

CFM ASSET RECONSTRUCTION PRIVATE LIMITED

RELATED PARTY TRANSACTION POLICY

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1. Introduction

This Related Party Transactions Policy ("Policy") is as adopted by the Board of Directors of CFM Asset Reconstruction Private Limited ("CFMARC" or the "Company").

This policy is intended to ensure identification of related parties (defined below) and appropriate 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 ("the Act"), and all other applicable laws as amended from time to time. The policy sets forth the nature of related party transactions (defined below), the procedures for identification of Related Parties and dealing with the Related Party Transactions including the process for their review, approval and ratification as permitted by any law/ regulation for the time being in force. 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. Also, the Related Party Transactions is reported/ disclosures in financial statements shall be made as required under IND AS/ IGAAP as may be applicable.

2. Objective

CFM ARC recognizes that Related Party Transactions (as defined below) may present potential or actual conflict of interest and may pose questions whether such transactions are in the best interests of the company and its stakeholders or not. Therefore, the objective of this policy is to ensure due and timely identification of the transactions between CFMARC and its Related Parties (defined below) in compliance with the applicable laws and regulations and to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions (defined below) in the best interest of CFM ARC and its shareholders.

3. Definitions

"Arm's length transaction" or "Arm's Length Basis" means a transaction between two related parties that is;

- a) conducted as if they were unrelated, so that there is no conflict of interest;
- b) acts/ arrangements have been commercially negotiated;
- c) pricing is arrived at as per the rule/guidelines that may be issued by/ under the Income Tax Act, 1961, as amended, the Reserve Bank of India, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated or the Listing Regulations;
- d) 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 from time to time.

“Audit Committee of the Board” means audit committee constituted in accordance with the provisions of the Reserve Bank of India and Companies Act, 2013, as amended.

“Board” means board of 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;
- (iv) Chief Operating Officer
- (v) Chief Compliance Officer
- (vi) Chief Risk Officer

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.;

“Material Related Party Transaction” means any transaction with a related party, as defined hereunder, which is considered material if the transaction(s) whether entered into individually or taken together with previous transactions during a financial year exceeds the below threshold

- i. sale, purchase or supply of any goods or materials, directly or through appointment of agent amounting to 5% or more of the turnover of the Company;
- ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent amounting to 5% or more of the net worth of the Company;
- iii. leasing of property of any kind amounting to 5 % or more of the turnover of the company;
- iv. availing or rendering of any services, directly or through appointment of agent amounting to 5% or more of the turnover of the Company;
- v. appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees or;
- vi. remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth

Explanation

- i. The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.
- ii. It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

“Ordinary Course of Business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular.
- iii. The transaction is permitted by the Memorandum and Articles of Association of the company.
- iv. The transaction is a source of income for the business.
- v. Transactions that are part of the standard industry practice, even though the company may not have done it in the past.

“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:

- A. sub- section (76) of Section 2 of the Companies Act 2013, Related party with reference to a company, means—
 - i. a director or his relative;
 - ii. key managerial personnel or his relative;
 - iii. a firm, in which a director, manager or his relative is a partner;
 - iv. a private company in which a director or manager or his relative is a member or director;

- v. 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;
- vi. 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;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act;
- viii. Any body corporate which is holding or subsidiary or an investing company or the venturer of a company;

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

- B. under Ind AS 24 – includes fellow subsidiaries, associates, joint ventures, persons exercising control, joint control or significant influence over the Company, their close family members, entities controlled or significantly influenced by such persons, and post-employment benefit plans relating to the employees of the Company or its related entities.

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party of the Company, 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/ agreement and includes any transaction which is defined as a "related party transaction" under relevant provisions of the Companies Act, 2013, as amended, the rules prescribed thereunder, the applicable accounting standards or any other related law, regulation or standard in force from time to time.

“Relative” shall have the meaning as defined under section 2(77) of the Companies Act, 2013 and the rules prescribed thereunder and as amended from time to time.

Accordingly, for the purpose of this Policy, “Relative” means 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)

Any other term not defined herein shall have the same meaning as defined in the Act.

