Policy on Related Party Transactions

Finova Capital Private Limited

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PREFACE

The Board of Directors (the "Board") of Finova Capital Private Limited (the "Company") has adopted the policy with regard to Related Party Transactions to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company. The Company may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are in compliance with the applicable legal requirements.

OBJECTIVE & PURPOSE OF POLICY

This Policy on Related Party Transactions is framed in consonance with the provisions of Section 188 and other applicable provisions, if any of the Companies Act, 2013 read with the rules made thereunder and the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025 (as amended from time to time) and is intended to ensure proper reporting, approval and disclosure of the concerned transactions between the Company and its Related Parties. It further aims to promote transparency in the Company's dealings with related parties and to prevent any actual or potential conflicts of interest in the execution of such transactions.

DEFINITIONS

1) "**Act**" means the Companies Act, 2013 and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments thereof.

2) **"Audit Committee" or "Committee"** means a Committee of the Board of Directors of the Company constituted or reconstituted from time to time.

3) **"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.

4) "**Articles" or "AOA**" means the Articles of Association of the Company as may be amended from time to time.

5) **"Board of Directors" or "Board"** means the collective body of the Directors of the Company.

6) "**Director**" means a director appointed to the Board of the Company;

7) **"Key Managerial Personnel"** means:

a. the Chief Executive Officer or the Managing Director or the Manager;
b. the Company Secretary;
c. the Whole-time Director*;*
d. the Chief Financial Officer;
e. 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
f. such other officer as may be prescribed.

8) "**Person(s)"** shall have the same meaning as assigned to it under Section 3 (23) of Part I of Insolvency and Bankruptcy Code (IBC), 2016.

9) "**Policy**" means this Policy on Related Party Transactions of the Company.

10) **"Related Party"** shall have the same meaning as assigned to it under Section 2(76) of the Act.

11) **"RBI Directions"** means the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025 (as amended from time to time).

12) **"Related Party Transaction"** means contracts or arrangements entered between the Company and its related parties.

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

13) **"Relative"** shall have the same meaning as assigned to it under Section 2(77) of the Act.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Companies Act, 2013 or the Reserve Bank of India Act, 1934 and rules / regulations made thereunder or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

APPROVAL OF RELATED PARTY TRANSACTIONS

- **Approval of the Audit Committee**

All Related Party transactions require prior approval of the Audit Committee whether entered in the ordinary course of business and at arm's length basis or not.

Each Related Party Transaction or any subsequent modifications of transactions thereof, shall be placed before the Audit Committee for prior approval in accordance with this Policy.

While the Audit Committee may grant approval from a compliance and governance perspective, it shall not function as the sanctioning authority for the credit risk assessment of loans to Related Parties. The authority to sanction such credit facilities shall rest with the Board, in accordance with the provisions set out in the Annexure to this Policy.

The Company may obtain omnibus approval from the Audit Committee for related party transactions, proposed to be entered into by the company subject to the conditions, as mentioned below, except for transactions in respect of selling or disposing of the undertaking of the company:

a) The Audit Committee shall consider the following 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 of omnibus approval;

b) The Audit Committee shall satisfy itself on the need for such omnibus approval and that such approval is in the interest of the Company;

c) Such omnibus approval shall specify:

i. name of the related parties,
ii. nature and duration of transaction,
iii. maximum amount of transaction that can be entered into;
iv. the indicative base price or current contracted price and the formula for variation in the price, if any and;
v. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction;
vi. 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 INR 1 Crore per transaction.

d) Audit Committee shall review, atleast on a half yearly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

e) 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.

f) In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of Related Party Transaction, then it shall be ratified by the Audit Committee (involving any amount not exceeding one crore rupees), Board of Directors and / or shareholders, as the case may be, within a period of three months from the date on which such contract or arrangement was entered into.

In case, the same is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

g) Related Party Transactions related remuneration of Directors and KMPs which are required to be approved by the Board of Directors and/or any other Committee of the Board shall not require separate approval of the Audit Committee.

