

## **Related Party Transactions (RPT) Policy of R2P Capital Private Limited**

### **Introduction and Objective**

R2P Capital Private Limited (“the Company”, “R2P Capital”) is a newly formed NBFC-ICC (Investment and Credit Company) classified in the **Base Layer** under RBI’s Scale-Based Regulation (SBR) framework. In line with the Reserve Bank of India (RBI) guidelines and the Companies Act, 2013, the Company is committed to conducting all **Related Party Transactions (RPTs)** in a **transparent, arm's-length** manner and with necessary oversight. This standalone policy is **audit and disclosure driven**, aiming to ensure that any transaction with a related party is properly **approved, reviewed, and disclosed** in compliance with applicable laws and governance norms. The policy outlines a standard operating procedure for identification, approval, monitoring, and reporting of RPTs so as to mitigate conflicts of interest and uphold the highest standards of corporate governance.

**Regulatory Mandate:** Both RBI and the Companies Act require strict controls and disclosures for RPTs. RBI’s Master Direction for NBFCs (SBR, 2023) explicitly requires NBFCs to **formulate a Board-approved policy on dealing with RPTs and disclose it** on the company’s website and in the Annual Report. Similarly, the Companies Act, 2013 and relevant rules mandate prior approvals (Board/Audit Committee and sometimes shareholders) for certain RPTs and extensive disclosures in financial statements and the Board’s Report. This policy integrates these requirements to ensure full compliance and transparency.

### **Scope and Definitions**

**Scope:** This policy applies to **R2P Capital** and any of its subsidiaries or associate entities (if and when applicable). It covers all transactions, arrangements, or contracts with “related parties” as defined below, whether **single instance or a series of transactions**, that the Company enters into during the course of its business. It encompasses transactions in the ordinary course of business as well as those not in the ordinary course, whether conducted at arm's length or not. All employees and directors involved in initiating or reviewing transactions are expected to be aware of and adhere to this policy.

**Related Party:** For the purpose of this policy, a “related party” includes any person or entity related to the Company as per **Section 2(76) of the Companies Act, 2013** and the applicable **Accounting Standards (Ind AS 24)**. In broad terms, this covers:

- **Directors** (current or prospective) and their **relatives** (as defined in the Act);
- **Key Managerial Personnel (KMP)** of the Company and their relatives;
- **Shareholders** or promoters holding significant influence (e.g. holding company or major investors) and their group entities;
- **Group entities:** The Company’s holding, subsidiary, or associate companies; and any subsidiary or associate of the holding company.
- **Entities where directors/management have an interest:** For example, a private company in which a director or his relative is a member or director, a public company in which a director or KMP holds  $\geq 2\%$  share, any partnership firm or LLP where a director/KMP or their relative is a partner, etc.

The definition of related party shall be interpreted in consonance with the Act and Ind AS 24. Notably, Ind AS 24’s definition would also include persons with control or joint control over the Company, post-employment benefit plans for the employees, and any other parties that the Company has the ability to exercise significant influence over, or vice versa. The term “relative” covers relationships specified in the Act (spouse, parents, siblings, children, etc.).

**Related Party Transaction (RPT):** An RPT is any **transfer of resources, services, or obligations** between the Company and a related party, regardless of whether a price is charged. This includes, but is not limited to:

- Purchase, sale or **supply of goods or materials** to/from a related party
- Selling or buying **property** (movable or immovable) with a related party
- **Leasing** of property (leasing in or out) with a related party
- Availing or rendering of **services** (financial, technical, consultancy, etc.) from/to a related party
- **Loans, advances, or credit facilities** extended to or received from a related party (including inter-corporate loans or guarantees)
- **Borrowings or deposits** taken from or placed with a related party (where permitted under regulations)
- **Guarantees or collaterals** provided to or by a related party
- **Investment in equity or securities** of a related party, or vice versa
- **Management contracts** including for deputation of employees or other agreements with related parties
- Appointment of a related party to any **office or place of profit** in the Company or its subsidiary/associate (for example, hiring a relative of a director in an office of profit role)
- Underwriting of securities of the Company by a related party

Standard transactions such as **director's remuneration, reimbursement of expenses** to a related party, or **contribution to employee benefit funds** are also considered RPTs; however, if they are in line with already approved contracts or schemes under the law, they may be deemed to be in the ordinary course and at arm's length. Nonetheless, they will be disclosed as per accounting standards.

