

**MAHINDRA & MAHINDRA FINANCIAL SERVICES LIMITED**

Policy on materiality of and dealing with Related Party Transactions

<b>Name of Policy</b>	Policy on materiality of and dealing with Related Party Transactions
<b>Version</b>	4.0
<b>State whether Policy/Code/Manual/Guideline</b>	Policy
<b>Approving and Issuing Authority</b>	Board of Directors of the Company, upon recommendation of the Audit Committee
<b>Owner</b>	Company Secretary
<b>Issue Date</b>	16-12-2014
<b>Effective Date</b>	16-12-2014
<b>Last amended</b>	23-04-2024
<b>Review Periodicity</b>	Every 3 years
<b>Version History</b>	<p>Version 1.0 Issued on 16-12-2014 effective 16-12-2014</p> <p>Version 2.0 dated 25-01-2019 Amended to align the Policy with changes to the provisions of the Companies Act, 2013 and SEBI Listing Regulations.</p> <p>Version 3.0 dated 11-03-2022 Amended to align the Policy with amendments to the SEBI Listing Regulations dated 9th November, 2021. Effective 01-04-2022</p> <p>Version 4.0 dated 23-04-2024 Periodical review. Amended to align the Policy with regulatory provisions for better comprehension of Policy.</p>

## 1. Prelude

The Company is a systematically important deposit accepting non-banking financial company (NBFC) registered with the Reserve Bank of India. . As per the Scale Based Regulations as notified by the Reserve Bank of India (“RBI”), the Company has been classified as an NBFC in the Upper Layer, and is engaged in providing financing for new and pre-owned auto and utility vehicles, tractors, cars and commercial vehicles, providing personal loans, finance to small and medium enterprises and mutual fund distribution services. As part of its business activities, the Company deals with entities which are related parties.

The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company’s and its stakeholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and Rules made thereunder (“the Act”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as amended from time to time.

## 2. Objective of the Policy

The Objective of this Policy is to set out (a) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company and (b) materiality thresholds for related party transactions and; (c) the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

## 3. Definitions

- (i) **“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. [Explanation (b) to Section 188(1) of the Act].
- (ii) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable laws, including the Listing Regulations and the Act as amended from time to time.
- (iii) **“Board of Directors”** or **“Board”** means the Board of Directors of MMFSL, as constituted from time to time.
- (iv) **“Company”** or **“MMFSL”** means Mahindra & Mahindra Financial Services Limited.
- (v) **“Financial Year”** means a **12-month period** ending on the 31st day of March every year.
- (vi) **“Listed Subsidiary”** means a subsidiary of the Company which is a listed entity under the Listing Regulations and to which Regulations 15(2) and 23 of the Listing Regulations are applicable.
- (vii) **“Material Related Party Transaction”** means a transaction with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crore or 10% 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.

- (viii) **“Material Modification”** means any change in the approved terms which has a financial implication of 25% or more or Rs. 250 crores, whichever is lower.
- (ix) **“Ordinary course of business”** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.
- (x) **“Related Party”**, means a related party as defined under the Act and the Rules made thereunder and the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- (xi) **“Related Party Transactions”** (“RPT”) shall mean such transactions as specified under the Act and the Rules made thereunder and the Listing Regulations, including any amendment or modification thereof, as may be applicable.
- (xii) **“Relative”** with reference to any person shall have the meaning as defined under the Act and Rules prescribed thereunder and the Listing Regulations, as amended from time to time.
- (xiii) A **"transaction"** with a related party shall be construed to include single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable laws or regulations.

#### **4. Identification of potential related parties and transactions**

4.1.1 Every Director will be responsible for providing a declaration containing the following information, to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her relative is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital; Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advise, directions or instructions obtained in professional capacity); and

5. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).
- 4.1.2 Further, the Promoter(s) or any person or entity forming a part of Promoter or Promoter group of the Company will be responsible for providing a declaration containing the following information on annual basis and whenever there is a change in the information provided:
    1. Name (former name), address and contact details
    2. PAN number or CIN number or registration number
  - 4.1.3 Every Key Managerial Personnel (“KMP”) shall provide the list of his relatives and other disclosures as required by the Company.
  - 4.1.4 Each Director and Key Managerial Personnel (“KMP”) is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.
  - 4.1.5 It will be the responsibility of the Directors and KMPs to keep the Company updated if there is a change in any of the declarations provided at the beginning of the year.
    - 4.1.6 Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and the Listing Regulations.
  - 4.1.7 Any transaction by the Company with a Related Party will be regulated as per this Policy.

## **4.2 Approval of Related Party Transactions**

### **4.2.1 Prior approval of Audit Committee**

- 4.2.1.1 All Related Party Transactions where Company is a Party, and any subsequent modifications to said transactions shall require prior approval of the Audit Committee, whether at a meeting or by Resolution by circulation, or any other manner as prescribed under the Act and Listing Regulations.
- 4.2.1.2 Related Party Transactions to which subsidiary Company(ies) of the Company are party (ies) 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.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

- 4.2.1.3 Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the Listed Subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such Listed Subsidiary.

