

POLICY ON RELATED PARTY TRANSACTIONS

VERSION CONTROL:

Version	Date of Adoption	Change Reference	Owner	Custodian	Approving Authority
1.0	18-Sep-2015	Adoption of Policy on Related Party Transaction	Compliance Team	Compliance Team	Board of Directors
1.1	05-Nov-2020	Updated as per the recent provisions of the Companies Act, 2013 and applicable rules thereon	Compliance Team	Compliance Team	Board of Directors
1.2	29-May-2023	Definition of related party aligned as per Companies Act and insertion of review period of the policy	Compliance Team	Compliance Team	Board of Directors

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1. Preamble:

The Board of Directors (the “Board”) of Ashv Finance Limited (the “Company” or “Ashv Finance”) adopted this Policy upon the recommendation of the Audit Committee of the Board and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (“Act”) and rules made thereunder and any subsequent amendments thereto. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. Objective:

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the company and its shareholders and to comply with the statutory provisions in this regard.

3. Definitions:

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest i.e. Arm’s Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods / services, risk assumed, assets / resources employed, key terms / covenants.

In the absence of any guidelines on Arm’s Length Pricing in the Act, the Company shall adopt reasonable approach / methodology to demonstrate Arm’s Length Pricing for the specified Related Party Transactions identified, which shall, inter alia, include, the nature of the transaction, description of functions to be performed, risks to be assumed and assets to be employed, key terms / special terms in the arrangement forming part of a composite transaction; The Company shall adopt an appropriate framework to assess whether transactions with related parties are done at an Arm’s Length and Company adopts generally accepted practices and principles in determining whether the transaction is at “Arm’s Length”.

“Associate” means a Company as defined under section 2(6) of the Companies Act, 2013 and as defined by Indian Accounting Standard (AS) 28, “Investments in Associates and Joint Ventures” and by Indian Accounting Standard (Ind AS) 24, “Related party disclosures”.

“Audit Committee or Committee” means the Audit and Compliance Committee of the Board constituted by the Company under the provisions of section 177 of the Act.

“Board” means Board of Directors of the Company as defined under the Act.

“Control” means control as defined in Section 2(27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Act.

“Policy” means Related Party Transaction Policy.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transaction during the financial year equal to or exceeds the limits as prescribed in Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014 read with Section 188 of the Act.

“Related Party” means related party as defined under Section 2(76) of the Act (and as amended from time to time) and as defined as per Indian Accounting Standard (Ind AS) 24, ‘Related Party Disclosures’. Section 2(76) of the Act, as referred above, defines Related Party as —

- (i) A Director or his relative;
- (ii) A Key Managerial Personnel 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 or manager is a director and holds along with his relatives, more than 2% (two per cent) of its paid-up share capital;
- (vi) 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;
- (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 company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary or an investing company or the venturer of the Company;
- (ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

“Relative” means a relative as defined under Section 2(77) of the Act and as amended from and includes anyone who is related in any of the following manner:

- (i) Members of a Hindu undivided family;
- (ii) Husband or wife;
- (iii) Father (including step-father);
- (iv) Mother (including step-mother);
- (v) Son (including step-son);
- (vi) Son’s wife;
- (vii) Daughter;

- (viii) Daughter's husband;
- (ix) Brother (including step-brother); or
- (x) Sister (including step-sister).

“Related Party Transactions” means any transaction between the company and any related party directly or indirectly for transfer of resources, services or obligations, regardless of whether a price is charged. It includes contracts or arrangements with related parties which falls under one or more of the following headings:-

- **As per Section 188 of the Act:**

- (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;
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the Company.

- **As per Accounting Standards (AS) 18:**

- (viii) Financing (including loans and equity contributions in cash or kind);
- (ix) Providing or obtaining guarantees and collaterals and
- (x) Management contracts including for deputation of employees

“Collectively the Related Party Transaction shall constitute the above.”

Transactions in “ordinary course of business” shall mean Transactions with related parties that are entered in the normal and usual course of business and are identical to the business of the company and carried on generally by the Non-Banking Financial Companies and shall include:

- (i) Transactions covered in the object clauses of the Memorandum of Association and Articles of Association of the Company;
- (ii) Transactions which has been done by the Company regularly in last three (3) years;
- (iii) Transactions which are usually carried on by any Non-Banking Financial Company;
- (iv) Transactions done with a related party on a similar basis as of a third party;
- (v) Transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company

Any other term not defined herein shall have the same meaning as defined in the Act or any other applicable law or regulation and as amended from time to time.

Key aspects to be considered in evaluating whether a transaction is not in the ordinary course of business:

- (i) Whether the transaction is covered in the main objects or object incidental to the main objects as envisaged in the Memorandum of Association;
- (ii) Whether a transaction is usual or unusual;
- (iii) Frequency of transaction;
- (iv) Whether transaction is done at arm's length;
- (v) Whether transaction is done on similar basis with other third parties;

- (vi) Business purpose of the transaction;
- (vii) Size and volume of transaction

4. Identification of Related Party:

Each director and Key Managerial Personnel (KMP) are responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage as defined under the Act. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and within a period of 30 days whenever there is any change in the disclosures already made.