**Arm's Length Transaction:** In line with Explanation (b) to Section 188(1) of the Act, an "arm's length" transaction is one where the parties act **independently and on equal footing** without any conflict of interest, as if they were unrelated. In other words, the transaction's terms (pricing, credit period, security, etc.) are comparable to what would be agreed between unrelated parties under similar circumstances. Determining arm's length will often involve market benchmarking or valuation: the Company will use methods like comparing quotes from third parties, prevailing market rates, independent valuations, etc., to substantiate that a given RPT is at arm's length.

**Ordinary Course of Business:** A transaction is in the ordinary course of business if it is **normal, frequent, and incidental** to the Company's business operations. It should fall within the routine business activities of the Company (as per its charter documents and prevailing industry practices). For instance, if the Company's business is lending and investment, providing a loan or buying an investment (even from a related party) could be ordinary course – provided it's done as part of the Company's regular business and not as an extraordinary one-off deal.

**Material Related Party Transaction:** The term "material" RPT is important for determining special approval and disclosure requirements. For the purposes of this policy, a related party transaction is deemed "**material**" if its value (individually or taken together with previous transactions with the same related party in a financial year) exceeds the thresholds prescribed under applicable law or as set by the Board, whichever is stricter. Under the Companies Act, 2013, Rule 15 of the Companies (Meetings of Board) Rules, 2014 defines certain threshold triggers for transactions with related parties. For example, **transactions exceeding 10% of the Company's annual turnover or ₹100 crore (whichever is lower)**

in case of sale, purchase or supply of goods or property, and similarly defined thresholds for other types of transactions (such as **10% of net worth for property transactions or ₹50 crore for service transactions**) require prior approval of shareholders by a special resolution. The Company will treat these statutory thresholds as the benchmark for materiality. Additionally, the Board may prescribe a lower threshold for internal purposes – e.g., any transaction (or series of connected transactions) above, say, 5% of annual turnover may be flagged for closer review, even if not requiring shareholder approval by law.

It is clarified that any transaction *involving payments to a related party with respect to brand usage or royalty* that exceeds 2% of the annual consolidated turnover of the Company shall be considered material as per applicable SEBI regulations (if at any point applicable). Although R2P Capital is currently an unlisted company, it strives to adhere to high governance standards comparable to listed entities.

## Key Regulatory Framework

The Company's RPT Policy is framed with reference to the **prevailing laws and guidelines**, primarily the Companies Act, 2013 (and rules thereunder) and RBI's regulatory framework for NBFCs. In case of any amendments in these laws or regulations, the policy will be updated to remain compliant. Below is an overview of the key regulatory provisions:

### RBI Guidelines for NBFCs (Scale-Based Regulation, 2023)

The RBI's **Master Directions – NBFC (SBR) Directions, 2023** provide governance requirements that apply to NBFCs in the Base Layer (as well as Middle and Upper Layers, in increasing stringency). Pertinent to RPTs, the RBI has laid down the following:

- **Disclosure of RPT Policy:** Every NBFC is required to **disclose its policy on dealing with Related Party Transactions on its website and also in its Annual Report**. This means our Company must publish this Policy on the official website and include either the full policy or a web-link/reference to it in the Annual Report each year. This ensures stakeholders are aware of how R2P Capital manages and approves RPTs.
- **Disclosure of Material RPTs:** The NBFC must disclose details of all **material transactions** with related parties in its Annual Report. In practice, materiality can be assessed using the thresholds from the Companies Act (since RBI has not specified a fixed quantifiable threshold). Any significant RPTs that could influence decision-making of stakeholders should be transparently reported in the Annual Report's financial statements or Corporate Governance section.
- **Board-approved Policy on Loans to Directors & Their Relatives:** RBI specifically mandates that NBFCs shall have a **Board-approved policy on granting loans and advances to directors, senior officers, and their relatives**, as well as to any entities where these directors or their relatives hold a major shareholding. This is a crucial prudential measure for NBFCs to avoid conflicts of interest in lending. In compliance, R2P Capital will include in this Policy (or a separate internal policy) clear guidelines on any credit facilities to such related parties. The policy will stipulate, for instance, that any loan to a director or relative must be on arm's length terms and with approval of the Board. If any such loan exceeds 10% of the Company's net owned funds or a fixed amount, it shall be brought to the Board's attention even if approved under delegation.
- **Disclosure of loans to related parties:** In addition to approval policy, the **aggregate amount of loans/advances sanctioned to directors, senior officers or their relatives (and entities they significantly influence)** must be disclosed in the Company's annual financial statements.

RBI has provided a format (Annex XI of the Master Direction) for such disclosure, which typically lists the outstanding amount of such loans to directors and their relatives for the current and previous year. R2P Capital will ensure compliance by capturing these details in the notes to accounts or a separate schedule in the financial statements each year.