- **Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of Companies Act, 2013, all kinds of transactions specified under the said Section and transactions which are either not in the ordinary course of business or not on an arm's length basis shall be placed before the Board for its approval on the recommendation of the Audit Committee.

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

a) 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;

b) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

c) Credit facilities to related parties, including personal loans to Director or a KMP of Rs. 5 Crore or above, in accordance with the provisions set out in the Annexure to this Policy.

- **Approval of the Shareholders of the Company**

Any such Related Party Transactions that exceed the thresholds as prescribed under the Companies Act, 2013 and the Rules framed there under shall also be placed for prior approval of shareholders at the general meeting.

REVIEW OF RELATED PARTY TRANSACTIONS

All the related party transactions entered into by the Company shall be reviewed by the Audit committee atleast once in every financial year and as many times as it may deem fit.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction viz:

a) The name of the Related Party and nature of relationship;
b) The nature, duration of the contract and particulars of the contract or arrangement;
c) The material terms of the contract or arrangement including the value, if any;
d) Value of transaction executed during the period;
e) Any other information relevant or important for the Audit Committee.

**** NOTE:***
If a member of the Audit Committee/Board or any member of company is interested in an item of business which is a Related Party Transaction under Section 188 of the Act proposed to be entered into by the company, he/she shall make a disclosure regarding the same and thereafter, he/she shall be entitled to participate as well as vote on the said transaction in accordance with the exemption granted to private companies vide MCA Notification dated 5th June, 2015.

ASCERTAINING WHETHER RELATED PARTY TRANSACTIONS ARE IN THE ORDINARY COURSE OF BUSINESS

1. In order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:

   a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;
   b) whether it is permitted by the Memorandum and Articles of Association of the company; and
   c) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.

2. The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

3. Whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.

DISCLOSURE OF INTEREST OR CONCERN

1. All Related Party Transactions in which Directors are interested as defined in Section 184/188 of the Act shall be entered in with all the relevant particulars in register maintained in Form MBP 4 as prescribed in Rule 16 of the Companies (Meetings of Board and its Powers) Rules, 2014.

2. Further, every member / director of Audit Committee or Board who is interested in an item of business which is a Related Party Transaction proposed to be entered into by the company and transacted/approved at the meeting shall disclose in advance his/her interest / concern.

3. In accordance with provisions of Section 184(2) of the Act, if any director of a company is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:

   a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
   b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be;

Then, he/she shall disclose the nature of his/her concern or interest at the meeting of the Board in which such contract or arrangement is discussed and may participate in such meeting after disclosure of his/her interest in accordance with the *exemption granted to private companies vide* MCA Notification dated 5th June, 2015:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

***NOTE:** A contract or arrangement entered into by the company without disclosure under section 184 (2) of the Act, shall be voidable at the option of the Board or, as the case may be, of the shareholders.*

POLICY ON LENDING TO RELATED PARTIES AND SPECIFIED EMPLOYEES

1. **Regulatory Framework**: In compliance with the RBI Directions, the Company has established a framework to regulate Credit Risk arising from Lending to Related Parties and Specified Employees.

2. **Operational Framework**: The operational framework, including prudential limits on aggregate and single-party exposure, sanctioning authorities, materiality thresholds and reporting obligations, is detailed in the Annexure to this Policy. The provisions set out in the Annexure shall form an integral part of this Policy and shall be binding on all lending transactions undertaken by the Company.

DISCLOSURE & REPORTING

In accordance with Section 134(3)(h) of the Act, the Company shall disclose in its Board's report, the complete particulars/details of contracts or arrangements with related parties referred to in Section 188(1) of the Act, in the prescribed form.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and Companies Act, 2013 or any other statutory enactments, rules, the provisions of the Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

REVIEW AND AMENDMENTS

The Audit Committee, in its meeting, will oversee the implementation of the policy.

Further, this policy may be amended subject to the approval of Board of directors on recommendation of Audit Committee of the Company, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto. As this Policy is pursuant to the applicable laws, if any change to applicable laws or interpretation thereof necessitates any change to the Policy, this Policy shall be read so as to accommodate the changes and necessary amendment shall be carried out at a subsequent date in the policy.

