



MUTHOOT MICROFIN LIMITED

Policy on Materiality and Dealing with Related Party Transactions

Purpose	To ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders.
Version	V.04
Author	Secretarial Department

Policy Approval	Board of Directors
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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, materiality of related party transactions and compliance matters relating to manner of dealing transaction between the Company and its related parties.

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013 read with the Rules framed there under, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations ('SEBI (LODR) Regulation 2015') as amended from time to time, 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 (the "Company").

This Policy is effective from 03.05.2018.

SCOPE

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. 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. Materiality threshold for related party transaction
- e. 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. "**Audit Committee or Committee**" means Committee of Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013.
- c. "**Board**" means Board of Directors of the Company.
- d. "**Key Managerial Personnel**" means key managerial personnel as defined under Section 2 (51) of the Companies Act, 2013.
- e. "**Material Related Party Transaction**" - a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- f. "**Material Modification**"; means any modification or amendment to the related party agreement / transaction which is likely to result in a 10% revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.

- g. **“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.
- h. **“Related Party”** means Related Party as defined under Section 2 of the Companies Act, 2013,
- i. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

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. Each Director and Key Managerial Personnel is responsible for providing declaration to the Company Secretary on Related Parties involving him / her and his / her Relative, including any additional information that the Company Secretary may reasonably request. Further, the Director / Key Managerial Personnel shall intimate the Company Secretary as and when any changes are required to the Related Parties, as mentioned in the declaration.

APPROVAL OF RELATED PARTY TRANSACTION

Approval by Audit Committee

- Every Related Party Transaction and subsequent material modifications shall be subject to the prior approval of the Audit Committee.
- Audit Committee will review the details of every Related Party Transaction and subsequent material modifications transactions which are proposed to be entered into with a related party.
- Any member of the Audit Committee who is interested in the related party transaction should abstain from voting on such resolutions. In connection with its review of a Related Party Transaction, the Committee will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party’s interest in the Related Party Transaction.
- While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.
- 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.
- Where advance review of a Related Party Transaction and subsequent material modifications by the Committee is not feasible or was entered due to urgency, then the Related Party Transaction shall be reviewed subsequently by the Audit Committee and in case the transaction is not approved the contract/arrangement shall stand cancelled from the date as determined by the 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 and subsequent material modification 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 TRANSACTION 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.

EXEMPTIONS

Nothing contained in in this policy shall apply to any contract or arrangement—

- i) in the ordinary course of its business; or
- ii) at arms' length price.
- iii) service availed in a professional capacity from body corporate/person.
- iv) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
 - (a) transaction(s) done in ordinary course of business at arm's length;
 - (b) receipt of remuneration by way of sitting fees;
 - (c) re-imbursement of expenses for attending board and other meetings;
 - (d) any profit related commission as approved by members.

REVIEW PROCEDURE

As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions and subsequent material modifications, except which are entered in ordinary course of business and on arm's length and all specific transaction shall be reported/referred to the Audit Committee of Directors on a yearly basis for its review which includes:

1. The status of transactions already approved by the Committee;
2. Status of transactions undertaken under omnibus approval;
3. Transactions which were entered due to urgency etc.

DISCLOSURES

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

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy read with the Companies Act, 2013, SEBI (LODR) Regulations 2015 or any other statutory enactments, rules, the provisions of Companies Act, 2013, SEBI (LODR) Regulations 2015 or statutory enactments, rules shall prevail over this Policy.

AMENDMENTS

Any amendment or modification in the Companies Act, 2013, SEBI (LODR) Regulations 2015 and /or any other applicable law relating to Related Party Transaction(s) shall automatically be applicable to the Company

POLICY REVIEW

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on materiality and dealing with the Related Party Transactions must be consistent with the Companies Act 2013, SEBI (LODR) Regulations 2015 and must be approved in the manner as may be decided by the Board of Directors.