

**SPANDANA SPHOORTY FINANCIAL LIMITED**

**POLICY ON DETERMINATION OF RELATED PARTIES AND DEALING WITH  
RELATED PARTY TRANSACTIONS  
("RPT POLICY")**

Date of Implementation: June 14, 2018

Date of Revision: May 22, 2021

**Preamble:**

This policy is intended to ensure proper approval and reporting of transactions between the Spandana Sphoorty Financial Limited (“**the Company**” or “**SSFL**”) and its related parties. The Company may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are in compliance with the applicable legal requirements.

The Company affirms good standard of governance practices and conducts its business in a fair and transparent manner duly complying with the applicable laws as in force. The Company is putting its best efforts consistently to enhance stakeholders’ long term value without compromising the corporate philosophy, ethics and standard of governance practices.

The Board of Directors (the “Board”) of the Company has adopted this Policy on determination of Related Parties and Dealing with Related Party Transactions (“**RPT**”) upon the recommendation of the Audit Committee and this Policy and associated procedures for regulating related party transactions including the materiality threshold, in line with the requirements of the Companies Act, 2013 (“the Act”) and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI (LODR) Regulations, 2015**”) and such other provisions as amended from time to time. Through this policy, the Company endeavors to bring in more transparency in management in respect of transactions with related parties. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

**Applicability:**

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions.

**Objective:**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. It is essential to keep a stringent check on RPTs which may present a potential or actual conflict of interest and may act against the best interest of the Company and its shareholders.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

**Definitions:**

“**Audit Committee**” or the “**Committee**” means the Committee of Board of Directors of the Company constituted under the provisions of Regulation 18 of the SEBI (LODR) Regulations, 2015 read with Section 177 of the Companies Act, 2013;

The “**Board**” means Board of Directors of the Company;

“**Key Managerial Personnel**” means Key Managerial Personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;

“**Material Related Party Transactions**” 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company;

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.

An entity shall be considered as related to the Company if any of the following conditions applies:

- a. The entity is a “**related party**” as defined under Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015;
- b. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- c. Such entity is a related party under the applicable accounting standards;

“**Related Party Transaction**” means any transaction directly or indirectly involving any Related Party that involves transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

“**Relative**” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.

A “**transaction**” with a related party shall be construed to include a single transaction or a group of transactions in a contract;

All other words and expressions used but not defined in this policy, but defined in the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, and SEBI (LODR) Regulations, 2015 shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case maybe.

**Policy:**

All proposed Related Party Transactions must be presented before the Committee for prior approval of the Committee.

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval.

**Identification of Related Parties and Interested Director with respect to transactions:**

Every Director will be responsible for providing a declaration in the format of **Form MBP – 1** as per section 184(1) & Rule 9(1) of Companies (Meetings of Board and its Powers) Rules, 2014 containing the following information to the Company Secretary on an annual basis:

- (a) Names of his / her Relatives;
- (b) Partnership firms in which he / she or his / her Relative is a partner;
- (c) Private Companies in which he / she or his / her Relative is a member or Director;
- (d) Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital as at the end of immediate preceding financial year;
- (e) Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained from a person in professional capacity);
- (f) Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity); and
- (g) Body Corporate or any Association of Individuals in which he / she or his / her Relative is a Director or owner or Partner or Promoter or Manager or Chief Executive Officer of Body Corporate or Member of the Association of Individuals.

Every Key Managerial Personnel other than a director should also disclose details of their relatives within 30 days of joining the company or upon any change thereafter in the format as per **Schedule I** of this policy.

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately upon him / her becoming aware of such changes.

Every director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

- (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- (b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall be deemed to be an “Interested director” and such director shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall abstain from participating in such meeting. Interested directors shall not be counted for the purpose of quorum for such item of business. It is therefore essential to ensure that where at any time the number of interested directors exceeds or is equal to two thirds of the total strength of the Committee, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

There may be instances where a director may not be concerned or interested at the time of entering into such contract or arrangement, but he/she may become concerned or interested after the contract or

arrangement is entered into and thereby become an “interested director”. In such cases, the director shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

**Dealing with Related Party Transactions:**

All Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm’s length basis, shall require approval of the Committee and / or the Board of Directors of the Company in accordance with this Policy.

**Factors for Consideration by the Committee in approving the Proposed Related Party Transactions:**

Unless otherwise stated in this Policy, all Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm’s length basis, shall require prior approval of the Committee of the Company. Transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm’s length basis should also, as a measure of good governance, be placed before the Committee for information.

For the aforesaid purpose, all Related Party Transactions must be reported to the Company Secretary who shall place the same before the Committee in accordance with this Policy.

While considering any related party transaction, the Committee shall take into account all relevant facts and circumstances 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.

Prior to the approval, the Committee may, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company’s business and are on an arm’s length basis;
- b. Whether the transaction could be material or significant by value;
- c. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative options available, if any;
- d. Whether the Related Party Transaction includes any potential reputational risks or misuse of corporate assets that may arise as a result of or in connection with the proposed Transaction; and
- e. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial interest or benefit to the Director, Key Managerial Personnel or other Related Party concerned, the direct or indirect nature of the Director’s interest, Key Managerial Personnel’s or other Related Party’s interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.
- f. While considering the arm’s length nature of the transaction, the Committee may take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee may also take into consideration subsequent events (i.e., events after the initial

transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

The Committee may grant omnibus approval to Related Party Transactions that are:

- a. repetitive in nature; and
- b. entered in the ordinary course of business and on arm's length basis.

