

**RELATED PARTY TRANSACTION POLICY AND POLICY ON DETERMINING
MATERIALITY OF TRANSACTIONS**

Version 6.0

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Board on May 24, 2024

Version Control

Version	Board Approval Date	Change Detail
1.0	September 25, 20219	Original Draft
2.0	June 7, 2021	Periodic Review conducted- No changes made
3.0	August 12, 2022	Periodic Review conducted- No changes made
4.0	September 25,2023	Periodic Review conducted- Reference of Immediate Family employment policy of HR is inserted
5.0	January 5, 2024	Inclusion of Materiality of related party transactions.
6.0	May 24, 2024	Regulatory Amendments

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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 – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“**Directions**”) mandates disclosure of all material transactions with related party in the annual report and policy on dealing with related party transactions and dealing on website and also in Annual Report.

In terms of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (“**Listing Regulations**”) specifies the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions.

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, Directions and Listing Regulations. This Policy is intended to ensure that proper identification, approval, reporting 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 determining the related party and materiality of Related Party Transactions and material modification(s).

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**”: 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 question of 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.

“**Immediate Family employment policy**”: shall mean policy adopted by the HR department of the Company.

“**Listing Regulations**” means ‘the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“**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.

“Material Related Party Transaction”: means a transaction with a related party if the transaction/ transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds one thousand crore or ten percent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower.

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover as per the last audited financial statements of the Company.

“Material Modifications” mean any modification of the existing related party transactions which amounts to;

- a) either change/modification in the aggregate value of transaction for an amount exceeding 25% of the aggregate value; or
- b) any change in any terms and condition of the transactions resulting the change in its price or consideration of the individual transaction for an amount exceeding 25% of the aggregate value, where the said terms and conditions were disclosed at the time of taking approval; or/ and
- c) Extension in duration of Related Party Transaction contract beyond a period of 12 months.
- d) Such other criteria as the Audit committee may determine from time to time

“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. such entity is a related party under Section 2(76) of the Act;
- ii. such entity is a related party under the applicable Accounting Standards i.e, Accounting Standard – 24 (which is the relevant accounting standard in this regard).
- iii. any Person forming a part of the promoter or promoter group of the listed entity or
- iv. any Person, holding equity shares of 10% (ten per cent) or more, directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediately preceding financial year.

“Related Party Transaction”: Related party transaction shall include a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a Related Party of the listed entity or any of its subsidiaries on the other hand; and
- (ii) a listed entity 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 listed entity or any of its subsidiaries;

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.

Provided that the following shall not be a Related Party Transaction:

1. The issue of specified securities on a preferential basis, subject to compliance with the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, if any;
2. The following corporate actions by the listed entity 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.
3. 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.

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

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and 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;
- x. 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.

In the event of any inconsistency or conflict between a term as defined in this Policy and as prescribed under LODR Regulations, the Act or AS-24 (as applicable), the definition under such relevant regulatory framework would prevail.

IV. RELATED PARTIES

The Related Parties of the Company would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director, manager and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The list shall be submitted to the Company - (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, subject to immediately intimating the Company of any modification/variation to the list so provided.

Further, if any question arises whether a person is a Related Party or not, such question shall be determined by the Audit Committee of the Company and such determination shall be final and binding.

Flow of Information between Company and its Subsidiaries:

Within 30 (thirty) days of close of every financial year or any time agreed between the parties, every subsidiary of the Company shall send to the Company Secretary of the Company the following:

- a) List of all its Related Parties;
- b) List of transaction(s) proposed to be entered into by the subsidiary with Related Parties of the Company during the financial year.
- c) List of all the Related Party Transactions entered in the immediately preceding financial year by the subsidiary with Related Parties of the Company and the categorisation of such transactions i.e., whether they are at Arm's Length and /or in the Ordinary Course of Business or not.

V. APPROVAL OF RELATED PARTY TRANSACTIONS

A. Approval of 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 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 participate in the review, consideration or approval process of such 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. OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS BY AUDIT COMMITTEE

Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company and that are recurring/ frequent / regular in nature and further which are in the normal course of business of the Company subject to the following conditions:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details (as aforementioned) are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

Furthermore, the Audit Committee shall, on a quarterly basis, review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

C. Approval of 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 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 participate in the review, consideration or approval process to approve such related party transaction.

D. Approval of Shareholders

As Regulation 23 of Listing Regulations, every Material Related Party Transaction shall require shareholders' approval by ordinary resolution based on the recommendation of the Audit Committee and the Board. As per Listing Regulations, all entities falling under the definition of related parties shall not vote to approve such Material Related Party Transaction irrespective of whether the entity is a party to the particular transaction or not. However, for the purpose of Regulation 23 of LODR Regulations, transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, does not require shareholder approval.

As per the Section 188 of Act if the Related party transactions falls under the following limits prior approval of the shareholders by ordinary resolution will be required provided the transaction is either not in the ordinary course of business or on arm's length basis.

Limits as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended are as under:

Category of Transactions	Threshold under the Act
Sale, purchase or supply of any goods or services	Amounting to 10% or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of an agent	Amounting to 10% or more of the net worth
Leasing of property of any kind	Amounting to 10% or more of the turnover
Availing or rendering of any services, directly or through appointment of an agent	Amounting to 10% or more of the turnover
Appointment to any office or place of profit in the company, its subsidiary Company or associate company	At a monthly remuneration exceeding Rs 2.50 lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of net worth

**Limits would apply to transactions entered into individually or taken together with previous transactions during a financial year.*

*** Turnover and Net worth shall be computed on the basis of the audited balance sheet of the preceding financial year.*

VI. RATIFICATION

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummate, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

In any case, where Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, Audit Committee has authority to modify or waive any procedural requirements of this Policy.

VII. DISCLOSURE

The Company shall disclose this Policy on its website and provide the weblink of the Policy in the Annual Report of Aye every year. In addition to the disclosures required under the Accounting Standards, every material related party transaction and related party transaction which were not at arm's length, shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Adequate disclosure of all material transactions with related parties shall be disclosed quarterly/ half yearly along with the compliance report on corporate governance.

VIII. 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.

IX. 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.

X. SCOPE & LIMITATION

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