

Related Party Transaction Policy

1. Preamble

Centrum Microcredit Limited (“the Company”) is a Public Limited company and seeks to uphold good standards of corporate governance and internal controls. Towards this, the Board of Directors (“the Board”) of the Company, acting upon recommendation of its Audit Committee (“the Committee”), has adopted the following policy and procedures with respect to Related Party Transactions (“RPTs”) of the Company.

This Policy is in conformance with the Centrum Group’s Code of Conduct for Business and Ethics which provides that all Directors and Senior Management Personnel are required to disclose all potential or actual conflict of interest and take action(s) to eliminate such conflict, if so required.

- This Policy is framed not only in the best interests of the stakeholders of the Company, but also in due compliance with the requirements of the Companies Act, 2013, (“the Act”) and other applicable laws of the country. This Policy lays down the mechanism to deal with RPTs.
- The Company is required to disclose the Policy on dealing with RPTs each year in its Financial Statements as well as in its website.

2. Definitions

“Arm’s length transaction” means, transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and the Companies Act, 2013.

“Board” means the Board of Directors of the Company.

“Key Managerial Personnel or KMP” shall have the same meaning ascribed to it in the Companies Act, 2013.

“Material Related Party Transaction” means a transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds such limit as given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, requiring shareholders’ approval.

“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.

“Related Party” is a party as defined in sub-section (76) of Section 2 of the Act and the Listing Regulations.

“Related Party Transaction (RPT)” means any transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged or not.

“Relative” means relative as defined under the Companies Act, 2013.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013, or rules framed thereunder, shall have the meaning assigned to them therein.

3. General Guidelines

All RPTs shall be referred to the Audit Committee for approvals. The Audit Committee shall also approve any subsequent (post approval) modifications of RPTs. The Accounts department shall refer all executed or proposed RPTs to the Audit Committee for prior approval or reporting as the case maybe.

All Material RPTs shall require approval of the shareholders by an ordinary resolution. All the Related Parties of the Company shall abstain from voting on such resolution irrespective of whether they are interested in that particular Material Related Party Transaction or not; Provided that this requirement shall not apply to a company in which 90% or more members in number are relatives of promoters or are related parties.

Provided further that, transactions entered into between the Company and a wholly-owned subsidiary of the Company where,

- (i) the accounts of the subsidiary are consolidated with the Company; and
- (ii) approved by the shareholders at a general meeting

shall not require approval of either Audit Committee or the Shareholders as prescribed under the Companies Act, but shall require Board Approval.

The Audit Committee and/or Board as may be applicable in a given case, may give suitable directions / guidelines to implement the same.

4. Identification of Related Parties & RPTs

- Each Director and “KMP” shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in any

transaction with the company, by providing notice to the Board or Audit Committee of any potential RPT together with additional information about the RPT that the Board or Audit Committee may reasonably request.

- The Company prefers that such notices are given well in advance, so that all stakeholders have adequate time to obtain and review information about the proposed RPT.
- The Company Secretary shall maintain and notify the operating team about Related parties to enable them to identify potential RPTs.

5. Review and Approval of RPTs

- All RPTs shall be referred to the Audit Committee for its review and approval;
- The Audit Committee, in order to review a RPT, shall be provided with information about the RPT including commercial terms, purpose, benefits to the Company and to the Related Party and any other relevant information;
- Any member of the Audit Committee who has an interest in any RPT, shall recuse himself or herself and abstain from discussion and voting on the approval of such RPTs;
- Any member of the Board, who has an interest in any RPT, shall recuse himself or herself and abstain from discussion and voting on the approval of such RPTs;
- All Material Related Party Transactions shall require approval of the shareholders, based on recommendation of the Board, through an ordinary resolution passed at the general meeting. However, approval of the shareholders would not be required to be obtained by the Company for transactions with its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. However no member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party, except for transactions with company/ies in which ninety per cent or more members, in number, are relatives of promoters or are related parties.

