

# **RELATED PARTY TRANSACTION POLICY**

*(As approved by the Board of Directors on May 8, 2024)*

## Preamble:

The Board of Directors (the “**Board**”) of TVS Credit Services Limited (the “**Company**”), has adopted the following policy and procedures (“**Policy**”) with regard to Related Party Transactions (RPTs) as defined below.

This policy may be amended by the Company from time to time and is subject to all laws and regulations applicable to the Company from time to time.

This Policy is also in conformance with the Company’s Code of Conduct for Business and ethics which provides that all directors and senior management personnel are required to disclose all potential or actual conflict of interest, which may be against the interest of the Company and take actions to eliminate such conflict, if so required.

## 1. Objective

1.1 This Policy is formulated, in accordance with the requirement of Companies Act, 2013 and Revised Regulatory Framework for Non-Banking Financial Companies by Reserve Bank of India (Regulatory Framework) (including any statutory enactments/ amendments thereof) and is intended to ensure proper approval and reporting of RPTs between the Company and its Related Parties. In addition the Company is also required to define the materiality of RPTs. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

1.2 The Company is required to disclose the Policy on dealing with RPTs each year in its Financial Statements as well as on its website.

## 2. Definitions

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013

“**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.

“**Board**” means the board of directors of the Company.

“**Key Managerial Personnel**” or “**KMP**” shall have the meaning referred to in the Companies Act, 2013

“**Material Related Party Transaction**” means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds such limit of the annual turnover/revenue of the Company or Networth of the Company as per the last audited financial statements of the Company as prescribed under the Companies Act, 2013 and SEBI (LODR), 2015 in force from time to time.

“**Material modification**” shall mean any subsequent change to the existing related party transaction exceeding 25% of the existing limit as approved by the Audit Committee / Board / Shareholders as the case may be or Rs. 250 Cr, whichever is higher.

“**Ordinary Course of Business**” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice

and pattern of frequency (not an isolated transaction), has connection with the normal business carried on by the Company.

“**Related Party**” shall have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Listing Regulations.

“**Related Party Transaction**” or “**RPT**” shall have the meaning ascribed to the term in Regulation 2(1)(zc) of the Listing Regulations and includes the transactions contemplated under Section 188(1) of the Companies Act, 2013.

“**Relative**” means relative as defined under the provision of Section 2(77) Companies Act, 2013 and the applicable rules made therein.

Words and expressions used in this Policy and not defined herein shall have the same meanings respectively assigned to them in the following acts/regulations/rules.

1. The Companies Act, 2013 and the rules framed thereon;
2. The Reserve Bank of India Act, 1934 and regulations and rules made thereon.

### **3. General Guideline**

All Related Party Transactions must be reported to the Audit Committee and referred by the Audit Committee to the Board for approval in accordance with this Policy.

All Material Related Party Transactions which are neither at arm’s length nor in the ordinary course of business, shall require approval of the shareholders vide an ordinary resolution and those Related Parties to the contract / transaction of the Company shall abstain from voting on such resolution only if they are interested in that particular Material Related Party Transaction.

Provided however that the Transactions entered into between the Company and a wholly owned subsidiary of the Company where -

- (i) the accounts of the subsidiary are consolidated with the Company; and
- (ii) approved by the shareholders at a general meeting

shall not require approval of either Audit Committee or the shareholders.

### **4. Identification of RPTs**

- 4.1 Each Director and “**KMP**” and other Related Party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving him or her or his or her Relative together with additional information about the RPT that the Board or Audit Committee reasonably request.
- 4.2 The Company prefers that notice of any RPT is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.
- 4.3 The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy;

## 5. Review and approval of RPTs

### 5.1. Audit Committee approval:

- (i) All RPTs shall require approval of Audit Committee;
- (ii) RPTs shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval;
- (iii) The Audit Committee, in order to review a RPT, shall be provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;
- (iv) Any member of the Audit Committee who has an interest in any RPT shall recuse himself or herself and abstain from discussion and voting on the approval of such RPTs;

### 5.2. Board approval:

- (v) All RPTs which are neither in the Ordinary Course of Business nor an Arm's Length Transaction, shall be recommended by the Audit Committee for the approval of the Board. The Board shall further recommend the same for the approval of the shareholders by way of resolution of the Company, in case the said transaction is a Material Related Party Transaction.
- (vi) Any member of the Board who has any potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

### 5.3. Shareholders' approval:

- (i) All Material Related Party Transactions shall be approved by the shareholders through a resolution.
- (ii) No Related Party shall vote to approve such resolutions irrespective of whether it is a Related Party to the particular transaction or not.

