

RELATED PARTY TRANSACTION (RPT) POLICY

AKASA FINANCE LIMITED

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RELATED PARTY TRANSACTION (RPT) POLICY

1. Background

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (the "Act") read with the Rules framed there under including any amendment thereof, Akasa Finance Limited ("AFL" or "the Company") is required to formulate a Policy for identification of related parties and the proper conduct and documentation of all related party transactions.

In light of the above, AFL has framed this Policy on Related Party Transactions ("Policy") to ensure high standards of Corporate Governance while dealing with related parties.

2. Objective of the Policy

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013 and any other laws and regulations as may be applicable to the Company; and (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

3. Definitions

All terms used in this Policy will have the meanings as assigned to them under the Companies Act, 2013 and Rules made thereunder, and applicable Accounting Standards, as amended from time to time.

- (i) **"relative"** as defined under Section 2(77) of the Companies Act, 2013. "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; or
 - (iii) one person is related to the other in such manner *as may be prescribed* under rule 4 of the Companies (Specification of definitions details) Rules, 2014 - enclosed as Annexure-1.
- (ii) **"Interested Transactions"** an "Interested Transaction" is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) (1) in which the Company or its subsidiaries or affiliates is a participant, (2) in which any Related Person has or will have a direct or indirect material interest, with respect to –

- a) sale, purchase or supply of any goods or materials;
 - b) selling or otherwise disposing of, or buying, property of any kind;
 - c) leasing of property of any kind;
 - d) availing or rendering of any services;
 - e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - g) underwriting the subscription of any securities or derivatives thereof, of the company:
- (iii) **"Related Person"** is as defined under Companies Act, 2013 - is any (1) director, nominee for director or executive officer of the Company and any Immediate Family Member of such person, and (2) any holder of 5% or more of any class of outstanding equity securities of the Company and any Immediate Family Member of such person.
- (iv) **"Immediate Family Member"** means (a) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son in law, daughter-in-law, brother-in-law or sister-in-law of the person in question and (b) any person (other than a tenant or employee) sharing the household of the person in question.

4. **Material Modification**

Material modification of Related Party Transaction ("RPT") in relation to the Company means any modification, either individually or taken together with any previous modifications, made in the nature, value / exposure, or other terms and conditions of any existing RPT having variance of 20% or more in value of the original transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

5. **Manner of dealing with related party transactions**

a. **Identification of related parties**

The Company has formulated a Framework (*refer to Annexure-1*) for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under, as amended from time to time.

b. **Identification of related party transactions**

The Company has formulated a Framework for identification of related party

transactions in accordance with Section 188 of the Companies Act, 2013 and Rules framed thereunder (*refer to Annexure-2*). The Company has also formulated a Framework for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

c. Review and approval of related party transactions

- i. Every Related Party Transaction including Material Modifications thereto shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. Provided that only those members of the Audit Committee, who are not interested, shall approve such Related Party Transactions. Further, any member of the Audit Committee who has a potential interest in any related party transaction shall abstain from discussion and voting on the approval of the related party transaction.
- ii. However, the Audit Committee may grant omnibus approval for recurring transactions with related parties, in compliance with requirements of the Act (*refer to Annexure-3*) The Audit Committee shall review / note on a quarterly basis the details of such related party transactions entered into by the company pursuant to each of the omnibus approval given. The omnibus approval shall be valid for a period of one year.

Where the need for related party transaction cannot be foreseen and requisite details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees Five (5) Crores per transaction.

- iii. The Audit Committee shall determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this Policy.
- iv. Approval Matrix for related party transaction is, as under:

| Audit Committee | Board Approval | Shareholders' Approval* |
|---|--|--|
| <ul style="list-style-type: none"> • All related party transactions (or the transactions in the excess of the omnibus approval value set-up by the Company, wherever applicable) including Material Modifications thereto be approved vide a resolution or covered under the Omnibus approval mechanism | <ul style="list-style-type: none"> • Related party transactions referred by Audit Committee for approval of the Board • Related party transactions, to be approved by the Board, as required under the applicable Law / Regulations applicable to the Company • related party transactions requiring shareholders' approval | <ul style="list-style-type: none"> • Approval by resolution for: <ol style="list-style-type: none"> a. Material related party transactions including Material Modifications thereto b. Related party transactions not in Ordinary Course of Business or not on Arm's length basis and crosses threshold limit as prescribed under the Act, to the Company. |

***Notes:**

- No related party shall vote to approve relevant shareholders resolutions irrespective of whether the entity is a related party to the particular transaction or not.
- The requirement for seeking shareholders' approval shall not be applicable to transactions as specified in the Framework for Related Party Transactions as per the provisions of the Companies Act, 2013 and rules made thereunder including any amendment thereof.