- **Enhanced Disclosures and Governance Expectations:** R2P Capital will disclose not only RPTs but also items like loans to directors/senior officers and customer complaints, etc., as part of their governance report. The emphasis is on a governance-driven approach wherein stakeholders can clearly see transactions that involve insiders or related entities.

## **Companies Act, 2013 and Applicable Rules**

Section **188** of the **Companies Act, 2013** governs related party transactions for companies in India. The Act (read with Companies (Meetings of Board and its Powers) Rules, 2014) sets out both the approval process and disclosure requirements for RPTs. Key provisions include:

- **Board of Directors' Approval:** Except for transactions that are in the ordinary course of business *and* on arm's length terms, **all RPTs covered under Section 188(1)** require approval by the Board of Directors through a resolution passed at a Board meeting. The types of transactions covered are the same as listed earlier (sale/purchase of goods, property, leasing, services, etc. with related parties). In practice, even if a transaction is ordinary course and arm's length (and thus exempt from Section 188's prior approval requirement), the Company's policy is to at least **inform the Board/board constituted committee** of such transactions, especially if they are significant, to ensure transparency.
- **Audit Committee Approval:** R2P Capital, being a private company NBFC, is not mandatorily required to have an Audit Committee under the Act until it meets certain criteria. However, if an Audit Committee is constituted (either voluntarily or due to future legal requirement), then **no RPT shall be entered into without the Audit Committee's prior approval**. The Audit Committee, if in place, will also have the authority to grant **omnibus approvals** for repetitive transactions with related parties, within limits set by law, and subject to periodic review (such omnibus approval is generally valid for one financial year and requires fresh approval thereafter). Only independent directors (if any) on the Audit Committee can vote to approve RPTs, to ensure unbiased decision-making. In summary, **Audit Committee review and clearance is a crucial checkpoint** for RPTs under an audit-driven approach.
- **Shareholders' Approval (Special Resolution):** If an RPT exceeds the prescribed **materiality thresholds** specified in Rule 15 of the Companies (Meetings of Board) Rules, 2014, it requires prior approval of the shareholders by a **Special Resolution** at a general meeting. The related party(ies) in question must abstain from voting on such resolution to approve their own transaction. The key **thresholds** triggering shareholder approval are as follows (whichever is lower is the trigger in each case):
  - Sale, purchase or supply of **goods or materials**: exceeding 10% of the company's annual **turnover or ₹100** crores.
  - Selling or buying **property**: exceeding 10% of **net worth or ₹100** crores.
  - **Leasing** of property: exceeding 10% of net worth or 10% of turnover **or ₹100** crores.
  - Availing or rendering of **services**: exceeding 10% of turnover **or ₹50** crores.
  - Appointment to an **office or place of profit** in the company or its subsidiary/associate: if monthly remuneration exceeds ₹2.5 lakhs.

- **Underwriting** the securities of the company: if the remuneration (commission) exceeds 1% of net worth.

These thresholds are based on the *last audited financial statements* of the Company. Any transaction beyond these limits is considered material and must be approved by shareholders' special resolution **prior** to execution. (For R2P Capital, as a growing NBFC, current transaction sizes may be small, but this will be monitored against the thresholds each year.) **Section 188(1)** explicitly prohibits entering into material RPTs without such approval. If the Company is a **wholly-owned subsidiary**, an exception allows the special resolution passed by its holding company to suffice for transactions between the WOS and holding company.

