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Related Party Transactions Policy
NABSAMRUDDHI Finance Limited

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DOCUMENT SUMMARY

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| Reviewed by | Shri B. K. Singhal (COO) |
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1. Introduction

NABSAMRUDDHI Finance Limited (hereinafter referred to as the ‘Company’) is a Non Deposit accepting Systemically Important Non-Banking Finance Company (NBFCs-ND-SI) registered with the Reserve Bank of India.

During the course of its business, the Company enters into transactions with various entities. Some of the transactions are deemed to be ‘Related Party Transactions’ as per the Accounting Standards on Related Party Disclosures (AS 18), as notified by the Companies (Accounting Standards) Rules, 2006 and such transactions are duly disclosed in the Annual Reports of the Company.

However, the Companies Act, 2013 and Rules framed thereunder provide for formulation and adoption of a Policy with detailed provisions on Related Party Transactions (RPT).

This Policy has been framed by the Company pursuant to the Guidelines of Corporate Governance issued by the Reserve Bank of India, and will apply to all transactions entered into with a Related Party on or after April 1, 2020.

2. Objectives

Section 188 of the Companies Act, 2013 and the Rules made thereunder require the approval of the Board and the shareholders of a Company for certain transactions entered into by a Company with its Related Parties.

Related Party Transactions can present potential or actual conflicts of interest and may raise questions whether such transactions are in the best interest of the Company and its Shareholders. Therefore, this Policy has been adopted by the Company’s Board of Directors, to ensure high standards of Corporate Governance while dealing with Related Parties and sets forth the procedures under which the Related Party Transactions must be reviewed, approved or ratified and reported.

This Policy has been drafted with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions under the Act.

3. Applicability

This Policy applies to the approval and reporting of related party relationships and transactions between a reporting enterprise, i.e., the Company and its related parties. This Policy shall be applicable to all transactions undertaken with the following:

- Members of the Board of Directors & their Relatives

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- Key Managerial Personnel (KMP) and their Relatives
- Related Parties

4. Definitions

- i. **“The Company”** shall mean NABSAMRUDDHI Finance Limited;
- ii. **“Arm’s length Transactions”** means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest;
- iii. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013;
- iv. **“Key Managerial Personnel”** (‘KMP’) means a person who is a KMP, as defined under the Companies Act, 2013;
- v. **“Related Party or Related Parties”** means a related party as defined under Section 2(76) of the Companies Act, 2013;
- vi. **“Related Party Transaction”** means any transaction or arrangement in which the Company and the Related Party are contracting parties either directly or indirectly with respect to the items specified in Section 188(1) (a) to (g) of the Companies Act, 2013;
- vii. **“Relative”** with reference to a Director or a Key Managerial Personnel mean persons defined under Section 2(77) of the Companies Act, 2013 read with amendments thereto, issued from time to time.
- viii. **“Ordinary Course of Business”** is not defined under the Companies Act, 2013 but in general parlance ordinary course of business means :
 - activities carried out in the normal course of business as envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - As per historical practice with a pattern of frequency;
 - Meets any other parameters/criteria as decided by the Board/Audit Committee.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, or any other applicable law or regulation.

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5. Periodic Identification of Related Parties

All Directors and Key Managerial Personnel are required to disclose their concerns/interests in other Companies, body corporates, Firms or other Association of Persons (AOPs) including shareholdings along with their list of relatives to the Company at the beginning of every financial year and at the first Board Meeting wherein they participate and whenever there is any change in their disclosures already made as per the provisions of the Companies Act, 2013. They are also required to intimate the Board or Audit Committee of any potential Related Party Transaction involving him/ her or his/ her Relatives, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The said list of identified Related Parties is shared with the concerned Department to identify and decide on the treatment of Related Party Transactions.

The Company Secretary and/or Secretarial Department shall prepare and maintain the database of Related Parties on the basis of the aforesaid information/ declaration including any revisions therein. Internal Auditors/ Statutory Auditor shall verify the process of ascertaining the Related Parties and their correct recording in the Register of Contracts/arrangements, etc., as per the provisions of Section 189 of the Companies Act, 2013 and Rules thereof as well as their classification regarding whether they are on arm's length basis.

The aforesaid list shall be circulated to the Managing Director & Chief Executive Officer/ Chief Financial Officer/ the Finance & Accounts Department and the Statutory Auditor.

