

Related Party Transaction Policy

Mirae Asset Financial Services (India) Pvt. Ltd. (MAFS)

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1. Background

Related party transactions can lead to a potential or actual conflict of interest, which may be against the business interest of the Company and for its stakeholders. In order to avoid any potential or actual conflict of interest and to bring transparency while dealing with related parties, a Company is required to comply with the norms relating to related parties, as set forth in the applicable laws, as mentioned below.

- i. The Companies Act, 2013 (“the Act”) and the relevant provisions of the Companies (Meetings of the Board and its Powers) Rules, 2014, as amended, from time to time;
- ii. Indian Accounting Standards, (IND AS-24), as amended, from time to time;
- iii. Framework for Scale Based Regulation for Non-Banking Financial Companies and guidelines issued thereunder from time to time to the extent applicable to loans and advances to related parties.

Accordingly, Company has formulated and adopted the Policy on Related Party Transactions (‘the Policy’), to be adopted in respect of all transactions entered/ to be entered by it with Related Parties.

2. Objective

The RBI Master Directions require a Middle Layer NBFC to disclose:

- i. details of all material transactions with related parties in the annual report, and
- ii. its related party transaction policy on its website and annual report.

The Companies Act regulates related party transactions and *inter alia* specifies the approvals required for undertaking related party transactions, disclosures and filings to be made in relation to such transactions and the consequences of non-compliance with the requirements specified under the Companies Act.

3. Policy Scope

This Part of the Policy is intended to ensure systematic identification of Related Party, approval and reporting of transactions entered/ to be entered into between the Company and any of its Related Parties, in compliance with the applicable laws.

Scope of this Part, is as under:

- i. To govern identification and approval process and disclosure requirements, for Related Party Transactions in a transparent manner.
- ii. To ensure fairness in conduct of Related Party Transactions, in terms of applicable laws; and
- iii. To set out the materiality thresholds for Related Party Transactions.

4. Applicability

This Part of the Policy will be applicable for all Related Party Transactions entered/ to be entered, by the Company.

5. Definitions

Unless the context otherwise requires, the following terms shall have the meaning as assigned below, and cognate expressions shall be construed accordingly:

Associated Entities	Means the following: i. directors (including the Chairman/ Managing Director) or relatives of directors; ii. any firm in which any of the directors of the Company or their relatives, is interested as a partner, manager, employee or guarantor; iii. any Company in which any of their directors of the Company, or their relatives is interested as a Major Shareholder, director, manager, employee or guarantor.
Key Managerial Personnel (KMPs)	The KMPs shall mean and include, i. Chief Executive Officer or the Managing Director or the Manager; ii. Company Secretary; iii. the Whole-time Director; iv. the Chief Financial Officer; v. such other officer as may be prescribed under the Companies Act 2013 or designated by the board;
Related Party	Related Party with reference to a company, shall include: (i) director or his relative; (ii) key managerial personnel or his relative; (iii) firm, in which a director, manager or his relative is a partner; (iv) private company in which a director or manager or his relative is a member or director; (v) public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital; (vi) 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 excluding person giving directions or instructions in a professional capacity; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act other than advice, directions or instructions given in a professional capacity excluding person giving directions or instructions in a professional capacity; (viii) body corporate which is: (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary; (C) an investing company or the venturer of the company; (ix) a director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to the company. (X) every such party as may be required to be designated as a related party under the Companies Act or the rules made thereunder
Relative	For an individual, 'Relative' shall mean and include: <ul style="list-style-type: none"> • Members of Hindu undivided family; • Husband or wife; • Father (including step-father) • Mother (including step-mother); • Daughter and Daughter's husband;

	<ul style="list-style-type: none"> • Son (including step-son) and Son's wife; • Brother (including step-brother) • Sister (including step-sister); • Domestic partner of any of the said persons, children and dependants of such domestic partner or spouse (IND AS-24); and • such other relation as may be specified under the Companies Act or the rules made thereunder
Senior Officers (SOs)/ Senior Management/ Leadership Team	Means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management, one level below the Chief Executive Officer & Managing Director, including the functional heads.
Related Party Transaction	any transaction directly or indirectly involving any Related Party that involves transfer of resources, services or obligations between MAFS and a Related Party, regardless of whether a price is charged.
Ordinary Course of Business	"Ordinary Course of Business" means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') and the Articles of Association ("AoA") of the Company.
Arm's length Transaction	The expression "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.