- **Abstention from Voting/Conflict of Interest:** Directors who have an interest in an RPT (either directly or via their relatives/associated entities) are required to **disclose their interest** (per Section 184) and **abstain from participating in the discussions or voting** on the resolution in the Board meeting for that RPT. They should excuse themselves from that part of the meeting. Similarly, if the RPT requires shareholder approval, any related party shareholder who is a party to the proposed transaction cannot vote on the special resolution to approve it (to ensure the approval is truly by disinterested shareholders). This recusal rule is in line with good governance to prevent conflict of interest influencing the approval process.
- **Ordinary Course and Arm's Length Exemption:** The Act provides a significant exemption: **Transactions that are in the ordinary course of business and on arm's length terms do not require either Board or shareholder approval under Section 188.** This means if R2P Capital lends to a related party as part of its normal financing business and does so at market interest rates and terms comparable to what it offers unrelated parties, such a loan may not trigger Section 188 approvals. However, **disclosure requirements still apply** (in financial statements etc.), and the Company's internal policy is to still present such transactions to the Audit Committee/Board for noting. The rationale is that even arm's-length RPTs merit oversight to ensure they remain fair over time. The Company will document the rationale for considering a transaction arm's length and ordinary course (for example, by referencing similar transactions with third parties).
- **Record-keeping – Register of RPT:** Under Section 189 of the Act, the Company Secretary (or a person authorized) shall maintain a **Register of Contracts and Arrangements in which Directors are interested.** This includes details of all RPTs covered under Section 188, along with names of the related parties, terms of the contract, amount, duration, and the interest of the directors in such transactions. This register is to be kept at the registered office and be available for inspection by directors/members. Entries will be made in the register as soon as possible after the approval and execution of the RPT, and each entry will be authenticated by the Company Secretary or any other authorized person.
- **Disclosure in Board's Report (Form AOC-2):** The Company is required to disclose in its Board of Directors' Report a summary of RPTs in the prescribed format (Form AOC-2), pursuant to Section 134(3)(h) of the Act read with Rule 8 of Companies (Accounts) Rules, 2014. Form AOC-2 mandates disclosure of (a) **material contracts or arrangements** with related parties that are not in ordinary course *or* not at arm's length, and (b) any **material RPTs** (i.e., those exceeding the thresholds) even if they are at arm's length. The disclosure should include details of the transaction, the amount, the related party's name, relationship, and any other important terms. This ensures shareholders are informed about the RPTs that required Board/shareholder approval. The **Directors' Report will include this in an annexure** each year, or it will state if there were no such transactions requiring disclosure. (Additionally, as a matter of good practice, the Board's report often provides a statement that all RPTs were at arm's length and in ordinary course, if that is the case, with a reference to the policy.)

- **Accounting Standards Disclosure:** Even if an RPT does not require specific approval (due to the ordinary course/arm's length exemption or being below thresholds), it must still be accounted for and disclosed as per **Accounting Standards**. Ind AS 24 (or AS 18, as applicable) requires comprehensive disclosure of related party relationships and transactions in the notes to accounts. This includes the **name of the related parties, nature of relationships, nature of transactions, transaction values, outstanding balances, provisions for doubtful debts, and any amounts written off**. Essentially, the financial statements should contain a clear picture of all significant RPTs so that readers can understand their effect on the financial position and performance of the Company. These disclosures are subject to audit by the statutory auditors. (The RBI's additional requirement for NBFCs to show loans to directors etc. separately, as noted above, complements these accounting disclosures.)
- **Section 185 (Loans to Directors):** While not directly a Section 188 matter, it is worth noting that Section 185 of the Companies Act, 2013 generally **prohibits companies from advancing loans to directors or to persons/entities in which the directors are interested**, with some exceptions. One key exception is for companies in the business of lending (like NBFCs) – they can lend to their directors or relatives in the ordinary course of business **at an interest rate not lower than the RBI-prescribed benchmark (prevailing yield of government securities)**. R2P Capital, being an NBFC, avails itself of this exemption when applicable but will still ensure that any such loan is approved as per this RPT policy and reported to RBI if required. This provision dovetails with the RBI mandate that we have a board-approved policy for loans to directors/senior officers. So, while the Companies Act would normally bar such transactions, our regulatory status provides conditional leeway – which we govern strictly via this policy to avoid any abuse.
- **Penalties for Non-Compliance:** If an RPT is entered into without the necessary approvals, it is **not automatically void**, but it may be **ratified** by the Board or shareholders (as applicable) within 3 months. If it is not ratified within this timeframe, the transaction *may be voidable* at the option of the Board or shareholders, as the case may be. Moreover, if the transaction is voided, any benefit gained must be accounted for and the concerned related party may have to indemnify the Company for any loss. Violation of Section 188's provisions can result in penalties. For instance, any director or other company officer who had authorized the contract in contravention of Section 188 could be liable to pay fines (which, for listed companies can range up to ₹25 lakh, and for other companies up to ₹5 lakh as per Section 188(5), subject to any amendments). The Company is keen to avoid such situations through rigorous upfront compliance.