4. Identification of Related Party Transactions

The Company Secretary shall at all times maintain a database of Company’s Related Parties containing the names of individuals, Companies or any other person, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein. The Company Secretary shall follow a process of identification of any new related party/ updating of related parties at least once in a year or any time in case of any changes by taking details and declarations from the Directors and KMPs of the Company.

The Company Secretary shall obtain the following details/ declarations on an annual basis:

- 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. viii & ix 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 the company; or
 - (b) a subsidiary of a holding company to which the Company is also a subsidiary.

For the purpose of implementing the provisions under this Policy, the Board of Directors, the Audit Committee of the Board and the Shareholders 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 and/or the Shareholders 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

All Related Party Transaction	Audit Committee of the Board
- All Related Party Transactions referred by Audit Committee for approval of the Board to be considered and - All Related Party Transactions not in the Ordinary Course of Business or not on Arm's Length Basis or - Material Related Party Transactions	Board of Directors
All Material Related Party Transactions which are not on Arm's Length Basis or in the Ordinary Course of Business.	Shareholders' Approval

Ratification

- a. Any Related Party Transaction which requires approval of the Audit Committee and/or the Board and/or Shareholders as set out above (such authority as applicable, "**Appropriate Authority**"), but entered into without obtaining such prior approval, may, subject to applicable provisions of the Act, be subsequently ratified by the Appropriate Authority,

provided that the said Related Party Transaction is not detrimental to the interest of the Company.

- b. If the Appropriate Authority decides not to ratify a particular transaction, as set out above, it may require the director (whose Related Party has been transacted with for such Transaction) or the director who authorised such transaction, to reimburse the benefits which might have accrued and/or indemnify the Company with regard to the subject Related Party Transaction.
- c. It is clarified that the provisions of the Act with respect to ratification of any Related Party Transaction shall apply and are incorporated herein by reference.

6. Audit Committee of the Board

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee of the Board, at a meeting of the Audit Committee of Board as provided by the Act and Rules made thereunder read with applicable Secretarial Standards prescribed by the Institute of Company Secretaries of India.

Internal Auditors 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 Statutory auditor shall also verify the RPT transactions as per their scope of work and report in their CARO reporting.

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 transactions before the Audit Committee in its next meeting.

The following Related Party Transactions can be approved by the Audit Committee of the Board and may not require Board/ Shareholders approval: -

- i. transactions between CFM ARC and wholly owned subsidiaries (if any) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; or
- ii. transactions which are in the Ordinary Course of Business; or
- iii. transactions which are on Arm's Length Basis, or
- iv. transactions which are not material related party transaction.

The information provided in the agenda of the Audit Committee of the Board at which the resolution is proposed to be passed shall inter alia, specifically cover the following:

- ✓ the name of the related party and nature of relationship;

- ✓ the nature, duration of the contract and particulars of the contract or arrangement;
- ✓ the material terms of the contract or arrangement including the value, if any;
- ✓ any advance paid or received for the contract or arrangement, if any;
- ✓ the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- ✓ Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- ✓ any other information relevant or important for the Audit Committee of the Board to take a decision on the proposed transaction.

Any member of the Audit Committee of the Board who has a potential interest in any Related Party Transaction shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors and/or Shareholders as per terms of this policy except for certain transactions which have been specified herein above which can be approved by ACB directly.

7. Omnibus Approval on an Annual Basis

The Audit Committee of the Board may grant omnibus approval for Related Party Transactions in the nature of recurring or repetitive transactions in Ordinary Course of Business with Related Parties.

The Audit Committee of the Board shall review on an annual basis the aforesaid Related Party Transactions entered into by the company pursuant to each of the omnibus approval given. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. The Audit Committee of the Board shall, specify the criteria for making the omnibus approval which shall include the following:

- i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- ii. the maximum value per transaction which can be allowed;
- iii. extent and manner of disclosures to be made to the Audit Committee of the Board at the time of seeking omnibus approval;
- iv. review, at such intervals as the Audit Committee of the Board may deem fit, Related Party Transaction entered into by the company pursuant to each of the omnibus approval made;
- v. transactions which cannot be subject to the omnibus approval by the Audit Committee of the Board.

The Audit Committee of the Board shall also consider the factors while specifying the

criteria for making omnibus approval, namely: -

- i. repetitiveness of the transactions (in past or in future).
- ii. justification for the need for omnibus approval.

