

## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS**

[Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

### **PREAMBLE**

The Board of Directors (the “Board”) of RNFI Services Limited (the “Company”) have adopted this Policy on February 02, 2024 which shall be applicable upon listing of equity shares of the Company and the Policy includes the materiality threshold and the manner of dealing with related party transactions in compliance with the requirements of Section 188 of the Companies Act, 2013 (the ‘Act’) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

This Policy provides a framework for governance and reporting of all Related Party Transactions including material modifications.

### **OBJECTIVE:**

The objective of this Policy is to set out the:

- Materiality of related party transactions; and
- the manner of dealing with the related party transactions between
  - (i) the Company and its related parties or
  - (ii) between the company’s subsidiaries and the subsidiaries’ related parties based on the provisions of Section 188 of the Companies Act, 2013 and regulation 23 of the Listing Regulations.

### **DEFINITIONS:**

“**Audit Committee or Committee**” means the Audit Committee constituted by the Board of Directors of the Company under Section 177 of the Companies Act, 2013, read with Regulation 18 of the Listing Regulations.

“**Arm’s Length Basis**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Board of Directors**” or “**the Board**” means the Board of Directors of the Company as constituted under Section 149 and other provisions of the Companies Act, 2013, read with regulation 17 of the Listing regulations.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 2 (51) of the Companies Act, 2013.

**“Material modification”** shall mean:

- i) For Material Related Party Transaction(s)-any modification/change previously approved by the shareholders; or
- ii) For other related party transaction(s)- variance of 10% of the existing limit or any significant change in the essential terms of the contract as may be approved by the Audit Committee / Board or
- iii) any modification that the audit committee or the board deems material modification.

**“Material Related Party Transactions under the Act”** means transactions by the Company with its related parties defined under Section 2 (76) of the Act that are either not in the ordinary course of business or not on an arm’s length basis, and exceed the Threshold Limits as defined below.

**“Material Related Party Transactions under the Listing Regulations”** means:

- a. such Related Party Transactions to be entered into with a Related Party, value whereof individually or taken together with previous Related Party Transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower; or
- b. a transaction involving payments made to a related party with respect to brand usage or royalty, value whereof taken individually or together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Related Party”** means a related party as defined under regulation 2(zb) of the Listing Regulations.

**“Relative”** means a relative as defined under Section 2(77) of the Companies Act, 2013, and the rules made thereunder.

**“Related Party Transaction”** means a related party transaction as defined in regulation 2(zc) of the Listing Regulations.

**“Specified Transaction”** includes the following transactions:

- 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) Such related party's 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; and
- h) Such other transactions as may be prescribed under the Companies Act, 2013 and the Rules made thereunder, from time to time.

**“Threshold Limits”** means the following limits as prescribed under the Companies Act, 2013 and the rules made thereunder, in respect of the specified transactions and as amended from time to time:

Nature of Transaction	Threshold Limit
Sale, purchase or supply of any goods or materials (Directly or through agent)	10% or more of the standalone turnover of the company
Selling or otherwise disposing of, or buying, property of any kind (Directly or through agent)	10% or more of the standalone net worth of the company
Leasing of property of any kind	10% or more of the standalone turnover of the company
Availing or rendering of any services (Directly or through agent)	10% or more of the standalone turnover of the company
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Remuneration exceeds Rs. 2.50 Lacs per month
Underwriting the subscription of any securities of the company or derivatives Thereof	Remuneration exceeds 1% of the net worth of the company

**Note:** The Turnover or Net Worth for the purpose of the threshold limits shall be considered on the basis of Audited Financial Statement of the preceding Financial Year.

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

### **❖ IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Before the commencement of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in Listing Regulations and the Act. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.

The Company Secretary and Chief Financial Officer shall be responsible to maintain an updated database of information pertaining to Related Parties.

All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other companies, firms, body corporate(s) or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors and Key Managerial Personnel are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving them directly or indirectly well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

If required, the Company may refer any potential related party transaction to any external legal consultant/ expert for obtaining his/ her opinion on any legal/ regulatory issues involved in the potential related party transaction and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee/ Board of Directors.

## ❖ APPROVAL MECHANISM FOR RELATED PARTY TRANSACTIONS

### 1. APPROVAL BY THE AUDIT COMMITTEE

All Related Party Transactions and material modifications thereto shall require prior approval of the Audit Committee. Only independent directors of the audit committee shall approve such related party transactions. The Committee is to be provided with all the information for review as prescribed under Annexure - I for approval of a proposed Related Party Transaction.

With effect from LISTING DATE, a related party transaction to which a subsidiary of the Company is a party but the Company is not, shall require prior approval of the Company's audit committee if the value of such transaction, whether entered into individually or taken together with the previous transactions during a financial year, exceeds 10 per cent of the consolidated turnover of the company as per the last audited financial statements of the company.

#### Omnibus Approvals

In the case of frequent/regular/repetitive related party transactions of the Company, the Audit Committee may grant an Omnibus Approval.