5. Identification of Potential Related Party Transactions:

Each director and Key Managerial Personnel are responsible for providing notice to the Board or Audit Committee 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. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

6. Terms of the Policy:

- 6.1 All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.
- 6.2 All the Related Party Transactions proposed to be entered shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business. The Audit Committee shall accordingly recommend the Related Party Transaction for the approval of Board of Directors/ Shareholders as per the terms of this policy.
- 6.3 All the Related Party Transactions prescribed under Section 188 of the Act and within the threshold limits prescribed under rule 15 sub rule (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, shall alongwith the Audit Committee Approval shall also require approval of the Board of Directors.
- 6.4 All the Material Related Party Transactions and Related Party Transactions, exceeding the threshold limits prescribed under rule 15 sub rule (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall require prior approval of the Audit Committee, Board of Directors and Shareholders of the Company by way of Resolution.
- 6.5 However, Related Party Transactions which are either not at arm’s length or not undertaken in the ordinary course of business shall require the prior approval of the Audit Committee, Board of Directors and the Shareholders by way of resolution in order to allow the Company to enter into arrangements/transactions/contracts with related party of the Company as per the prescribed provisions of Act alongwith the rules made thereunder.

7. Review and Approval of Related Party Transactions:

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

Approval of Audit Committee:

- 7.1 All Related Party Transactions shall require prior approval of the Audit Committee either at a meeting or in any other manner as may be permissible by the Act. Any member of the committee who has potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- 7.2 Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.
- 7.3 The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
- (i) The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - (iii) Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price/current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
 - (iv) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
 - (v) The Audit committee shall review, at least on a quarterly basis, the details of Related party transactions entered into by the Company pursuant to each of the omnibus approval given;
 - (vi) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- 7.4 All material related party transactions will be placed for approval of the shareholders of the Company through Resolution and the related parties shall abstain from voting on such resolutions.
- 7.5 A related party transaction entered into by the Company, which is not under the omnibus approval nor otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

- 7.6 The Company shall provide all information as provided under Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 to the Audit Committee/ shareholders, when approval on a Related Party Transaction is sought.
- 7.7 The Audit Committee shall review the following while approving the Related Party Transactions as specified above:
- (i) Whether the transaction is in the ordinary course of business and on an arms' length basis?
 - (ii) The reasons for entering into the transaction and the consequences of entering into the said transaction, with an unrelated party.
 - (iii) Whether there is any conflict of interest for any director or Key Managerial Personnel?
 - (iv) Whether there any reputational risks are envisaged as a result of the said Related Party Transaction?

Approval of Board of Directors:

- 7.8 If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- 7.9 The following related party transactions shall be placed before the Board of Directors for approval after the approval of Audit Committee:
- (i) Related party transactions referred by the Audit Committee;
 - (ii) Related party transactions not on arm's length basis, and/or;
 - (iii) Related party transactions not in the ordinary course of business.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- (i) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
 - (ii) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
 - (iii) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
 - (iv) Transactions meeting the materiality thresholds laid down under Approval of Shareholders part of the Policy, which are intended to be placed before the shareholders for approval.
- 7.10 Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

Approval of Shareholders:

- 7.11 if a Related Party Transaction is (i) a material transaction as per Section 188, or (ii) not in the ordinary course of business, or (iii) not at arm's length price it shall require shareholders' approval by a 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.
- 7.12 All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolution.

The 'Related Party' referred here has to be construed with reference only to the contract or arrangement for which, the said resolution is being passed. Thus, the term 'Related Party' in the given context, refers to only such related party as may be a related party in the context of the contract or arrangement for which, the said resolution is being passed.

- 7.13 Transactions with a Related Party covered under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.
- 7.14 However, in case of wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

Transaction not requiring approval of Audit Committee, Board or Shareholders:

- 7.15 Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:
- Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
 - Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

Approval Matrix:

Audit Committee Approval	Board Approval	Shareholders' Approval
All related party transactions	Related Party Transactions referred by Audit Committee for approval of the Board.	Approval by shareholders' resolution for Related Party Transactions not in Ordinary Course of Business and/or not at Arm's length basis and/or crosses

	Related Party Transactions not in the ordinary course of business and not on arm's length relationship	prescribed threshold limit as per the Act
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8. Criteria for approval of a Related Party Transaction by the Board / Audit Committee:

- 8.1 To review a Related Party Transaction, the Board / Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:
- the name of the related party and nature of relationship;
 - the nature, duration of the contract and particulars of the contract or arrangement;
 - the material terms of the contract or arrangement including the value, if any;
 - any advance paid or received for the contract or arrangement, if any;
 - the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
 - the persons/authority approving the transaction; and
 - any other information relevant or important for the Committee to take a decision on the proposed transaction.
- 8.2 In determining whether to approve a Related Party Transaction, the Board/ Audit Committee shall consider the following factors, amongst others, to the extent relevant to the Related Party Transaction: -
- Whether the transaction is in the ordinary course of business of the company.
 - Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - Whether the Related Party Transaction would affect the independence of the directors/KMP;
 - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
 - Whether the Related Party transaction would present conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

9. Disclosures:

- 9.1 All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- 9.2 Each Director and KMP of the Company shall promptly notify the Company Secretary of the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- 9.3 The Company shall maintain Register pertaining to Related party transactions in the prescribed form.
- 9.4 The related party transaction entered into with the related party/ies shall be disclosed in the Board's Report / Annul Report as per the disclosure requirement of the Act.
- 9.5 The Company shall disclose the policy on dealing with Related Party Transactions on its website.

10. Ratification:

- 10.1 Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders(respective authority/ies) may be ratified, subject to the applicable provisions of the Act, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).
- 10.2 Where any contract or arrangement is entered into, without obtaining the consent of the Audit Committee, Board or approval by a Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.
- 10.3 If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.
- 10.4 However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Act, shall apply.

11. Amendments to the Policy:

- 11.1 The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. This policy will be reviewed on an annual basis by the Management. If there is any change to the policy, then the Management will seek Board approval.
- 11.2 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the company at www.ashvfinance.com.