The Audit Committee of the Board shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

The omnibus approval shall contain or indicate the name of the Related Parties, nature and duration of the transaction, maximum amount of transaction, indicative base price or current contracted price and the formula for variation in the price, if any and any other information relevant or important for the Audit Committee of the Board to take a decision on the proposed transaction.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee of the Board may make omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

8. Approvals by the Board of Directors

The Board shall review and approve such Related Party Transactions as are required to be approved under this Policy.

Except with the consent of the Board given by a resolution at a meeting of the Board, the company shall not enter into any contract or arrangement with a related party with respect to:

- 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 subsidiaries or associates, and
- vii. underwriting the subscription of any securities or derivatives thereof, of the company

Provided that no contract or arrangement, which is a Material Related Party Transaction, shall be entered into except with the prior approval of the Shareholders by a special resolution.

A director who is interested in any contract or arrangements with a Related Party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement and abstain from voting on the approval of such Related Party Transaction.

The information provided in the agenda of the Board meeting at which the resolution is proposed to be passed shall inter alia specifically cover the following:

- i. the name of the related party and nature of relationship;
- ii. Any existing transaction with the same related party
- iii. the nature, duration of the contract and particulars of the contract or arrangement;
- iv. the material terms of the contract or arrangement including the value, if any;
- v. any advance to be paid or received for the contract or arrangement, if any;
- vi. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vii. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- viii. any other information relevant or important for the Board to take a decision on the proposed transaction.

9. Shareholders' Approval

All Material Related Party Transactions not on Arm's Length Basis nor in the Ordinary Course of Business shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

The explanatory statement to be annexed to the notice of a general meeting shall inter alia contain the following particulars namely:

- i. name of the related party;
- ii. name of the director or key managerial personnel who is related, if any;
- iii. nature of relationship;
- iv. nature, material terms, monetary value and particulars of the contract or arrangement;
- v. any other information relevant or important for the members to take a decision on the proposed resolution.

Any member of the company who has a potential interest in any Related Party Transaction shall recuse himself or herself and abstain from discussion and vote on the approval of the Related Party Transaction.

All entities falling under the definition of Related Parties shall not vote to approve the resolution being placed before the shareholders, irrespective of whether the entity is a related party to the transaction or not.

10. Material Related Party Transactions

All Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

11. 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 shall recuse himself and shall not be present at the Board meeting of the Company during discussions on the subject matter of the resolution relating to such contract or arrangement and abstain from voting on the approval of such Related Party Transaction.

12. Related Party Transactions should be at Arm's Length basis

The Audit Committee of the Board shall, in respect of the Related Party Transactions referred to them for approval, after considering the materials/ documents/ information placed before them; judge if the transaction is in the Ordinary Course of Business or at Arm's Length Basis.

All related party transactions should be adequately supported by Contracts or purchase orders/ work order or sales order and documentations to justify arm's length. Any transaction at arms' length on ordinary course of business can be approved by the Audit Committee of the Board.

If arms' length cannot be justified for any transaction, then, approval should be taken from Board and / or shareholders, as applicable post recommendation from the Audit Committee of the Board.

13. Reporting & Disclosure of Related Party Transactions

The Company shall maintain the statutory register of contracts and arrangements with related parties in accordance with Section 189 of the Companies Act, 2013 and applicable rules.

Director's report shall contain details of Related Party Transactions as required under the Act. The Company shall disclose the policy on its website and disclose the weblink where such policy is available in the Annual Report. Disclosure in financial statements shall be governed by INDAS 24 when under IND AS, and under AS 18 when under IGAAP.

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

14. Deviations from the Policy

Any exceptions to the Policy 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.

15. Policy Review & Amendments

The Policy shall be reviewed by the Board at least once every two years or earlier pursuant to any amendments in any applicable acts / regulations/ rules/ guidelines etc.

Annexure on Amendments, Renewal of Policies, etc.

Sr No.	Particulars (Amendment/ Renewal etc.)	Date	Approved by
1	Approval of Policy	November 10, 2022	Board of Directors
2	Annual Review	November 24, 2023	Board of Directors
3	Annual Review	November 13, 2024	Board of Directors
4	Annual Review	September 19, 2026	Board of Directors