

**IFFCO KISAN FINANCE LIMITED**  
**(Formerly known as Kisan Rural Finance Limited)**

**RELATED PARTY TRANSACTIONS POLICY**

## **1. INTRODUCTION**

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Reserve Bank of India vide **Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015 dated 1<sup>st</sup> July, 2015** with the objective to make the corporate governance framework more effective, necessitates all the NBFCs-ND-SI to formulate a policy on materiality of Related Party transactions and disclose the same on the website of the Company.

Accordingly, the Board of Directors (the “Board”) of IFFCO Kisan Finance Limited (the “Company”), has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties.

## **2. APPLICABILITY**

This Policy on Related Party Transactions shall be governed by the Act read with Rules made thereunder, as may be in force from time to time, as well as such other Rules/Regulations, as may be notified by RBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are reenactments (whether with or without modification).

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”.

## **3. OBJECTIVE**

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. The objective of this policy is to set out:

- (a) the materiality thresholds for related party transactions;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, and any other laws and regulations as may be applicable to the Company;
- (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders for better transparency in the approval process and ensure fairness in the conduct of related party transactions

The Audit Committee of the Board of Directors of the Company (“Audit Committee”), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

## 4. DEFINITIONS

“**Act**” means the Companies Act, 2013.

“**Arm’s length Transactions**” means a transaction between two Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013.

“**Board**” means the Board of Directors of IFFCO Kisan Finance Ltd , as constituted from time to time.

“**Control**” shall have the same meaning as defined under the Act.

“**Key Managerial Personnel**” in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.

“**Material Related Party Transaction**” means a transaction with a Related Party, which if 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 the last audited financial statements of the company.

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

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” means Related Party as defined under Section 2 of the Act, and/ or under the applicable accounting standards, as amended from time to time.

“**Related Party Transaction**” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

"Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract."

“**Relative**” means relative as defined under the Act, as amended from time to time.

## 5. POLICY FRAMEWORK

### 5.1 Identification of Related Party Transactions

The Company Secretary of the Company shall at all times maintain a database of Company’s Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1<sup>st</sup> April every year.

Functional departmental heads shall submit to the CFO/Company Secretary the details of any proposed related party transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary approvals from the Audit Committee.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

## **5.2 Review and approvals of Related Party Transactions**

### **I. Approval of the Audit Committee**

- a) Every Related Party Transaction shall be subject to the prior approval of the Audit Committee, whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to necessary compliance under the Companies Act, 2013 and Rules madethereunder, as amended from time to time. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- b) The Audit Committee shall also review the statement of significant Related Party transactions submitted by management as per its terms of reference.
- c) Any member of the Committee who has a potential interest in any Related Party Transaction shall not remain present at the meeting when such Related Party Transaction is considered.
- d) To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
- e) The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

### **II. Approval of the Board of Directors of the Company**

Transactions with the related parties within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arm's Length basis or both or any transaction with the related parties referred by the Audit Committee shall require prior approval of the Board of Directors. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### **III. Approval of the Shareholders of the Company**

All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis require prior approval of the Board and if such transactions crosses the threshold limits prescribed under the Act, such transactions also require the approval of shareholders of the Company by resolution and the Related Parties with whom transactions are being entered shall not vote to approve the shareholder's resolution (s)

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

#### **5.3 Rules for Transactions with Related Parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions**

Transactions with Related Parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee.

Transactions being entered into with the Related Parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Company Secretary to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

#### **5.4 Related Party Transactions not previously approved**

In the event the Company becomes aware of 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 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 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.

Where any contract or arrangement is entered into by a director or any other employee of the Company with a Related Party on behalf of the Company, without obtaining the consent of the Board or approval by a resolution in the general meeting, where required and if it 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.

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 of this Policy.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## **6. DISCLOSURES**

### **6.1 Registers**

The Company shall keep and maintain a register, maintained physically or electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, 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.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

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 authorized by the Board for the purpose.

### **6.2 Disclosures -**

1. Details of all material transactions with Related Parties shall be disclosed quarterly to the Audit Committee.
2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
3. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

## **7. POLICY REVIEW AND AMENDMENTS**

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and must be approved in the manner as may be decided by the Board of Directors.

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