

# Arohan Financial Services Limited

## Policy on Related Party Transaction

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### Version 8.0



**Prepared & Revised by:** Compliance Department

**Reviewed by:** Compliance Department and Executive Committee

**Approved by:** Board of Directors

**Reviewed by Board:** 15<sup>th</sup> March, 2016

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**Seventh time review by Board:** 12th February, 2025

**Eighth time review by Board:** May 13, 2026

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**1. Purpose of this policy:**

Arohan Financial Services Limited (“**the Company**”) is governed, amongst others, by the rules and regulations framed by the Reserve Bank of India (“**RBI**”), the Companies Act, 2013, as amended and the Securities Exchange Board of India (“**SEBI**”).

The Company has always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI LODR Regulations**”) and such other regulatory provisions, as may be applicable.

SEBI LODR Regulations have also mandated every listed entity to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

A. Accordingly, the Company has formulated this policy on materiality of Related Party Transactions and on dealing with Related Party Transactions (the “**Policy**”). This Policy regulates all transactions between the Company and its Related Parties (as defined below).

B. The Board of the Directors (the “**Board**”) on recommendation of the Audit Committee of the Company (the “**Audit Committee**”) shall review the Policy once in three years and may amend the same from time to time.

In order to comply with these requirements and as a good corporate governance practice, this Policy is adopted for implementation by the Board of the Company.

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## 2. Scope

- A. Identifying related party and related party transactions
- B. Obtaining approvals before entering into any Related Party Transactions as per the Policy, applicable Accounting Standards, the Act and the SEBI LODR Regulations.
- C. Relevant documentation supporting the related party transactions.
- D. Determining the disclosures / compliances to be adhered in relation to the related party transactions as per applicable law to related party transaction.

## 3. Objectives

This policy is framed as per the requirement of Regulation 23 of the SEBI LODR Regulations to ensure the proper approval and reporting of transactions between the Company and its related parties as determined under SEBI LODR Regulations, the Act and rules prescribed thereunder, and any other laws and regulations as may be applicable to the Company.

The Company is required to disclose in its annual financial statements and Board’s report, certain transactions between the Company and related parties as well as policy relating thereto. This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the annual report.

## 4. Definition

- 1. **“Act”** shall mean the Companies Act, 2013 and the rules thereunder and includes any amendment thereof.
- 2.
- 3. **“Key Managerial Personnel”** in relation to the Company, shall mean —
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the Company secretary;
  - (iii) the Whole-time director;

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- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed;

4. **“Relative”** shall have the same meaning as assigned to them under the Act.

5. **“Arm’s Length Transaction”** shall mean a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

6. **“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

Any other term not defined herein shall have the same meaning as defined in the Act or any other applicable law or regulation and as amended from time to time.

7. **“Related Party”** shall have the same meaning as assigned to them under section 2(76) of the Act or under the applicable accounting standards and as defined in

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Regulation 2(1)(zb) of the SEBI LODR Regulations. However, (a) any person or entity belonging to the promoter or promoter group of the Company, or (b) any person or entity holding equity shares of 10% or more in the Company either directly or on a beneficial interest basis as provided under the Act, at any time, during the immediately preceding financial year, shall be deemed to be a related party.

8. **“Related Party Transaction”** or **“RPT”** shall have the same meaning as assigned to them under clause (a) to (g) of Section 188(1) of the Act and as defined in Regulation 2(1)(zc) of the SEBI LODR Regulations.

9. **“Material Related Party Transaction”**- shall 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 the scale-based, turnover linked thresholds specified in Schedule XII of the SEBI LODR Regulations. For this purpose, any transaction involving payments made to Related Party with respect to brand usage or royalty, either individually or taken together with previous transactions during a financial year, exceeding five percent (5%) of the annual consolidated turnover of the Company as per the Company’s last audited financial statement, shall also be considered as Material Related Party Transaction. The RPT materiality threshold increases with the increase in the annual consolidated turnover of the listed entity as per last audited financial statements, though at a reduced rate, which determines material RPTs for approval by shareholder. The new thresholds are as follows:

<b>Consolidated Turnover of Listed Entity Threshold</b>	<b>Materiality Threshold</b>
(i) Up to ₹20,000 crore	10% of the annual consolidated turnover of the listed entity
(ii) More than ₹	₹ 2000 crore + 5% of the annual

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20,000 crore to ₹ 40,000 crore	consolidated turnover of the listed entity above ₹ 20,000 crore
(iii) More than ₹ 40,000 crore	₹ 3000 crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 crore or ₹5000 crores whichever is lower

Explanation: For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

10. **“Material Modification”** shall mean “Material Modification” in terms of SEBI LODR Regulations, i.e., any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

Any other term not defined herein shall have the same meaning as defined in the Act or any other applicable law or regulation and as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

## 5. Review and approval of Related Party Transactions:

### Identification of Related Parties

- Each Director and KMP shall disclose to the Company Secretary in form MBP-1, at the time of appointment, beginning of every financial year and whenever there is any change in the disclosure so made, about all persons, entities, firms in which he/she is interested, whether directly or indirectly. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.
- The Company Secretary shall compile the information received from all

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concerned and send the information about such Related Parties to the respective functional heads (i.e. accounts, finance, legal, human resources, marketing etc.), business heads and any other concerned person for their information and any necessary action.

