

## KOTAK MAHINDRA PRIME LIMITED

### POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

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#### **1. Preamble**

The Board of Directors (the Board) of Kotak Mahindra Prime Limited (the Company) have adopted the following policy and procedures with regard to materiality of related party transactions and on dealing with Related Party Transactions, as defined below (hereinafter referred to as the “Policy” / the “Related Party Transaction Policy”). The Audit Committee will review and may recommend amendments to this Policy from time to time and as may be deemed necessary, for approval of the Board.

This policy will be applicable to the Company, so as to regulate transactions between the Company and i) Kotak Mahindra Bank Limited (the “Bank”) or ii) its fellow subsidiaries or iii) Other Related Parties, as required under the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI Listing Regulations”), Sections 177 and 188 of the Companies Act, 2013 (the “Act”) and other laws, rules, regulations, circulars and guidelines, as may be applicable from time to time.

#### **2. Purpose**

This policy is framed as per the provisions of the SEBI Listing Regulations and is intended to ensure the proper approval and reporting of Related Party Transactions. Such transactions would be appropriate only if they are in the best interest of the Company and its members.

#### **3. Definitions**

“**Audit Committee**” (the “Committee”) means a committee consisting of members of the Board of Directors of the Company, constituted as per the provisions of Regulation 18 of the SEBI Listing Regulations, Section 177 of the Act and the rules / regulations / circulars / guidelines issued from time to time by the Reserve Bank of India (RBI).

“**Arm’s length transaction**” means transaction between two related parties that is conducted as if the parties were unrelated, so that there is no conflict of interest.

“**Board**” means a body of elected directors of the Company, as per the provisions of the applicable law.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and which is presently, as follows – “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.

“**Key Managerial Personnel**” means key managerial personnel (“KMP”) as defined under the Act and includes

- (i) the Chief Executive Officer or the Managing Director or the manager;
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the Director who is in whole-time employment, designated as key managerial personnel by the Board; and
- (v) such other officer as may be prescribed under the Act;

“**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 ₹ 1,000 crore or 10 per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. However, transactions involving payments made for brand usage or royalty shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds 5 per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“**Material Modification**” means -

- In the case of related party transactions where Omnibus Approval of the Audit Committee has been obtained considering the repetitive nature of these transactions, any modification which has the effect of variation of 20% or more in either the originally approved value of the transaction or in the pricing criteria or such other parameter as may be determined by the Audit Committee from time to time. The variation limit of 20% or more in value will not apply in the case of deposits placed by a related party with the Bank.
- In the case of other related party transactions, any modification which has the effect of variation of 5% or more in either the originally approved value of the transaction or in the pricing criteria or such other parameter as may be determined by the Audit Committee from time to time.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or is uniformly effected for similar transactions with unrelated parties shall not be regarded as Material Modification.

“**Ordinary course of business**” for the purpose of this policy, will include the transactions undertaken by the Company:

- in the normal course of business as permitted by law / regulations / rules / guidelines / circulars etc.;
- as part of customary business practices or by its long standing conduct.

“**Related Party**” is defined under section 2(76) of the Act and clause (zb) of Regulation 2(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Regulations, 2015):

- a director or his relative;
- a key managerial personnel or his relative;
- a firm, in which a director, manager or his relative is a partner;
- a private company in which a director or manager or his relative is a member or director;
- a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
- anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager (except where such advice, directions or instructions are provided in a professional capacity);
- any person under whose advice, directions or instructions a director or manager is accustomed to act (except where such advice, directions or instructions are provided in professional capacity);
- anybody corporate which is -
  - a holding, subsidiary, joint venture or an associate of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary; or
  - an investing company or the venturer of the company;

Explanation — For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- a director [other than an independent director] or KMP of the holding company or his relative;
- a related party as per Accounting Standard 18 and any other Indian Accounting Standard (Ind AS) 24 as may be applicable;
- any person or entity forming a part of the promoter or promoter group of the Company;
- any person or entity, holding equity shares:
  - of twenty per cent or more; or
  - of ten per cent or more with effect from April 1, 2023,in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s). This is to clarify related party transactions are not applicable to any investments made by the Company in mutual funds (overnight / liquid / any other Board approved funds) and investments made by the Company in Alternative Investment Funds (Board approved AIFs).