6. Approval for Related Party Transactions

6.1 Procedure for seeking approval of Related Party Transactions

All functional Departmental Heads/ officials shall submit to the Chief Financial Officer (CFO), and in case of CFO being a related party, the CFO shall submit to the MD/CEO, the details of proposed transactions with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis and in an ordinary course. Based thereon, the Company Secretary will appropriately submit the proposals for necessary prior approvals from the Audit Committee at its ensuing Meeting and convey the decision thereof to the originator.

In case the proposed transaction is not in the nature of ordinary course of business but at arms' length basis, the Functional Departmental Heads shall submit a detailed note with justification to MD/CEO, CFO and CS for entering such

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transaction along with details of proposed transaction with draft agreement/MoU/other supporting documents. Based thereon, a Committee consisting of the MD/ CEO, CFO and CS will discuss the matter and escalate the same further with the Audit Committee, the Board of Directors and finally to relevant shareholders for their respective prior approvals.

All Related Party Transactions (RPTs), whether entered on arm's length basis or not, shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions for not more than 1 year, after which fresh approval shall be required to be obtained, subject to the following conditions:

- The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria while granting omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself of the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interests of the Company;
- The Audit Committee shall consider the following factors while specifying the criteria for granting omnibus approval, viz. :
 - (a) Repetitiveness of the transactions (in past or in future)
 - (b) Justification for the need of omnibus approval.

The MD/CEO & CFO shall certify whether the contracts/ transactions are at arm's length. Similarly the internal auditors and/statutory auditors should examine the entire documentation and certify the same.

6.2 Review and Approval of Related Party Transactions

6.2.1 Board of Directors

The Board shall approve the RPTs referred by Audit Committee. Further, all RPTs required to be approved by the Board as per statute shall be approved only by the Board. Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, the Company shall not enter into any contract or arrangement with a related party with respect to:

- 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;

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- 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 subsidiaries or associates, and
- Underwriting the subscription of any securities or derivatives thereof, of the company.

6.2.2. Audit Committee of the Board

All Related Party Transactions will be referred to the next upcoming Meeting of the Audit Committee for its consideration and approval. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not;

(a) The Audit Committee or the Board of Directors shall, in respect of the related party transactions referred to them for approval, and after considering the materials and information placed before them; judge whether the transaction is in the ordinary course of business and at arm's length basis;

(b) The Audit Committee shall grant omnibus approval for normal banking transactions in the ordinary course of business with related parties, the same being recurring in nature;

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including:

- A general description of the transaction(s), including the material terms and conditions, nature, duration and particulars of the contract;
- The name of the Related Party and the basis on which such person or entity is a Related Party;
- Name of the Director or KMP who is related;
- Any advance paid or received for the contract or arrangements;
- Maximum amount of transaction that can be entered into and the manner of determining the pricing and other commercial terms;
- The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s);
- Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

6.2.3 Shareholder's approval

The shareholder's approval shall be accorded unless exempted by virtue of holding and wholly owned subsidiary relationship in respect of the following RPTs:

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(a) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mention below-

(i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten per cent or more of the turnover of the Company;

(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;

(iii) leasing of property any kind amounting to ten per cent or more of the turnover of the Company;

(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;

Explanation- It is hereby clarified that the limits specified in sub-clause (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) 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 a half lakh rupees;

(c) 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 of sub-section (1) of section 188.

7. Related Party Transactions without the prior approval under this Policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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.

Where any contract or arrangement, which is considered as a Related Party Transaction exclusively as per Companies Act, 2013, is entered into by a Director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, such transaction shall be 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.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

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In any case, where the 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 of the transaction, seeking approval of the shareholders, payment of compensation for the loss suffered by the related party, etc.

In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

8. Exemption from Applicability of the Policy

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this policy shall not apply to the following Related Party Transactions, which shall not require approval of the Audit Committee or Shareholders:

Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

9. Record Keeping

All documentation pertaining to the Related Party Disclosure including declaration from Directors, registers maintained by the Secretarial Team and such other records and evidence shall be maintained for a period of 10 years or such other period as specified by any other law in force, whichever is higher.

10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. In the event of any conflict between the provisions of this policy and of the provisions of the Companies Act and any other applicable law dealing with related party transactions, such applicable law in force from time to time shall prevail over this policy.