The Audit Committee shall, after obtaining the approval of the board of directors, specify the criteria for granting omnibus approvals to the Related Party Transactions proposed to be entered into by the Company in the manner as prescribed under Rule 6A(1) of the Companies (Meetings of Board and its Powers) Rules, 2014. The Audit Committee shall, while granting such omnibus approvals, satisfy itself about the adherence to the criteria so specified by it.

While granting such omnibus approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:

- ❖ Name(s) of the related party(s)
- ❖ Nature of the transaction
- ❖ Period of the transaction
- ❖ Maximum amount of the transactions that can be entered into
- ❖ Indicative base price / current contracted price and formula for variation in price, if any
- ❖ Such other conditions as the Audit Committee may deem fit

Omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of that financial year. Any proposed variations / amendments to the terms on which Omnibus Approval is granted shall require prior approval of the Audit Committee.

Omnibus approval shall not be given for the transactions in respect of selling or disposing of the undertaking of the company.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval for such transaction subject to the value per transaction not exceeding Rs. 1,00,00,000/- (Rupees One Crore only).

## **Review of Related Party Transactions**

The Audit Committee shall review on a quarterly basis the details of all RPTs entered into by the Company including those entered in pursuance to the omnibus approval granted by it. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

### **2. APPROVAL BY THE BOARD OF DIRECTORS**

Following transactions with Related Party (ies) shall require approval of the Board:

- a. it is a specified transaction and is not in the Ordinary Course of Business or not at Arms' Length basis, or
- b. the Audit Committee determines that a Related Party Transaction should be brought before the Board, or
- c. the Board in any case elects to review any such matter.

Provided that in the case of a transaction falling under Point no. (a) above, prior approval of the Board shall be required.

In case any director is interested in any transaction 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 transaction.

The Board is to be provided with all the information for review as prescribed under Annexure - II for approval of a proposed Related Party Transaction.

### **3. APPROVAL BY THE SHAREHOLDERS**

The prior approval of the Shareholders shall be taken by way of an Ordinary Resolution in respect of all Material Related Party Transactions under the Act and all Material Related Party Transactions under the Listing Regulations.

No related party shall vote to approve the resolution irrespective of whether that Related Party is a party to the particular transaction or not.

Provided further that in the case of a transaction entered into by the Company with its wholly owned subsidiary, prior approval of the shareholders' of the Company shall be sufficient.

The notice being sent to the shareholders seeking approval for any proposed RPT shall include the information as provided under Annexure III as a part of the explanatory statement.

## **TRANSACTIONS EXEMPTED FROM PRIOR APPROVAL OF THE AUDIT COMMITTEE / THE BOARD AND SHAREHOLDERS**

The transactions entered into between:

- i. the Company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; or
- ii. wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, or
- iii. listed subsidiaries and its related parties to which the company is not a party, and the listed subsidiaries are governed by regulation 15(2) and regulation 23 of the listing regulations

shall not be required to follow the provisions related to prior approval of the Audit Committee or of the board or of shareholders of the Company.

## **RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable, within 3 months of its occurrence, before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and approval.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as it may consider appropriate under the circumstances.

## **DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

As required under Section 188 of the Act read with the Rules made thereunder, all contracts or arrangements with Related Parties shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under section 189 of the Companies Act, 2013, and signed by all the Directors.

Details of all material transactions with the related parties shall be disclosed to the Stock Exchange(s) on a quarterly / half yearly basis, as applicable, along with the Quarterly / half yearly Corporate Governance Report.

The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021 or such other format as specified by the SEBI from time to time and publish the same on its website. With effect from 1-Apr-2023, the same shall be disclosed by the Company as on the date of publication of its standalone and consolidated financial results for the half year.

### **AMENDMENTS TO THE POLICY**

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this Policy. The Board is required to review this Policy from time to time, but not later than 3 years, based on changing requirements of any law or SEBI regulations. In the event of any conflict between the provisions of this Policy and any law or SEBI regulations, such law or SEBI regulations shall prevail.

### **DISCLOSURE OF THE POLICY**

The Company shall disclose this Policy on its website. The necessary disclosure, if any, about the policy will also be made as per the requirements of Listing Regulations and Companies Act 2013.

## Annexure I

### INFORMATION TO BE REVIEWED BY THE AUDIT COMMITTEE FOR APPROVAL OF RPTS

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, 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 listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - 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, inter-corporate 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 utilized 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 or important

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including 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.

The Committee shall, inter-alia, consider the following factors which are only indicative in nature and not limited to:

- ❖ Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- ❖ 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 includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and



- ❖ Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.
- ❖ While considering the arm's length nature of the transaction, the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party should be taken into account. The subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction should also be considered.

### Annexure II

#### INFORMATION TO BE PROVIDED TO BOARD OF DIRECTORS FOR CONSIDERATION OF RPTS

- 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.

### Annexure III

#### INFORMATION TO BE PROVIDED TO SHAREHOLDERS FOR CONSIDERATION OF RPTS

- a. Name of the related party;
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangements;
- e. A summary of the information provided by the management of the listed entity to the audit committee
- f. Justification for why the proposed transaction is in the interest of the listed entity;
- g. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point (f) of Annexure I above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- h. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- 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 relevant or important for the members to take a decision on the proposed resolution.