



Policy on Related Party Transactions

Version No. 1.0

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Samasta Microfinance Limited

AND PURPOSE

The Board of Directors (“the Board”) of Samasta Microfinance Limited (“SMFL”), has adopted the following policy and procedures with regards to Related Party Transactions are as defined below. The Audit committee will review and may amend this policy from time to time.

This Policy has been framed as per the requirements and is intended to ensure proper approval and reporting of the transactions between the Company and its Related Parties. This Policy also ensures adequate systems and procedures to address potential conflict of interest and compliance with the provisions of the Act.

The Board recognizes that certain transactions present a heightened risk of conflict of interest or the perception thereof. Therefore, any dealings with a Related Party must be conducted in such a way that no preferential treatment is given and adequate disclosures and/or permissions are made/ sought as required by Applicable Laws as defined herein below and as per the applicable policies of the Company. Therefore, the Board has adopted this Policy to ensure that all transactions with Related Parties shall be subject to this Policy and approval or ratification in accordance with Applicable Laws (defined herein).

DEFINITIONS

1. **“Audit Committee or Committee”** means the Audit Committee of Board of Directors of the Company;
2. **“Board”** means Board of Directors of SMFL.
3. **“Applicable Laws”** means the Act, the rules made thereunder, Listing Regulations and RBI Directions, Accounting Standards issued by the Institute of Chartered Accountant of India or any other legislative authority entrusted with the task of issuing such accounting standards and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, as may be in effect from time to time;
4. **“Company Secretary”** means a Company Secretary of the Company;
5. **“Key Managerial Personnel”** in relation to the Company means:
 - I. the chief executive officer or the managing director or the manager;
 - II. the company secretary;
 - III. whole-time director;
 - IV. the chief financial officer

- V. such other person as may be prescribed from time to time.
6. **“Relative(s)”** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013.
7. **“Related Party”** means any person who is
- a related party under Section 2(76) of the Companies Act, 2013 read with rules issued thereunder;
 - a related party under the applicable accounting standards; or
 - any other person or entity covered under Applicable Laws.

As per Section 177 of the Companies Act, 2013 and Rules framed thereunder the approval of Audit Committee is required for any transactions of the Company with Related Parties including any subsequent modification thereof. Further, the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company subject to such conditions, as may be required under the Companies Act, 2013 and Rules framed thereunder, Listing Agreement, RBI Directives and other applicable law.

As per Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, the following transactions will be considered as “Related Party Transactions;

- sale, purchase or supply of any goods or materials;
 - selling or otherwise disposing of, or buying, property of any kind;
 - leasing of property of any kind;
 - availing or rendering of any services;
 - appointment of any agent for purchase or sale of goods, materials, services or property;
 - such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - underwriting the subscription of any securities or derivatives thereof, of the company.
8. **“Related Party Transaction” (“RPT”)** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, either single or a group of transactions in a contract.

Notwithstanding the foregoing, the following shall not be deemed to be a Related Party Transactions:

- Any transaction that involves providing of compensation to a director or Key

Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its holding Company, subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

iii. Any other exception which is inconsistent with the Applicable Laws, including any rules or regulations made thereunder.

9. **"arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
10. **Policy:** All Related Party transactions must be reported to the Audit Committee and referred for approval by the committee in accordance with this policy.

All terms not defined herein shall take their meaning from the Applicable Laws.

POLICY

A. Procedures for approval and review of Related Party Transactions

"Compliance with regard to approval and review of Related Party Transactions pursuant to this Policy, shall be limited to the transactions which are entered into with a related party defined under section 2(76) of the Act."

1. All Related Party Transactions or changes therein shall be referred for approval by the Audit Committee in accordance with this Policy including those transactions prescribed under section 188 of the Act proposed to be entered in the ordinary course of its business and which are on arm's length basis.
2. Related Party Transactions that are not in ordinary course of business but on arm's length basis should be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.
3. Related Party Transactions that are not on arm's length basis, irrespective whether those are covered under Section 188 or not, should be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.
4. For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to certain transactions which are of repetitive nature and that such approval is in the interest of the company based on the following conditions as mentioned below. Such approval shall be valid for a period not exceeding one financial year.

