

NAVI AMC LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Document Control

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ABOUT THE COMPANY

Navi AMC Limited is the Investment Manager to Navi Mutual Fund, which is registered with the Securities & Exchange Board of India (SEBI) with Anmol Como Broking Private Limited as its Sponsor.

Navi Trustee Limited is the trustee to Navi Mutual Fund. In addition to Mutual Fund, Navi offers a range of financial services and products such as Personal Loans, Housing Loans and General Insurance.

PREAMBLE

This policy on related party transactions (the "**Policy**") has been framed in compliance with the provisions pertaining to related party transactions under the Companies Act, 2013 (the "**Act**").

The Board of Directors of the Company (the "**Board**") has duly adopted the following Policy. The Audit Committee and / or the Board, shall review the Policy on a periodic basis and may amend this policy from time to time, as required.

OBJECTIVE

The Policy is aimed at setting out a governance framework for handling related party transactions of the Company in accordance with the Applicable Law. Related party transactions can sometimes present a potential or actual conflict of interest for the Company and therefore, for ensuring best corporate governance standards, the Company should follow certain procedures including obtaining necessary approvals before undertaking any such transactions and make relevant disclosures as prescribed under Applicable Law. This Policy, therefore, is intended to serve as a guidance document for all stakeholders in order to identify and benchmark transactions between the Company and its related parties and deal with such transactions in compliance with Applicable Law. Accordingly, related party transactions may be entered into by the Company only in accordance with this Policy, as amended from time to time.

RELEVANT DEFINITIONS UNDER THE ACT

Particulars	Applicable law	Definition
Who is a related party of the Company?	Section 2(76) of the Act	A person / entity shall be considered as related party to the Company if such person/entity is — (a) a director or his relative; (b) a key managerial personnel or his relative; (c) a firm, in which a director, manager or his relative is a partner; (d) a private company in which a director or manager or his relative is a member or director; (e) a public company in which a director or manager is a director and holds along with his relatives, more than 2 % of its paid-up share capital; (f) any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (g) any person on whose advice, directions or instructions a director or manager is accustomed to act: (nothing in (f) and (g) shall apply to the advice, directions or instructions given in a professional

		capacity); (h) any body corporate which is— ● a holding, subsidiary or an associate company of the Company; ● a subsidiary of a holding company to which it is also a subsidiary; or ● an investing company or the venturer of the Company; (it is clarified that the investing company or the venturer of a Company means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate) (i) a director other than independent director or key managerial personnel of the holding company or his relative. *A director does not include an Independent Director
	Ind AS 24	Such entity who is a related party under the Indian Accounting Standard 24 (Ind AS 24) as prescribed under the Companies (Indian Accounting Standards) Rules, 2015.
	AS 18	Such entity who is a related party under the Accounting Standard (AS) 18 as prescribed under the Companies (Accounting Standards) Rules, 2006

Who is a key managerial personnel?	Section 2(51) of the Act	Key managerial personnel, in relation to the Company, means— (a) the Chief Executive Officer or the managing director or the manager; (b) the company secretary; (c) the whole-time director; (d) the Chief Financial Officer; and (e) 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 (f) such other officer as may be prescribed.
Associate Company	Section 2(6) of the Act	An associate company in relation to a company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement, not in fiduciary capacity.
Audit Committee	Section 177	Audit Committee means the Audit Committee Constituted or re-constituted by the Board of the Company, from time to time.
Relative	Section 2(77) of the Act	A relative with reference to any person, means anyone who is related to another, if: (a) they are members of a Hindu Undivided Family; (b) they are husband and wife; or (c) if he or she is related to another in the following manner, namely: - (i) Father, including step-father. (ii) Mother, including the step-mother. (iii) Son, including the step-son.

		(iv) Son's wife. (v) Daughter. (vi) Daughter's husband. (vii) Brother including the step-brother; (viii) Sister including the step-sister.

APPROVAL OF AUDIT COMMITTEE

1. All related party transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant an omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions:

(a) The Audit Committee shall, after obtaining approval from the board, lay down the criteria for granting the omnibus approval in line with this Policy in respect of transactions which are repetitive in nature;
(b) The Audit Committee satisfies itself about the need for such omnibus approval and that such approval is in the interest of the Company;
(c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into; (ii) the indicative base price/ current contracted price and the formula for variation in the price, if any; and (iii) such other conditions as the Audit Committee may deem fit.

2. Where the need for a 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 crore per transaction.
3. Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.
4. An omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and/or any other transaction the Audit Committee may deem not fit for omnibus approval.

Further, with respect to related party transactions between a holding company and its wholly owned subsidiary, the requirement for an Audit Committee approval shall apply only for such Transactions (*as defined below*) between the Company and its related parties as are contemplated under Section 188.

