



POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

Unity Small Finance Bank Limited (“the Bank”) 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.

The board of directors shall review the policy 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 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. **“Related Party”** means a related party as defined in sub-section (76) of Section 2 of the Companies Act, 2013
- vii. **“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 which are not on Arm’s Length Basis and / or are not in the Ordinary Course of Business and exceed limits provided for the specified transactions as mentioned in Section 188 of the Companies Act, 2013 read with related rules issued thereon.
- viii. **“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, RBI regulations, shall have the meaning assigned to them therein.

3. GENERAL GUIDELINES

The Audit Committee shall be provided with the relevant information of Related Party Transactions in accordance with the requirements of 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 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 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 & 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/she 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.
- 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

- a) All RPTs shall be referred to the Audit Committee for its review and prior approval whether at a meeting or by resolution by way of circulation
- b) 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;
- c) The Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- d) Any member of the Audit Committee who has a potential interest in any RPT, shall recuse himself or herself and abstain from discussion and voting on the approval of such RPTs;
- e) 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;
- f) 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.
- g) 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.
- h) The Audit Committee and/or Board as may be applicable in a given case, may give suitable

directions / guidelines to implement the same.

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 comply with the requirements under the Companies Act, 2013.

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 & 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 & 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 & 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:
 - Name(s) of the Related Parties,
 - Nature and period/duration of transaction
 - Maximum amount of the transaction that can be entered into;;
 - Indicative base price or current contracted price or formula for commercial terms and and the formula for variation in the price, if any;
 - Such other conditions as the Audit Committee may deem fit;
 - In the event the need for a class of RPTs cannot be foreseen or the details specified 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.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- Any other conditions as the Audit Committee may deem fit

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.

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 deemed fit appropriate in the facts and circumstances.

7. TRANSACTIONS WHICH REQUIRE PRIOR APPROVAL OF LISTED HOLDING COMPANY

- a) Any transaction between the Bank and its related party or related party of Listed Holding Company presently Centrum Capital Limited, to which the Bank is a party but the Listed Holding

Company is not a party and a material modification thereof as defined in the Related Party Transaction Policy of the Listed Holding Company as amended from time to time, shall require prior approval of the Audit Committee of the Listed Holding 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;

- b) Any transaction with a related party of the Bank or a related party of the Listed Holding Company, entered into individually or taken together with previous transactions during a financial year, exceeds Rupees one thousand crore or 10% of the annual consolidated turnover of the Listed Holding Company as per the last audited financial statements of the Listed Holding Company, whichever is lower as defined under the Related party transaction policy of Listed Holding Company, as amended from time to time or material modification thereof, shall require prior approval of the shareholders of the Listed Holding Company by way of an ordinary resolution.

The approval policy framework is given below:

Approval of Bank

Audit Committee Approval	Board Approval	Shareholder's Approval
<ul style="list-style-type: none"> • All Related Party Transactions and subsequent modifications will require prior approval of Audit Committee of the Bank 	<ul style="list-style-type: none"> • Related Party Transactions referred by Audit Committee for approval of the Board • Related party transaction not at arms length and/or not in ordinary course of business as required under the Act 	<ul style="list-style-type: none"> • Approval by shareholders resolution for Related Party Transactions not in Ordinary Course of Business and/ or not on Arm's length basis and crosses threshold limit as prescribed under the Act and Rules.

Listed Holding Company presently Centrum Capital Limited

Audit Committee Approval	Board Approval	Shareholder's Approval
<ul style="list-style-type: none"> • All Related Party transactions exceeding 10% of Standalone turnover of the Bank and subsequent material modification shall require prior approval of Audit Committee of the Listed Holding Company. 	<ul style="list-style-type: none"> • Related Party Transactions referred by Audit Committee of the Listed Holding Company for approval of the Board 	<ul style="list-style-type: none"> • Material Related Party Transactions exceeding the threshold, and subsequent modification as defined in the Related Party Transaction Policy of the Listed Holding Company, shall require prior approval of shareholders of the Listed Holding Company by way of an ordinary resolution.

All proposed RPTs shall be referred to the Audit Committee for prior approval. The Audit Committee shall further ensure compliance with the following with respect to approving RPTs.

8. DISCLOSURES

Appropriate disclosures as required under the Act shall be made in the Financial Statements and Board's Report of the Company.

9. APPLICABILITY

In the event any provision contained in this Policy is inconsistent with the provision contained in the 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.

In addition to the said Policy, Company is required to comply with the Related Party Transaction Policy of the Listed Holding Company presently Centrum Capital Limited, as may be amended from time to time.

10. AMENDMENTS

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

- a) amendments to the Act and
- b) applicable Accounting standards or RBI

VERSION CONTROL TABLE:

Version	Board Approval Date	Approving Authority	Maintained by
1.0	October 14, 2021	Board	Secretarial Department & Finance Department
2.0	May 19, 2022	Board	Secretarial Department & Finance Department
3.0	May 03, 2023	Board	Secretarial Department & Finance Department
3.1	February 02, 2024	Board	Secretarial Department & Finance Department