“**Related Party Transaction**” means a transaction involving a transfer of resources, services or obligations between

- (i) the Company and a Related Party of the Company; or
- (ii) the Company and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company;

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.

Provided that the following shall not be a Related Party Transaction for the purposes of compliance under the SEBI Listing Regulations:

- a) the issue of specified securities (as defined under the SEBI Listing Regulations) 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) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- c) such other transactions as may be specified by SEBI or any other statutory / regulatory body from time to time.

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s). This is to clarify related party transactions are not applicable to any investments made by the Company in mutual funds (overnight / liquid / any other Board approved funds) and investments made by the Company in Alternative Investment Funds (Board approved AIFs).

“**Relative**” with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in the following manner / related as :
  - Father (includes step-father)
  - Mother (includes step-mother)
  - Son (includes the step-son)
  - Son's wife
  - Daughter
  - Daughter's husband
  - Brother (includes step-brother)
  - Sister (includes step-sister)

## 4. Policy

Prior approval of Audit Committee: All related party transactions and subsequent material modifications thereto must be reported to the Audit Committee and require prior approval by the Committee (by way of omnibus approval or otherwise) except transactions specifically exempt (mentioned hereafter) under the provisions of the Act and the SEBI Listing Regulations) in accordance with this Policy.

Prior approval of shareholders: All material related party transactions and subsequent material modifications thereto shall require prior approval of the members through the ordinary resolution except transactions specifically exempt (mentioned hereafter) under the provisions of SEBI Listing Regulations in accordance with this Policy.

Transactions specifically exempt or with a different treatment:

- Section 177 of the Act and Regulation 23 of the SEBI Listing Regulations require Audit Committee of a company to approve all transactions with Related Parties except for transactions between a holding company and its wholly-owned subsidiaries, unless the transactions are those that are referred to in Section 188.
- As per section 188 of the Act, the consent of the Board by resolution / member's approval by an ordinary resolution in a general meeting is required, for entering into the specified transactions with a Related Party, if such transactions are not in ordinary course of business of the Company or not at arm's length and exceeds the threshold limits as specified in the Act. No member of the Company shall vote to approve such resolution, whether the entity is a Related Party to the particular transaction or not.
- In terms of Regulation 23(5) of the SEBI Listing Regulations, the transactions entered into between: (i) the Bank and its wholly owned subsidiary or (ii) two wholly-owned subsidiaries of the Bank, whose accounts are consolidated with the Bank and placed before the members at the general meeting for approval, are exempt from the Audit Committee approvals for all Related Party Transactions and shareholder approvals for material Related Party Transactions.
- Any transaction that involves the providing of compensation to a Director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business. This will be dealt with by the Nomination and Remuneration Committee.
- Any transaction to which a listed subsidiary of the Company, if any, is a party but the Company is not a party, if relevant provisions of the SEBI Listing Regulations are applicable to / complied by such listed subsidiary.
- Any transaction in which the related party's interest arises solely from ownership of securities issued by the holding company and all holders of such securities receive the same benefits pro rata as the related party.

#### 4.1 Identification of Potential Related Party Transactions

The Company shall maintain a list of related parties after considering the requirements of the law applicable to the Company and based on (i) the Kotak Group's structure (i.e. holding, subsidiary, associate companies etc.) and (ii) the disclosures and declarations received from time to time from Directors and KMPs, of the Company.

4.2 Procedures / Restrictions related to Related Party Transactions (subject to transactions specifically exempt covered above):

Dealing with related party transactions:

- Considering the frequency / repetitiveness of transactions, the Committee may review the nature of the transactions and give its general approval (i.e. omnibus approval) after satisfying itself of the need, by specifying in the approval the terms like name of the Related Party, nature of transaction, indicative base price / basis of pricing / current contracted price and the formula for variation in the price if any, maximum amount of transactions that may be entered into, if any, period of the transaction and such other terms as may be necessary, and subject to such modifications as it deems fit.
- If required, the Audit Committee may, subject to the provision of the applicable laws, review its general approval during the financial year, and make such amendments / modifications / revisions to the same as may be deemed necessary or required for the conduct of the Company's business.
- Where the need for a related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
- Only those members of the Audit Committee, who are Independent Directors, shall approve the Related Party Transactions. Where any Director is interested in any transaction with a Related Party, such Director shall not be present at the meeting (whether of the Audit Committee or of the Board of Directors) during discussions on the subject matter of the resolution relating to such transaction.
- As required by the Act, all Related Party Transactions which are not in the ordinary course of business or not on arm's length basis shall be considered, reviewed and decided by the Audit Committee / Board of Directors only at a duly convened meeting.
- No related party shall vote to approve such resolutions where the entity is a related party to the particular transaction.
- All Related Party Transactions, including the above and those approved through omnibus approval, will be reviewed by the Audit Committee at least on quarterly basis.
- Prior approval of shareholders: With respect to material related party transactions, for seeking approval of the members, the explanatory statement shall provide all relevant and necessary information regarding the Material Related Party Transactions / Material Modifications thereto, including information as may be specified or required from time to time.

