

Ref. No. AAVAS/SEC/2023-24/671

Date: October 19, 2023

To, The National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Mumbai – 400051 Scrip Symbol: AAVAS	To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001 Scrip Code: 541988
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Dear Sir /Madam,

Sub: Intimation regarding response submitted by the Company to Proxy Advisory Firm on Postal Ballot Notice

This letter is with reference to receipt of Proxy Advisory Report dated October 17, 2023 to the Company on the Postal Ballot Notice sent to Shareholders of the Company and submitted to Stock Exchanges on October 05, 2023. The proxy advisory firm has below observation on Agenda item no. 1 i.e to approve the "Aavas Financiers Limited – Performance Stock Option Plan- 2023' ("PSOP-2023")" of the Postal Ballot Notice.

Observation: No absolute cap on maximum options per employee:

- The Company has not placed an absolute cap on the maximum number of options that can be granted to a single employee. It has only disclosed that the Maximum Number of ESOPs can be granted to an Employee shall be less than the 1% of the issued capital.
- It can be said that the entire pool of options can be granted to a single employee.
- Since, the Exercise Price is at face value, this will lead to a significant economic benefit in excess of ~₹ 61 Crores to a single Employee (Considering Market Price of ₹ 1,765 as on 9th October 2023).
- This may not be the intention of the Board or NRC; however, a theoretical possibility cannot be ruled out. SES is of the opinion that the Company should place an absolute cap on the maximum options to an Individual employee. Therefore, in view of the above issue, SES is raising governance concern over the proposed Scheme.

Response submitted by the Company:

As already disclosed in the explanatory statement of the Postal Ballot Notice the maximum number of options to be granted to an Eligible Employee will be determined by the Nomination and Remuneration Committee on a case-to-case basis and shall not exceed 1% (one) of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of option.

This is to clarify that the maximum number of options to be granted to an Employee shall not exceed 10% of the total options under PSOP-2023 per annum.

It is further confirmed that the Board or NRC does not have any intention to grant entire pool of options to a single employee.

The PSOP-2023 is fully compliant with the SEBI (SBEB & SE) Regulation, 2021 and other applicable rules and regulations in this regard.

This information is being submitted in the interest of all the Stakeholders of the Company.

Thanking You,

FOR AAVAS FINANCIERS LIMITED

**SHARAD PATHAK
COMPANY SECRETARY & CHIEF COMPLIANCE OFFICER
(FCS-9587)**