

CFM ASSET RECONSTRUCTION PRIVATE LIMITED

RELATED PARTY TRANSACTION POLICY  
&  
STANDARD OPERATING PROCESS

Valid up to November 23, 2024

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# CFM ASSET RECONSTRUCTION PRIVATE LIMITED

## RELATED PARTY TRANSACTION POLICY

### 1. Introduction

This policy is intended to ensure proper approval and reporting of transactions between CFMARC and any of its related parties. This policy shall apply to all transactions entered into by the company with its related parties as per the Companies Act, 2013, and all other applicable laws as amended from time to time. The policy sets forth the nature of related party transactions, the procedures for dealing with the Related Party Transactions including the process for their review, approval and ratification as permitted. This policy intends to ensure that the transactions of CFMARC with its related parties are undertaken on the basis of best practices and in accordance with the provisions of the Companies Act, 2013.

### 2. Applicability

This Policy applies to transactions between CFMAFRC and its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as "Related Party Transaction".

### 3. Definitions

**"Arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 to discharge its functions as the Audit Committee.

**"Board"** means Collective body of the Directors of the Company.

**"Control"** shall have the same meaning as defined in Companies Act, 2013.

**"Effective date"** means the date in which the Board approves the policy.

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and applicable Accounting Standards, as the case may be, and includes:

- (i) Managing Director, or Chief Executive Officer or manager;
- (ii) Whole-time Director
- (iii) Company Secretary; and
- (iv) 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 from time to time

**“Material Related Party Transaction”** means a transaction with a related party shall be considered if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% percent of the annual turnover of the company as per the last audited financial statements of the company.

**“Ordinary Course of Business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, providing loan to subsidiaries/joint ventures/obtaining a loan from holding companies in the normal routine in managing trade or business and is not a standalone transaction and includes any transaction carried out as per the Object Clause of Memorandum of Association and Articles of Association of the Company.

*Note: The Company may take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the ordinary course business.*

**“Office or place of profit”** means any office or place—

- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he/she is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**“Policy”** means this Related Party Transaction Policy.

**“Related Party”** means related party as defined under sub- section (76) of Section 2 of the Companies Act 2013 or under the applicable accounting standards.

As defined under sub- section (76) of Section 2 of the Companies Act 2013, Related party with reference to a company, means —

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;
5. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
6. 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;

7. any person on whose advice, directions or instructions a director or manager<sup>^</sup> is accustomed to act:

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company

*Note: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.*

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if -

- (i) They are members of a Hindu undivided family;
- (ii) They are husband and wife; or
- (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)

#### **4. Identification of Related Party Transactions**

The Compliance Team shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

The Compliance team shall obtain the following details from the Directors & KMPs:

- i. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
- ii. Declaration of relatives by all Directors and KMPs'.
- iii. Declaration about a firm in which a Director/ Manager or his relative is a partner.
- iv. Declaration about a private Company in which a Director or Manager or his relative is a member or director.
- v. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
- vi. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
- vii. Declaration by Holding Company regarding its Directors/KMPs' and their relatives.
- viii. Details of 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 of the Company.
- ix. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:
  - x. Provided that nothing in point no.8& 9 shall apply to the advice, directions or instructions given in a professional capacity.
- xi. Details of any Company which is
  - (a) a holding, subsidiary or an associate company of such company; or
  - (b) a subsidiary of a holding company to which it is also a subsidiary.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the

said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

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

### **a) Audit Committee**

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee, whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards.

Internal Auditors/Statutory Auditor shall verify the process of ascertaining the Related Party Transaction(s) and their correct recording/listing etc. as well as their classification regarding whether they are on arm's length basis.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in Companies Act, 2013 and Rules made thereunder, as amended from time to time. 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) such other conditions as the Audit Committee may deem fit;

Audit Committee shall review, atleast on Annual basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

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

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its approval, the approval of the Audit Committee can be granted by way of a circular resolution.

The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

## **b) Board and the Shareholders**

The Board shall approve such Related Party Transactions as are required to be approved under Act and /or transactions referred to it by the Audit Committee.

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

- Transactions in respect of which the Audit Committee is unable to determine 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;
- Transactions which are in the ordinary course of business and at arm's length basis, does not require Board approval.
- Material Related Party Transactions as well as Related Party Transactions requiring shareholders' approval under Section 188 of the Companies Act, 2013 and Rules made thereunder, which are intended to be placed before the shareholders for approval.

Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered.

Further, all such Related Party Transactions exceeding the threshold limits prescribed in the Act shall also require prior approval of shareholders of the Company and Related Party/ies shall abstain from voting on such resolution.

## **6. Voting**

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the related party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

- If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter
- Members who are related parties in the context of the related party contract or arrangement for which ordinary resolution is to be passed shall not vote to approve on ordinary resolution and only disinterested shareholder



#### **7. Related Party Transactions should be at Arm's Length Price (ALP)**

All related party transactions should be adequately supported by Contracts or purchase orders/ work order or sales order and documentations to justify ALP.

If ALP cannot be justified for any transaction, then, only after the approval from the Audit Committee, approval should be taken from Board and / or shareholders, if applicable.

#### **8. Reporting & Disclosure of Related Party Transactions**

Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013. The Company shall disclose the policy on dealing with Related Party Transactions on its website and disclose the weblink where such policy is available in the Annual Report.

This Policy will be communicated to all operational employees and other concerned personnel of the Company.

#### **9. Deviations from the Policy**

Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules there under and must be approved in the manner as may be decided by the Board of Directors.

#### **10. Policy Review & Amendments**

The Policy shall be reviewed by the Board at least once every year pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines/ norms /clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act / regulation will have overridden effect on the parameter(s).

The validity of this Policy may be extended with the approval of the MD/CEO/official authorised by the Board for a period not exceeding 3 months or till the Policy is reviewed by the Board, whichever is earlier. However, endeavour must be made to ensure timely review/renewal of the Policy.

#### **Annexure on Amendments, Renewal of Policies, etc.**

<b>Sr No.</b>	<b>Particulars (Amendment/ Renewal etc.)</b>	<b>Date</b>	<b>Approved by</b>
1	Approval of Policy	November 10, 2022	Board of Directors
2	Annual Review	November 24, 2023	Board of Directors