

## RELATED PARTY TRANSACTIONS POLICY OF LIBORD FINANCE LIMITED

### 1.0 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 (RPTs) and defined the terms 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with Related Party Transactions.

Accordingly, the Board of Directors (the "Board") of Libord Finance Limited (the "Company" or "LFL"), has adopted a policy and standard operating procedure to regulate transactions between the Company and Related Parties.

### 2.0 SCOPE & PURPOSE

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 (RPT)".

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.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of Related Party Transactions, in terms of the applicable Laws, Rules and Regulations. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

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

### 3.1 DEFINITIONS

- (a) "**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.
- (b) "**Audit Committee or Committee**" means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.
- (c) "**Board**" means the Board of Directors of Libord Finance Limited, as constituted from time to time.
- (d) "**Company**" means a Company incorporated under the Companies Act, 2013 or under any previous Company law.

- (e) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (f) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Circulars issued thereunder includes:
- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Wholtime Director;
  - (ii) Company Secretary; and
  - (iii) Chief Financial Officer
- (g) **“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.
- (h) **“Material Related Party Transaction”** means a transaction with a Related Party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- (i) **“Policy”** means Related Party Transaction Policy.
- (j) **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.
- (k) **“Related Party”** means Related Party as defined under sub-section (76) of section 2 of the Companies Act, 2013, Listing Regulations and/ or under the applicable accounting standards, as amended from time to time, provided that:
- a) any person or entity forming a part of the promoter or promoter group of the Company; or
  - b) any person or any entity, holding ten per cent or more of equity shares in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;
- shall be deemed to be a related party.
- (l) **“Related Party Transaction”** means any transaction involving any Related Party which is a transfer of resources, services or obligations between the Company and a Related Party of the Company or its subsidiary, if any, regardless of whether a price is charged and a "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Provided that the following shall not be a Related Party Transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- (c) acceptance of fixed deposits, if any, by the Company at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

#### 4.0 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

The Responsible Person (Company Secretary/ Chief Financial Officer) 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.

#### 5.0 POLICY

The Responsible Person shall collate the information, coordinate and send the Related Party List to the concerned employees which may include MD, CEO, the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

The details of proposed transaction justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate shall be appropriately taken up for necessary prior approvals from the Audit Committee at its next meeting and the decision shall be conveyed back to the originator. The suggested list of records and supporting documents is detailed separately in this policy.

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.

The information to be placed before the Audit Committee and the shareholders for consideration of RPTs. The same is detailed in the following paragraphs.

#### 5.1 REVIEW AND APPROVALS OF RELATED PARTY TRANSACTIONS

##### 5.1.1 Information to be reviewed by the Audit Committee

The Company shall provide the following information, for review of the Audit Committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;

- b. Name of the related party and its relationship with the Company or its subsidiary, if any, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, interoperate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilised by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. Further, an RPT for which the audit committee has granted omnibus approval shall continue to be placed before the shareholders if it is material in terms of regulation 23(1) of the LODR Regulations.

Every Related Party Transaction and subsequent material modifications thereof, if any, shall require 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.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

Provided further that the Audit Committee of the Company shall define "material modifications" and disclose it as part of the policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

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 compliance of the conditions contained in Listing Regulations and Companies Act, 2013 and Rules made thereunder, as amended from time to time. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given. Such omnibus approvals shall be valid for a period not exceeding one

year and shall require fresh approvals after the expiry of one year.

All material Related Party Transactions and subsequent material modifications as defined by the Audit Committee as above shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

### **5.1.2 Information to be provided to shareholders for consideration of RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee as specified above;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company, the details specified as above; provided the requirement of disclosing source of funds and cost of funds shall not be applicable to the Company being a listed Non-Banking Finance Company.
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

The explanatory statement contained in the notice sent to the shareholders for seeking approval for an RPT shall provide relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed RPT are not unfavourable to the Company, compared to the terms and conditions, had similar transaction been entered into between two unrelated parties. The information so provided shall include but not be limited to the information specified above.

Transparency, accountability and shareholder empowerment are the bedrock of robust corporate governance, therefore the Company shall ensure compliance with the spirit of the law and endeavour to provide relevant and detailed information to the shareholders in order to enable and empower the latter for taking an informed decision.

### **5.1.3 Validity of omnibus approval for RPTs granted by shareholders**

The shareholders' approval of omnibus RPTs approved in an Annual General Meeting (AGM) shall be valid up to the date of the next AGM for a period not exceeding fifteen months. In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

In Compliance with Listing Regulations, all the material Related Party Transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of shareholders and the Related Party/ies shall abstain from voting on such resolution. Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary (ies), if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval shall not require approval of the shareholders.

## **5.2 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/Board. The Responsible Person shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorised and discussed with the Board at the next following meeting, as may be required.

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 Responsible Person 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.

## **5.3 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, 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 and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

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.

## **6.0 REGISTERS**

The Company shall keep and maintain a register, maintained 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 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 from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

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 authorised by the Board for the purpose.

## 7.0 RECORDS RELATING TO RELATED PARTY/ SUPPORTING DOCUMENTS

- a) Rent Agreement
  - (i) Copy of draft agreement.
  - (ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.
  - (iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.
- b) Purchase/ sale of property
  - (i) Valuation reports from at least 2 independent valuers to ascertain Fair Market Value.
  - (ii) Quotations from 2 independent property dealers/brokers.
  - (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
  - (iv) Brief terms and conditions and justification of such transaction.
- c) Purchase/sale of material, goods etc.
  - (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
  - (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
  - (iii) Quotation from un-related service provider.
- d) Availing/ Rendering Services
  - (i) Copy of Agreement/ MOU/ Correspondence etc.
  - (ii) Supporting documents justifying the transaction on arms' length basis.
- e) Loans/ Advances given or Taken
  - (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013
  - (ii) Agreements
  - (iii) Statutory approvals wherever required.
  - (iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).
- f) Subscription to shares/debentures/securities
  - (i) Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.
- g) Guarantee/ Securities
  - (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.
  - (ii) Agreements.
  - (iii) Other documents justifying the same.
- h) Other transactions
  - (i) Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

## 8.0 DISCLOSURES

- (a) Details of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.
- (b) 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.
- (c) 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.
- (d) Disclosures with respect to Related Party Transactions shall be made as per applicable provisions of the Act and/or Listing Regulations.

## 9.0 REVIEW OF THE POLICY

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 Listing Regulations and must be approved in the manner as may be decided by the Board of Directors.

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