*The Company is committed to complying with both sets of requirements. In case of any ambiguity or conflict, the stricter provision (from either RBI or Companies Act) will typically be adopted to ensure we meet the highest standard of compliance.*

### **Identification and Review of Related Party Transactions**

To implement the above framework, the Company will follow a clear **Standard Operating Procedure (SOP)** for handling related party transactions from inception to disclosure. The key steps are as follows:

1. **Identification of Related Parties:** The Company Secretary or Compliance Officer will, on an ongoing basis, **prepare and update a list of all Related Parties** of the Company. This draws from disclosures by directors and KMP (annual disclosures and whenever changes occur in their interests), the register of significant shareholders, and corporate structure (parent, associates, subsidiaries if any). All directors and KMP are required to promptly notify the Company of any changes in their relatives or in other directorships/partnerships etc. that could create new related party relationships. This master list of related parties will be circulated to the finance, accounts, and legal teams and made accessible to

any team responsible for initiating transactions, so that they can flag potential RPTs at the proposal stage. Additionally, any *new vendor or counterparty onboarding* process will include a step to confirm whether the counterparty is a related party as per the Company's records (or by declaration if not obvious).

**2. Identification of Potential Transactions:** Prior to entering into any transaction or contract, the responsible department head must evaluate whether the counterparty (or beneficiaries of the transaction) is a related party. If yes (or uncertain), the proposal should be tagged as a "Potential RPT" and forwarded to the Compliance Officer/Company Secretary for further analysis under this policy. The nature of the transaction will be reviewed against the list of RPT categories covered by Section 188. No threshold exemption is applied at the identification stage; *all* RPTs must be reported for approval at some level, even if just noted for record. This ensures nothing is overlooked due to presumption of small size.

**3. Arm's Length Assessment:** For each potential RPT, the first analytical question is: *Is the transaction on arm's length terms and in the ordinary course of business?* The team proposing the transaction should provide justification/documentation for the pricing and terms. This may include: quotations from multiple unrelated third parties for similar transactions, comparable market prices or rates (for example, prevailing interest rates for loans of similar risk, market rent for a similar property in the area, etc.), valuation reports for asset transfers, and other benchmarking data. The Finance or Accounts department may assist with a **comparative analysis** to evidence arm's length conditions. All such analysis will be documented and attached to the proposal. If external professional opinions or valuations are needed to conclude on arm's length, those should be obtained. The proposal form for RPTs will specifically note whether the transaction is considered arm's length and basis for that conclusion.

Simultaneously, it will be determined if the transaction is part of the Company's ordinary business. For example, a loan or investment is part of an NBFC's ordinary business, whereas selling a piece of real estate owned by the Company might not be ordinary (unless real estate trading was part of our business). If a transaction is not in ordinary course, it will **always require prior Board approval** even if arm's length, as a matter of policy.

**4. Approval Process:** The approval of RPTs will occur in three possible tiers, depending on the materiality and nature of the transaction:

- **Audit Committee Approval:** If an Audit Committee exists (now or in the future), *every* RPT (irrespective of amount or arm's length status) will be presented to the Audit Committee **for prior approval**. A summary of the key terms of the transaction, the business purpose, the pricing, and the justification of arm's length will be provided to the Committee. The Audit Committee will review the transaction with an eye on fairness and compliance. It will, in particular, **test whether the transaction is truly at arm's length and in ordinary course**. The Committee may approve, mandate modifications, or reject the proposal. If timing is critical, the Audit Committee may grant provisional prior approval via resolution by circulation, subject to ratification in the next meeting. The Committee can also grant **omnibus approval** for certain repetitive transactions or transactions of a specific nature with related parties that are routine, within a prescribed limit (as allowed by law). Such omnibus approvals will be valid for one financial year and subject to a value cap. The Audit Committee will **review, on at least a quarterly basis, the details of RPTs** entered into pursuant to any omnibus approvals, to ensure they are in line with the policy terms.
- **Board Approval:** All RPTs (other than those which are exempt under Section 188 and in truly ordinary course/arm's length) must be approved by the Board of Directors. In practice, after Audit Committee's clearance (if applicable), the proposal will be put up to the Board. The agenda of the Board meeting at which an RPT is considered shall disclose necessary details such as the name of the related party, nature of relationship, nature and duration of the

transaction, material terms, value, and any other information needed for the Board to make an informed decision. In the Board meeting, any director who is interested in the transaction (or whose relative is interested) will **excuse themselves** from the discussion and voting. The Board will consider whether the transaction is in the best interests of the Company, whether it's fair and reasonable, and whether it aligns with this policy's principles. If satisfied, the Board will approve the transaction by passing a resolution. The minutes will record the deliberations and the fact of interested directors abstaining. If the Board does not approve an RPT, it cannot be proceeded with (unless it is modified and re-presented or a decision is made to seek shareholders' decision directly, if Board decides to put it for shareholders even if they themselves don't approve). It's noted that if an RPT is in ordinary course and arm's length, technically Board approval under Section 188 is not mandatory; however, the Company will still present significant such transactions to the Board **for noting** (as a good governance practice and as required by Ind AS disclosure processes).