CRITERIA FOR GRANTING OMNIBUS APPROVAL

The audit committee while specify the criteria for making the omnibus approval which shall include the following:

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

APPROVAL OF THE BOARD

In addition to approval from the Audit Committee, the Company shall be required to obtain the prior approval of the Board for entering into any contract or arrangement with a related party with respect to the transactions mentioned in the table below ("**Transactions**") .

(a) sale, purchase or supply of any goods or materials;
(b) selling or otherwise disposing of, or buying, property of any kind;
(c) leasing of property of any kind;
(d) availing or rendering of any services;
(e) appointment of any agent for purchase or sale of goods, materials, services or property;
(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
(g) underwriting the subscription of any securities or derivatives thereof, of the company:

APPROVAL OF SHAREHOLDERS

1. Where the Transactions exceed certain threshold limits as mentioned below ("**Threshold Limits**"), the consent of the shareholders by way of an ordinary resolution would also need to be obtained, in addition to approval from the Audit Committee and the Board.

#	TRANSACTIONS	THRESHOLD LIMITS
(i)	Sale, purchase or supply of any goods or material, directly or through appointment of agent.	≥ 10 % of the turnover of the Company
(ii)	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of	≥ 10 % of the net worth of the Company
	Agent	

(iii)	Leasing of property any kind	> 10 % of the turnover of the Company
(iv)	Availing or rendering of any services, directly or through appointment of agent	> 10 % of the turnover of the Company
[*The aggregate value of all transactions undertaken during the financial year within an individual category would be considered for the purpose of the limits specified for categories mentioned in (i) to (iv) hereinabove*]		
(v)	Where the contract is for appointment to any office or place of profit in the Company, its subsidiary company or associate company	Where monthly remuneration > INR 2,50,000.
(vi)	Where the contract is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Where remuneration > 1 % of the net worth.

2. The requirement for obtaining shareholders' approval will not apply to Transactions entered into between the Holding company and its wholly owned subsidiary whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval. It is clarified that availing or rendering of service pursuant to a PTC or Direct Assignment transaction with a related party will not require any approval from the Board of Directors or shareholders of the Company so long as the PTC / Direct Assignment transaction is approved by the Finance Committee and the Audit Committee.
3. As a general exception, for Transactions which are entered into by the Company with its related parties in its '*ordinary course of business*' and on an '*arm's length basis*', no approval of the Board or the shareholders would be required; however, the requirement of approval from the Audit Committee would continue to prevail.
4. An arm's length transaction is defined under the Act to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
5. In the absence of a concrete definition for the phrase 'ordinary course of business' under the Act, the following non-exhaustive factors may be considered to assess whether a Transaction falls under the ordinary course of business of the Company:

   - Whether the activity is covered in the objects clause of the Memorandum of Association;
   - Whether the activity is in furtherance of the business of the Company;
   - Whether the activity is normal or otherwise routine for the particular business undertaken by the Company;
   - Whether the activity is repetitive/frequent;

- Whether the income, if any, earned from such activity/transaction is treated as business income in the Company's books of accounts;
- Whether the transactions are common in the particular industry the Company operates in;
- Whether there is any historical practice to conduct such activities;
- The financial scale of the activity with regard to the operations of the Company's business;
- Revenue generated by the activity; and
- Resources committed to the activity.

These are not exhaustive criteria and the Company will have to assess each Transaction considering its specific nature and circumstances.

6. The Audit Committee shall test each related party transaction on materiality, arm's length and ordinary course of business. The Audit Committee will be responsible for overall monitoring and supervision of the framework pertaining to related party transactions in the Company.

7. The approval mechanism set out in this Policy and the Act has been captured in a nutshell hereinbelow:

#	Particulars	Audit Committee Approval	Board Approval	Shareholders' Approval
1.	Transaction in the ordinary course of business AND at arm's length basis	**YES** Omnibus Approval may be granted	**NO**	**NO**
2.	Transaction within the Threshold Limits and either not in the ordinary course of business OR not at arm's length basis	**YES** Omnibus Approval may be granted	**YES**	**NO**
3.	Transaction exceeding the Threshold Limit and either not in the ordinary course of business OR not at arm's length basis	**YES** Omnibus Approval may be granted	**YES**	**YES**

RATIFICATION OF TRANSACTIONS:

In the event the Company becomes aware of any related party transaction involving an amount not exceeding Rs. 1 crore that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee, which shall, basis independent evaluation, ratify, revise, terminate or suggest such other options with respect to such related party transaction. If such transaction is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders 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 or, as the case may be, of the shareholders; 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.

DISCLOSURES OF RELATED PARTY TRANSACTIONS:

The Company shall make the relevant disclosures with respect to the related party transactions of the Company the financial statements in accordance with the Act and the applicable accounting standards and maintain such registers as required under the provisions of the Act.