Sustainable Agro-commercial Finance Ltd.

RELATED PARTY TRANSACTIONS POLICY

Version 1.0

RELATED PARTY TRANSACTIONS POLICY

Sign of Sheet		
APPROVED BY	**Board of Directors**	
REVIEWED & RECOMMENDED BY	**Arvind Sonmale** MD & CEO	
PREPARED BY	**Paresh Shah** Head Accounts	

Change History		
Description	**Version**	**Date**
Policy	1.0	25th May 2016
Policy		

RELATED PARTY TRANSACTIONS POLICY

1. Preamble

The Board of Directors (the "Board") of Sustainable Agro-commercial Finance Limited (the "Company" or "SAFL"), have adopted the following policy and procedures with regard to Related Party Transactions ('Dealing with Related Party Transaction 'RPT' Policy'), in line with the requirements of Section 177, 188 and other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (herein after referred to as 'The Act') The Board / Audit Committee will review and may amend this policy from time to time.

2. Purpose

This policy intends to ensure that there is proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of Companies Act, 2013.

"Board" means Board of Directors of the Company

"Key Managerial Personnel" means key managerial personnel as defined under the Companies Act, 2013 and includes

(i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

"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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Policy" means Related Party Transaction Policy.

"**Related Party**" means an entity shall be considered as related to the Company if:

i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or

ii) ii) Such entity is a related party under the applicable accounting standards."

"**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.

Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

"Relative." "Relative" means, with reference to any person, means any one who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) one person is related to the other in the following manner

(1) Father (including step-father)

(2) Mother(including step-mother).

(3) Son(including step-son).

(4) Son's wife.

(5) Daughter.

(6) Daughter's husband.

(7) Brother(including step-brother)

(8) Sister: (including step-sister)

4. Policy on Related Party Transactions:

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

5. Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

6. Approval of Related Party Transactions:

I. <u>Prior Approval of Audit Committee</u>

All Related Party Transactions shall require prior approval of the Audit Committee.
Any member of the Audit Committee who has potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

II. <u>Procedure for Approval</u>

The Audit Committee will be provided with all relevant material information of 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 as specified under the Act.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific transactions and assure themselves that the same are in the interest of the Company and its shareholders.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Bank, the Audit Committee may fix up Limits within which the management may carry out such Transactions without any approval of the Audit Committee for the specific transactions as long as these are carried out on the principles approved by the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

III. Omnibus Approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

a) The Audit Committee shall, after obtaining the approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following namely:

i) Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year;

ii) Maximum value per transaction which can be allowed;

iii) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking Omnibus Approval.

iv) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made.

v) transactions which cannot be subject to omnibus approval by the Audit Committee.

b) The Audit Committee shall lay down the criteria for granting omnibus approval in line with the on Related Party Transactions of the Company and such

approval shall be applicable in respect of transactions which are repetitive in nature. Further the Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

(a) repetitiveness of the transactions (in past or in future);

(b) justification for the need of omnibus approval.

c) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;

d) Such omnibus approval shall specify

- the name/s of the related party.
- nature and duration of transaction.
- maximum amount of transaction that can be entered into,
- the indicative base price / current contracted price and the formula for variation in the price if any; and
- such other conditions as the Audit Committee may deem fit or information relevant or important for the Audit Committee to take decision on the proposed transaction;

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 transactions subject to their value not exceeding Rs.1 crore per transaction.

e) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

7. Prior Approval of Board of Directors:

Transactions with the related parties which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board.

Where any director is interested in any contract or arrangement with a related party, such director shall not participate in the discussions on the subject matter of the resolution relating to such contract or arrangement.
The Board is required to approve the criteria for the omnibus approval as prescribed under point 6(III)(a) of this Policy.

8. Shareholders' approval:

Shareholder's approval shall be sought in the following cases:

All the Material Related Party Transactions shall require approval of the shareholders through ordinary resolution and the Related Parties shall abstain from voting on such resolution whether the entity is a related party to the particular transaction or not.

Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' and exceeds the threshold prescribed under section 188 of the Companies Act 2013 and the rules thereunder, amended from time to time, shall also require the prior approval of the shareholders through ordinary resolution and the Related Parties shall abstain from voting on such resolution.

No member of the Company shall vote on ordinary resolution, to approve any contract or arrangement which may be entered by the Company, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed. However, in case of material related party transactions, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

9. 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, and shall

evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. 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.

10. Disclosure of related party transactions and Policy:

This Policy will be communicated to all operational employees and other concerned persons of the Company. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in its Annual Report. Disclosures on materially significant related party transactions that may have potential conflict with the interests of Company at large shall be made in the Annual Report. Further disclosure of the related party transactions shall be made as may be prescribed by the Act or any other regulatory authority or statute from time to time is such format as may be prescribed.

11. Review of the Policy:

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

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