- **Shareholder Approval:** When a transaction (or a series of transactions with the same related party in a year) is anticipated to breach the **materiality thresholds** outlined earlier, or if the transaction is not in the ordinary course or not on arm's length basis and is of a kind that shareholders' approval has not been exempted, the Company will seek approval of shareholders **before** consummating the transaction. A notice convening an Extraordinary General Meeting (or an AGM if timing permits) will be sent to shareholders, with an **explanatory statement** detailing the RPT (name of related party, relationship, nature, value, duration, etc.) and explaining why the transaction is being proposed and why it is in the Company's interest. In that general meeting, all shareholders who are **interested related parties** will not vote on the resolution (if they do, their votes will be disregarded in counting for approval). For a special resolution, the approval threshold is 75% of the votes cast (by disinterested shareholders) in favour. Once approved, the transaction can proceed under the oversight of the Board. If a potential material RPT is identified mid-year, the Board will, if feasible, delay or make the transaction conditional on shareholder nod. There is an option to get a **prior shareholder approval via postal ballot** or in a general meeting. In urgent cases, Section 188 allows the transaction to be entered into subject to it being ratified by shareholders within 3 months, but this route is risky and the Company will avoid it except in exceptional circumstances. Generally, pre-approval is preferred to protect the Company's and stakeholders' interests.
- **Transactions in Ordinary Course & Arm's Length:** If a transaction is confirmed to be both in the ordinary course of business and on arm's length terms, and is below the material thresholds, the Company may proceed with it **without shareholder approval and even without Board approval under Section 188**. However, **internal approval** is still needed – at minimum by the MD/CEO or relevant director under whose authority the transaction falls. The transaction should still be **brought to the next Audit Committee and/or Board meeting for ratification/ noting** that such a transaction was carried out under the exemption. This internal step ensures that no significant dealings escape the attention of the Board. Documentation supporting arm's length must be retained on file for auditors/regulators. If there is any doubt about the arm's length nature, the management should err on the side of seeking Board approval.

**5. Pricing and Contractual Terms:** In negotiating and drafting the contract for an approved RPT, the Company will ensure the terms adhere to what was presented. If the Audit Committee/Board imposed any conditions (e.g., getting an independent valuation, or capping the quantity/value, or requiring collateral for a loan), those will be incorporated. All RPTs should be in **writing** (either as a contract, purchase order, loan agreement, etc.) to ensure there is a clear record. The contract shall include normal commercial clauses around default, termination, etc., to safeguard the Company. Particularly for loans or guarantees to related parties, legal counsel must vet the agreements to ensure enforceability and that

they do not contain any unusually favourable terms to the related party that were not disclosed. Any subsequent **material modification** in the terms of the RPT (e.g., extension of duration, significant increase in value, change in pricing formula) should be considered as a new transaction and put through the approval process again (Audit Committee/Board/shareholders as applicable). This prevents “approvals” from being misused for something significantly different from what was originally sanctioned.

**6. Monitoring and Reporting of Approved RPTs:** Once an RPT is approved and undertaken, the compliance responsibility does not end. The following ongoing monitoring will be done:

- **Track Actuals vs. Approved Limits:** The finance team will track the actual transaction values against the approved amounts (especially for recurring RPTs or those spread over the year). If an RPT was approved for ₹X and the business expects it might need to exceed that, fresh approval must be sought before exceeding the approved limit. Similarly, if shareholders approved an omnibus amount or a specific transaction, management will ensure that the transaction stays within scope; otherwise, a revised approval is arranged.
- **Quarterly Review by Audit Committee:** If an Audit Committee is in place, at each quarterly meeting, management will present a **summary of all RPTs** entered in that quarter. This will include their value, confirming if they were at arm's length, and highlighting any deviations from policy. The Audit Committee will review this report to ensure that the policy is being followed and can ask for additional explanations or independent audits if necessary. For companies without a mandated Audit Committee, the Board can carry out this review in its meetings.
- **Internal Audit:** The scope of the internal audit (if an internal auditor is appointed) or periodic management audits will include checking RPT compliance. The auditors will verify that all RPTs were identified, approved, and disclosed correctly. Any **audit findings** of lapses will be reported to the Audit Committee/Board and corrective action taken.
- **Register Updates:** The Company Secretary will promptly make entries in the Register of Contracts and Arrangements (per Section 189) whenever a new RPT is approved. This register will be placed at the ensuing Board meeting for directors to note.
- **Loans to Directors/Senior Officers:** For any loans/advances to directors or their relatives (or firms/companies they substantially influence), aside from approvals as above, the specific additional steps will be: (a) ensure it falls under the permitted framework (e.g., under Section 185 exemption and RBI policy), (b) report the sanction to the Board meeting immediately following (if the Board hadn't already approved it directly), and (c) keep a track such that the aggregate outstanding to all such related parties is disclosed in the financial statements annually. The Chief Financial Officer will maintain a schedule of these regulated exposures and certify the amounts for disclosure.
- **Arm's Length Re-validation:** Over longer-term RPTs (say a 3-year service contract with a related party or a lease), the Company will **review at least annually** whether the terms remain arm's length (especially if market conditions have changed). If an arrangement becomes unfavourable to the Company compared to market, the Company will seek to renegotiate the terms or consider early termination – or else treat it as not arm's length and follow appropriate approval/disclosure (even post-facto).
- **Corrective Action for Deviations:** If any RPT is discovered to have been entered without necessary approval, or if an approved RPT was consummated on terms materially different from those approved, the matter must be immediately reported to the Company Secretary and Managing Director. The Board/Audit Committee, at its next meeting, will review the