3. The concerned functional / business head shall forward to the Company Secretary and Chief Financial Officer, the details of any proposed Related Party Transaction with the draft terms and conditions or other related information and certifying that such transactions are at Arm's Length and in the ordinary course of business. The Company Secretary or the Chief Financial Officer, upon receipt of such information, will furnish the same to Audit Committee for its approval and further action, if any.
4. Any proposed modification(s) in the Related Party Transactions already entered into shall be intimated to the Company Secretary and Chief Financial Officer by the functional/ business head, which shall be placed before the Audit Committee for its prior approval in accordance with this Policy.

## **Approval of Related Party Transactions**

### **A. Audit Committee**

All the transactions which are identified as Related Party Transactions and subsequent Material Modifications thereof, shall be approved by the Audit Committee in the manner specified under the SEBI LODR Regulations and the provisions of the Act. Only those members of the audit committee, who are independent directors, shall approve/recommend related party transactions. Where the Audit Committee does not approve the Related Party Transactions, other than prescribed in Clauses (a) to (g) of Section 188(1) of the Act, it shall make its recommendations to the Board for approval. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

However, remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI LODR Regulations.

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**5.A.1-** Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm’s length price, would require approval of the Board of Directors and of shareholders as discussed subsequently.

**5.A.2-** The Audit Committee may grant Omnibus Approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

i. It shall, after obtaining approval of the Board of Directors, lay down the criteria for granting the omnibus approval on annual basis in line with the Policy, which shall include the following, namely:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) 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;
- (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

ii. 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.

iii. It shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the

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Company.

iv. Such omnibus approval shall specify –

- a) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b) The indicative base price / current contracted price and the formula for variation in the price if any, and
- c) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 (One) Crore per transaction.

v. It 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.

vi. Such omnibus approvals shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approvals after the expiry of 1 (one) financial year.

vii. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

viii. Any other conditions as laid down in SEBI LODR Regulations and the Audit Committee may deem fit.

ix. The Audit Committee may grant omnibus approval for Related Party Transactions subject to the conditions as laid down under Section 177 of the Act and Regulation 23 of the Listing Regulations. Additionally, subject to the Act, the Audit Committee may also grant omnibus approval for Related Party Transactions of unforeseen nature not exceeding Rs.1,00,00,000 per transaction.

**5.A.3-** A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

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The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.”

- (vi) any Related Party Transaction entered into by a Director/ officer of the Company involving an amount not exceeding Rs. 1,00,00,000 which has been undertaken without obtaining the prior approval of the Audit Committee, or which is not ratified within 3 (three) months of entering into such transaction, or which is not material in terms of the provisions of the SEBI LODR Regulations shall be voidable at the option of the Audit Committee and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

**5.A.4-** The Company shall provide all information as provided under Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 to the Audit Committee/ shareholders, when approval on a Related Party Transaction is sought.

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**5.A.5-** The Audit Committee shall review the following while approving the Related Party Transactions as specified above:

- a) Whether the transaction is in the ordinary course of business and on an arms' length basis?
- b) The reasons for entering into the transaction and the consequences of entering into the said transaction, with an unrelated party.
- c) Whether there is any conflict of interest for any director or Key Managerial Personnel?
- d) Whether there any reputational risks are envisaged as a result of the said Related Party Transaction?
- e) Type, Material terms and particulars of the proposed transaction.
- f) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise).
- g) Value of the proposed transaction.
- h) Tenure of the proposed transaction.
- i) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- j) the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary: i) details of the source of funds in connection with the proposed transaction; ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments, nature of indebtedness; cost of funds; and tenure; iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- k) Justification as to why the RPT is in the interest of the Company;
- l) copy of the valuation or other external party report, if any such report has been relied upon;
- m) percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- n) Any other information that may be relevant.

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**B. Board of Directors:**

(A) 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 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.

The following Related Party Transactions which are not in the ordinary course of business or are in the ordinary course of business but are not on Arm’s Length basis shall require prior approval of the Board:

- a. Sale, purchase or supply of any goods or materials; or
- b. Selling or otherwise disposing of, or buying, property of any kind; or
- c. Leasing of property of any kind; or
- d. Availing or rendering of any services; or
- e. Appointment of any agent for purchase or sale of goods, materials, services or property; or
- f. Such Related Party’s appointment to any office or place of profit in the Company, its Subsidiary or Associate Company; or
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company

In addition to the above, the following kinds of transactions with related parties should also be placed before the Board of Directors for its approval:

a) Transactions which may be in the ordinary course of business and at arm’s length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

b) Transactions in respect of which the Audit Committee is unable to determine

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- whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- d) Transactions meeting the materiality thresholds laid down in Clause D of the Policy, which are intended to be placed before the shareholders for approval
- (B) All the Material Related Party Transactions shall be considered and approved by the Board before the same are considered by the shareholders for their approval except for (i) those transactions which are 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; and (ii) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; (iii) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand; (iv) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand; and (v) transactions entered into between two public sector companies.
- (C) Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such Related Party Transaction.
- (D) Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board and if it is not ratified by

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the Board at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of 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.