ANNEXURE
POLICY ON LENDING TO RELATED PARTIES AND SPECIFIED EMPLOYEES

PREFACE

The Board of Directors (the "Board") of Finova Capital Private Limited (the "Company") has adopted the following policy and procedures with regard to grant of loans to regulate transactions of granting loans and advances by the Company to Related Parties and Specified Employees.

OBJECTIVE & PURPOSE OF POLICY

This "Policy on Lending to Related Parties and Specified Employees" is framed in consonance with the Reserve Bank of India (Non-Banking Financial Companies - Credit Risk Management) Directions, 2025 (as amended from time to time).

This policy establishes the regulatory framework for Credit Risk Management regarding lending exposures to Related Parties and Specified Employees. It defines the Sanctioning Authorities, Prudential Limits, and Reporting Obligations to ensure that such lending is conducted at arm's length and is devoid of conflicts of interest.

DEFINITIONS

1) "**Act**" means the Companies Act, 2013 and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments thereof.

2) **"Audit Committee" or "Committee"** means a Committee of the Board of Directors of the Company constituted or reconstituted from time to time.

3) **"Board of Directors" or "Board"** means the collective body of the Directors of the Company.

4) **"Control"** means Control as defined under Clause (27) of Section 2 of the Companies Act, 2013.

5) "**Director**" shall mean a director appointed to the Board of the Company.

6) **"Key Managerial Personnel"** means:

    a. the Chief Executive Officer or the Managing Director or the Manager;
    b. the Company Secretary;
    c. the Whole-time Director;
    d. the Chief Financial Officer;
    e. 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
    f. such other officer as may be prescribed.

7) "**Promoter**" shall have the same meaning as assigned to it under Section 2(69) of the Act.

8) "**Person(s)**" shall have the same meaning as assigned to it under Section 3 (23) of Part I of Insolvency and Bankruptcy Code (IBC), 2016.

9) "**Personal Loans"** shall have the same meaning as defined under Banking Statistics (Harmonised Definitions). However, for these Directions, personal loans shall exclude loans for investments in financial assets.

10) **"Related Party"** shall mean a related person, or any of the following entities:

a) where a related person is a partner, manager, KMP, director or a promoter; or
b) where a related person is a shareholder with more than ten per cent of paid-up equity share capital; or
c) where a related person is having control, whether singly or jointly with another person; or
d) where a related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
e) where a related person has the power to nominate a director to its Board; or
f) which is accustomed to act on the advice, direction, or instruction of a related person.
g) where a related person is a guarantor or a surety; or
h) where a related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust; or
i) which is related to the related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.

Provided that nothing sub-clause (e) above shall apply in cases where the authority to nominate a director arises exclusively from a lending or financing arrangement.

Provided further that nothing in sub-clause (f) above shall apply to the advice, directions or instructions given in a professional capacity.

11) "**Related Person**" shall mean a person, and the relatives of such a person, where the person:

a) is either a promoter, or a director, or a KMP of the Company; or
b) owns more than five per cent of paid-up equity share capital of the Company or can, either singly or jointly, exercise more than five per cent of the voting rights of the Company on account of either ownership or voting agreement or through shareholders' agreement or through any other arrangement; or
c) can, through an agreement with the Company, nominate a director to its Board; or
d) is either singly or jointly, in control of the Company.

12) **"RBI Directions"** means the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025 (as amended from time to time).

13) **"Lending in the context of a related party**" shall mean extending funded or/ and non-fund-based credit facilities to related parties. While investments in debt instruments of related parties shall be covered for this purpose, equity investments shall be excluded.

14) "**Policy**" means Policy on Lending to Related Parties and Specified Employees of the Company.

15) **"Relative"** shall have the same meaning as assigned to it under Section 2(77) of the Act.

