

**CHARTERED FINANCE & LEASING  
LTD. (CFL)**

**(“NBFC/ B-13.02480”)**

**LOANS AND ADVANCES TO  
DIRECTORS, SENIOR OFFICERS AND  
RELATED PARTIES POLICY**

## SUMMARY OF POLICY

| Particular                  | Details                                                                     |
|-----------------------------|-----------------------------------------------------------------------------|
| Policy Name                 | Loans and Advances to Directors, Senior Officers and Related Parties Policy |
| Version                     | V3                                                                          |
| Latest Approval/Review Date | 07 <sup>th</sup> April, 2026                                                |
| Review Cycle                | Annually                                                                    |
| Approver                    | Board of Directors of Chartered Finance & Leasing Ltd                       |

## VERSION HISTORY

| Version | Approval                                         | Version Description | Regulatory Reference |
|---------|--------------------------------------------------|---------------------|----------------------|
| I       | Board Meeting dated 07 <sup>th</sup> April, 2022 | 2022                | RBI Regulation       |
| II      | Board Meeting dated 20 <sup>th</sup> May, 2025   | 2025                | RBI Regulation       |
| III     | Board Meeting dated 07 <sup>th</sup> April, 2026 | 2026                | RBI Regulation       |

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## Policy for Loans and Advances to Directors, Senior Officers and Related Parties

### 1. Introduction

The Company has formulated this policy pursuant to the Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) Directions, 2025 (Chapter IV.A) (as modified, amended, and updated from time to time), which lays down certain regulatory restrictions and requirements on lending to directors, senior officers, and other Related Parties/Related Persons (as defined below) or their relatives.

This Policy shall be placed before the Board of Directors for their approval along with the aforesaid guidelines.

The Board shall have the overall responsibility of ensuring that suitable mechanisms are put in place for implementation of this policy on lending to related parties.

### 2. Objectives of the Code

- a) Compliance with the regulatory requirements with respect to lending where to directors, senior officers, or their relatives or firms or companies in which they hold an interest.
- b) Greater transparency and disclosure of interest by directors or senior officer in case of loan proposals where they are interested.
- c) The Board or the Committee on lending to related parties (a committee of the Board other than the Audit Committee) takes informed decision during approval of such loans and advances.

### 3. Definitions

- (i) “Control” shall have the same meaning as assigned to it under Section 2(27) of the Companies Act, 2013.
- ii) “Relative” shall mean to include
  - a) Members of a Hindu Undivided Family.
  - b) Husband
  - c) Wife
  - d) Father (including stepfather)
  - e) Mother (including stepmother)
  - f) Son (including stepson)
  - g) Son’s wife
  - h) Daughter
  - i) Daughter’s husband
  - j) Brother (including stepbrother)
  - k) Sister (including stepsister)

- iii) “Major shareholder” shall mean a person holding 10 % or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is lower.
- iv) “Senior Officer” shall mean to include 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 executive Directors, including the functional heads.
- v) “Key Managerial Personnel (KMP)” shall have the meaning assigned to it under Section 2(51) of the Companies Act, 2013, and shall include the Managing Director, Whole-time Director, Chief Executive Officer, Company Secretary, Chief Financial Officer, and any other officer notified as KMP by the Board.
- vi) “Related Person” with respect to CFL shall mean a person, and the relatives of such a person, where the person: (a) is either a promoter, or a director, or a KMP of CFL; or (b) owns more than five per cent of the paid-up equity share capital of CFL or can, either singly or jointly, exercise more than five per cent of the voting rights of CFL on account of either ownership or voting agreement or through shareholders’ agreement or through any other arrangement; or (c) can, through an agreement with CFL, nominate a director to its Board; or (d) is either singly or jointly, in control of CFL.
- vii) “Related Party” with respect to CFL shall mean a Related Person, or any of the following entities: (a) where a Related Person is a partner, manager, KMP, director or a promoter; (b) where a Related Person is a shareholder with more than ten per cent of paid-up equity share capital; (c) where a Related Person is having control, whether singly or jointly with another person; (d) where a Related Person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; (e) where a Related Person has the power to nominate a director to its Board, other than where such authority arises exclusively from a lending or financing arrangement; (f) which is accustomed to act on the advice, direction or instruction of a Related Person, other than advice, directions or instructions given in a professional capacity; (g) where a Related Person is a guarantor or a surety; (h) where a Related Person is a trustee or an author or a beneficiary and the entity is in the form of a private trust; or (i) which is related to the Related Person as a subsidiary or a parent company or a holding company or an associate or a joint venture. For this purpose, ‘entity’ means a person other than an individual and a Hindu Undivided Family, and ‘control’ has the meaning assigned under Section 2(27) of the Companies Act, 2013.
- viii) “Specified employees” means all employees of CFL who are positioned up to two levels below the Board and any other employee designated as such by CFL. The definitions of Related Person, Related Party and Specified employees govern the sanction, recusal, monitoring, anti-circumvention and disclosure requirements of this Policy.

