

**POLICY ON MATERIALITY OF RELATED PARTY  
TRANSACTIONS**

**CSL FINANCE LIMITED**

## **Policy on Materiality of Related Party Transactions**

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

Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 company had approved a Policy on Materiality of Related Party Transactions and also on dealing with such Related Party Transactions.

As a part of the business activity, the Company deals with entities which are related parties. The Company recognizes that Related Party Transactions may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company's & its shareholders' best interest and in compliance to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **Objectives**

- This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.
- The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### **Definitions**

1. **"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.
2. **"Board of Directors" or "Board"** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)
3. **"Company"** means **CSL Finance Limited**.
4. **"LODR"** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.
5. **"Material Related Party Transaction"** means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds ten percent** of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.  
Notwithstanding the above, [with effect from July 01, 2019] 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 49 {five} percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

6. **"Policy"** means this Policy, as amended from time to time.
7. **"Relative"** means a relative as defined under the Companies Act, 2013 or rules made thereunder and LODR, as amended from time to time.
8. **"Related Party"** means a related party as defined under the Companies Act, 2013 or rules made thereunder and LODR, as amended from time to time.
9. **"Related Party Transactions (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.
10. **"SEBI"** means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.
11. **"The Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing Obligations & Disclosure Requirements (LODR).

### **Rationale of the Policy**

1. All related party transactions shall require prior approval of the audit committee.
2. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-
  - 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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - b. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
  - c. the omnibus approval shall specify:
    - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
    - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
    - (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 rupees one crore per transaction.
  - d. the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
  - e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:
3. All material related party transactions shall require approval of 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 the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

4. All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed under Section 188 of the Companies Act, 2013 read with related rules shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution.

### **Policy Review**

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Listing Regulations or any other regulations ("the Regulations") which makes any of the provisions in the Policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.