16) "**Specified Employees**" means employee of Company who is positioned upto two levels below the Board.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Companies Act, 2013 or the Reserve Bank of India Act, 1934 and rules / regulations made thereunder or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

LENDING TO RELATED PARTIES

I. Sanctioning Authority and Process

The Company shall strictly adhere to the following sanctioning hierarchy for lending to Related Parties:

a) **Material Loans (Rs. 5 Crore and above):** Any loan, advance, or credit facility aggregating Rs. 5 Crore or above to a Related Party must be sanctioned by the Board of Directors.

b) **Non-Material Loans (Less than Rs. 5 Crore):** Loans aggregating less than Rs. 5 Crore may be sanctioned by the appropriate authority as per the Company's Delegation of Power (DoP) defined in the Credit Policy of the Company. However, such sanctions must be reported to the Board of Directors on a half-yearly basis.

c) **Role of Audit Committee:** The Audit Committee's role is restricted to approving the transaction from a "Related Party Compliance" perspective under the Act. It shall not assess or sanction the "Credit Risk" of the proposal.

II. Prohibitions And Restrictions

a) **Quid Pro Quo:** The Company shall not grant any loan to a third party with the stipulation that the borrower shall in turn lend to a Related Party of the Company.

a) **Recusal:** Director, KMP shall recuse themselves from deliberations and decision on loan proposals, or contracts and arrangements (including any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security, implementation of resolution plans, etc.), involving themselves or their related parties.

LENDING TO SPECIFIED EMPLOYEES

I. Sanctioning Authority

Loans to specified employees shall be sanctioned by the appropriate authority as per the Company's Delegation of Power (DoP) defined in the Credit Policy of the Company.

II. Prohibitions And Restrictions

a) Specified Employees shall recuse themselves from deliberations and decision on loan proposals, or contracts and arrangements (including any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security, implementation of resolution plans, etc.), involving themselves or their related parties.

b) No Specified Employee shall sanction or approve any credit facility in favour of himself or herself, or any of his or her related parties. Such facilities must be sanctioned by the next higher authority.

III. Reporting

Loans and advances sanctioned to Specified Employees and their relatives shall be reported to the Board on an annual basis.

PRUDENTIAL LIMITS

To mitigate concentration risk, the Company sets the following limits on lending to Related Parties:

Aggregate Exposure:	Max 1 % of Tier-1 Capital
Single Related Party:	Max 0.5 % of Tier-1 Capital
Group of Related Party:	Max 0.75% of Tier-1 Capital

MONITORING OF LOANS TO RELATED PARTIES

a) **List Maintenance**: The Company shall put in place a suitable mechanism for maintaining and periodically updating the list of all the related persons, and the related parties thereof, as well as the loans sanctioned by the Company to such related persons and related parties.

b) **Internal Audit Review:** Periodic reviews shall be conducted at quarterly or shorter intervals by internal auditors to check, inter alia, whether guidelines and procedures in relation to loans to related parties are being adhered to or not.

c) **Reporting Deviations**: Any deviation from the policy relating to lending to related parties and reasons therefor shall be reported to the Audit Committee of the Board.

d) **Whistleblower Mechanism:** Employees may raise concerns regarding any irregular, unethical, or questionable loans or credit facilities granted to related parties, including any quid pro quo arrangements or undue influence. All such concerns shall be dealt with strictly in accordance with the Vigil Mechanism/Whistle Blower Policy of the Company.

DISCLOSURE REQUIREMENTS

a) The Company shall also ensure that non-individual borrowers with aggregate exposure of Rs. 5 Crore and above possess a valid Legal Entity Identifier (LEI) code.

b) The Company shall disclose, in its Annual Financial Statements, details of loans granted to directors, specified employees and relatives of directors, in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and the RBI Directions or any other statutory enactments, rules, the provisions of the RBI Directions or statutory enactments, rules shall prevail over this Policy.

REVIEW AND AMENDMENTS

The Audit Committee, in its meeting, will oversee the implementation of the policy.

Further, this policy may be amended subject to the approval of Board of Directors on recommendation of Audit Committee of the Company, from time to time in line with the statutory enactment or amendment thereto. As this Policy is pursuant to the applicable laws, if any change to applicable laws or interpretation thereof necessitates any change to the Policy, this Policy shall be read so as to accommodate the changes and necessary amendment shall be carried out at a subsequent date in the policy.