

**UNITY SMALL FINANCE BANK LIMITED**

**POLICY ON RELATED PARTY TRANSACTIONS**

## 1. PREAMBLE

Unity Small Finance Bank Limited ("the Bank") is a *'high value debt listed entity'* 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.

The Policy is in the best interests of the stakeholders of the Company and is in compliance with the requirements of the Companies Act, 2013, ("the Act") and other applicable laws. Further, as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("LODR"), a policy must be formulated to deal with RPTs and their materiality. The Policy details the mechanism to deal with RPTs.

The board of directors shall review the policy atleast once in every three years and update the same from time to time and as may be deemed necessary pursuant to regulatory amendments.

## 2. DEFINITIONS

- i. **"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.
- ii. **"Audit Committee or Committee"** means, Committee of Board of Directors of the Company constituted under provisions of the LODR and the Act.
- iii. **"Board"** means the Board of Directors of the Bank.
- iv. **"Key managerial personnel"** means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;
- v. **"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.
- vi. **"promoter" and "promoter group"** shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- vii. **"Related Party"** means a related party as defined in sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards and shall include the following as per the SEBI LODR Regulations:
  - All persons or entity belonging to the promoter (P) or promoter group (PG) will be regarded as related party, irrespective of its shareholding in the listed entity;
  - Any person or entity holding, directly or indirectly (on a beneficial basis under Section 89 of CA, 2013), 20% or more of the equity shareholding in the listed entity will be regarded as a related party w.e.f. April 1, 2022;
  - Any person or entity holding, directly or indirectly (on a beneficial basis under Section 89 of CA, 2013), 10% or more of the equity shareholding in the listed entity will be regarded as a related party w.e.f. April 1, 2023

viii. **“Related Party Transaction (RPT)”** means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

ix. **“Material Related Party Transaction”** means a transaction with a related party, entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower

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

x. **“Material Modification in an RPT transaction”** means any modification in commercial terms of the transaction that changes the value for the company by more than 10% of the approved value or it changes the nature of the underlying transaction. Additionally, a change shall be considered material if the change in value is more than INR 1 Cr., irrespective of the percentage change.

xi. **“Relative”** means, relative as defined under the Companies Act, 2013, Viz:  
Relative means anyone who is related to another, in the following manner:

- (i) members of a Hindu Undivided Family;
- (ii) husband or wife;
- (iii) father (including step-father);
- (iv) mother (including step-mother);
- (v) son (including step-son);
- (vi) son’s wife;
- (vii) daughter;
- (viii) daughter’s husband;
- (ix) brother (including step-brother);
- (x) sister (including step –sister); and
- (xi) such other relation as may be specified under the Companies Act or the rules made thereunder.

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, SEBI LODR, shall have the meaning assigned to them therein.

## 2. **EXCLUSIONS UNDER THE DEFINITION OF RPTs**

The following transactions shall not be regarded as RPTs.

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and

Disclosure Requirements) Regulations, 2018;

- (b) Corporate actions viz. i. payment of dividend; ii. subdivision or consolidation of securities; iii. issuance of securities by way of a rights issue or a bonus issue; and iv. buy-back of securities by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding.
- (c) acceptance of fixed deposits at the terms uniformly applicable/ offered to all shareholders/ public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by SEBI.

### 3. **GENERAL GUIDELINES**

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. The Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

The approval policy framework is given below:

<b>Audit Committee Approval</b>	<b>Board Approval</b>	<b>Shareholder's Approval</b>
<ul style="list-style-type: none"> <li>• All Related Party Transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Related Party Transactions referred by Audit Committee for approval of the Board</li> <li>• Related Party Transactions as required under the regulations applicable to the Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Approval by resolution for:</li> <li>• (a) Material Related Party Transactions</li> <li>• (b) Related Party Transactions not in Ordinary Course of Business or not on Arm's length basis and crosses threshold limit as prescribed under the regulations applicable to the Bank</li> </ul>

The Accounts department shall refer all proposed RPTs to the Audit Committee for prior approval. The Audit Committee shall further ensure compliance with the following with respect to approving RPTs.