#### 4. Loans and advances to Directors

Credit facilities to related parties, including personal loans to directors or KMP, shall be subject to a materiality threshold of ₹1 crore (Rupees one crore), which may vary for different categories of loans to related parties and borrowers. The threshold shall apply at individual transaction level, and the layer of CFL shall be based on the last audited balance sheet. All loans above the materiality threshold shall be sanctioned by the Board or, where so delegated, by a Committee of the Board other than the Audit Committee; loans below the threshold may be sanctioned by the appropriate authority under the delegation of powers.

Provided that any director/committee member directly or indirectly concerned or interested in any loan proposal shall disclose the nature of his interest to the Board/Committee when such loan proposal is placed before them.

The concerned director/committee member should recuse themselves from the meeting. Such concerned or interested director/committee member shall not have the power to vote on the loan proposal in which they are interested.

Directors, KMP and Specified employees shall recuse themselves from deliberations and decisions on loan proposals, or contracts and arrangements, involving themselves or their related parties. Such recusal shall also extend to deliberations and decisions relating to any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security and implementation of resolution plans.

The Company shall obtain a declaration from the borrower in the application form providing details of the relationship of the borrower to directors/ senior officer for loans and advances aggregating Rs. 5 crores and above.

The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.

The proposals for credit facilities of an amount less than Rs. 5 Crores may be sanctioned as per Delegation of Authority however shall be reported to the Board of Directors of the Company on a quarterly basis.

Where the Board delegates the power to sanction loans to related parties above the materiality threshold to a Committee of the Board, such Committee shall not be the Audit Committee.

### **Monitoring, Anti-Circumvention and Reporting**

CFL shall put in place a suitable mechanism for maintaining and periodically updating the list of all Related Persons and the Related Parties thereof, as well as the loans sanctioned by CFL to such Related Persons and Related Parties.

Credit facilities sanctioned to Specified employees and their relatives shall be reported to the Board on an annual basis. Periodic reviews shall be conducted at quarterly or shorter intervals by the internal auditors to check, inter alia, whether the guidelines and procedures in relation to loans to related parties are being adhered to, and any deviation from this Policy and the reasons therefor shall be reported to the Audit Committee.

Any product, entity or structure formed with the objective of circumventing this Policy or the said Directions through various means, such as reciprocal lending or quid pro quo arrangements, and identified as such by the auditors of CFL or by the supervisory authority and investigating agencies, shall always be treated as lending to a related party.

As part of CFL's whistle blowing mechanism, employees are encouraged to communicate confidentially, and without the risk of reprisal, legitimate concerns about irregular, unethical or questionable loans to related parties, and CFL shall eliminate quid pro quo arrangements, if any; such concerns may be raised under CFL's Whistle Blower Policy.

The aggregate limit for loans to related parties shall be 20% of Tier 1 capital; within this, the sub-limit for loans to a single related party shall be 10% of Tier 1 capital and to a group of related parties shall be 15% of Tier 1 capital, all within the extant prudential exposure limits prescribed by the Reserve Bank.

The provisions of this Policy, including the recusal and reporting requirements herein, shall apply equally to lending to Specified employees and their relatives, in addition to CFL's staff loan policies.

