



ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(Amended in Board Meeting held on June 5, 2024)

POLICY ON RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE OF THE POLICY

The Company may enter into transactions with Related Parties to leverage scale, size and drive operational synergies and such Related Party Transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders.

Considering the requirements for approval of Related Party Transactions as prescribed under the Act, the Company has framed this Policy in order to ensure that the Related Party Transactions are in compliance with the applicable legal requirements. This Policy is recommended by the Audit Committee for the approval of the Board.

2. DEFINITIONS

In this Policy:

- 2.1 “Act”** means the Companies Act, 2013 read with the rules framed there under and includes any amendment thereof.
- 2.2 “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.
- 2.3 “Ordinary Course of Business”** includes but is not limited to the activities that are necessary, normal, and incidental to the business of the Company. These are common practices and customs of commercial transactions undertaken by the Company to conduct its business operations and activities. The term ‘Ordinary Course of Business’ covers the usual transactions, customs and practices related to the business of the Company and includes the transactions:
- i. covered by the memorandum of association of the Company;
 - ii. of the nature which have been carried out by the Company at previous instances;
 - iii. in furtherance of the business objectives of the Company;
 - iv. which are frequent over a period of time;
 - v. though not frequent, but are important to the business objectives of the Company;

- vi. incidental to an asset reconstruction company/ part of standard practice of an asset reconstruction company or but for which the business of the Company would be adversely affected;

There is no exhaustive criteria and the Company will assess each contract or arrangement or transaction considering its specific nature and circumstances to determine whether such contract or arrangement or transaction is in the Ordinary Course of Business of the Company. The Board and the Audit Committee may lay down the principles for determining 'Ordinary Course of Business' in accordance with the statutory requirements and other industry practices and guidelines, from time to time.

2.4 "Company" means Asset Reconstruction Company (India) Limited.

2.5 "Related Party" with reference to the Company means:

- i. a Director or his/ her Relative;
- ii. a Key Managerial Personnel or his/ her Relative;
- iii. a firm, in which a Director, Manager or his/ her Relative is a partner;
- iv. a private company in which a Director or Manager or his/ her Relative is a member or director;
- v. a public company in which a Director and Manager is a director and holds along with his/ her 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 the Company;
 - b) a subsidiary of a holding company to which it is also a subsidiary;
or

- c) an investing company or the venture of the Company;

The term "investing company or the venture of the Company" means a body corporate whose investment in the Company would result in the Company becoming an Associate Company of the body corporate.

- ix. a director other than an independent director or key managerial personnel of the holding company or his/ her Relative with reference to a company;

2.6 "Relative", with reference to any person, 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. if he or she is related to another in the following manner, namely:-
 - 1) Father (provided that the term "Father" includes step-father).
 - 2) Mother (provided that the term "Mother" includes the step-mother).
 - 3) Son (provided that the term "Son" includes the step-son).
 - 4) Son's wife.
 - 5) Daughter.
 - 6) Daughter's husband.
 - 7) Brother (provided that the term "Brother" includes the step-brother).
 - 8) Sister (provided that the term "Sister" includes the step-sister).

2.7 "Key Managerial Personnel" in relation to the Company, means—

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time Director;

- iv. the Chief Financial Officer; and
- 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.

2.8 "Key Influencer" in relation to the Company, means:

- i. a group head or his/ her Relative;
- ii. a firm, in which a group head, a Key Managerial Personnel or his/ her Relative is a partner;
- iii. another company in which a group head, a Key Managerial Personnel or his/ her Relative is a director (excluding companies wherein the Company has nominated a group head, a Key Managerial Personnel or his/ her Relative on the board of directors of other companies);

2.9 "Associate Company" in relation to the Company, means a company in which the Company has a significant influence, but which is not a subsidiary company of the Company and includes a joint venture company.

Explanation.—For the purpose of this clause,—

- a. the expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement; and
- b. the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2.10 "Related Party Transaction" means any transaction directly or indirectly involving any Related Party and which involves a transfer of resources, services or obligations between the Company and a Related Party pursuant to any contract or arrangement, regardless of whether price is charged and a transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;

- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. appointment to any office or place of profit in the Company, its subsidiary company or Associate Company;
- g. underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. taking loan from the Related Parties;
- i. giving deposits to the Related Parties;
- j. selling investments to the Related Parties; and
- k. buying investments from the Related Parties.

2.11 "Audit Committee" means a committee of the Board constituted per Section 177 of the Act.

2.12 "Policy" means this policy of the Company on Related Party Transactions.

All capitalized terms used in the Policy but not defined herein shall have the meaning assigned to such term in the Act.

3. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

3.1 Identification of Related Parties

The Company as per the clause 2 of the Policy shall identify and update the list of Related Parties, from time to time.