4.2.1.4 For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the Audit Committee of the Listed Subsidiary shall suffice.

4.2.1.5 Further:

In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

In case any transaction involving any amount not exceeding one crore rupees is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of transaction, such transaction shall be 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.

4.2.1.6 The approval of the Audit Committee will be sought in following manner:

- a) All Related Party Transactions, where Company is a party, will be submitted to the Audit Committee for prior approval irrespective whether such transactions are in the ordinary course of business and / or at arm's length or not.
- b) Where the Company and/or any of its subsidiaries enters into a contract/ transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, credit terms etc., prior approval once given by the Audit Committee of the Company would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless the Company proposes to enter into modification of the referred contract/ transaction with a Related Party or the concerned subsidiary proposes to enter into material modification of the referred contract/ transaction with a Related Party.

#### **4.2.2 Omnibus approval of Audit Committee**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature in past or in future.
- b) The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.
- c) Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/current contracted price and the formula for variation in the price if any (iii) such other conditions as the Audit Committee may deem fit.

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 Rs.1 crore per transaction.

The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

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

Notwithstanding above, omnibus approval shall not be made for selling or disposal of the undertaking.

These provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding Company and its wholly owned subsidiary Company.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will not remain present at the Meeting when such Related Party Transaction is considered.

Further, the Company shall provide such information to Audit Committee for seeking approval for Related Party Transactions, as prescribed under the Act, Listing Regulations read with SEBI Circulars as amended from time to time.

For the purpose of Regulation 23 of the Listing Regulations, prior approval of the Audit Committee shall not be applicable to transactions exempted under Listing Regulations, as amended from time to time.

#### **4.2.3. Approval of Board of Directors**

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

Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

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

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the Related Party and its relationship with the listed entity or its subsidiary, 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 listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary'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 listed entity or its subsidiary:
  - 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 Related Party Transaction.
- g. Justification as to why the Related Party Transaction is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis;
- j. Any other information that may be relevant.

The audit committee shall also review the status of long-term (more than one year) or recurring Related Party Transaction(s) on an annual basis.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors with respect to the Company and/or the subsidiary, as the case may be:

- Whether the terms of the Related Party Transaction are fair to the Company / subsidiary, as the case may be and would apply on the same basis as if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company / subsidiary, as the case may be to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company / subsidiary, taking into account the size of the transaction, the overall interest 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 Board/ Audit Committee deem fit to consider.

#### **4.2.5 Shareholders' approval requirements:**

All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis require prior approval of the Board at a meeting. If such transactions crosses the threshold limits prescribed under the Act, such transactions will require the approval of shareholders of the Company by a resolution.

All material related party transactions as per Regulation 23 of the Listing Regulations and subsequent material modifications to such transactions, as defined by the Audit Committee and stated in this Policy, whether in the ordinary course of business or at arm's length or not and exceeding the threshold prescribed under Listing Regulations shall require approval of the Board of Directors and the Shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which the Listed Subsidiary is a party but the Company is not a party, if Regulations 15(2) and 23 of the Listing Regulations are applicable to such Listed Subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the shareholders of the Listed Subsidiary shall suffice.

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

The requirement for seeking Shareholders' approval shall not be applicable to transactions exempted under the Act and the Rules made thereunder and the Listing Regulations, as amended from time to time.

The voting rights of the interested and non-interested Related Parties shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable laws, from time to time.

#### **4.2.6 Transactions exempted from prior approval of the Audit Committee and Shareholders**

As provided in the Listing Regulations, the transactions entered into between:

- (i) the holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;

(ii) two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;

shall not be required to follow the provisions related to prior approval of Audit Committee of the Company or prior approval of shareholders of the Company, as the case may be.

#### **4.2.7 Information to be provided to shareholders for consideration of Related Party Transactions**

The notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the Audit Committee as specified in clause 4.2.4 of this Policy;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified in clause 4.2.4 (f) of this Policy; (The requirement of disclosing source of funds and cost of funds shall not be applicable to the Company, being an NBFC)
- d. 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;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
- f. Any other information that may be relevant.

### **5. Disclosures and Reportings**

- a) The Company shall submit disclosures on related party transactions, to the stock exchanges in the prescribed format, within the timelines as specified under the Listing Regulations and publish the same on its website, as may be required.
- b) Various business heads, department heads or any person authorized to enter into any transaction on behalf of the Company shall not undertake any transaction with Related Party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and on an Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO for seeking the requisite approvals.
- c) The Board's Report shall contain details of contracts or arrangements or transactions under the Act and the Rules made thereunder and the Listing Regulations, including any amendment or modification thereof, may specify from time to time.

### **6. Amendments**

The Board, upon the recommendation of the Audit Committee may, for the purpose of aligning this Policy with regulatory changes, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy.

The Audit Committee/ Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

#### **7. Scope Limitation**

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

Further amendments in law, if any, as applicable to the Company will be complied, whether or not the same have been specifically incorporated in this Policy.

#### **8. Dissemination of Policy**

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

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Last Amendment Date: 23<sup>rd</sup> April 2024