In case the shareholders decide not to approve the Material Related Party Transaction, the Board/ Audit Committee, as the case may be, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to the shareholders for approval.

## 6. Criteria for approving RPTs

In determining whether to approve a RPT, the Audit Committee shall consider the following factors, among others, to the extent relevant to the RPT:

- 6.1 Whether the terms of the RPT are fair and on 'arms length basis' to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 6.2 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;

- 6.3 Whether the RPT would affect the independence of an independent director;
- 6.4 Whether the proposed RPT includes any potential reputational risk issues that may arise as a result of or in connection with the proposed RPT;
- 6.5 Whether subsequent ratification of the proposed RPT is allowed and would be detrimental to the Company; and
- 6.6 Whether the transaction is in the interest of the Company
- 6.7 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant;
- 6.8 If the Audit Committee determines that a RPT should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

## 7. Granting Omnibus approval for RPTs

- 7.1 The Audit Committee shall also be entitled to grant omnibus approval ("**Omnibus Approval**") for a class of transactions which are repetitive in nature as per the procedure specified in this Policy.
- 7.2 In addition to the criteria specified in paragraph 7.1 above, the Audit Committee shall be required to specify in the Omnibus Approval:
  - (i) Name(s) of the Related Party, nature, period of transaction and maximum amount of the proposed RPT.
  - (ii) the indicative base price/current contracted price and the formula for variation in the price if any
  - (iii) and such other conditions as the Audit Committee may deem fit;
  - (iv) In the event the need for a class of RPTs cannot be foreseen or the details specified in (i) to (iii) above are not available, the Audit Committee may grant Omnibus approval for such RPTs provided each transaction does not exceed 1,00,00,000/- (Rupees one crore).
- 7.3 Audit Committee shall review, the details of actual RPTs entered into by the Company pursuant to each of the Omnibus Approvals on a quarterly basis.
- 7.4 The Omnibus Approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals from the Audit Committee after the expiry of the financial year.

**8. RPTs that do not require prior Audit Committee approval / review**

The transactions or arrangements which are specifically dealt under the separate provisions of the law and are executed under separate approvals/ procedures from relevant committee shall be deemed to be approved for the purpose of this Policy. Such transactions are enumerated below:

- 8.1 Any transaction pertaining to appointment and remuneration of directors and KMPs that has already been approved by the nomination and remuneration committee of the Company or the Board;
- 8.2 Transactions that have been approved by the Board under the specific provisions of the Companies Act 2013. For instance, inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- 8.3 Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations;
- 8.4 Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party;
- 8.5 Contribution to corporate social responsibility ("CSR") obligations, subject to approval of CSR committee and within the overall limits approved by the Board; and
- 8.6 Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

**9. RPTs not approved under this Policy**

- 9.1 In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy by the Audit Committee, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification by it or recommending to the Board for their ratification or seeking approval of shareholders, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy and shall take any such action it deems appropriate.
- 9.2 In any case, save as otherwise provided in the Policy, where the Audit Committee determines not to ratify a RPT that has been commenced without its prior approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission or revision of the transaction.

**10. Disclosure**

- 10.1 Appropriate disclosures relating to the details of RPTs, as required under the provisions of Companies Act, 2013, Listing Regulations and any other applicable laws, shall be made in the prescribed format within specified time period.
- 10.2 The Company shall disclose the Policy on its website and provide the weblink in the annual report.

**11. Amendments**

This Policy may be amended by the board at any time and is subject to the (i) amendments to the Companies Act, 2013 (the Act 2013) and (ii) further guidelines from the RBI.

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