

**Policy on Grant of Loans to Directors, Senior  
Officers and relatives of Directors and to entities  
where Directors or their relatives have major  
shareholding**

**Chartered Finance & Leasing Ltd.**

**POLICY VERSION CONTROL:**

<b>VERSION NO.</b>	<b>APPROVED BY BOARD ON</b>	<b>REMARKS</b>
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## 1. INTRODUCTION

Chartered Finance & Leasing Ltd. (hereinafter referred to as “the Company” or “CFL”), a Non-Banking Financial Company (“NBFC”) is registered with the Reserve Bank of India (“RBI”) as a non-deposit accepting NBFC. Being an NBFC, it has to comply with the Guidelines / Directions issued by the RBI from time to time.

The Board of Directors (hereinafter referred to as the “Board”) of the Company has adopted the following policy and procedures with regard to Loans and Advances to Directors, Senior Officers, and relatives of Directors and to entities where directors or their relatives have major shareholding. The Board, on the recommendation of the Audit Committee, will review and may amend this policy from time to time.

## 2. PURPOSE

This policy is being brought in place in terms of para 3.2.3(c) of the circular DOR.CRE.REC.No.60/03.10.001/2021-22 on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued on October 22, 2021, and further notified under circular DOR.CRE.REC.No.25/03.10.001/2022-23 on Loans and Advances – Regulatory Restrictions – NBFCs issued on April 19, 2022, by Reserve Bank of India.

## 3. DEFINITIONS

“Act” shall mean the Companies Act, 2013, and the Rules framed thereunder, including amendments, re-enactments, modifications, notifications, circulars and orders from time to time.

“Audit Committee” shall mean the Audit Committee of the Company as constituted from time to time.

“Arm’s Length Basis” shall mean the transaction entered into between two Related Parties as if they were unrelated to avoid any conflict of interest, and the term ‘arm’s length’ shall be construed accordingly.

“Board of Directors” or “Board” shall mean the Board of Directors of the Company as constituted from time to time.

“Company” shall mean Chartered Finance & Leasing Ltd.

“Key Managerial Personnel” (“KMP”) means:

- a. Chief Executive Officer, or Managing Director, or the Manager;
- b. Company Secretary;
- c. Whole Time Director;
- d. Chief Financial Officer;
- e. Such other officer, not more than one level below the Directors, who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. Such other officer as may be prescribed, from time to time

“Senior Officer” shall mean the Head of the Department and shall include a KMP of the Company.

“HR” shall mean the Human Resource Department of the Company.

“Relative” shall mean the term as defined under the relevant applicable provisions of the Companies Act, 2013, read with the Companies (Specification of definitions details) Rules, 2014.

“Related Party” shall mean a Related Party shall have the same meaning as defined under Section 2(76) of the Act and the Rules made thereunder and the applicable Accounting Standards.

#### **4. APPLICABILITY**

This Policy applies to Directors, Senior Officers and relatives of Directors and to entities where directors or their relatives have major shareholding. It provides a framework for governance and reporting of loans, approval of loan and advances to KMPs, Directors and their Related Parties.

#### **5. SCOPE AND PURPOSE**

This Policy is intended to ensure that the loans and advances provided to its Directors, Senior Officers and relatives of Directors and to entities where directors or their relatives have major shareholding by the Company should be in pursuance with the Circular issued by Reserve Bank of India vide RBI/2022-23/29 DOR.CRE.REC. No.25/03.10.001/2022-23 dated April 19, 2022.

Provisions of this Policy are designed to govern the transparency of the approval process and disclosure requirements to ensure fairness in the conduct of transactions in terms of the applicable laws as amended from time to time.

#### **6. APPROVAL OF LOAN**

##### **(A) Loans and advances to Key Managerial Personnel and Senior officials**

Loans and advances to Key Managerial Personnel and Senior officials shall be approved by the Compliance Officer of the Company. In case of request for loan or advance by Compliance Officer, it shall be approved by any of the directors of the Company.

The terms and conditions of loans and advances to Key Managerial Personnel and Senior officials are:

- The amount shall not exceed Rs. 100 crores or such amount as may be fixed by the Board.
- The maximum tenure allowed is 180 months.
- ROI- A company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the rate of prevailing yield of one year, three years, five years or ten years of government security closest to the tenor of the loan.
- Job stability requires a minimum of 1 year.
- Residential stability requires a minimum of 3 years.
- The age of the employee should not exceed 75 years at the time of maturity of the loan.
- Compulsory deduction of EMI from salary. If the concerned borrower is not drawing salary, then arrangement shall be made for regular repayment of the loan amount by the borrower.
- At the time of exiting the organisation, the same loan is to be closed before relieving.
- All proposals for loans to KMP should be discussed in the meeting of the Audit Committee.

The above conditions can be added/ modified or withdrawn at the sole discretion of the Compliance Officer. The Loan will be processed by the Credit Department and recommended by the Compliance Officer or by any of the directors of the Company.

##### **(B) Approval of Board of Directors and Shareholders**

The Company shall not grant any loans and advances to its Directors, including the Compliance Officer, and their Related Parties, and to entities where Directors or their relatives have major shareholding without the prior approval of:

Board of Directors given by way of a resolution/ratification resolution at a meeting of the Board and subject to such conditions as may be prescribed by the Board and other approvals, if required by Statutory provisions of the Companies Act, 2013, and the Reserve Bank of India; and subject to approval of shareholders, wherever required.

#### **7. DISCLOSURE**

Appropriate disclosures as required by the Act and the Reserve Bank of India will be made in the Financial Statements and the Board's Report of the Company. This Policy shall be disclosed, if required under any of the statutory provisions, on the website of the Company.

## **8. REVIEW OF POLICY**

The Board shall review and amend this Policy as and when required.

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.