Criteria for approving RPTs

To evaluate an RPT for approval, the Audit Committee shall consider the following factors, among others, to the extent relevant to the RPT:

- Whether the terms of the RPT are fair and on 'arm's-length-basis' vis-à-vis the Company and the terms would be similar, if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- Whether the RPT would affect the independence of an Independent Director;
- Whether the proposed RPT includes any potential reputational risk issues that may

arise as a result of or in connection with the proposed RPT;

- Whether subsequent ratification of the proposed RPT is allowed and would be detrimental to the Company;
- Whether the RPT would present an improper 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 RPT should be brought before the Board, or if the Board chooses to review any such RPT or it is mandatory under any law for the Board to approve the RPT, 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.

Omnibus Approvals by the Audit Committee

- The Audit Committee may choose to grant omnibus approval ("Omnibus Approval") for a class of transactions which are repetitive in nature, as per the procedure specified for approving RPTs in this Policy. In addition to the criteria specified as above, the Audit Committee shall be required to specify in the Omnibus Approval:
 - 1) Name(s) of the Related Party, nature, period of transaction and maximum amount of the proposed RPTs;
 - 2) Indicative basis or formula for commercial terms; and
 - 3) Such other conditions as the Audit Committee may deem fit;
 - 4) In the event the need for a class of RPTs cannot be foreseen or the details specified in (1) to (2) above are not available, the Audit Committee may grant Omnibus Approval for such RPTs provided each transaction does not exceed Rs.1,00,00,000/- (Rupees One crore).
- Audit Committee shall review the details of actual RPTs entered into by the Company pursuant to each of the Omnibus Approvals on a quarterly basis.
- The Omnibus Approvals shall be valid for a period not exceeding one year and shall require fresh approvals from the Audit Committee after the expiry of 1 (one) year from the grant of each approval.

Other RPTs that do not require specific prior approval of the Audit Committee

- Any transaction that involves 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.
- 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.

- Any transaction arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Act.
- Reimbursement of pre-incorporation expenses incurred by a Related Party as approved by the Board of Directors.
- Any transaction that involves availing/ providing corporate guarantee to Banks/Financial Institution, from Centrum Group Companies, for credit facilities availed from Banks/Financial Institutions.
- Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

Notwithstanding the above, the Audit Committee shall approve all RPTs which are not at arm's length and/ or which are not in the ordinary course of business;

RPTs not approved under this Policy

- In the event the Company becomes aware of any RPT that has not been approved under this Policy by the Audit Committee, prior to its consummation, it shall report such transactions to the Audit Committee which shall follow the procedure laid down in this Policy.
- In any case, save as otherwise provided in the Policy, where the Audit Committee determines not to ratify a RPT that has been commenced without its prior approval, the Audit committee as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission or revision of the transaction.
- Where any contract or arrangement is entered into by a director or any other employee, without obtaining prior consent of the Board, the same shall be ratified by the Board at its meeting within three months from the date of entering into any such contract or arrangement.
- Notwithstanding the above, the right to ratify any such contract or arrangement beyond the period of three months, vests with the Board and/ or Shareholders, as the case may be, as may be deem fit appropriate in the facts and circumstances.

6. Disclosures

Appropriate disclosures as required under the Act and the Listing Regulations shall be made in the Financial Statements, Board's Report, Stock Exchanges and website of the Company.

7. Applicability

In the event of any provisions contained in this Policy is inconsistent with the provisions

contained in the Listing Regulations, Companies Act, 2013, or Accounting Standards, etc. or any amendments thereto, (Regulatory Acts), the provisions contained in the Regulatory Acts shall prevail.

8. Amendments

This Policy may be amended by the Board, at any time and is subject to the

- a) amendments to the Companies Act, 2013, (the Act 2013) and
- b) further guidelines from the SEBI
- c) applicable Accounting standards

Note:

Last reviewed on: December 23, 2020

Version: