MIDLAND MICROFIN LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(As per Companies Act, 2013 & RBI Credit Risk Management Directions, 2025)

Policy Name	Related Party Transaction Policy
Unit	Compliance
Policy Owner	Accounts & Finance Department
Document Classification	Public
Effective Date	5 March, 2019
Document Contact Point	Accounts & Finance Department
Regulatory Framework	Companies Act, 2013 (Sec.188); RBI NBFC Credit Risk Management Directions, 2025 (Updated April 2026)

Version No	Prepared By	Reviewed By	Approved By	Last Release Date	Last Review Date
1.0	Compliance Team	Accounts & Finance Department	Board of Directors	05-03-2019	N.A.
1.1	Compliance Team	Accounts & Finance Department	Board of Directors	06-11-2023	N.A.
1.2	Compliance Team	Accounts & Finance Department	Board of Directors	N.A.	08-05-2024
1.3	Compliance Team	Accounts & Finance Department	Board of Directors	N.A.	04-02-2025
1.4	Compliance Team	Accounts & Finance Department	Board of Directors	N.A.	29-01-2026

1. PREAMBLE & BACKGROUND

Midland Microfin Limited (hereinafter referred to as the 'Company') is a Non-Banking Financial Company - Microfinance Institution (NBFC-MFI) registered with the Reserve Bank of India (RBI) and classified as a Middle Layer NBFC under the Scale Based Regulation (SBR) framework.

The Company is committed to the highest standards of corporate governance, ethical conduct, and regulatory compliance. Related Party Transactions (RPTs), if not appropriately governed, can create conflicts of interest and adversely impact the Company's financial health and stakeholder trust. Accordingly, it is essential that all such transactions are conducted on an arm's length basis, are transparent, and are properly authorised, monitored, and disclosed.

This Policy has been formulated to comply with:

- Section 2(76), Section 2(77), and Section 188 of the Companies Act, 2013, read with Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.
- Indian Accounting Standard (Ind AS) 24 – Related Party Disclosures as amended from time to time.
- RBI (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025 as amended from time to time.
- Any other applicable law, regulation, or guideline as may be issued from time to time

2. OBJECTIVES

The objectives of this Policy are to:

- Establish a robust framework for identification, approval, monitoring, and disclosure of Related Party Transactions.
- Ensure that all RPTs are conducted on an arm's length basis and in the ordinary course of business, unless specifically approved;
- Prevent conflicts of interest and protect the interests of the Company and its stakeholders;
- Ensure compliance with the Companies Act, 2013, RBI (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025, and applicable accounting standards;
- Promote transparency and accountability in dealings with Related Parties; and
- Establish aggregate and individual limits for lending to Related Parties as mandated by the RBI.

3. SCOPE & APPLICABILITY

This Policy applies to all transactions, contracts, or arrangements entered into by Midland Microfin Limited with any Related Party, including but not limited to:

- All lending and credit facilities extended to Related Parties;
- Purchase or sale of goods, property, or services involving Related Parties;
- Appointment of Related Parties to any office or place of profit;
- Any other contract or arrangement as specified under Section 188(1) of the Companies Act, 2013.

This Policy is binding on all Directors, Key Managerial Personnel (KMP), Specified Employees, and all other employees of the Company who are involved in identifying, approving, executing, or reporting any transaction with a Related Party.

4. DEFINITIONS

For the purposes of this Policy, the following definitions shall apply:

4.1 Related Party

As per the RBI CRM Directions, 2025 (effective April 1, 2026), 'Related Party' with respect to Midland Microfin Limited means a related person, or any entity where:

- (a) A related person is a partner, manager, KMP, director, or a promoter;
- (b) A related person is a shareholder holding more than 10% of paid-up equity share capital;
- (c) A related person exercises control, whether singly or jointly with another person;
- (d) A related person controls more than 20% of voting rights through ownership, voting agreement, or any other arrangement;
- (e) A related person has the power to nominate a director to the Board [excluding cases where the nomination arises exclusively from a lending or financing arrangement];
- (f) The entity is accustomed to act on the advice, direction, or instruction of a related person [excluding professional advice given in a professional capacity];
- (g) A related person is a guarantor or surety;

- (h) A related person is a trustee, author, or beneficiary and the entity is in the form of a private trust; or
- (i) The entity is related to the related person as a subsidiary, parent, holding company, associate, or joint venture.

Note: Government of India / State Government-owned or controlled entities shall not be treated as Related Parties to Midland Microfin Limited on the sole basis of common Government ownership or control.

4.2 Related Person

'Related Person' with respect to the Company means a person and the relatives of such person, where the person:

- (a) Is a promoter, director, or KMP of the Company;
- (b) Owns more than 5% of paid-up equity share capital or can exercise more than 5% voting rights (singly or jointly) through ownership, voting agreement, shareholders' agreement, or any other arrangement;
- (c) Can, through an agreement with the Company, nominate a director to its Board; or
- (d) Is singly or jointly in control of the Company.

4.3 Relative

'Relative' has the same meaning as assigned under Section 2(77) of the Companies Act, 2013, and includes: Father (including step-father), Mother (including step-mother), Son (including step-son), Son's wife, Daughter, Daughter's husband, Brother (including step-brother), Sister (including step-sister), spouse, and members of a Hindu Undivided Family.

4.4 Key Managerial Personnel (KMP)

As defined in Section 2(51) of the Companies Act, 2013, including the Managing Director, CEO, CFO, Company Secretary, and Whole-Time Director.

4.5 Specified Employees

All employees of the Company positioned up to two levels below the Board, and any employee designated as such by the Company's Board.

4.6 Director

Any director appointed or elected to the Board of Midland Microfin Limited or any other entity.

4.7 Lending (in the context of Related Party)

Extends to funded and non-fund-based credit facilities. Investments in debt instruments of related parties are covered; equity investments are excluded.

4.8 Arm's Length Transaction

A transaction between related parties conducted as if they were unrelated, so that there is no conflict of interest (per Companies Act, 2013).

4.9 Related Party Transaction (RPT)

Any transfer of resources, services, or obligations between the Company and a Related Party, regardless of whether a price is charged, including contracts and arrangements as defined under Section 188(1)(a) to (g) of the Companies Act, 2013.

4.10 Materiality Threshold (Lending)

As prescribed by RBI CRM Directions, for Midland Microfin Limited (Middle Layer NBFC), the materiality threshold applicable at individual transaction level is ₹5 crore. Loans above this limit require Board or Committee approval.

5. IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS

5.1 The Company shall maintain a comprehensive and updated Register of Related Parties, containing all Related Persons and Related Parties as defined under this Policy.

5.2 The Board shall have the overall responsibility for putting in place suitable mechanisms for identification and monitoring of related parties and their transactions.

5.3 Every Director, KMP, and Specified Employee shall annually disclose, and promptly update upon any change, their interests and those of their relatives in any Related Party.

5.4 The Company Secretary / Compliance Officer shall maintain and periodically update the Register and shall circulate it to all relevant departments.

5.5 The types of transactions covered include, without limitation:
- Sale, purchase, or supply of any goods or materials;
- Sale or purchase of property;
- Leasing of property;
- Availing or rendering of any services;
- Appointment of agents;
- Appointment to any office or place of profit;
- Underwriting of securities;
- Extending credit facilities (funded or non-fund-based); and
- Any other transactions as may be prescribed from time to time.

6. APPROVAL FRAMEWORK

6.1 Audit Committee Approval

All Related Party Transactions shall require prior approval of the Audit Committee of the Board. The Audit Committee may grant omnibus approval for repetitive RPTs on an annual basis, subject to the following:
- The Audit Committee shall obtain Board approval before specifying criteria for omnibus approvals;
- Omnibus approvals must specify: the names of related parties, nature and duration of the transaction, maximum transaction amount, and the indicative base price or formula for variation;
- Omnibus approval shall be valid for one financial year only and shall require fresh approval annually;
- Omnibus approval shall not be granted for selling or disposing of any undertaking of the Company;
- Where the need for an RPT is unforeseen and details are not available, omnibus approval may be granted for transactions not exceeding ₹1 crore per transaction; and
- The Audit Committee shall periodically review all transactions entered into under omnibus approvals.

6.2 Board / Committee Approval for Lending to Related Parties

In addition to Audit Committee approval, the following specific approval framework shall apply for lending transactions with Related Parties:

Transaction Amount	Approving Authority	Remarks
Up to ₹5 crore (per transaction)	Delegated authority as per credit/HR policy	Below Materiality Threshold (Middle Layer)
Above ₹5 crore (per transaction)	Board of Directors OR Committee of the Board (other than Audit Committee)	Materiality Threshold for Middle Layer; also requires Audit Committee approval
Personal loans to Directors / KMP (any amount)	Board or Board Committee (above ₹5 crore); delegated authority (below ₹5 crore)	Materiality thresholds apply per individual transaction

The NBFC layer for threshold purposes shall be based on the last audited balance sheet.

6.3 Shareholder Approval (for Material RPTs under Companies Act)

Prior approval of shareholders by ordinary resolution is required where any transaction, individually or taken together with previous transactions during the financial year, exceeds the following thresholds:
- Sale, purchase, or supply of goods/materials or appointment of agent: 10% or more of turnover of the Company;
- Selling, disposing of, or buying property: 10% or more of net worth;
- Leasing of property: 10% or more of turnover;

- Availing or rendering of services: 10% or more of turnover;
- Appointment to office/place of profit: monthly remuneration exceeding ₹2.5 lakhs; and
- Underwriting of securities: exceeding 1% of net worth.

Note: Transactions in the ordinary course of business and on arm's length basis do not require shareholder approval. Also, transactions between the Company and its wholly owned subsidiary (whose accounts are consolidated and placed before shareholders) are exempt from the shareholder approval requirement.

6.4 Board Meeting Agenda Disclosures

The agenda for any Board meeting at which an RPT resolution is proposed shall disclose:

- Name of the related party and nature of the relationship;
- Nature, duration, and particulars of the contract or arrangement;
- Material terms including value;
- Any advance paid or received;
- Manner of determining pricing and commercial terms;
- Whether all relevant factors have been considered; and
- Any other information relevant for the Board's decision.

7. AGGREGATE LIMITS & EXPOSURE NORMS FOR LENDING TO RELATED PARTIES

7.1 The Board shall specify aggregate limits for loans to Related Parties in the credit policy. Within the aggregate limit, sub-limits shall be fixed for:

- Loans to a single Related Party; and
- Loans to a group of Related Parties.

7.2 All limits shall be within the extant prudential exposure limits prescribed by the Reserve Bank of India.

7.3 The Company shall maintain the total exposure to any Related Party within the single/group borrower exposure limits prescribed by the RBI. Any breach of these limits shall require Board review and rectification within a stipulated timeline.

7.4 The materiality threshold for Midland Microfin Limited as a Middle Layer NBFC is ₹5 crore per individual transaction. This threshold may vary for different categories of loans to related parties, subject to the ceiling of ₹5 crore.

8. RECUSAL OF INTERESTED PARTIES

8.1 Any Director, KMP, or Specified Employee who has a personal interest in any RPT (including transactions involving themselves or their relatives) shall:

- Disclose such interest to the Board at the earliest;
- Recuse themselves from the deliberations and decision-making on that proposal;
- Not be present at the meeting during discussions on the subject matter; and
- Not vote on the resolution, including in the case of RPTs requiring shareholder resolution.

8.2 Recusal shall also extend to:

- Decisions on subsequent material changes to the terms of related party loans;
- One-time settlements, write-offs, and waivers;
- Enforcement of security; and
- Implementation of resolution plans.

8.3 At every Board meeting, the Chairperson shall enquire at the commencement whether any Director has an interest in any matter on the agenda, and Directors shall make disclosure accordingly.

9. LENDING TO SPECIFIED EMPLOYEES & RELATIVES

9.1 The credit policy shall contain specific provisions for lending to Specified Employees of the Company and their relatives.

9.2 Such lending shall be governed by the materiality thresholds and approval frameworks set out in Sections 6 and 7 of this Policy.

9.3 Credit facilities sanctioned to Specified Employees and their relatives shall be reported to the Board on an annual basis.

10. MONITORING & OVERSIGHT

10.1 The Company shall establish and maintain a system for periodic review and monitoring of all RPTs and related party lending, including:

- Maintaining and periodically updating a Register of Related Persons and Related Parties;
- Tracking all loans sanctioned to Related Parties against approved limits;
- Reviewing transactions for compliance with this Policy and applicable regulations; and
- Ensuring prompt reporting of deviations to the appropriate authority.

10.2 Internal Audit shall conduct periodic reviews (at least quarterly) to verify whether guidelines and procedures relating to RPTs and related party lending are being adhered to.

10.3 Any deviation from this Policy and the reasons therefor shall be reported to the Audit Committee of the Board. In cases where an Audit Committee has not been formed, such deviations shall be reported directly to the Board.

10.4 The Company shall ensure that no product, entity, or structure is formed with the objective of circumventing these requirements through reciprocal lending or quid pro quo arrangements. Any such arrangement identified by auditors, the supervisory authority, or investigating agencies shall be treated as lending to a Related Party.