### **C. Approval of the Shareholders;**

C.1- If a related party transaction is (i) a material transaction as per Section 188 of the Act, or (ii) a material transaction as per Regulation 23 of the SEBI LODR Regulations or (iii) A transaction exceeding the threshold limit of as approved by Board of Directors from time to time. (iv) any subsequent material modification thereto (iv) transaction not in the ordinary course of business, or (v) not at arm's length price it shall require shareholders' approval by a resolution. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Subject to the provisions of Regulation 23(4) of the SEBI LODR Regulations, all Material Related Party Transactions require the prior approval of the shareholders' and their approval will be sought by way of a resolution. No Related Parties shall vote to approve the Material Related Party Transactions, irrespective of whether the entity is a party to the particular transaction or not, provided that the requirements under this sub-para shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed at the Stock Exchanges within 1 (one) day of the resolution plan being approved. Further, as clarified by SEBI via circular SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 8, 2022, the shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months.

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C.2- In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which exceeds the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014 and all material related party transactions as per Regulation 23 of the SEBI LODR Regulations shall be placed before the shareholders for their approval.

**D. 1.** Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.

2. Transactions with a Related Party covered under Regulation 23(1) and (1A) of the SEBI LODR Regulations.

The approval policy framework is given below:

<b>Audit Committee Approval (only those members who are Independent Directors),</b>	<b>Board approval</b>	<b>Shareholders' approval</b>
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<p>All Related Party Transactions</p>	<p>Related Party Transactions referred by the Audit Committee for approval of the Board.</p> <p>Related Party Transactions not in the ordinary course of business and not on arm's length basis.</p>	<p>Material and subsequent material modification related party transactions not in the Ordinary Course of Business and/or not at Arm's length basis and/or exceeds the prescribed threshold limit as per the Act and as per Regulation 23 of the SEBI LODR Regulations.</p>
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**E. Evaluation Process of Related Party Transactions**

1. To approve a Related Party Transaction, the Committee/ Board/ Shareholders, shall be provided all relevant material information of such transaction, including the terms and such other details as required under the Act, the SEBI LODR Regulations or by the Audit Committee/ Board, as the case may be. While approving a Related Party Transaction, the Audit Committee/ Board will consider the following factors, among others, to the extent relevant:
  - a. whether the terms on which Related Party Transaction is proposed are fair and on arm's length basis to the Company;
  - b. whether the Related Party Transaction would affect the independence of an independent director;
  - c. whether the Related Party Transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction; and
  - d. whether the Related Party Transaction would present conflict of interest for any Director or KMP of the Company.
  - e. whenever there is any doubt with regard to transactions with Related Parties and/or the applicable corporate governance requirements, the Audit Committee/ Board shall be entitled to seek a legal opinion/clarification for the same.

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2. The Audit Committee shall consider all relevant facts and circumstances regarding a Related Party Transaction placed before it.

3. In the event any Director, KMP or any other employee becomes aware of any Related Party Transaction that has been omitted to be approved by the Audit Committee/ Board/ shareholders or is in deviation of this Policy, such person shall promptly notify the company secretary of the Company, of such transaction, who shall ensure that such transaction is brought to the notice of the Audit Committee or the Board, as applicable, at the earliest.

4. The Audit Committee/ Board shall evaluate such transactions and may decide as it considers appropriate, subject to the Act and the SEBI LODR Regulations, necessary action to be taken, including ratification, revision or termination of the Related Party Transaction.

#### **F. Reporting of related party transactions**

In terms of the provisions of Section 134(3)(h) of the Act, ever contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the SEBI LODR Regulations and the same shall be published on the Company's website in accordance with Regulation 23(9) of the SEBI LODR Regulations. This Policy shall be disclosed under a separate section on the website of the Company and a web link thereto shall also be provided in the annual report of the Company. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

#### **G. Adoption**

This policy shall be reviewed by the Board of Directors at least once in every 3 (three) years, updated accordingly and any changes made during the annual reviews shall be adopted by the resolution of the Board of Directors. The Policy shall be published

<b>Issue date:</b>	<b>Authorized by:</b>	<b>Version No.</b>	<b>Controlled Copy 1 of 1</b>
15 <sup>th</sup> March, 2016	Board	7.0	

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on website of the Company and shall be disclosed in the Annual Report of the Company.

#### **H. Limitation and Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

#### **I. Disclosure of the Policy**

This Policy will be uploaded on the website of the Company.

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15 <sup>th</sup> March, 2016	Board	7.0	

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