

## LEGAL FRAMEWORK

This Policy is framed to comply with the requirements of section 188 of the Companies Act, 2013 and Rules made there under as well as Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

### 1. SCOPE AND PURPOSE OF THE POLICY

The Company is committed to practicing the maximum transparency in the conduct of Related Party Transactions in sync with its corporate governance philosophy based on the objective of continuing ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) and as amended from time to time, KIFS Financial Services Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

The Audit Committee may, if thought fit, review and amend the Policy, as and when required, subject to the approval of the Board. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR), accounting standards and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

### 2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act and Regulation 23 of the SEBI Listing Regulations or any other laws and regulations as may be applicable to the Company.

### 3. DEFINITIONS

Term	Definition
"Act"	means the Companies Act, 2013.
"SEBI Listing Regulations"	means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.
"Regulation 23"	means the Regulation no. 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.
"Audit Committee or Committee"	means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Term	Definition
“Ordinary course of business”	means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
"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. (Section 188 of the Companies Act, 2013).
“Company / listed entity”	means KIFS Financial Services Limited.
“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).
“Control”	includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner (Section 2(27) of the Companies Act, 2013).
“Key Managerial Personnel”	means, [Section 2(51) of the Companies Act, 2013] <ul style="list-style-type: none"> <li>➤ Chief Executive Officer or Managing Director or Manager;</li> <li>➤ Company Secretary;</li> <li>➤ Whole Time Director;</li> <li>➤ Chief Financial Officer; and</li> <li>➤ Such other officer as may be prescribed.</li> </ul>
“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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality, threshold will be 5% (Five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
“Policy”	means Related Party Transaction Policy.
“Related Party”	means related party as defined under Section 2(zb) of the SEBI LODR and Section 2(76) of the Companies Act, 2013.
“Relative”	means relative as defined under Section 2(zd) of the SEBI LODR and Section 2(77) under the Companies Act, 2013.
“Related Party Transaction”	means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the followings – <ol style="list-style-type: none"> <li>a. sale, purchase or supply of any goods or materials;</li> <li>b. selling or otherwise disposing of, or buying, property of any kind;</li> </ol>

Term	Definition
	c. leasing of property of any kind; d. availing or rendering of any services; e. appointment of any agent for purchase or sale of goods, materials, services or property; f. appointment to any office or place of profit in the company; and g. underwriting the subscription of any securities or derivatives thereof, of the company.  Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

#### 4. APPLICABILITY

This Policy shall be applicable to transactions, covered under Section 188 of the Companies Act, 2013 or which are related party transactions under the Income Tax Act, 1961 or under the SEBI LODR, when made with:-

- a. Board of Directors & their Relatives,
- b. Key Managerial Personnel (KMP) of the Company and their Relatives, and
- c. Other Related Parties, as defined herein.

#### 5. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party (RP) to the particular transaction or not [RP can cast only negative vote to reject the shareholders resolution on material Related Party Transactions (RPT)].

Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to the recognized stock exchange within one day of the resolution plan being approved.

KIFS Financial Services Limited has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – exceeding 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- Other transactions as specified under respective provisions, with a Related Party – exceeding 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

### 6. PROCEDURE

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking approvals of the following:-

#### I. Audit Committee:

All Related Party Transactions, whether entered on arm's length basis or not, shall require prior approval of the Audit committee. The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company 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; **(refer Annexure II)**
- 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.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- g. For transactions entered into between a 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, omnibus approval of Audit Committee and approval of Board of directors is not required.

#### Details to be provided to the Audit Committee:

With respect to Related Party Transactions requiring approval of the Audit Committee, the following information, to the extent relevant, shall be presented to the Audit Committee:

- A general description of the transaction(s), including the material terms and conditions
- The name of the Related Party and the basis on which such person or entity is a Related Party
- Name of director or KMP who is related
- Period of transaction
- Maximum amount of transaction that can be entered into

- The Related Party’s interest in the transaction(s), including the Related Party’s position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s)
- The indicative base price / current contracted price and the formula for variation in the price if any.
- Any other material information regarding the transaction(s) or the Related Party’s interest in the transaction(s).

### II. Board of Directors:

All Related Party Transactions, which are proposed to be entered by the Company

- i. other than in ordinary course of business; and / or
- ii. other than on arm’s length basis, shall require prior approval of the Board of Directors of the Company, by means of passing of resolution at a Board Meeting.