6. Disclosures

- a. The Board's Report will contain details of contracts or arrangements or transactions (i) not at arm's length basis and (ii) material (based on the thresholds laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014) contracts or arrangement or transactions at arm's length basis and/or in ordinary course of business, along with justification for entering into such transaction in accordance with the requirements of Companies Act, 2013 and rules made thereunder.
- b. The Company shall submit disclosures of related party transactions along with the financial results on a standalone / consolidated basis, in the format specified by under the Companies Act, 2013 from time-to-time.

7. Review of the Policy

This Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every two years and updated accordingly based on the recommendations of the Audit Committee.

Note: 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. 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.

Annexure-1
Rule 4 of the Companies (Specification of definitions details) Rules, 2014

List of relatives in terms of clause (77) of section 2 of the Companies Act, 2013 -

A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- (1) **Father:** Provided that the term "Father" includes step-father.
- (2) **Mother:** Provided that the term "Mother" includes the step-mother.
- (3) **Son:** Provided that the term "Son" includes the step-son.
- (4) **Son's wife.**
- (5) **Daughter.**
- (6) **Daughter's husband.**
- (7) **Brother:** Provided that the term "Brother" includes the step-brother;
- (8) **Sister:** Provided that the term "Sister" includes the step-sister.

Annexure-2
Framework for identification of transactions
Section 188 read with Rule 15 of the Companies (Meetings of Board and its Powers)
Rules, 2014

Contract or arrangement with a related party.-

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- 1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
 - (a) the name of the related party and nature of relationship;
 - (b) the nature, duration of the contract and particulars of the contract or arrangement;
 - (c) the material terms of the contract or arrangement including the value, if any;
 - (d) any advance paid or received for the contract or arrangement, if any;
 - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (f) 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; and
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- 2) 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) For the purposes of first proviso to sub-section (1) of section 188, 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,--
 - a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below –
 - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, **amounting to ten per cent. (10%) or more of the turnover of the company** as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, **amounting to ten per cent. or more of net worth of the company** as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - (iii) leasing of property of any kind **amounting to ten per cent or more of the turnover of the company**, as mentioned in clause (c) of sub-section (1) of section 188;
 - (iv) availing or rendering of any services, directly or through appointment of agent

amounting to ten per cent. or more of the turnover of the company, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation: It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- 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 half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:

- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.
- (2) In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.
- (3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely: -
 - (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.

Annexure-3

Omnibus Approval by Audit Committee for all Related Party Transactions

The audit committee has the *authority to specify the criteria* for making an omnibus approval structure. However, a prior board approval is required in this regard-

Specified Criteria for omnibus approval: The Audit Committee shall consider the certain factors while specifying the criteria for making omnibus approval: -

- a) Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b) 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 of related party transactions entered into by the company pursuant to each of the omnibus approval. The intervals at which such review is to be done can be decided by the audit committee;
- e) Transactions which cannot be subject to omnibus approval by the audit committee.

Factors specifying the criteria for omnibus approval:

- Such approval shall be applicable in respect of transactions which are REPETITIVE in nature;
 - Justification for the need of omnibus approval
- f) The audit committee shall Satisfy Itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
 - g) the omnibus approval shall specify:
 - The name(s) of the related party,
 - Nature of transaction, Period of transaction,
 - Maximum amount of transactions that shall 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:

Special Condition: 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.

Duty Of Audit Committee: The audit committee shall review (at such interval as the Audit Committee may deem fit) the details of related party transactions entered into by the Company pursuant to Each of the omnibus approvals given.

Term Of Omnibus Approval: Omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

NOTE:

- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- Any other conditions as the Audit Committee may fit.

Repetitive In Nature: All omnibus approval granted by audit committee during a financial year shall expire at the end of financial year of the company. At the start of new financial year, a Company may not enter into such related party transaction without approval or omnibus approval by the audit committee. Such fresh approval shall be granted only after the expiry of earlier financial year not before that period.

