

## Policy on Related Party Transactions

### Introduction & Purpose

The Board of Directors of LKP Finance Limited (“the Company”), has adopted this policy to regulate transactions of the Company by Related Parties in compliance with various applicable laws, including under the Companies Act, 2013 (the “Act”) and the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called as LODR), prescribed for related party transactions.

### Definition

- **Relative**-means a relative as defined under the Companies Act, 2013 or rules made thereunder and LODR, as amended from time to time.
- **Related Party:** A Related Party shall have the same meaning as defined under the Act and the LODR.
- **Related Party Transaction (“RPT”):** shall mean such transactions as specified under the provisions of the Companies Act, 2013 & LODR including any amendment or modification thereof, as may be applicable.
- **Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the LODR.
- **Material Related Party Transaction-** means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds Rupees One Thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- **Material Modification-** shall mean any modification with respect to the following:
  - Modification which results in an increase of 10% or more in the original value/ consideration which was approved by the Audit Committee/Board/Shareholders for a financial year;
  - Modification in terms and conditions of the contract with a related party such as modifications in the credit period, changes in scope of deliverables under a contract, etc.;
  - Any other modification which as per the directions of the Audit Committee may be determined as material on case to case basis
- e) **Arm’s Length Basis:** RPT will be treated to be on ‘Arm’s Length Basis’ if the key terms, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with non-related parties.
- e) **Ordinary Course of Business:** RPT will be considered in ordinary course if they are entered in the normal course of the business pursuant to the objects of the Company as per the charter documents of the Company.

- **Transaction:** with a related party shall be construed to include a single transaction or a group of transactions

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, LODR, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation, including any amendment or modification thereof, as may be applicable.

## Policy

- The Audit Committee shall review and approve all RPTs and subsequent material modifications thereto based on this Policy.
- Only the members of Audit Committee who are Independent Directors shall approve the related party transactions.
- All proposed RPTs and proposed subsequent material modifications thereto must be reported to the Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent/regular/repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre- approval/omnibus approval, details whereof are given in a separate section of this Policy.
- Provided that –
  - with effect from April 1, 2022, a related party transaction to which a subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
  - Requirement of obtaining prior approval of Audit Committee shall not apply to a transaction between:
    - the Company and its wholly owned subsidiary company whose accounts are consolidated with the Company;
    - two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company;
    - the listed subsidiary and third party, if regulation 23 and sub-regulation (2) of regulation 15 of the SEBI Listing Regulations are applicable to such listed subsidiary
  - In exceptional cases, where a prior approval is not taken due to an inadvertent omission due to unforeseen circumstances or otherwise, the Committee may ratify the transactions in accordance with this Policy, if permitted under Applicable Law and/or take direct actions including, but not limited to, rendering such Related Party Transaction voidable, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification if permitted under the Applicable Law. It will be open to the Company to proceed against its director or any other employee who had entered into such Related Party Transaction in contravention with the Applicable Laws.

- Identification of Related Parties & Transactions

a. The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;

2. All individuals, partnership firms, Companies and other persons as declared and updated by Directors and Key Managerial Personnel;

3. Company's holding company, subsidiary companies and associate companies, if any;

4. Subsidiaries of holding company, if any;

5. Director or Key Managerial Personnel of the holding company or their Relatives, if any;

6. All the Group entities;

7. Any person or entity belonging to the promoter or promoter group of the Company or any person or any entity holding equity shares of the Company of twenty per cent or more (ten per cent or more, with effect from April 1, 2023), either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time; and

8. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Clauses of LODR or the relevant Accounting Standard.

b. The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer.

c. Before the start of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in LODR . Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.

d. Every Director, Key Managerial Personnel, Leadership Team Members, Head of Departments (HODs) and other officers authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction and subsequent material modifications thereto. They will also be responsible for providing additional information about the transaction that the Board/Committee may request, for being placed before the Committee and the Board.

e. The RPTs should be in conformity with the prevailing rules and regulations prescribed by law.

f. Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and Clauses mentioned under the LODR.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

h. The functional/business heads, Chief Financial Officer, Company Secretary shall have access to the updated database.

i. The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

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

a. Audit Committee:

a1. All the transactions which are identified as RPTs and subsequent material modifications thereto should be pre-approved by the Audit Committee before entering into such transaction whether at a meeting or by resolution by circulation or through electronic mode. The Audit Committee shall consider all relevant factors while deliberating on the RPTs for its approval. The Related Party Transactions shall be approved only by the members of the Audit Committee who are Independent Directors.

a2. Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.

a3. In determining whether approval can be accorded to a Related Party Transaction, the Audit Committee may consider the following and any other relevant factors as prescribed under Applicable Laws from time to time:

1. whether the Related Party Transaction is in the ordinary course of business of the Company
2. whether the terms of the Related Party Transaction is on arm's length basis;
3. whether there are any adequate reasons of business expediency for the Company to enter into the Related Party Transaction, after comparing alternatives available, if any;
4. whether there is any potential reputational/regulatory risks that may arise as a result of or in connection with the proposed Related Party Transaction; and
5. whether the Related Party Transaction would affect the independence or present an improper conflict of interest for any director or key managerial personnel of the Company, taking into account the size of the transaction, the overall financial position of the Related Party in the transaction and such other factors as the Audit Committee deems relevant.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of LODR and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

It shall be ensured that minimum information as required under applicable acts, regulations, rules and circulars/guidelines is placed before the Audit Committee.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.

a5. Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

a6. RPTs entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

a7. Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

b. Board of Directors:

b1. In case any RPTs are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, such transactions shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.

b2. The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

b3. Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction

Shareholders:

c1. If a related party transaction and subsequent material modifications is (i) a material transaction as per the provisions of LODR, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require prior shareholders' approval by a resolution.

c2. To approve the related party transactions, Shareholders will be provided with all the relevant information pertaining to the Related Party Transaction as required under applicable acts, regulations, rules and circulars/guidelines.

d. Reporting of RPTs

d1. Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

e. RPTs not previously approved

e1. In the event the Company becomes aware of a RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy and in compliance with the applicable laws and regulations as may be amended from time to time.

e2. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

### **Administrative Measures**

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

### **Interpretation**

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.

### **Disclosure**

The Policy shall be made available on the website of the Company - [www.lkpfinance.com](http://www.lkpfinance.com)

\*\*\*\*\*