

SVATANTRA MICRO HOUSING FINANCE CORPORATION LIMITED

Related Party Transactions Policy (w.e.f. April 1, 2019)

OBJECTIVE

The Board of Directors (the “Board”) of Svatanttra Micro Housing Finance Corporation (“SMHFC”), had adopted the following policy (the “policy”) and procedures with regard to Related Party Transactions (“RPT”) w.e.f. June 1, 2017 (duly approved by the Board at its meeting held on May 29, 2017). This policy is framed as per requirement of the National Housing Bank (NHB) Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February 2017. The objective of this policy and procedure is to ensure that transactions between SMHFC and its related parties are based on principles of transparency and arm’s length pricing as provided under the section 188 of the Companies Act 2013. Likewise, this policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

1. DEFINITIONS:

- a) “Audit Committee” means Committee of Board of Directors of SMHFC constituted under Section 177 of the Companies Act, 2013.
- b) “Related Party” shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013.
- c) “Related Party Transaction” shall mean all transactions as defined under section 188 of the Companies Act, 2013
- d) “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 (as provided under the section 188 of the Companies Act 2013).
- e) “Annual Consolidated Turnover” is defined as Total Income (i.e. Interest earned plus Other Income) of the last audited Consolidated Financial Statements of SMHFC.

2. POLICY:

All Related Party Transactions must be referred to the Audit Committee for approval in accordance with this Policy.

3. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS:

A Related Party will be brought to the attention of the Management and the Board/Audit Committee’s attention by the Legal and Secretarial Department at least on an annual basis. The Legal and Secretarial Department needs to inform any change in the Related Party List to Functional teams of SMHFC to identify the Related Party Transactions.

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. 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.

The approval policy framework is given below:

Audit Committee Approval	Board Approval	Shareholder's Approval
• All Related Party Transactions	• Related Party Transactions referred by Audit Committee for approval of the Board. • Related Party Transactions as required under the statute applicable to SMHFC.	• Approval by resolution for: ➤ Related Party Transactions not in Ordinary Course of Business or not on arm's length basis and crosses threshold limit as prescribed under the Companies Act, 2013 applicable to SMHFC

General Guidance for approval of Related Party Transactions:

The Audit Committee shall be provided with the relevant information of Related Party Transactions in accordance with the requirements of the Companies Act, 2013, the Rules made thereunder as amended from time to time or as requested by the Audit Committee. Where a Board approval is required, the information required under the Companies Act, 2013 and the Rules made thereunder, shall be provided. In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from SMHFC's business point of view, to enter into a transaction with a Related Party.

5. DECISION REGARDING TRANSACTION IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH:

The Audit Committee and the Board shall after considering the materials placed before them will judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

6. OMNIBUS APPROVAL BY AUDIT COMMITTEE FOR RELATED PARTY TRANSACTIONS:

In case of certain frequent/ repetitive/ regular/ transactions/ with Related Parties which are in the ordinary course of business of SMHFC, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by SMHFC. The approval shall be valid for a period of one year - however the same needs to be ratified by the board at the next board meeting.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

In the event SMHFC becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, SMHFC would obtain post facto approval from the Audit Committee. In case SMHFC is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to SMHFC, including ratification, revision or termination of the Related Party Transaction. 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 or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. DISCLOSURE OF THE POLICY:

This Policy will be uploaded on the website of SMHFC at <https://svatantramhfc.com/>.

9. POLICY REVIEW:

This Policy is established w.e.f. June 1, 2017 based on the provisions of the Companies Act, 2013 and as per requirement of the NHB Notification No. NHB. HFC. CG-DIR.1/MD & CEO/2016 dated 9th February, 2017. In case of any subsequent changes in the provisions of the Act and the Rules framed thereunder, the Act and its Rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. The Board shall have the right to amend the Policy from time to time, based on recommendations of Audit Committee. The Policy shall be reviewed every year along with the other policies of the company. However, it shall be reviewed earlier if need arises for the same and/ or under special circumstances, for example a change in law.