transaction. As per law, they may choose to ratify it (with justification recorded) or direct nullification. The Company will seek shareholder ratification if required. Disciplinary action may be considered for executives who bypassed the process. This policy thus has a zero-tolerance for deliberate violations.

**7. Documentation and Record-keeping:** Every stage of the RPT process should be well documented. This includes the initial proposal note, supporting market data for arm's length, minutes of meetings approving the transaction, the signed contracts, and invoices/vouchers of actual transactions. These documents should be stored in a systematic manner (physical or electronic) for at least 8 years (or longer if required by law) and be readily available for inspection by auditors or regulators. The Register of RPTs (Form MBP-4) will be maintained permanently as part of statutory records.

### **Disclosure and Transparency**

As emphasized, transparency in related party dealings is crucial. R2P Capital will ensure all required disclosures are made timely and accurately:

- **Financial Statement Disclosures:** In the annual (and if required, interim) financial statements, the Company will disclose related party information as per Ind AS 24. This includes relationships (e.g., name of holding company, subsidiary, key management personnel, etc.) and details of transactions/balances with related parties. Transactions of a similar nature may be aggregated by type of related party, except where separate disclosure is necessary for clarity. The disclosure will cover the nature of each major transaction type, the amount of transactions, outstanding receivables/payables, and provisions for doubtful debts or amounts written off (if any) pertaining to related parties. Also, as an NBFC, the Company will add the specific disclosure table required by RBI for loans and advances to directors/specified persons, in the notes to accounts. These disclosures are subject to audit by the statutory auditors, and they will be included in the audited financial statements filed with the Registrar of Companies and RBI (in returns, if applicable).
- **Board's Report:** The Board of Directors' Annual Report to shareholders will include a section on RPTs. It will state that the Company has an RPT policy in place and that all transactions with related parties during the year were in ordinary course and at arm's length **or** if not, were approved by the Board and/or shareholders as required. The report will include the **Form AOC-2** as an annexure, which provides the required particulars of contracts or arrangements with related parties that are material or not at arm's length. Even if there were no transactions falling under that category, the form is typically attached stating "Nil" or the report explicitly mentions such a nil state to assure stakeholders that all transactions were compliant. The Board's report will also mention that the RPT policy is available on the Company's website (<https://r2pcapital.com/>) and that significant RPTs have been disclosed in the financial statements.
- **Website Disclosure:** The Company's official website (<https://r2pcapital.com/>) will host this **Related Party Transactions Policy** in a readily accessible section ("Investor Relations" / "Governance" section). Any updates or amendments to the policy will be promptly updated on the site. Furthermore, the Annual Report will provide a web link to the policy on the website, so that readers can directly refer to the detailed policy if needed. This practice aligns with regulatory requirements and promotes transparency.
- **Annual Report – Corporate Governance Section:** If the Company, in the future, issues an Annual Report with a dedicated corporate governance report (especially if it becomes a listed or publicly-debt listed entity), it will include a disclosure of RPTs in line with governance best practices. Typically, this would mention the significant RPTs, confirmation of Audit Committee approval for all RPTs, and perhaps the total amounts of RPTs during the year. As required by

RBI's guidelines, **all material RPTs are disclosed in the Annual Report.** For NBFCs that are not listed, this disclosure might be made in the Directors' Report or as a separate schedule in the financial statements.

