

# Consolidated Finvest & Holdings Limited

## Related Party Transactions Policy

### 1. Introduction

Consolidated Finvest & Holdings Ltd. (hereinafter referred to as CFHL or the 'company') recognizes that Related Party Transactions (RPTs) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the SEBI ( Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations and also lay down mechanism for identification, approval, review and reporting of such transactions.

The Policy on Related Party Transactions may be amended at any time and is subject to any further change in the SEBI ( Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 ( the Act) or rules/regulations made thereunder.

### 2. Definitions

**"Act"** means the Companies Act, 2013 .

**"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.

**"Ordinary course of business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of

Association. The Board and Audit Committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

**"Company"** means Consolidated Finvest & Holdings Ltd.

**"Relative"** with reference to a Director or Key Managerial Person (KMP) means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

**"Related Party"** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, Indian Accounting Standard and SEBI (LODR) Regulations, 2015.

**"Related party transaction"** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, 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

A transaction shall be construed to include a single transaction or a group of transactions in a contract.

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**"Audit Committee"** means the Committee of the Board formed under section 177 of the Act and SEBI (LODR) Regulations, 2015.

**“Key Managerial Personnel”** shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013.

**“Employees”** shall mean the employees and office-bearers of the Company, including but not limited to Directors.

**“Director”** means a person as defined in Section 2(34) of the Companies Act, 2013.

**“Material Related Party Transaction under Companies Act 2013”** means a transaction as defined under section 188(1) of the Companies Act, 2013 with a related party defined under section 2(76) of the said Act where the aggregate value of the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the said Act from time to time.

**“Material Related Party Transaction under SEBI (LODR) Regulations, 2015”** : 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 consolidated turnover of the Company as per last audited financial statements of the company.

Further, transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

### **3. Related party transactions under the policy**

#### **Applicability**

The new regime under Companies Act, 2013 and SEBI (LODR) Regulations, 2015 covers in its ambit almost all the dealings and transactions with related parties. Any transfer of resources, services or obligations between a company and a related party, would get covered as a ‘related party transaction’, whether or not, there is an element of consideration, price or cash-flow.

#### **Policy**

All Related Party Transactions must be identified and reported to the Audit Committee and also to Directors and

shareholders, wherever necessary, for their approval. The said transactions shall be disclosed in accordance with the requirements of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

#### **4.1 Identification of Potential Related Party transactions**

Each director and Key Managerial Personnel is responsible for providing notice of disclosure of interest under section 184 of the Companies Act 2013 along with list of relatives to the Company. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the director/ KMP or any other related party without necessary approvals.

#### **4.2 Procedure to be adopted for Related Party Transactions**

##### **APPROVAL OF AUDIT COMMITTEE**

All Related Party Transactions shall require prior approval of the Audit Committee.

##### **APPROVAL OF BOARD OF DIRECTORS**

All the Related Party Transactions under section 188 of the Companies Act 2013 shall be approved by the Board of Directors of the Company, however this provision will not apply to the transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

All the Material Related Party Transactions as per SEBI (LODR) Regulations, 2015 shall be approved by the Board of Directors of the Company.

##### **APPROVAL OF SHAREHOLDERS**

All the material related party transactions under SEBI (LODR) Regulations, 2015 shall be approved by the Shareholders through a special resolution and all entities falling under the definition of "related parties" shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Further, any transactions not covered above but covered under the "material related party Transactions defined under section 188 of the Companies Act, 2013 shall be approved by the Shareholders through a special resolution and the concerned related party (ies)

which are related to that transaction shall not vote on such resolution.

### **Approval Process - Omnibus**

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

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. 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. Audit Committee shall review, at least on a quarterly basis, the details of RPTs 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.

### **4.3 Factors to be considered while granting approval to Related Party Transactions:**

To review a Related Party Transaction, the Board/Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters.

The Audit Committee / Board will consider the following factors, among others, to the extent relevant to the Related Party Transactions while granting its approval:

- Whether the terms of the Related Party Transaction are fair and on arms 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 Related Party Transaction would affect the independence of an independent director;
- Whether the transaction qualifies to be a transaction in ordinary course of business and at arms length.
- 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 Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the overall financial position of the director 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/Committee deems relevant.

#### **4.4 Review & monitoring of Related Party Transactions:**

The Audit Committee may review and monitor a Related Party Transaction taking into account the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

#### **4.5 Following transactions not to be considered as Related Party Transactions:**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- A. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or 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.
- B. 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.

#### **4.6 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 the matter shall be reviewed by the Audit Committee.
- The Audit Committee 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 by it or recommend the Board for their ratification or seeking approval of Shareholders, 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 deems appropriate.

#### **4.7 Approvals of Past Contracts with Related Parties:**

Pursuant to clarification provided in circular No. 30/2014 dated 17<sup>th</sup> July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April 2014, the requirements under section 188 will have to be complied with.

#### **4.8 Consequences of non-compliance of such policy for any Related party transaction**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee. Such disciplinary will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act and SEBI (LODR) Regulations, 2015.

This Policy will be communicated to all Directors, KMPs, operational Employees and other concerned persons of the Company and the definition / provisions of the policy herein shall be deemed to have been amended to the extent of any alterations in laws/ statutes by virtue of an amendment.