

POLICY ON RELATED PARTY TRANSACTIONS



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(1) OVERVIEW

This Policy is being framed with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions in the **Companies Act, 2013** (“Act”), the **Rules made thereunder** and the applicable provisions of the “**Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023**”.

Related Party Transactions referred to throughout this Policy shall mean contracts / arrangements / transactions with a Related Party (as defined under the Act). Accordingly, Related Party Transactions may be entered into by the Company only in accordance with this Policy as amended from time to time.

(2) PURPOSE

The Policy intends to define a governance framework for proper approval and reporting of transactions between Exclusive Leasing and Finance Private Limited (“the Company”) and its Related Parties. The Company is required to disclose each year in the Financial Statements and the Board Report all material transactions between the Company and Related Parties. The Company is also required to disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto to be provided in the Annual Report.

(3) DEFINITIONS

- a) “**Board**” means the Board of Directors of the Company constituted under provisions of the Companies Act, 2013.
- b) “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes
 - i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
 - ii. Company Secretary; and
 - iii. Chief Financial Officer
- c) “**Material Related Party Transaction**” means a transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover of the company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 from time to time.
- d) “**Related Party**”: An entity shall be considered as related to the Company if:

- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013;
- ii. Such entity is a related party under the applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)

As per Section 2(76) of the Act, Related Party with reference to a company means:

- (i) a director or his relative;
- (ii) a 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;

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

- (viii) any body corporate which is—
 - a) a holding, subsidiary or an associate company of such company;
 - b) a subsidiary of a holding company to which it is also a subsidiary;
 - or
 - c) an investing company or the venturer of the company;"

Provided that nothing in sub-clauses (viii) shall apply to the transaction as mentioned under section 188 (1) (a to g);

- (ix) Director other than an Independent Director or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party;
- (x) such other person as may be prescribed;

Note: The above clause (viii) shall not be applicable for the transaction mentioned in clause (a) to (g) of sub-section (1) of Section 188 of the Act – vide Notification dated June 5, 2015 issued by Ministry of Corporate Affairs

“Ordinary course of Business” means a transaction which is:-

- i. Carried out in the normal course of business as envisaged in the Memorandum of Association of the Company as amended from time to time;
- ii. Activities carried out in promoting and or in furtherance of the company’s business objective;
- iii. Historical practice with a pattern of frequency; or
- iv. Common commercial practice; or

v. Meets any other parameters/criteria as decided by Board

- e) **“Related Party Transaction”** shall mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and/ or applicable Accounting Standards issued by the ICAI.

(4) POLICY STANDARDS

All Related Party Transactions must be reported to the Board as the case may be and referred for approval to the relevant authorities in accordance with this Policy.

A) Identification of Potential Related Party Transactions

For identification of the Related Parties, the Secretarial function shall prepare/ update a Related Parties (RP) list basis intimations received from the Directors / KMPs or changes in corporate or investment structure, as informed from time to time. The names/ details of all RPs identified shall be consolidated as a RP List, which shall be updated on a regular basis by the Secretarial Team. The updated RP List will be shared with the all relevant functions and shall be referred by the Controllershship/ Finance Team for monitoring of the transactions and ensuring compliance at their end.

Each director and Key Managerial Personnel shall be responsible for providing notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board may reasonably request. The Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company’s directors and KMP shall endeavor to intimate such notice of any potential Related Party Transaction well in advance so that the Board has adequate time to obtain and review information about the proposed transaction.

All Related Party Transactions for the period, reported to the Company Secretary, shall be placed for approval / noting / ratification by the Board of Directors, in accordance with this Policy. To review a Related Party Transaction, the Board will be provided with all the relevant information pertaining to the Related Party Transaction, including the name of the related party, the nature of the relationship, nature of the transaction, whether the transaction is in the ‘Ordinary Course of Business’, whether the transaction is at ‘Arm’s Length’ and/or in terms of the transfer pricing norms prescribed under the Income Tax Act, 1961 (as the case may be) and any other matter, as may be required.

B) Prohibitions related to Related Party Transactions

All Related Party Transactions defined/ stipulated under the Companies Act, 2013 shall require prior approval of the Board. For any ratification or exception, parameters mentioned in this Policy shall be followed.

C) Broad Parameters to assess “Ordinary Course of Business”

The phrase “Ordinary Course of Business” has not been defined under the Act or Rules made thereunder. However, the Company shall adopt a reasonable approach/ methodology to demonstrate ‘Ordinary Course of Business’ which shall, inter alia, include the Nature of the transaction, the frequency / regularity / length of time the company is engaged such transaction, such transaction/ action is consistent with the past practices and was taken in the ordinary course of the normal day-to-day operations of such company, common commercial practice i.e. customarily taken, in the ordinary course of the normal day-to-day operations of other companies that is in the same / similar line of business.

D) Broad Parameters to assess “Arm’s Length”

For transactions between two related parties to be considered to be at Arm’s Length Pricing, the transaction should be conducted between the two parties as if the parties were unrelated, so that there is no conflict of interest i.e. Arm’s Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods/ services, risk assumed, assets/ resources employed, key terms/ covenants.

The Management may (if a need is felt), consult / engage any external legal / transfer pricing expert / valuer to assess / determine the arm’s length pricing of a potential related party transaction.

E) Materiality Thresholds for Related Party Transactions

- a. The Company will follow Materiality Thresholds for Related Party Transactions as defined in the Policy under the definition section.
- b. The Company shall institute an appropriate framework to provide for approvals / noting of all Related Party Transactions to comply with this Policy.

F) Review and Approval of Related Party Transactions

Except in respect of transactions entered into by the Company in its ordinary course of business (other than transactions which are not on an arm’s length basis), the Company shall not enter into any contract or arrangement with its Related Parties with respect to the matters specified in Section 188(1) of the Act, without the following prior approvals:

- (i) Approval of the Board of Directors given by way of a resolution at a meeting of the Board and subject to such conditions as may be prescribed by the Board; and
- (ii) Approval of the shareholders of the Company by ordinary resolution in case the contract or arrangement falls within the criteria specified as per Section

188(1) read with the Companies (Meetings of Board and its Powers) Rules, 2014.

All RPT specified in the Companies Act, 2013 which are not in Ordinary Course of Business of the Company or not at Arm's Length Basis and exceed the thresholds laid down in the Companies Act, 2013 and Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time, shall be placed before the shareholders for its approval. Notwithstanding, the RPTs which cross the thresholds as defined herein shall be entered by the Company only with the prior approval of shareholders of the Company, as per sec 188 of the Act.

Related Party Transactions will be referred to the next regularly scheduled meeting of the Board for review /noting and/ or approval as above. Any member of the Board who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and/ or voting on the approval of the Related Party Transaction. In the event the management determines that it is impractical or undesirable to wait until a meeting of the Board for the approval of a Related Party Transaction, due to business exigency or otherwise, such transaction may be approved by the Board by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force.

To review a Related Party Transaction, the Board will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Board may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or

indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board deems relevant.

If it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(5) Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by Board. The Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Board under this Policy, and shall take any such action it deems appropriate.

In any case, where the Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

The relevant aspects of this Policy will be communicated to all the directors and concerned employees/ officials of the Company.

(6) AMENDMENT TO THE POLICY

The policy may be amended from time to time by the Board of Directors

(7) APPLICABILITY

The policy shall be effective from the date notified by the Board of Directors.