

Shriram Finance Limited

Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions

Document History

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Approving Authority	Board of Directors of Shriram Finance Limited
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1. Introduction

The Board of Directors (the “Board”) of Shriram Finance Limited (the “Company”) has adopted the following policy (“Policy”) on materiality of Related Party Transactions and dealing with Related Party Transactions. The policy is in line with requirement of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the Companies Act, 2013 (“the Act”).

2. Definitions

“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.

“Audit Committee” means the Audit Committee of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of the Listing Regulations.

“Listing Regulations” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

“Material Related Party Transaction (Material RPT)” shall mean such transaction(s) as specified under Regulation 23(1) and 23(1A) of the Listing Regulations and/or as determined in terms of the Companies Act, 2013.

“Material Modification(s)” in relation to a related party transaction shall mean any modification to an existing related party transaction having variance of amount exceeding 20% of the value of the transaction as previously approved by the Audit Committee.

“Policy” means the Company’s Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

“Related Party” with reference to the Company means a person or entity which is a Related Party under Section 2(76) of the Act read with Rules thereto and Regulation 2(1)(zb) of the Listing Regulations or under the applicable accounting standards.

“Relative (s)” with reference to any person shall have the meaning as defined under Section 2 (77) of the Act read with Rules thereto and Regulation 2(1)(zd) of the Listing Regulations or under the applicable accounting standards.

“Related Party Transactions” or “(RPT)” means transactions as given under clause (a) to (g) of section 188(1) of the Act and / or as defined in Regulation 2(1)(zc) of the Listing Regulations.

“**The Act**” means The Companies Act, 2013.

Any term not defined herein shall have the same meaning as assigned thereto in the Companies Act, 2013, Listing Regulations or any other applicable laws or regulations.

3. Objective of the policy

The objective of this policy is to set out the manner of dealing with the transactions between the Company and its Related Parties based on the Act, Rules under the Act, Listing Regulations, Circulars, Notifications or any other applicable laws and regulations.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of RPTs in the best interest of the Company and its shareholders.

4. Identification of Related Parties

In addition to any other declaration/ disclosure which may be required to be made under the Act and the rules made thereunder, and the Listing Regulations, every director and manager / key managerial personnel shall provide a written declaration to the Company Secretary or any other officer of the Company authorized by the Board, containing the following information-

- i. List of Relatives of director or key managerial personnel
- ii. List of firms in which director, manager or his/her relative is a partner.
- iii. List of private companies in which director or manager or his/her relative is a member or director.
- iv. List of public companies in which director or manager is a director and holds either individually or along with his/her relatives more than 2% of the paid-up share capital;
- v. List of bodies corporate whose Board of Directors, Managing Director, or Manager is accustomed to act in accordance with the directions, instructions or advice (other than directions, instructions or advice given in a professional capacity) of the director or manager.
- vi. List of persons on whose directions, instructions or advice, a director or manager is accustomed to act (other than directions, instructions, or advice received in professional capacity).

The Director and the Key Managerial Personnel shall immediately intimate the Company Secretary or any other officer authorized by the Company, regarding any changes in the aforesaid declaration.

Every Director, Key Managerial Personnel of the Company shall give a prior notice to the Company regarding a potential Related Party Transaction with the Company which may, directly or indirectly, involve either him/her or his/her relative, along with all relevant details and documents.

The Company shall obtain the list of Related Parties of its subsidiary company (if any) as amended from time to time per the definition provided in the Act and Listing Regulations.

5. Policy

All RPTs should be referred to the Audit Committee of the Company for its prior approval, irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPTs including any material modification. Onus will be on the Business Head and the Finance Head of each division and / or Company to refer RPT or potential RPTs to the Audit Committee.

The Audit Committee shall consider the following while approving an RPT –

- Nature of relationship with related party;
- Nature, material terms, monetary values and particulars of the contract or arrangement;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length; and
- Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.

Members of the Audit Committee, who are directly or indirectly interested in any RPT shall not participate in any meeting held for the approval of that RPT.

