



MUTHOOT MICROFIN LIMITED

Related Party Transaction Policy

OBJECTIVE

This Policy will ensure that related party transactions of the Company are carried out in a transparent manner i.e. in ordinary course of business and at arm's length basis as per the legal provisions. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, Accounting standards as issued by Institute of Chartered Accountants of India, Income tax Act and such other statutes as may be put in place, in relation to Corporate Governance and Related Party Transactions. In order to comply with these requirements and as a good Corporate Governance practice, this policy on Related Party Transactions is adopted for implementation by the Board of Directors (the "Board") of Muthoot Microfin Limited Limited (the "Company").

SCOPE

This policy shall be applied in:

- a. Identifying related parties, updating and maintaining the database of such persons/entities;
- b. Ascertaining that the transactions entered with the related parties are in 'ordinary course of business' and at 'arm's length basis';
- c. Identifying related party transactions;
- d. Obtaining approvals before entering into any related party transactions; e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

DEFINITIONS

- a. "Arm's Length Transaction / Basis" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b. "Ordinary Course of Business" shall mean the usual transactions, customs and practices carried on generally by the Non Banking Financial Companies and shall include:
 - i. transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company,
 - ii. transactions which are usually carried on by any Non Banking Financial Company
 - iii. transactions which has been done by the Company regularly in last three (3) years,
 - iv. transactions done with a related party on a similar basis as of a third party,
 - v. transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS

- a. If a Director, Key Managerial Personnel ('KMP') wishes to enter into a related party transaction with the Company involving either him/her or his/her relative shall give a notice to the Company along with all relevant details and documents.
- b. Notice of any related party transactions, referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed related party transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.

- c. Every Director and KMP shall make an annual disclosure as required under Section 184(1) of the Companies Act, 2013 read with applicable rules made there under as may be amended from time to time.
- d. Every Director and KMP shall also promptly intimate any change in the annual disclosures mentioned above.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

Approval by Audit Committee

- Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation.
 - All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transaction(s) proposed to be entered into by the company subject to the following conditions:
 - i. The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and in ordinary course of business and at Arm's Length basis.
 - ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - iii. Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price, if any, and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction(s) subject to their value not exceeding Rs.1 crore per transaction.

 - iv. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- Transaction(s) entered into between 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 shall not require prior approval of the Audit Committee.

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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

- i. Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its 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.

Approval by Board of Directors

The following related party transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

- i. Related party transactions referred by the Audit Committee;
- ii. Related party transactions not on arm's length basis, and/or;
- iii. Related party transactions not in the ordinary course of business.

Any Director interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

Approval of Shareholders

All the transactions with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through ordinary resolution, if so required,.

The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars namely:

- i. Name of the related party
- ii. Name of the director or key managerial personnel who is related, if any;
- iii. Nature of relationship;
- iv. Nature, material terms, monetary value and particulars of the contract or arrangement;
- v. Any other information relevant or important for the members to take a decision on the proposed resolution.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a Related Party 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 of the relevant facts and circumstances regarding the Related Party Transaction(s) and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s). The Committee may examine the facts and circumstances of the case and take any such actions it deems appropriate.

DISCLOSURES

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

AMENDMENTS

Any amendment or modification in the Companies Act, 2013 and /or any other applicable law relating to Related Party Transaction(s) shall automatically be applicable to the Company

POLICY REVIEW

This Policy shall be reviewed by the Audit Committee every year, in order to align with the ongoing regulatory and business requirements. The policy as reviewed by the Audit Committee shall be placed before the Board for its approval.