

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

(This Policy was approved and adopted by the Board 23rd June 2015, reviewed and amended on 8th May 2024 and was further reviewed and amended on 28th April 2025)

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 and shall be reviewed by the board of directors at least once every three years and updated accordingly. 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

This Policy is formulated, in accordance with the requirement of Companies Act, 2013 (“the Act”), SEBI Listing Regulations 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.

The Objective of this policy is to set out:

- a) the materiality thresholds for related party transactions;
- b) define material modifications; and
- c) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the SEBI Listing Regulations and any other laws and regulations a may be applicable to the Company.

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 as defined under Regulation 2(1)(o) of the SEBI Listing Regulations read with Section 2(51) of the Companies Act, 2013, each as amended from time to time and includes any person so authorized and designated by the Board of Directors of the Company as KMP.

“**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 Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

“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 the usual transactions, customs and practices undertaken by the Company to conduct its business operations activities and includes all such activities which the Company can undertake as per its memorandum of association and the articles of association. The Board and the Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other practices and guidelines.

“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.

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) corporate actions which are uniformly applicable/offered to shareholders in proportion of their shareholding such as payment of dividend, subdivision or consolidation of securities by the Company, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities;
- (c) retail purchases from TVS Credit Services Limited or any of its subsidiaries by its directors or employees, without establishing any business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

Further, remuneration and sitting fees paid by TVS Credit Services Limited or its subsidiaries to its directors, key managerial personnels or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23 of the SEBI Listing Regulations.

“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.

“Industry Standards” shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” as notified by SEBI vide its circular dated February 14, 2025.

“SEBI Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations or any other applicable law or regulation, each as amended.

3. General Guideline

All Related Party Transactions and material modifications 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 and transactions (whether Material or not) which are neither at arm's length nor in the ordinary course of business and exceeding the thresholds provided in Section 188 of the Companies Act, 2013, shall require prior approval of the shareholders vide an ordinary resolution. No Related Parties shall vote to approve such resolution even if they are not interested in that particular 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;

Once the related party transactions are identified, the Management shall categorize the transactions under the following categories as per the Industry Standards and place applicable disclosures before the Committee seeking approval:

a. Material Related Party Transactions

b. Other Related Party Transactions, but with promoter or promoter group or person/ entity in which promoter or promoter group has concern or interest.

c. Residual Related Party Transactions.

5. Review and approval of RPTs

5.1. Audit Committee approval:

- (i) All RPTs and subsequent material modifications shall require prior approval of Audit Committee;
- (ii) RPTs where subsidiary is a party but the Company is not a party and the transaction amount exceeds the threshold of:
 - a) 10% of the consolidated turnover of the Company
 - b) 10% of the standalone turnover of the subsidiary
- (iii) RPTs shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval;
- (iv) 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;
- (v) 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;

Prior approval of the Audit Committee shall not be required for:

- i Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- ii Related Party Transactions of unlisted subsidiaries of listed subsidiary of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
- iii transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv 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.
- v remuneration and sitting fees paid by the Company or its subsidiaries to its directors, key managerial personnels or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.

Members of the Audit Committee, who are independent directors, shall alone approve Related Party Transactions.

The Audit Committee, at the time of approval of RPTs, shall take into consideration such information and certificates as are prescribed in terms of the Industry Standards.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of SEBI Listing Regulations;

- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of SEBI Listing Regulations;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

5.2. Board approval:

- (i) All RPTs which are specified under Section 188 of the Companies Act, 2013 and 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 or are outside the thresholds specified under Section 188 for such transactions.
- (ii) 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 and subsequent material modifications shall be approved by the shareholders through a resolution prior to entering into such transactions.
- (ii) All kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.
- (iii) 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' 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 of the Company or of its subsidiaries, which are repetitive in nature as per the procedure specified in this Policy.
- 7.2 The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
- 7.3 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).
- 7.4 Audit Committee shall review, the details of actual RPTs entered into by the Company or its subsidiaries pursuant to each of the Omnibus Approvals on a quarterly basis.
- 7.5 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

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. Such Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.
- 9.2 The Audit Committee shall consider all the relevant facts and circumstances regarding such 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.
- 9.3 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.
- 10.3 The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.
- 10.4 The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, in the Statement to the notice being sent to shareholders seeking their approval for proposed RPTs as applicable.

11. Amendments

The Board of Directors based on the recommendation of the Audit Committee of the Company shall review this Policy atleast once in three years or such other earlier periodicity as it may deem fit and may amend this Policy from time to time.

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.