



Related Party Transaction Policy

RELATED PARTY TRANSACTION POLICY – 2020
of Repco Micro Finance Limited

Purpose of the Policy:

This Policy is formulated, in accordance with the requirement of Companies Act, 2013 (“Act”) and Master Circular – “Non Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 (including any statutory enactments/amendments thereof) and is intended to ensure proper approval and reporting of Related Party Transactions between the Company and its Related Parties..

Objective of the Policy:

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, and any other laws and regulations as may be applicable to the Company.

Definitions:

“Act” means the Companies Act, 2013

“Company” means Repco Micro Finance Limited

“Material Related Party Transaction” means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Turnover” has been defined as the aggregate value of the realisation of amount made from sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year. Accordingly, for the Company the ‘Total Income’, i.e., total of interest income and other income, is considered as the ‘turnover’.

“Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.

“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.

“Related Party” means, an entity is:

- (i) a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) a related party under the applicable accounting standards.

“Related Party Transaction” means any transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013.

Review and approval of Related Party Transactions

All Related Party Transactions shall require approval of Audit Committee;

The Audit Committee, in order to review a Related Party Transaction, shall be provided with all relevant material information of the Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;

Any member of the Audit Committee who has an interest in any Related Party Transactions shall recuse himself or herself and abstain from discussion and voting on the approval of such Related Party Transactions.

The Audit Committee may grant omnibus approval for related party transactions, which are

repetitive in nature and subject to certain criteria/conditions as required under Companies Rules, 2014 and such other conditions, as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

Criteria for approving Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider the following factors, among others, to the extent relevant to the Related Party Transactions:

- Whether the terms of the Related Party Transactions are fair and on 'arm's length basis' to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any;
- Whether the Related Party Transactions would affect the independence of an independent director;
- Whether the proposed Related Party Transactions includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transactions;
- Whether subsequent ratification of the proposed Related Party Transactions is allowed and would be detrimental to the Company; and
- Whether the Related Party Transactions would present a conflict of interest for any Director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant;
- If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transactions, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Approval of the Board of Directors of the Company

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length terms, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to the transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will recuse themselves and abstain from discussion and voting on the approval of the related party transaction.

Approval of the Shareholders of the Company

All the transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are to be placed before the shareholders for their approval.

It shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is concerned related party shall not vote on resolution passed for approving such related party transactions.

Review of the Policy

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee, and such changes shall be submitted for approval by the Board.