The Audit Committee may seek professional assistance of an independent valuer or a Chartered Accountant or a Cost Accountant or a legal counsel or any other professionally qualified person in order to determine whether or not a particular Related Party Transaction is an Arm's Length Transaction and in the ordinary course of business.

6. Approval Process

A. Prior approval of Audit Committee

All RPTs and subsequent material modifications shall require prior approval of the Audit Committee of the Company. Further, only members of the Audit Committee who are Independent Directors shall approve RPTs. No prior approval of Audit Committee is required to be obtained by the Company, if the RPT is proposed to be entered into with its wholly owned subsidiary (if any) (other than those RPT stipulated under Section 188 of the Act) or the RPT is between two wholly owned subsidiary (if any) of the Company whose accounts

are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Related Party Transactions to which subsidiary (if any) of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company as per Regulation 23 of the Listing Regulations if it crosses the threshold(s), as specified under the Regulations and/or not exempted under the Regulations. Any material modification, as defined in this Policy, to such transactions shall also require prior approval of the Audit Committee of the Company.

B. Omnibus approval of Audit Committee

The Audit Committee may grant omnibus approval for the proposed RPTs to be entered into by the Company or its subsidiary (if any), subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.

In such cases where the need for RPT cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;

The Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary (if any) pursuant to each of the omnibus approval given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Act and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

Members of the Audit Committee, who are directly or indirectly interested in any RPT shall not participate in any meeting held for the approval of that RPT.

7. Ratification of Related Party Transactions

The members of the Audit Committee, who are independent directors, may provide post-facto ratification to RPTs not exceeding Re.1 (one) crore within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the conditions as specified in the Act and Listing Regulations.

Provided that failure to seek rectification of the audit committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with the Related Party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders.

8. Approval of Board of Directors

The Board shall approve such Related Party Transactions as required to be approved under the Act and/ or Listing Regulations and/ or transactions referred to it by the Audit Committee.

In the event any RPT is not in the ordinary course of business or at arm's length, the Audit Committee may refer the same to the Board for its consideration/approval. If any member of the Board is directly or indirectly interested in an RPT, he/she shall not participate in any meeting wherein such RPT is placed before the Board for approval.

9. Information to be reviewed by the Audit Committee / Board for approval of Related Party Transaction(s)

The Company shall provide the relevant information pertaining to the Related Party Transaction as prescribed under the Act, Listing Regulations read with relevant SEBI Circulars and Industry Standards on RPTs, as amended from time to time while placing any proposal for review and approval of an RPT including any subsequent material modification of RPT.

The Audit Committee shall review the certificate to be provided by Managing Director & Chief Executive Officer (CEO)/Whole Time Director and Chief Financial Officer (CFO) of the Company confirming that the terms of RPTs proposed to be entered into are in the interest of the Company.

10. Shareholders' Approval

- a. Prior approval of the Shareholders would be taken in respect of following RPTs:
 - i. Where the RPT is not in the ordinary course of business and / or not on an Arms' Length basis and the same exceeds the threshold mentioned in section 188 of the Act read with the Rules laid down thereunder; or
 - ii. All material RPT.
 - iii. Where there is material modification in the existing Material RPT.
- b. No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

11. Transactions exempted from prior approval of the Audit Committee and Board / Shareholders

The requirement for seeking prior approval of Audit Committee or Board / shareholders of the Company, as the case may be, shall not be applicable to all those exempted transactions as specified under the Act read with Rules made thereunder and the Listing Regulations, as amended from time to time.

12. Disclosures

- a) In connection with any review of a RPT, the Audit Committee has authority to modify any procedural requirements of this Policy.
- b) Appropriate disclosures as required under the Act and the Listing Regulations will be made in the Annual / Board's Report and to the Stock Exchanges. The Company Secretary of the Company shall be responsible for ensuring that the required disclosures relating to RPTs are duly made.

13. Amendments to the Policy

The Board on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

In the event of any conflict between the provisions of this Policy and the Act / Listing Regulations or any other statutory legislation / enactments, the provisions of such Act / Listing Regulations or statutory legislation / enactments shall prevail over this Policy.

14. Review

The above policy is subject to review from time to time and at least once every year.