
- 3.1.3 Prior approval of the Audit Committee shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of the SEBI LODR, 2015 are applicable to such listed subsidiary. For such Related Party Transactions, the prior approval of the audit committee of the listed subsidiary shall suffice.
- 3.1.4 The Audit Committee shall review the status of long term (more than one year) or recurring Related Party Transactions on an annual basis.
- 3.1.5 To review a Related Party Transaction, the Audit Committee shall be provided with such information as prescribed by SEBI through Industry Standards note and circulars including amendment thereof from time to time.
- 3.1.6 The Related Party Transactions which are not in the ordinary course of business and/or not at arm's length will be reviewed by the Audit Committee and then recommended to the Board of Directors for its approval or recommending to the shareholders' of company for their approval.



- 3.1.7 If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.
- 3.1.8 The Committee may also disapprove of a previously entered Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.
- 3.1.9 A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical and not later than three months after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- 3.1.10 The Committee may decide to get advice, certification, study report, transfer pricing report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors) or technical person including price discovery process, to review transactions with Related Party.
- 3.1.11 Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.
- 3.1.12 The Audit Committee may review any previously approved or ratified Related Party Transaction that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.
- 3.1.13 A related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of audit committee if the aggregate value of such transaction in FY, exceeds the lower of the following:
- (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
  - (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of SEBI LODR Regulations.
- 3.1.14 A related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a listed entity is a party but the listed entity is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval shall be obtained if the value of such transaction, exceeds the lower of the following:

(i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary (not older than three months); or

(ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations:

Provided that the aforesaid approval shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if Regulation 23 and Regulation 15(2) of SEBI LODR are applicable on the subsidiary of the Company.

### **3.2 Board of Directors**

3.2.1 Approval of the Board shall not be required for the RPTs to be entered into in ordinary course of business and at arm's length basis, unless recommended by the board.

3.2.2 All related parties with whom the company intends to enter into transaction as recommended by Audit Committee and which are other than in ordinary course of business or arm length basis, will require prior approval of the Board of Directors.

3.2.3 The Board of Directors shall review and recommend all transactions in terms of section 188(1) requiring shareholders' prior approval.

3.2.4 Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

3.2.5 The information as required by the Companies Act, SEBI Regulations, inter-alia, would be placed before the Board for enabling the Board to consider and approve the Related Party Transaction.

## **4. Approval of Shareholders**

4.1 The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in section 188(1) of the Companies Act, 2013 and breaching the prescribed thresholds under the Companies Act, 2013, will require prior approval of the shareholders by a resolution.

4.2 For the purposes of first proviso to sub-section (1) of Section 188 of Act, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

4.2.1 as contracts or arrangements with respect to clauses (a) to (e) of sub-Section (1) of section 188 of Act, with criteria as mention 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, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Act.

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, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Act.

- iii) leasing of property any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188 of Act;
  - 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 as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Act.
- 4.2.2 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 as mentioned in clause (f) of sub-section (1) of Section 188 of Act.
- 4.2.3 is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Section 188 of Act.
- 4.3 All material related party transactions and subsequent material modifications shall require prior shareholders' approval and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.

Provided that the aforesaid prior approval of shareholders shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if the provisions of Regulation 23 and Regulation 15(2) of the SEBI LODR Regulations are applicable on the listed subsidiary.

The explanatory statement to be annexed to the notice of general meeting in this regard shall contain such details as required by the Companies Act, SEBI Regulations, Industry Standard note, inter-alia.

In such a case as mentioned above, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction whether such entity is a Related Party to the particular transaction or not.

This requirement for shareholders' approval shall not apply in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

## **5. Disclosure**

Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors except remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure if same is not material transaction.

## **6. Reporting**

Particulars of RPTs shall be disclosed in such manner as may be prescribed under the applicable laws and/or the Act (including rules made thereunder), from time to time. Except, the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except

who is part of promoter or promoter group, shall not require disclosure under regulation 23(9) provided that the same is not material in terms of regulation 23(1).

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

## **7. Review of Policy**

The Board shall review the policy at least once in three years" and at such interval as may be approved by the Board in line with the applicable law.

## **8. Administrative Measures**

Audit Committee / Board shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

The Audit Committee / Board as applicable, shall evaluate such transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with such evaluation and review of the Related Party Transaction, the Audit Committee / Board as applicable, shall have the authority to modify or waive any procedural requirements of this Policy.

## **9. Interpretation**

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

## **10. Dissemination of Information**

AFL shall upload this Policy on its website i.e [www.aavas.in](http://www.aavas.in) AFL shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder.

## **11. Implementation**

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.

## **12. Exclusion of Policy**

This policy shall not be applicable to following related party transactions:

- a. Transactions entered into between the company and Wholly Owned Subsidiary Company whose accounts are consolidated with such the company and placed before the shareholders at the general meeting for approval.

However, the approval of audit committee would be obtained for the RPT entered into between the Company and wholly owned subsidiary if such transaction is listed u/s 188 of the Companies Act, 2013.

- b. transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated with such company and placed before the shareholders at the general meeting for approval.
- c. 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
- d. The following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - a. payment of dividend;
  - b. subdivision or consolidation of securities;
  - c. issuance of securities by way of a rights issue or a bonus issue; and
  - d. buy-back of securities.
- e. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- f. transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

### **13. Amendment**

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

### **14. Interpretation**

In the event of any conflict between the provisions of this Policy and the Act or SEBI Regulations 2015 or any other statutory enactments/ rules, the provisions of such Act or SEBI Regulations or statutory enactments shall prevail over this Policy.

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**Date of approval by the Board:** July 27, 2017

**Date of last review by the Board:** February 05, 2026

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