Every Director, Key Managerial Personnel and Key Influencer shall, at the time of his/ her appointment with the Company, annually and whenever there is any change in the information already submitted to the Company, provide requisite information about all persons, firms, entities in which he/she is interested whether directly or indirectly, to the Company Secretary.

On the basis of the above referred information received by the Company and basis of the Act, a consolidated list of the Related Parties shall be prepared by the Company.

3.2 Identification of Related Party Transactions

The Company based on the consolidated list of the Related Parties shall identify the Related Party Transactions as defined under clause 2.10. The Company may seek external expert's opinion to identify any particular contract or arrangement or transaction is coming under the purview of a Related Party Transaction, if necessary.

3.3 PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

3.3.1 Approval of the Audit Committee

All Related Party Transactions shall require approval of the Audit Committee. In case any member of the Audit Committee or his/ her Relative is interested in any potential Related Party Transaction, such member shall abstain from voting when such transaction is being considered and such member shall not be present at the meeting during discussions on the subject matter of the resolution relating to such Related Party Transaction.

The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions proposed to be entered into by the Company, subject to compliances with the following conditions:

- a. The Audit Committee shall, after obtaining approval of the Board, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following namely:
 - i maximum value of the transaction, 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 at the time of seeking omnibus approval;
 - iv review, at such intervals as the Audit Committee 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.
- b. 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.
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
- d. The omnibus approval shall contain or indicate the following:-
 - i names of the Related Parties;
 - ii nature and duration of the 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:

Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees 1 (one) Crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions transacted into by the Company pursuant to the omnibus approval given;
- f. The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year;
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company; and
- h. Any other conditions as the Audit Committee may deem fit.

3.3.2 Information to be placed before the Audit Committee for such Related Party Transactions

The following information shall be placed before the Audit Committee:

- a. Name of the Related Party and nature of relationship;
- b. Name of the Director or Key Managerial Personnel or Key Influencer who is related;
- c. Nature, duration, material terms and monetary value of the proposed Related Party Transaction along with justification for entering into such transaction;
- d. An assessment of whether the proposed Related Party Transaction is on terms that are comparable with the terms available to un-related parties;
- e. An opinion from external consultant, if any, certifying that the proposed Related Party Transaction is on Arm's Length Transaction basis;
- f. Any advance paid or received for the proposed Related Party Transaction;
- g. In case of transactions not falling under omnibus approval, manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract; and
- h. Any other information relevant or important for the members to take a decision on the proposed Related Party Transaction.

3.3.3 Following measures will strengthen Related Party Transactions to ensure the same are Arm's Length Transactions

- Transaction is a part of a public auction or is conducted by competitive bids;
- It's approved within the Board approved policy and authorisation structure of the Company;
- The Related Party or it's nominee excuses itself during the deliberations and proceeding of approval of such transactions;
- The transaction is based on market related prices.

Measurement of the Arm's Length Transactions

a) Acquisition of Financial Assets

- In case if the Company goes ahead with acquisition of financial assets and the sell down of investments is concluded before first net asset value rating, the arm's length price for the transaction will be at same price plus some interest for the intervening period.
- If the transaction occurs subsequent to net asset value rating, the arm's length price should be justified based on the market expected returns of the investors in the market.

b) Providing/Availing Loans & Advances

Rate of interest should be at par with the prevailing bank interest rates.

c) Any other services

Rates of such services should be in line with the prevailing market practices.

In an unforeseen event where a Related Party Transaction, for which the omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

The Related Party Transactions which have an omnibus approval by the Audit Committee shall be submitted to the Executive Committee of the Company for its consideration.

3.3.4 Factors to be considered by the transaction approving Committee while approving Related Party Transactions

- a. Whether the terms of the proposed Related Party Transaction are fair and on Arm's Length Transaction basis;
- b. Whether the Related Party Transaction is in the Ordinary Course of Business of the Company;

- c. 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;
- d. Whether the Related Party Transaction would affect the independence of an independent Director;
- e. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel or Key Influencer of the Company;
- f. Whether the proposed Related Party Transaction is in the best interest of the Company;
- g. Whether the proposed Related Party Transaction is permissible under the provisions of the applicable law;
- h. Whether such contract or arrangement or transaction is entered into on terms no less favourable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances; and
- i. Any other factors as the committee deems relevant.