Note: All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them under the Companies Act, 2013 and Rules framed thereunder or any other applicable law.

6. Identification of Related Parties and maintenance of list of Related Parties

Secretarial department shall coordinate with the concerned stakeholders viz. Shareholders, Directors, Key Managerial Personnel, Senior Officers, to collate the relevant information and maintain the database of Company's Related Parties in the format as decided by the Company.

The said database of Related Parties shall be reviewed by the Accounts and Secretarial team jointly, on a quarterly basis.

Each Director and Key Managerial Personnel of MAFS shall be required to provide prior notice to the Secretarial Department of any potential Related Party Transaction involving him/her or his/her Relative.

Related Party Transactions are required to undergo a detailed analysis before arriving at a conclusion as to its impact as well as the course of action with regard to the approval requirements from the concerned bodies.

7. Ascertaining whether Related Party Transactions are on an Arm's Length Basis

The tests for ascertaining arm's length relationship in case of contracts / arrangements that may be entered into by the Company with its Related Parties could be on the following lines –

- (a) The contracts/ arrangements are entered into with related parties, at such prices/ discounts/premiums and on such terms which are offered to un-related parties of similar category/ profile, if available.
- (b) The contracts/ arrangements have been commercially negotiated.
- (c) The pricing is arrived at as per the guidelines that may be issued by the Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961 as applicable to any of the contract/ arrangements contemplated under the Act.
- (d) The payments to group companies are made in the manner and at such rates prevalent in the market for similar category of goods and services and similar category/ profile of customers.
- (e) Any modification to the original contract/ arrangements is substantially on the same price/discount/ premium and on such terms, as offered to un-related parties of similar category/ profile.
- (f) Such other criteria as may be issued under IND AS 24 or by any other statutory/ regulatory authority.

8. Ascertaining whether Related Party Transactions are in the Ordinary Course of Business of the Company

- (a) In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is relevant to attainment of the main objects as set out in its Memorandum of Association or such other activities as may be permitted, from time to time by Reserve Bank of India, the principal regulator of the Company.
- (b) The Company shall also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
- (c) Further, whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.
- (d) These are not exhaustive criteria, and the Company will have to assess each transaction considering its specific nature and circumstances. In case of any confusion, final decision will be taken by the Chief Executive Officer.

9. Approvals of Related Party transactions

Pursuant to the Companies Act and the RBI Master Directions, Related Party Transactions can be categorized under the following heads depending on whether approval is required:

- Approval of the Audit Committee.
- Approval of the Board; and
- Approval of the Shareholders.

Audit Committee

Approval Requirements

Transactions requiring approval of Audit Committee

Every Related Party Transaction (and any subsequent modification to the Related Party Transaction) has to be approved by the Audit Committee.

Exemptions

Approval of the Audit Committee is not required in case of Related Party Transactions entered into between the Company and its wholly owned subsidiaries.

Process

- The Finance Team shall place the Related Party Transaction for approval before the Audit Committee.
- The Audit Committee may seek such additional information as it may deem fit, with respect to the proposed Related Party Transaction.
- Based on its analysis and provisions of the Companies Act, the Audit Committee may either proceed to grant the approval or refuse to grant the approval. Subject to the provisions of the Companies Act, the Audit Committee may also direct the relevant party to obtain approval from the Board. It may, in certain cases, also direct the relevant party to obtain approval from the shareholders in addition to the approval from the Board.
- If the Audit Committee does not approve any of the Related Party Transactions requiring its approval, it shall make recommendations to the Board with respect to that Related Party Transaction.

Consideration by the Audit Committee

The Audit Committee will take into account any and all factors that it deems relevant while considering the proposed Related Party Transaction. The factors to be considered by the Audit Committee may include:

- (i) nature of relationship with the Related Party;
- (ii) nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
- (iii) pricing and other commercial terms;
- (iv) whether the proposed transaction is being entered into in the ordinary course of business and on Arm's Length Basis; and
- (v) any other information as the Audit Committee may deem fit.

Additionally, while ascertaining whether the proposed Related Party Transaction falls within the 'ordinary course of business' or not, the Audit Committee may consider factors such as nature of the transaction, its repetitiveness, duration, monetary value and such other factors as it may deem fit.