- A. Criteria for making the omnibus approval which shall include the following, subject to the approval of the Board:
- I. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - II. the maximum value per transaction which can be allowed;
 - III. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - IV. All Related Party Transaction entered into by the Company pursuant to each of the omnibus approval made shall be reviewed by the Audit Committee on quarterly basis.;
 - V. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- B. 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:
- C. Audit Committee shall not grant omnibus approval for following transactions:
- a. Transactions which are not in ordinary course of business or not on arm's length basis;
 - b. Transactions in respect of selling or disposing of the undertaking of the Company;
 - c. Transactions which are not in the interest of the Company;
 - d. Such other transactions specified under Applicable Law from time to time.

However, the Company may take Omnibus approval for continuing Related Party Transactions based on the decision of the Audit Committee or Board, as the case may be, from time to time.

5. Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the best interest of the Company.
6. 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 Rs.1 crore per transaction.
7. Transactions between holding company and its wholly owned subsidiary will be governed by criteria above unless exempted under the Applicable Laws.
8. The Audit Committee will undertake quarterly evaluation of the Related Party Transactions. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
9. If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws considering the value being more than the amount mentioned above, the same shall be put up for approval by the shareholders of the Company. The Board shall ensure that in accordance with Applicable Laws, Related Party in the context of the contract or arrangement shall not vote on any resolution put to vote by the shareholders of the Company.
10. Where, owing to exigencies, Related Party Transactions have been entered into without being placed for approval by the Audit Committee, reasoned explanation for the same must be received to the satisfaction of the Audit Committee. The Audit Committee may ratify such transactions, or may put forth the transactions before the Board along with its recommendations, and the Board may either ratify such transactions or seek to avoid the same. The Audit Committee recommendations may also include appropriate measures authorizing such transactions without approval of the Audit Committee.
11. If approval of the Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified at the Board meeting / general meeting, if required, within 3 months of entering in the Related Party Transaction.
12. In any case where either the Audit Committee / Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as the case may be, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification.

13. No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.
14. Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
15. Nothing in this Policy shall override any provisions of Applicable Laws made in respect of any matter stated in this Policy.

B. Standards for Review

A Related Party Transaction reviewed under this Policy will be considered, approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

C. Determination of Ordinary Course of Business

The transactions which are incurred by the Company in carrying its main object of the Company shall be treated as transaction in the Ordinary Course of business. For determining "Ordinary Course of Business", the Company shall consider all acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, which, are done on a routine basis and are not standalone transaction(s). The Company would take into account the frequency of such activity and its continuity, in a normal organized manner, while determining what is in the ordinary course of business.

D. Determination of Arms' length nature of the Related Party Transaction

"Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. In this regard, Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be used to determine these criteria on a case to case basis.

E. Identification of Potential Related Party Transactions

- a. The Company Secretary shall:
- i. Identify and keep on record the Company's Related Parties, along with their personal/company details.
 - ii. Update the record of Related Parties whenever necessary and shall be reviewed at least once a year.
- b. Every director / Key Managerial Personnel of the Company or any of their relatives should not derive any undue personal benefit or advantage by virtue of their position or relationship with the Company.
- c. Every director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- d. Where any director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- e. A contract or arrangement entered into by the Company without disclosure or with participation by a director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

F. Disclosures

- a. The Company shall disclose related party Transactions in the Financial Statements and Annual Report of the Company in accordance with Companies Act 2013, Accounting Standards and other applicable law. It shall also disclose the Policy on the website of the Company and in the Annual Report of the Company.
- b. The Company shall keep one or more registers as specified under Applicable Laws giving separately the particulars of all contracts or arrangements with any Related Party.

AMENDMENTS

This Policy shall be reviewed by the Audit Committee of the Board as and when required and any changes made in the Policy shall be recorded in the change control record sheet attached with this Policy.

CHANGE CONTROL RECORD

Version No.	Change Request by	Memorandum of Change	Approval date