11. WHISTLEBLOWING MECHANISM

11.1 The Company's credit and RPT policy shall include a whistleblowing mechanism as required under the RBI CRM Directions. This mechanism shall:

- Encourage employees to communicate, confidentially and without risk of reprisal, legitimate concerns about irregular, unethical, or questionable loans to Related Parties;
- Eliminate quid pro quo arrangements; and
- Provide for protection of whistle-blowers from victimisation.

11.2 Complaints received under the whistleblowing mechanism relating to RPTs shall be escalated to the Audit Committee without delay.

12. DISCLOSURE & REPORTING

12.1 Board's Report

All RPTs entered into during the year shall be disclosed in the Board's Report to shareholders, along with the justification for entering into each transaction.

12.2 Financial Statement Disclosures (Ind AS 24 / AS 18)

In accordance with Ind AS 24 and AS 18, the Company shall disclose in its financial statements:

- Nature of related party relationships;
- Nature and amount of all RPTs during the reporting period;
- Outstanding balances, including commitments, at the balance sheet date;
- Terms and conditions of outstanding balances, including security and nature of consideration;
- Provisions for doubtful debts on outstanding related party balances;
- KMP compensation (in total and by category: short-term benefits, post-employment, long-term benefits, termination, share-based payment); and
- Any other disclosure as required under applicable accounting standards.

Disclosures shall be made separately for each category: parent, entities with joint control/significant influence, subsidiaries, associates, joint ventures, KMP/parent KMP, and other related parties. Items of a similar nature may be aggregated except where separate disclosure is necessary for a proper understanding.

12.3 Annex Disclosure (RBI Format)

As required under the RBI CRM Directions, the Company shall prepare and include in its Annual Report the disclosure in the format prescribed in Annex I of the Directions, covering loans to Directors, Senior Officers (KMP/Specified Employees), and their relatives (current year vs. previous year, in ₹ crore).

12.4 Annual Report to Board

Credit facilities sanctioned to Specified Employees and their relatives shall be specifically reported to the Board on an annual basis.

13. ENFORCEMENT & CONSEQUENCES OF NON-COMPLIANCE

13.1 Under the Companies Act, 2013: Any Director or employee who enters into or authorises an RPT in violation of Section 188 shall be liable to a penalty of ₹5 lakhs (for non-listed companies). Additionally, any such contract may be voidable at the option of the Board or shareholders.

13.2 Under the RBI CRM Directions: Any non-compliance with or circumvention of the Related Party Lending provisions shall result in supervisory and enforcement actions by the Reserve Bank, which may include:

- Monetary penalties;
- Requirement for full provisioning;
- Directions to conduct staff accountability exercises;
- Forensic audits; and
- Restrictions or any other supervisory/enforcement actions as deemed fit by the RBI.

13.3 Internally, any employee found to have knowingly concealed a related party interest, facilitated an unauthorised RPT, or participated in circumventing this Policy shall be subject to appropriate disciplinary action in accordance with the Company's HR and Conduct policies.

14. OTHER REGULATORY REQUIREMENTS

14.1 In addition to the above, if and when Midland Microfin Limited becomes a High Value Debt Listed Company or Equity Listed entity, it shall comply with all applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

14.2 The provisions of this Policy are in addition to, and not in derogation of, any other applicable laws, rules, or regulations.

15. REVIEW & AMENDMENT OF POLICY

15.1 This Policy shall be reviewed by the Board at least annually, or more frequently as necessitated by:

- Any amendment to the Companies Act, 2013, or rules thereunder;
- Any revision to the RBI CRM Directions or other RBI guidelines;
- Material change in the Company's business or structure; or
- Recommendation of the Audit Committee.

15.2 Any amendment to this Policy shall require approval of the Board of Directors and shall be communicated to all relevant employees.

15.3 The Compliance Officer / Company Secretary shall maintain version history and ensure the most current version of this Policy is accessible to all concerned.

AUTHORISATION & ADOPTION

This Policy on Related Party Transactions has been adopted by the Board of Directors of Midland Microfin Limited at its meeting held on ______________________.

ANNEXURE A – RBI FORMAT: LOANS TO DIRECTORS, SENIOR OFFICERS & THEIR RELATIVES

(As per Annex I of RBI CRM Directions, 2025 – amounts in ₹ crore)

Category	Current Year	Previous Year
Directors and their Relatives		
Entities Associated with Directors and their Relatives		
Senior Officers (KMP / Specified Employees) and their Relatives		

Note: To be filled in and included in the Annual Report / Notes to Accounts as per applicable regulatory requirements.