

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION

(Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

(Amended and approved by the Board of Directors on November 30, 2022 by Circulation)

Background:

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), the Board of Directors of CSL Finance Limited (the company) had approved a Policy on Materiality of & dealing with related party transactions.

SEBI, vide circular dated 9 November 2021, has notified further amendments necessitating changes to be made in the policy, which will be effective from April 01, 2022, unless stated otherwise.

Policy:

In supersession of the existing Policy, the Policy on Materiality of & dealing with Related Party Transactions, which is to be read together with Regulation 23 of the said Regulations and relevant provisions of the Companies Act, 2013 is accordingly being revised as under:

- 1) The terms 'Related Party', 'Related Party Transactions', 'Relative', 'Material RPTs', 'Arms' length transaction', 'Omnibus Approval' & such other terms will carry the meaning as stated under the Companies Act, 2013 or SEBI Listing Regulations as amended from time to time.
- 2) Related Party Transactions (RPTs), **including subsequent material modifications thereof** of the company covered under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations will be approved by the audit committee of the Board from time to time, subject to such exceptions as are provided therein.

For the above purpose, '**material modifications**' as defined by the Audit Committee would refer to the following:

"Material modification" means any modification made in the value/exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 25% or more or by which the transaction ceases to be in ordinary course and/or on arm's length basis or such other parameter as may be determined by the Audit Committee from time to time.

Provided further that:

- a related party transaction to which the subsidiary of the company is a party, but the company is not a party, shall require prior approval of the audit committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the company;
 - With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- 3) Prior Consent of the Board and the Shareholders would be taken in respect of all RPTs, including material modifications thereof, except in the following cases:
- i. Where the transactions are below the threshold limits specified in the Companies Act, 2013 & Rules thereunder or the SEBI Listing Regulations, as may be applicable;
 - ii. Where the transactions are entered into by the company in its ordinary course of business and are on arms' length basis;
 - iii. Payments made with respect to brand usage or royalty where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, do not exceed five percent of the annual consolidated turnover as per the last audited financial statements of the company;
 - iv. Where the transactions to be entered into individually or taken together with previous transactions during a financial year do not exceed Rs 1,000 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;
 - v. Transactions entered into between the company & any of its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval;

vi. transactions entered into between two wholly owned subsidiaries of the company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

4. Notwithstanding the above, approval of the Board & shareholders would be necessary, where the RPTs exceed the following threshold limits:

Sr. No.	Description	Threshold limits (Rs. in crore)
1.	Sale, purchase or supply of any goods or materials or securities	1,000
2.	Borrowing including by way of deposits	
3.	Selling or otherwise disposing off or buying of any property including by way of lease and license arrangement	
4.	Availing or rendering of any services including lending	

The Chairman of Board and Audit Committee of the Company are jointly authorised to make changes to this Policy as they may deem fit and expedient, taking into account the law for the time being in force.

The above policy is subject to review from time to time and at least once in every three years.

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