

**ASA International India Microfinance Limited (AIIML)**



**RELATED PARTY TRANSACTION POLICY**

**A. Document Information:**

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## **PREAMBLE**

ASA India is committed to upholding the highest level of ethical and legal conduct in fulfilling its responsibilities. A 'Related Party Transaction' may be a cause of actual or perceived conflicts of interest(s) of the Directors, Senior Management, Associates, Organisation(s) where Company has management control, etc. vis-avis with the interest of the Company.

The Board of Directors (the "Board") of ASA International India Microfinance Limited (the "Company" or "ASA India"), has adopted this Policy with regard to 'Related Party Transactions' (RPT), in compliance with the requirements of provisions of Section 188 of the Companies Act 2013 (the "Act") and Rules made there under, in order to ensure transparency and procedural fairness of such transactions.

The Policy has been made based on the provisions related to 'Related Party Transactions' in Companies Act, 2013 as on date. Any subsequent amendment in these provisions would ipso-facto apply to this Policy.

## **II. OBJECTIVE**

This Policy is to ensure the approval and reporting of 'Related Party Transactions', as applicable, between the Company and any of its Related Party. The Policy is designed to govern the transparency of approval process to ensure fairness in the conduct and reporting of the 'Related Party Transactions', in terms of the applicable laws.

The Audit Committee of ASA INDIA Board ("Audit Committee"), shall review, approve and ratify 'Related Party Transactions' based on this Policy.

## **III. TRANSACTIONS COVERED BY THIS POLICY**

All transactions falling within the definition of 'Related Party Transactions' shall be covered under this Policy.

## **IV. DEFINITIONS**

**"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.

**"Associate Company"**, means a company in which ASA INDIA has a significant influence, but which is not a subsidiary company of ASA INDIA and includes a joint venture company.

*Explanation.*—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement. Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

**"Board"** means the Board of Directors of ASA International India Microfinance Limited, the Company.

**"Control"** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

**“Key Managerial Personnel”** includes

- (i) the Chairman, Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer

And also the persons as defined under section 2(51) of the Companies Act, 2013 as amended from time to time.

**“Material Related Party Transactions”** means those transactions entered into by the Company with a Related Party, which 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.

**“Relatives”** - As defined under section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as amended from time to time.

**“Related Party”** - A Related Party is a person or entity as defined under Section 2(76) of the Companies Act 2013 as amended from time to time.

**“Related Party Transaction”** means a Transaction/ contract/ arrangement, between the Company and its Related Party(ies), which falls under subsection 1 of Section 188 and clause (iv ) subsection 4 of section 177 of the Act. A transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract. The terms which have not been defined in this Policy but defined under the Companies Act, 2013 shall have the meaning contained therein.

## **V. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Each Director and Key Managerial Personnel is responsible for providing notice to the Company, of any potential ‘Related Party Transaction’ involving him or her or his or her Relative(s), including any additional information about the transaction. The written notice may be provided to the Company Secretary. Audit Committee will determine whether the transaction does, in fact, constitute a ‘Related Party Transaction’ requiring compliance with this Policy.

## **VI. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

### **1) By the Audit Committee of the Board:**

- i) Every ‘Related Party Transaction’ shall have prior approval of the Audit Committee.
- ii) While considering any 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, or any other relevant matters.
- iii) The Audit Committee may grant omnibus approval for ‘Related Party Transaction’ subject to fulfillment of all the conditions which are (a) repetitive in nature; (b) in ordinary course of business; (c) are on arm’s length basis, (d) within the material limits and (e) in the interest of

the Company. However, for deciding the arm length transaction and/or ordinary course of business, the Audit Committee may seek the relevant material and information from the Company. The Audit Committee shall lay down criteria for granting omnibus approval in line with this policy.

The omnibus approval where granted shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

iv) The approval shall specify the following:

- a) Name(s) of the Related Party.
- b) Nature of transaction.
- c) Maximum amount of transaction that can be entered into.
- d) Period of transaction.
- e) The indicative base price/current contracted price and the formula for variation in the price, if any.
- f) Any other condition as deemed fit and proper by the Audit Committee.

Provided that where the need for the RPT cannot be foreseen and details given above are not available, the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs 1 crore per transaction.

v) The Audit Committee shall review, at least on a quarterly basis, the details of RPT's entered into by the company pursuant to each of the omnibus approval given.

vi) Such approval of Audit Committee may be obtained by way of circular resolution or at a duly convened meeting of the Audit committee.

## **2) By the Board of Directors:**

(i) All cases where the 'Related Party Transactions' are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, shall be brought before the Board of Directors for approval through Audit Committee.

(ii) The following Related Party Transactions namely:

- (a) 'Related Party Transactions' that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis,
- (b) 'Material Related Party Transactions',
- (c) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or arm's length basis and decides to refer the same to the Board for approval,
- (d) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval,

## **3) By the Shareholders:**

(i) All 'Related Party Transactions' that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, and

(ii) For this purpose, all member(s) falling under the definition of Related Party(ies) shall abstain from voting irrespective of whether the member(s) is a party to the particular transaction or not.

## **VII. POLICY ON MATERIALITY OF 'RELATED PARTY TRANSACTIONS**

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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company. The approval and review process followed will be same as mentioned at Para VI above.

## **VIII. DISCLOSURES**

The Company shall disclose the Policy relating to Related Party Transactions on its website and also provide a web link thereto in the Annual Report.

## **IX. RELATED PARTY TRANSACTIONS NOT APPROVED AS PER THIS POLICY**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved in accordance with 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, may direct for additional actions including, but not limited to, discontinuation of the transaction, and/or recovery of compensation for the loss suffered by the Company from the concerned Director or Key Managerial Person, etc. and Board of Directors would be apprised of the same. However, where ratification of Related Party Transactions is to be done, the approval of the Board of Director and/or shareholders, if required, would be sought.