

CHOICE FINSERV PRIVATE LIMITED

RELATED PARTY TRANSACTIONS POLICY

Summary of Policy

Policy Name	Related Party Transactions Policy
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Policy Owner	Finance & Accounts
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Recommended By	Mr. Vijendra Singh Shekhawat (CEO)
Approver	Board of Directors of CFPL

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1. Introduction

Choice Finserv Private Limited ("CFPL") is a Non-Banking Financial Company classified under Base Layer category pursuant to Master Direction -Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India, as amended from time to time and in order to establish best industry practices & governance structure, the Company would like to implement the provisions applicable to Middle Layer NBFCs. Accordingly, this Policy has been framed, considering RBI Guidelines, which will be applicable to Middle Layer NBFCs and pursuant to applicable provisions of Companies Act, 2013.

2. Objective/Purpose

The Policy is framed in accordance with the provisions of the Scale Based Master Directions and in accordance with the provisions of Companies Act, 2013.

The Related Party Transactions shall be entered into by the Company, in accordance with this Policy.

3. Definitions

The Related Party shall be as defined under the Companies Act, 2013 and the Rules framed thereunder and the applicable Accounting Standards.

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 holds along with his relatives, more than two per cent of its paid-up share capital;
- VI. anybody 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. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- IX. 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;
 - c) an investing company or the venture of the company;

- X. A Director, other than independent director or key managerial personnel of the holding company or his relative with reference to a company;

Key Managerial Personnel (KMP) shall mean:-

- (i) the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
- (ii) the Company Secretary;
- (iii) the Chief Financial Officer; and
- (iv) Such other person as may be specified as KMP from time to time.

Associate Company in relation to another 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.

Explanation—For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“Related Party Transactions” means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

A transaction with a Related Party shall be deemed to include single transaction or a group of transactions in a contract.

“Material Related Party Transactions” means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the below mentioned threshold limits as per the last audited financial statements of the Company.

#	Transactions	Threshold Limits
1	Sale, purchase or supply of any goods or materials, directly or through appointment of agent	> 10 % of the turnover of the Company
2	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	> 10 % of the net worth of the Company
3	Leasing of property any kind	> 10 % of the turnover of the Company
4	Availing or rendering of any services directly or through appointment of agent	> 10 % of the turnover of the Company
5	Appointment of any person in the office or any place of profit in the company, its subsidiary or associate company	Where monthly remuneration > INR 2,50,000
6	Remuneration for underwriting of subscription of any securities or derivatives of the Company	Where remuneration > 1 % of the net worth

4. Review and approval of the Related Party Transactions

1. The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented to the Committee:
 - (i) the name of the Related Party and the basis on which such person or entity is a Related Party;
 - (ii) the Related Party's interest in the transactions, including the Related Party's position or relationship with, or ownership of, any entity that has an interest in the transactions;
 - (iii) the approximate monetary value of the transactions of the Related Party's interest in the transactions;

- (iv) general description of the transactions, including material terms and conditions, if any;
 - (v) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
 - (vi) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
 - (vii) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;
 - (viii) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally; and
 - (ix) any other material information regarding the transactions or the Related Party's interest in the transactions.
2. No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to which such member or any of his/her relative is a Related Party.
 3. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.
 4. If any additional Related Party Transactions is proposed to be entered into subsequent to the Committee's approval, management shall present such transactions to the Committee for approval before entering into such transactions.

5. Approval of Shareholders

Shareholder's approval shall be sought for transactions with the related parties which are either not in the 'Ordinary Course of Business' or are not on an 'Arm's Length Basis' and exceeds the threshold as prescribed under and under section 188 of the Companies Act, 2013 and the rules thereunder, amended from time to time, shall also require the prior approval of the shareholders through ordinary resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not:

No member of the Company shall vote on ordinary resolution, to approve any contract or arrangement which may be entered by the Company, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed.

The approval of the Board and the shareholders shall be obtained as and when applicable.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board and/or Shareholders, as the case may be:

- i. Any transaction that involves the providing of compensation to a Director or KMP in connection with his/her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

Omnibus Approval of the Audit Committee

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

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

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus

approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d) The Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given;
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

6. Related Party Transactions not approved under this Policy

In the event of entering into a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it may deem fit.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, 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 Committee has authority to modify or waive any procedural requirements as specified in this Policy.

7. Registers and the Disclosures

The Company shall keep and maintain a Register, physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this Policy applies.

Every Director and the KMP shall, from time to time make the necessary disclosures to the Board, a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard.

The Register shall be preserved permanently and shall be kept in the custody of the Company Secretary/Chief Financial Officer of the Company or any other person authorised by the Board for the purpose.

This Policy will also be uploaded on the website of the Company and shall be disclosed in the Annual Report.

8. Review

This Policy is framed in accordance with the Circulars and Companies Act.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be made in this Policy. Any changes or modification in this Policy as recommended by the Committee shall be presented to the Board for their approval.

If at any point a conflict of interpretation / information between this policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, this policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.