- **Regulatory Reporting:** The Company will include RPT information in any regulatory filings as required. For example, if the RBI's supervisory returns or corporate governance report require a declaration that no financial assistance to related parties is in conflict with the prudential norms, the Company's management will certify accordingly. If RBI introduces specific RPT reporting (like the draft related-party lending returns), the Company will ensure systems are in place to capture the required data.
- **Stakeholder Communication:** If any related party transaction is likely to have a significant impact on minority shareholders or creditors (for instance, a merger or major asset sale to a related party), the Company will take steps to communicate and explain the transaction to stakeholders beyond what is legally required, as part of good governance. This could include press releases or town-hall meetings as appropriate.
- **Notes and Conditions in Agreements:** For transparency and audit trail, material RPT contracts may include a clause noting that "this transaction is a related party transaction and is being undertaken after obtaining necessary corporate approvals in accordance with applicable laws and the Company's RPT Policy." While not mandatory, such a note underscores internally that the process was followed and alerts any reader of the contract (e.g., auditors) to check the approvals.

All disclosures will be vetted by the Audit Committee and approved by the Board before being made public, to ensure accuracy and completeness.

### **Policy Administration and Review**

This policy is approved by the Board of Directors of R2P Capital Private Limited and is effective henceforth. Responsibility for the **implementation and monitoring** of the RPT policy lies jointly with the Company's senior management (CFO, Company Secretary) and the Audit Committee/Board.

- The **Company Secretary** shall act as the **Compliance Officer for RPT Policy**, ensuring that all relevant employees are aware of this policy and trained on the procedures. He/She will coordinate the identification of related parties, maintain the necessary registers, and place RPT proposals for approval as outlined. The CS will also ensure inclusion of RPT details in Board agendas and meeting minutes as required.
- The **Audit Committee** (or the Board, where applicable) will periodically review this policy to assess its effectiveness. **At least once a year**, or sooner if laws change, the Audit Committee/Board will evaluate whether the policy needs updates. Any proposed changes will be presented to the Board for approval. Significant changes might also be placed for shareholder approval if required by law or if the Board decides to do so in the interest of transparency (for example, if the Company were listed, changes to the RPT Policy might be disclosed to stock exchanges).
- If the RBI issues fresh directions (e.g., the anticipated **RBI 2025 RPT lending directions** becoming effective in 2026) that conflict with or add to this policy, those new norms will be deemed automatically applicable and this policy will be updated at the earliest opportunity. For instance, if RBI were to set new exposure limits or require certain committee approvals for group transactions, the Company will incorporate those immediately.
- **Record of Approvals:** The Company shall keep a log of all RPT approvals (Audit Committee and Board resolutions, and shareholder resolutions) along with the date and relevant details.

This helps in auditing and also in reviewing the trend of transactions with particular related parties over time.

- **Independent Review:** The Board may engage an external firm or the internal auditor to conduct an independent review of the RPT framework's effectiveness. This could be part of a broader governance audit. Such review can help identify any instances of non-compliance or areas for improvement in the policy's execution.
- **Consequences of Non-Compliance:** Any deviation from this policy or lapses in following the mandated procedure will be taken seriously. The Board or Audit Committee will investigate such cases and determine corrective actions. Consequences may include internal disciplinary action for responsible personnel and steps to ratify or unwind transactions as needed. The overarching goal is to ensure that at no point is an RPT hiding a potential conflict of interest or causing the Company to sacrifice interest for the benefit of an insider.

## **Conclusion**

This Related Party Transactions Policy is intended to provide a robust framework for governance, aligned with the latest regulatory expectations from RBI and the statutory requirements of the Companies Act, 2013. It underscores R2P Capital's commitment to **transparency, fairness, and accountability** in all dealings, especially those involving our own insiders or affiliates. By having clear procedures and oversight mechanisms, the Company seeks to prevent any **conflict of interest** or "tunnelling" of resources, thereby protecting the interests of our shareholders, investors, and creditors.

All employees and directors are expected to adhere strictly to both the letter and spirit of this policy. We recognize that related party transactions, if not managed properly, can be detrimental; conversely, when undertaken with proper approvals and disclosures, they can be legitimate and beneficial (for example, leveraging group synergies) without compromising governance. Thus, the aim of this policy is not to forbid RPTs, but to **manage them prudently**.

This policy shall be hosted on the Company's website for public information and a reference to this will be made in the Annual Report each year. Any stakeholder having queries or concerns regarding RPTs can reach out to the Compliance Officer for clarification. The Board affirms that this policy will be reviewed and amended as necessary to remain compliant with laws and aligned with best governance practices.