The following additional safeguards shall apply to address the risks emanating from lending to related parties: (a) loans shall be extended on arm's-length terms, and the rate of interest, fees, security, margin, tenor and repayment terms shall be no more favourable than those offered to comparable borrowers of similar risk profile under CFL's Interest Rate Policy and the applicable product norms; (b) every proposal shall be subjected to an independent credit appraisal by officials who are neither related to nor interested in the borrower, and the appraisal note shall disclose the relationship and confirm that the terms are at arm's length; (c) documentation, creation of security and pre-disbursement conditions shall be no less stringent than for other borrowers, and any deviation from the credit policy or product norms shall be specifically disclosed to, and approved by, the sanctioning authority; (d) no loan shall be granted to a related party to repay or service, directly or indirectly, any existing loan of that or any other related party; (e) any renewal, enhancement, restructuring, one-time settlement, waiver or write-off of such a loan shall be approved by an authority not lower than the authority that sanctioned it; and (f) such loans shall be identified as related-party exposures in CFL's systems, and their performance, end-use of funds and security cover shall be monitored and covered in the periodic reviews and reporting under this Policy.

In addition to this Policy, CFL, if listed, shall continue to comply with the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### 5. Loans and advances to Senior Officer

- i) No Specified employee or any Committee comprising, inter alia, a Specified employee as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that Specified employee.
- ii) Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

#### 6. Loans and advances to Real Estate Sector

While appraising loan proposals for construction finance, the approving authority shall ensure:

- i. that the concerned borrowers have obtained requisite prior permissions/clearances from government/ local government/ other statutory authorities for the real estate project, wherever required, prior to disbursement.
- ii. CFL shall disclose its exposure to the real estate sector in the format prescribed in the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.

- iii. The above norms for loans and advances to directors, senior officer and the real estate sector shall also apply to awarding of contracts.

#### 7. Disclosures

The Company shall disclose in the Annual Financial Statement, aggregate amount of such sanctioned loans and advances as stated under para 4, 5 and 6 as per template provided in Appendix I.

In addition, the Company shall disclose in its Notes to Accounts the details of its exposures to related parties, as defined in the Credit Risk Management Directions, 2025, in the format prescribed in the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025, as provided in Part B of Appendix I.

#### 8. Review

- a) The Company reserves the right to amend /alter/modify the policy as mentioned herein above and provide updates from time to time, not affecting/sacrificing the underlining spirit of the said policy.
- b) The Company shall annually review the policy on an annual basis or at the time of regulatory updates, if any or at such periodicity at its discretion.

Appendix I: Disclosure Format for Loans and Advances to Directors, Senior Officers, Major Shareholders and Related Parties

Part A – Format for disclosure in the Notes to Accounts, as prescribed in the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025. Related party transactions shall, in addition, be disclosed in the format prescribed in the said Directions.

| <b>Loans to directors, senior officers and relatives of directors (₹ crore)</b> | <b>Current Year</b> | <b>Previous Year</b> |
|---------------------------------------------------------------------------------|---------------------|----------------------|
| <b>Directors and their relatives</b>                                            |                     |                      |
| <b>Entities associated with directors and their relatives</b>                   |                     |                      |
| <b>Senior Officers and their relatives</b>                                      |                     |                      |

Note: This format is to be populated by CFL's Accounts/Finance function at each reporting date and placed before the Board along with the disclosures required under paragraph 8 of this Policy.

Part B – Exposures to related parties: format prescribed in the said Directions (amount in ₹ crore).

| <b>Particulars</b>                                                                                                          | <b>Previous Year</b> | <b>Current Year</b> |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------|
| <b>A. Loans to Related Parties</b>                                                                                          |                      |                     |
| 1. Aggregate value of loans sanctioned to related parties during the year                                                   |                      |                     |
| 2. Aggregate value of outstanding loans to related parties as on 31st March                                                 |                      |                     |
| 3. Aggregate value of outstanding loans to related parties as a proportion of total credit exposure as on 31st March (in %) |                      |                     |
| 4. Aggregate value of outstanding loans to related parties categorised as: (i) Special Mention Accounts as on 31st March    |                      |                     |
| (ii) Non-Performing Assets as on 31st March                                                                                 |                      |                     |
| 5. Amount of provisions held in respect of loans to related parties as on 31st March                                        |                      |                     |
| <b>B. Contracts and Arrangements involving Related Parties</b>                                                              |                      |                     |
| 6. Aggregate value of contracts and arrangements awarded to related parties during the year                                 |                      |                     |
| 7. Aggregate value of outstanding contracts and arrangements involving related parties as on 31st March                     |                      |                     |