Omnibus Approval

The Audit Committee may grant omnibus approval for Related Party Transactions subject to compliance of the conditions set forth under the Companies Act read with the rules made thereunder.

Before granting such approval, the Audit Committee should satisfy itself of the need for the omnibus approval and that such omnibus approval is in the interest of the Company. Any such omnibus approval will be valid for a period not exceeding one financial year.

Board of Directors

Transactions requiring Board approval

The following Related Party Transactions, if not entered into in the ordinary course of business or on Arm's Length Basis, can be entered into only with the approval of the Board:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of or buying property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of an agent for purchase or sale of goods, materials, services or property;
- (vi) appointment of a Related Party to any office or place of profit in the Company, its subsidiary or associate company;
- (vii) underwriting the subscription of any securities or derivatives thereof, of the Company, and
- (viii) every such transaction requiring approval of the Board pursuant to the Companies Act or the rules made thereunder, as amended from time to time.

Exemptions

Related Party Transactions arising out of compromises, arrangements or amalgamation under specific provisions of the Companies Act any other law in relation to companies shall not require approval from the Board and will instead be approved by the Audit Committee.

Process

Approval of the Board shall be obtained at a meeting of the Board conducted in accordance with the Companies Act.

Consideration by the Board

While granting approval, the Board may consider factors such as the nature, duration of the contract; particulars of the contract or arrangement; the material terms of the contract or arrangement including the value, if any; any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms and such other factors as it may deem fit.

Shareholders

Transactions requiring shareholders' approval:

The following Related Party Transactions if not entered into in the ordinary course of business or on Arm's Length Basis can be entered into only with the approval of the shareholders:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of an agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the turnover;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the net worth;
- (iii) leasing of property of any kind (either individually or taken together with previous transactions during the financial year) amounting to 10% or more of the turnover;
- (iv) availing or rendering of any services, directly or through appointment of an agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the turnover
- (v) appointment of a Related Party to any office or place of profit in the Company, its subsidiary or associate company at a monthly remuneration exceeding INR 250,000;
- (vi) underwriting the subscription of any securities or derivatives thereof, at a remuneration exceeding 1% of the net worth; and
- (vii) every such transaction requiring shareholders' approval pursuant to the Companies Act or the rules made thereunder.

Exemptions

- (i) Related Party Transactions arising out of compromises, arrangements or amalgamation under specific provisions of the Companies Act any other law in relation to companies shall not require approval from the shareholders.
- (ii) Related Party Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval will not require approval.

Process

Approval of the shareholders, as required under the Companies Act, shall be obtained at a meeting of the shareholders conducted in accordance with the Companies Act.

Consideration by the shareholders

While granting approval, the shareholders may consider factors such as the nature of relationship with the Related Party, nature, duration of the contract; particulars of the contract or arrangement; the material terms of the contract or arrangement including the value, pricing and other commercial terms and such other factors as they may deem fit.

10. Transactions Not Approved under the RPT Policy

Related Party Transactions requiring approval but not approved

If the Company becomes aware of any Related Party Transaction entered into without obtaining approval required to be obtained under the Companies Act and/or this RPT Policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider 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.

Ratification

The following Related Party Transactions entered into without obtaining the requisite approval in accordance with the Companies Act and/or this RPT Policy, can be ratified by the Audit Committee, or the Board or as the case may be, the shareholders of the Company, in a meeting, within three months from the date on which such contract was entered into:

- Related Party Transactions (entered into by a Director or officer) requiring approval of the Audit Committee and not exceeding an amount of INR 10,000,000;
- Related Party Transactions (entered into by a Director or an employee) requiring approval of the Board; and
- Related Party Transactions (entered into by a Director or an employee) requiring approval of the shareholders.

Related Party Transactions as specified above, if not ratified by the Audit Committee, or the Board or, as the case may be, the shareholders, shall be voidable at the option of the Audit Committee, or the Board or, as the case may be, by the shareholders of the Company.

If any such contract specified above is with a Related Party to any Director, or is authorised by any other Director, then the Director concerned shall indemnify the Company against any loss incurred by it.

11. Review and amendments

This RPT Policy will be reviewed by the Audit Committee on an annual basis or such other time as may be deemed appropriate by the Board and/or the Audit Committee.

Any amendments to this RPT Policy will be recommended by the Audit Committee and reviewed and approved by the Board.