(a) A related party transaction to which the Bank is a party but the holding listed company is not a party, shall require prior approval of the Audit committee of the holding listed company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover of the holding listed company, as per the last audited financial statements of the holding Company;

(b) With effect from April 1, 2023, a related party transaction to which the Bank is a party but

the holding listed Company is not a party, shall require prior approval of the Audit Committee of the holding listed Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the Bank;

(c) Prior approval of the Audit Committee of the holding listed Company shall not be required for a related party transaction to which the Bank is a party but the holding listed Company is not a party, till the time regulation 23 and sub-regulation (2) of regulation 15 are applicable to the Bank.

All Material RPTs and subsequent material modifications as may be defined by the Audit Committee shall require prior approval of the shareholders by an ordinary resolution. No Related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

### **C. General Guidance for approval of Related Party Transactions**

The Audit Committee shall be provided with the relevant information of Related Party Transactions in accordance with the requirements of the SEBI LODR and the Companies Act, 2013, the rules made thereunder, as amended from time to time, as may be applicable to the Bank, and/or as requested by the Audit Committee. Where a Board approval is required, the information required under the Companies Act, 2013, the rules made thereunder and the SEBI LODR, as amended from time to time shall be provided.

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Bank's business point of view, to enter into a transaction with a Related Party.

All transactions above the threshold limits provided above shall be referred to the Audit Committee for its prior approval.

### **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 were 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.
- Directors' Responsibility Statement should include an additional clause to the effect that every director has made relevant disclosures as regards Related Parties and Related Party Disclosures.

Failure to make disclosure would be treated as a default. Director concerned would be held liable to penalties and he should be deemed to have vacated his office. This should also be a condition of disqualification to hold office of director for a prescribed period.

## **5. DECISION REGARDING TRANSACTION IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH**

The Audit Committee or the Board shall after considering the materials placed before them judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

The following illustrative tests may be used by the Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Bank with related parties, or any modification, variation, extension or termination thereof :-

- a. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
- b. The contracts/ arrangements have been commercially negotiated.
- c. The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of the Reserve Bank of India, Ministry of Corporate Affairs, Government of India, Income Tax Act 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, Rules framed thereunder or Listing Regulations.
- d. The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
- e. Such other criteria as may be issued under Applicable Law.

## **6. 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;
- 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 prior approval of the shareholders, based on recommendation of the Board, through an ordinary resolution passed at the general meeting. However, prior approval of the shareholders will not be required 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.

### **Information to be reviewed by the Audit Committee for approval of RPTs**

The Company needs to provide *interalia*, the following information, for review of the Audit Committee for approval of a proposed RPT :

- a. Type, material terms and particulars of the proposed transaction;

- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. 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);
- f. If 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.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant or prescribed from time to time.

### **Information to be provided to shareholders for consideration of RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details of the same;
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.



### **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 placed 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(s) 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 (3) 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.
- The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

### **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 other exception that is consistent with the Applicable Laws, including any rules or regulations made thereunder.

## 7. **DISCLOSURES**

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

The Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results.

The Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

## 8. **APPLICABILITY**

In the event any provision contained in this Policy is inconsistent with the provision contained in the SEBI LODR, Companies Act, 2013, or Accounting Standards, etc. or any amendments thereto, RBI Act / Regulations / guidelines/ circulars, the provision contained in the RBI Act / Regulations / guidelines/ circulars, shall prevail.

## 9. **AMENDMENTS**

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

- a) amendments to the Act and
- b) further guidelines from the SEBI or RBI

### **VERSION CONTROL TABLE:**

<b>Version</b>	<b>Board Approval Date</b>	<b>Maintained by</b>
1.0	October 14, 2021	Secretarial Department & Finance Department
2.0	May 19, 2022	Secretarial Department & Finance Department