3.3.5 Approval of the Board

As per the provisions of section 188 of the Act, all kinds of transactions specified under the said section and which are not in the Ordinary Course of Business or not at Arm's Length Transaction basis, shall be placed before the Board for its approval. The agenda of the Board meeting at which the resolution in this regard is proposed to be moved shall disclose:

- (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) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

- (f) 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
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

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

- (a) Transactions which may be in the Ordinary Course of Business and at Arm's Length Transaction basis, but which are beyond value threshold and/ or other parameters as per the policy determined by the Board from time to time;
- (b) 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 Transaction basis and decides to refer the same to the Board for approval;
- (c) Transactions which are in the Ordinary Course of Business and at Arm's Length Transaction basis, but which as per Audit Committee requires Board approval.

Where any Director or his/ her Relative is concerned or interested in any potential Related Party Transaction, such Director shall abstain from voting when such transaction is being considered and such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such Related Party Transaction.

In case there is any change in the approved limits/terms of any transactions, a separate statement shall be attached for ratification by the Audit Committee/ Board. The Audit Committee/ Board also have the authority to modify previously approved Related Party Transactions.

3.3.6 Approval of the Shareholders of the Company

All kinds of transactions with Related Parties specified under section 188 of the Act which (a) are not at Arm's Length Transaction basis or not in the Ordinary Course of Business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders of the Company for their approval.

However, the requirement of the Company's shareholders' approval shall not be applicable for the transactions entered between the Company and

its wholly owned subsidiary whose accounts are consolidated with the Company and is placed before the shareholders of the Company at the general meeting for approval.

All entities/individuals falling under the definitions of "Related Parties" shall abstain from voting on such shareholders' resolution to approve any contract or arrangement or transaction which may be entered into by the Company, whether such entities/individuals are a party to the transaction or not.

4. DISCLOSURES & REPORTING

The Company shall disclose, in the Board's report, transactions prescribed in section 188(1) of the Act with Related Parties, which are not in Ordinary Course of Business or not at Arm's Length Transaction basis along with the justification for entering into such transaction.

The Company shall keep and maintain a register, physically or electronically, as may be decided by the Board, giving separately the particulars of all contracts or arrangements or transactions to which the Policy applies. The aforesaid register shall be preserved by the Company permanently and shall be kept in the custody of the Company Secretary or any other person authorized by the Board for this purpose.

A summary statement of the Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in its quarterly meetings for information, review and noting.

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 in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee.

In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is informed to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this Policy.

The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit

Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

Ratification, if any, of a Related Party Transaction after its commencement or completion shall be approved by the Audit Committee in exceptional circumstances only.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders of the Company, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the Related Party or the Company as the case may be, etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

Where any contract or arrangement or transaction is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the necessary approval(s) and if such contract or arrangement or transaction is not ratified by the Audit Committee or the Board or by the shareholders of the Company, as the case may be, at a meeting held within 3 (three) months from the date on which such contract or arrangement or transaction was entered into, such contract or arrangement or transaction shall be voidable at the option of the Audit Committee or the Board or the shareholders of the Company and if the contract or arrangement or transaction is with a Related Party to any Director, or is authorized by any other Director, the concerned Director(s) of the Company shall indemnify the Company against any loss incurred by the Company.

The Company may proceed against a Director or any other employee of the Company who had entered into such contract or arrangement or transaction in contravention of the Policy for recovery of any loss sustained by the Company as a result of such contract or arrangement or transaction and shall take any such action as it may deem fit depending upon the relevant facts and circumstances.

7. DEEMED APPROVAL

The transactions or arrangements which are specifically dealt under the separate provisions of the applicable law and executed under separate approvals/procedures from relevant competent authority or committee shall be deemed to be approved under this Policy. Such transactions include the following:

- i. Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
- ii. Payment of remuneration, fees, commission, etc. to the Directors pursuant to the Nomination and Remuneration Committee approval;
- iii. Appointment and payment of remuneration, including any variations thereto, to Key Influencer pursuant to the Board's or any of its committee's approval or Policy thereof.

8. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy.

The Chief Executive Officer & Managing Director and the Company Secretary are jointly authorised to amend the Policy to give effect to any clarification/ circular/ changes/ amendments issued notified by the relevant authorities with respect to the Related Party Transactions, from time to time.

In case of any clarification/ circular/ changes/ amendments issued by the relevant authorities not being consistent with the provisions laid down in this Policy, then such clarification/ circular/ changes/ amendments shall prevail upon the provisions herein, from the effective date as laid down under such clarification/ circular/ changes/ amendments, till the time this Policy is accordingly amended.

This Policy shall be reviewed by the Board on an annual basis. Any deviation from the policy shall be approved by the Board of Directors.

9. COMPLIANCE & COMMUNICATION

The compliance of this Policy shall be the joint responsibility of the Chief Executive Officer & Managing Director and the Company Secretary, who shall have the power to ask for any information or clarifications from the management of the Company in this regard.

This Policy will be communicated to all Directors, Key Managerial Personnel, Key Influencer and other concerned persons of the Company.