Such omnibus approval may be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (b) The requisite information is presented to the Committee's course of business and on arm's length basis;
- (c) Such omnibus approval shall specify –
  - a. Name of the related party;
  - b. Nature of the transaction;
  - c. Period of the transaction;
  - d. Maximum amount of the transactions that can be entered into;
  - e. Indicative base price / current contracted price and formula for variation in price, if any;
  - f. Justification for the omnibus approval; and
  - g. such other conditions as the Committee may deem fit.

(d) Such omnibus approval shall be valid for a period not exceeding one year and shall require a fresh approval after the expiry of one year.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Committee for each specific transaction for the specific period approved.

The Committee shall, quarterly review the details and take note of all Related Party Transactions for which omnibus approval has been granted by the Committee.

#### **Approval by the Board:**

If the Committee determines that a Related Party Transaction should be brought before the Board or a Related Party Transaction is not in the Ordinary Course of Business or not at Arms' Length or is a material related party transaction 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 Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting.

#### **Approval by Shareholder's:**

The Board of Directors of the Company shall mandatorily place before the Shareholders of the Company, all Material Related Party Transaction and obtain their approval.

Except with the prior approval of the Shareholders by a resolution, a company shall not enter into any

Related Party Transaction as mandated under Section 188 of Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 and/or material related party transactions as stipulated in Regulation 23 of SEBI (LODR), Regulations, 2015.

In all cases, where Shareholders' approval is necessary for any Related Party Transaction, the Company Secretary shall ensure that the agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

The Company Secretary shall ensure that the explanatory statement to be annexed to the notice of a General Meeting convened for obtaining approval of Shareholders in relation to the proposed Related Party Transactions shall contain the following particulars:

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

The Board shall be ultimately responsible for seeking approvals from shareholders as per the requirements of Applicable Laws which may vary from time to time.

#### **Ratification of the Related Party Transactions:**

Where a company enters into any related party transaction without prior approval, the company may ratify such transaction within three months to avoid any penal consequences.

Where any contract or arrangement, which is considered as a related party transaction as per Companies Act, 2013, is entered into by a Director or any other employee, without obtaining the consent of the Committee or the Board or the Shareholders of the Company, such transaction shall be ratified by the Committee or 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.

In case such transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Committee or the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the

Company against any loss incurred by it.

**Related Party Transactions not approved under this Policy:**

In the event the Management of the Company becomes aware of any Related Party Transaction that has not been approved under this policy, the matter shall be reviewed by the Committee. The Committee may consider all of the relevant facts and circumstances regarding the Related Party Transactions and may evaluate all the options available with the Company.

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

**Disclosure, Recording and Reporting of Related Party Transactions:**

- a. Company shall disclose each year in the Audited Financial Statements transactions with Related Parties as prescribed in the applicable Accounting Standard as well as accounting policies governing transactions with Related Parties.
- b. Disclosure in the Board's Report to the shareholders shall be made as prescribed under Companies Act, 2013.
- c. Details of all material related party transactions with Related Parties shall be disclosed to stock exchanges quarterly, along with the compliance report on corporate governance.
- d. Company shall submit within 30 days of publication of half yearly financial results, Standalone or Consolidated as may be applicable, disclosures of all Related Party Transactions, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- e. The Company Secretary shall make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

**Related Party Transactions that shall not require Approval:**

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 shall not require approval of the Committee or Shareholders:

- i. 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;
- ii. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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;
- iii. Transactions that have been approved by the Board under the specific provisions of the Companies

Act, 2013 e.g. the inter-corporate deposits, borrowing, guarantee, investments etc., with or in wholly owned subsidiaries or other Related Parties;

- iv. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board upon recommendation of the CSR Committee;
- v. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are provisions of the Companies Act, 2013 or the SEBI (LODR) Regulations, 2015;
- vi. 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.

**Dissemination of Policy:**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

**Policy Review:**

Board shall review the overall policy once in three years and modify or update the same in accordance with the changes to the threshold limits or as may be required by the amendments to Applicable Laws.

In the event of any conflict between the provisions of this policy and of the applicable law dealing with the related party transactions, such applicable law in force from time to time shall prevail over this policy.

**Schedule I**

**LIST OF RELATIVES**

Sr. No.	Relationship	Full Name	Occupation of Relative	PAN Number / other identifications	Entities in which the relative is a self-proprietor / partner or Member / Director of a Pvt. Company	Entities in which the Director together with his relative(s) holds more than 2% of the paid up share capital of a public limited company of which the director is also a director
1	Spouse					
2	Father (including Step-Father)					
3	Mother (including Step-Mother)					
4	Son (including Step-son)					
5	Son's Wife					
6	Daughter					
7	Daughter's Husband					
8	Brother (Including Step-Brother)					
9	Sister (Including Step-Sister)					
10	Members of HUF					

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