Additional Approvals: A Related Party Transaction to which the Company is a party but its Holding Company is not a party, shall require prior approval of the Audit Committee of its Holding Company, 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. Prior approval of the audit committee of its Holding Company is not required, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI Listing Regulations are applicable to the Company.

Note: Loans given by business to directors and KMP, shall additionally be governed by Policy on Loans and Advances by KMPL to KMPL Senior Officer and KMPL Directors.

Validity Period of Approvals:

- General approval of the Audit Committee on all related party transactions shall be valid for a period of one financial year and a fresh approval shall be taken after the expiry of the financial year.
- The Materiality thresholds for the Related Party Transactions shall be reviewed by the Board of Directors once in every three years.

Delegations: All procedural / implementation matters under this Policy are delegated to and may be approved from time to time by the Audit Committee of the Board.

#### 4.3 Review and Approval of Related Party Transactions

All related party transactions will have to be reviewed and approved by the Audit Committee, subject to 4.2 above. Any member of the Committee, who is interested in any transaction with a Related Party, shall not be present at the meeting during discussions on the subject matter of the resolutions relating to such transaction.

To review a Related Party Transaction, the Committee will be provided with relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company, arm's length principles and any other relevant matters / information as may be specified or required from time to time. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- The fairness and arm's length or otherwise of the Related Party Transaction after applying the same basis as if the transaction did not involve a related party;
- The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Impact on independence of an independent director of Related Party Transaction;
- Any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Related Party Transaction 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 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/Committee deems relevant.
- Any other relevant information regarding the transaction.

If the Committee determines that a related party transaction 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 the Board to approve the Related Party Transaction, 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.

All Related Party Transactions, including the above and those approved through omnibus approval, will be reviewed and placed before the Audit Committee at least on quarterly basis.

#### **5. Related Party Transactions not approved under this Policy**

Subject to the provisions of applicable laws:

- (a) where any transaction involving any amount not exceeding one crore rupee 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 the 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;
- (b) where any contract or arrangement: (i) requiring consent of the Board of Directors is entered into by a director or any other employee, without obtaining such consent, or (ii) requiring approval by a resolution in the general meeting is entered into without such approval, then if such transaction is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

The above shall be applicable only in respect of transactions covered under Section 177 of the Act, requiring approval of the Audit Committee / transactions covered under Section 188 of the Act, requiring approval of the Board of Directors / Shareholders of the Company, as the case may be. However, if any transaction with a related party is also covered under and requires prior approval of the Audit Committee / Shareholders under the provisions of the SEBI Listing Regulations, the above given clauses (a) / (b) will not apply and prior approval of the appropriate authority will be necessary.

## **6. Reporting of Related Party Transactions**

The Company shall disclose each year, in its financial statements, the transactions between the Company and its Related Parties. Also, policies concerning transactions with Related Parties, shall be disclosed in the Annual Report, in such manner and form as may be prescribed under the applicable laws and the accounting standards.

The Company shall also submit to the stock exchanges, within such timelines as may be prescribed, disclosures of related party transactions in the format as specified by SEBI from time to time, and publish the same on its website.

## **7. Law to take precedence and applicability**

In the event of any variation or inconsistency between the provisions of the Policy and the applicable Regulations and/or the Act, the provisions of the applicable Regulations and/or the Act, as the case may be, shall prevail over the Policy and the provisions of the Policy shall be deemed to have been amended so as to be read in consonance with the Regulations and / or the Act.

In reference to the above policy, the Company Secretary shall keep the policy owners updated with amendments in laws & regulations from time to time.

The above policy will be in force with effect from -----, 2024 and shall apply to the Company. The Policy will be modified to be in line with regulations including the Act and guidelines issued by SEBI.