

**Shriram Finance Limited**  
**(formerly Shriram Transport Finance Company Limited)**

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

**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.

**“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 clause (zb) of Regulation 2 of the Listing Regulations or under the applicable accounting standards.

**“Related Party Transaction” 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 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 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.

**“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 law or regulation.

### **3. Objective of the policy**

The objective of this policy is to regulate transactions considered as RPT mentioned below based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company:

- a. the Company and its Related Parties;
- b. the Company and related parties of its subsidiary company (if any);
- c. the subsidiary company (if any) of the Company and related parties of the Company;
- d. the subsidiary company (if any) of the Company and related parties of subsidiary company (if any);
- e. With effect from 1 April 2023, Company or any of its subsidiaries (if any) on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries (if any)

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, 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 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.

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.

## **6. Approval Process**

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.

Prior approval of Audit Committee shall also be required in case of following RPTs including subsequent material modifications:

- a. A RPT to which the subsidiary company (if any) is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.
- b. With effect from 1 April 2023, a RPT to which the subsidiary company (if any) is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of that subsidiary company (if any).

The Company shall provide the following information to Audit Committee for approval of RPTs including any subsequent material modifications of RPTs:

- a. Type, nature, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary company (if any), such percentage calculated on the basis of the subsidiary company's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary company (if any):
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon
- i. Any other relevant information or such information as may be prescribed under Listing Regulations.

The Audit Committee may grant omnibus approval for the proposed RPTs to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy of the Company 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.
- d. 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;
  - e. The Audit committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given;
  - f. 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. Transaction in ordinary course of business and on arm's length basis**

The Audit Committee will have the discretion to recommend / refer any matter relating to the RPTs to the Board for the approval. The Audit Committee or the Board shall, in respect of the RPT referred to them for approval, after considering the materials placed before them, judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis.

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.

## **8. 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. Where RPT during a financial year with one party exceeds Rs. 1000 crores.
  - iii. Where there is material modification in the existing Material RPT.
- b. The requirement for seeking shareholders approval shall not be applicable to RPT between the Company and its wholly-owned subsidiary company (if any), if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- c. Further, the requirement for seeking shareholders' approval shall not be applicable for RPTs between the two wholly owned subsidiaries, if any, of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- d. No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.
- e. The following information shall be provided to the shareholders while seeking their approval for RPTs:
  - i) A summary of the information provided to the Audit Committee;
  - ii) Reasons/justification for why the proposed transaction is in the interest of the Company;
  - iii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary company, the details specified under:
    - i. details of the source of funds in connection with the proposed transaction;
    - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
    - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
  - iv) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;

- v) Any other relevant information or such information as may be prescribed under Listing Regulations.

## **9. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed forthwith by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

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. In connection with any review of a RPT, the Audit Committee has authority to modify any procedural requirements of this Policy.

## **10. Disclosures**

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.

## **11. 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.

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.

Last amended on December 24, 2022.