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

### III. Shareholders

As per regulation 23 of the SEBI (LODR), 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.

#### Explanations:

As per regulation 23 of the SEBI (LODR), 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.

In accordance with Section 188 of the Companies Act, 2013 read with rules made thereunder, including any statutory modification, amendment thereof as may be issued from time to time, transactions exceeding limits as tabled below, or such other limits as specified from time to time, shall require approval of shareholders by a resolution.

Transactions covered	Transaction value
Sale, purchase or supply of any goods or materials directly or through appointment of agents *	Amounting to 10% or more of the turnover of the company
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	Amounting to 10% or more of the net worth of the company
Leasing of property of any kind *	Amounting to 10% or more of the turnover of the company
Availing or rendering of any services directly or through appointment of agents *	Amounting to 10% or more of the turnover of the company

Transactions covered	Transaction value
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding 2.5 lakh rupees
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of net worth

**\* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.**

### Explanation

1. The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.
  2. In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.
- IV.** Each director / KMP who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Audit Committee / Board of Directors concerning such Related Party Transaction and his or her interest in such transaction as per format attached. **(refer Annexure I)**
- V.** The Audit Committee shall also review and approve any modification, renewal or extension of any Related Party Transaction.
- VI.** This Policy is intended to augment and work in conjunction with other Company policies having any code of conduct, code of ethics and / or conflict of interest provisions.

### 7. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall submit within 30 days from the date of publication of its standalone and / or consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchange(s) and publish the same on its website.

The policy shall be published on the Company's website [www.kifsfinance.com](http://www.kifsfinance.com) and web link of the policy shall be disclosed in the Company's Annual Report.

### **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review / approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

### **9. AMENDMENT IN LAW**

Any subsequent amendment / modification in the Companies Act, 2013, Listing Regulations and / or other laws in this regard shall automatically apply to this Policy. The same shall be added / amended / modified from time to time as authorized by the Audit Committee with due procedure.

**Notice of Interest by Director and Key Managerial Personnel**

To,  
 The Board of Directors,  
**KIFS Financial Services Limited**  
 B-81, Pariseema Complex, Ellisbridge,  
 C. G. Road, Ahmedabad – 380006,  
 Gujarat, India.

I, \_\_\_\_\_, son / daughter / spouse of \_\_\_\_\_, resident of \_\_\_\_\_, being a Director / Key Managerial Personnel (KMP) in the Company hereby give Notice of my interest or concern in the following company or companies, bodies corporate, firms or other association of individuals:

Sr. No.	Name of the Company / Bodies Corporate / Firms / Association of individuals	Nature of interest / concern	Shareholding (%)	Date on which interest or concern arose

List of Relatives in terms of Section 2(77) of the Companies Act, 2013

1.	Spouse (wife)	:	
2.	Father (including step-father)	:	
3.	Mother (including step-mother)	:	
4.	Son (including step-son)	:	
5.	Son's wife	:	
6.	Daughter	:	
7.	Daughter's Husband	:	
8.	Brother (including step-brother)	:	
9.	Sister (including step-sister)	:	
10.	Member of HUF	:	

Date: \_\_\_\_\_  
 Place: \_\_\_\_\_

Signature: \_\_\_\_\_



**The Audit Committee of the Company while granting the omnibus approval for the transactions with Related Parties shall consider following aspects:**

1. 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.
2. The transactions with a related party under a contract or arrangement are repetitive in nature and in the ordinary course of business and on arms' length basis.
3. Such transactions shall not, during the current financial year, amount to 10% or more of the annual consolidated turnover of the immediate preceding financial year except with approvals as required otherwise.
4. Such transaction 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. Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, omnibus approval for such transactions shall be restricted to the value of Rs. 1 crore per transaction.

Such transactions with related parties shall be with respect to –

- sale, purchase or supply of any goods or materials;
  - selling or otherwise disposing of, or buying, property of any kind;
  - leasing of property of any kind;
  - availing or rendering of any services;
  - appointment of any agent for purchase or sale of goods, materials, services or property;
  - such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
  - underwriting the subscription of any securities or derivatives thereof, of the company:
5. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
  6. Such omnibus approval shall be valid for one year from the date of the meeting of the Audit Committee in which such approval is given.