

GODREJ FINANCE LIMITED

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

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Introduction

Godrej Finance Limited (“GFL” or “the Company”) conducts itself with highest standard of integrity and has always followed both letter and spirit of the law.

Related party transactions are those transaction which are done between parties who have relation with each other. While such transactions are common place and are often done in normal course of action, they can present a potential or actual conflict of interest. GFL does not promote any transaction which may be at variance with the established principles of Corporate Governance, or which does not meet the highest standard of ethics or integrity.

Scope & Application

This policy shall deal with matters related to transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

Regulatory Requirement

As per Section 177 & 188 of the Companies Act, 2013 (“the Act”), the Company is required to follow the procedure prescribed therein for entering into Related Party Transactions for which it is inter alia required to adopt a Related Party Transaction Policy (“Policy”) as per the extant laws applicable and adhere to it for operations.

Further, Regulation 62K of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing regulations”) says that a Company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 read with Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025 and other applicable regulation as amended from time-to-time prescribed disclosure of Related Party in the Notes to Accounts to the financial statements.

Purpose

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between 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 while conducting Related Party Transactions and to comply with the statutory provisions in this regard.

Definitions

“Act” means Companies Act, 2013 and rules made thereunder, as amended from time to time.

“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.

“Associate Company” means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company and the term “Associate Company” shall be interpreted accordingly. For the purpose of this definition, “Significant Influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement and “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“Board” means the Board of Directors of the Company as defined under the Act/ Listing Regulations/RBI Directions.

“Committee” means Audit Committee of the Company as constituted or reconstituted by the Board of Directors of the Company in accordance with the Act, Listing Regulations and RBI Directions.

“Company” means Godrej Finance Limited.

“Company Secretary” means a person who is appointed by the Company to perform the functions of the Company Secretary under provisions of the Act;

“Directors” means Directors appointed by the Board including executive, non-executive and independent directors.

“Independent Director” means a director as defined under Section 149(6) of the Act and Listing Regulations.

“Key Managerial Personnel” (KMP) means a Personnel in relation to a Company as defined under Act.

“Listing regulations” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“Member” means a Director of the Company appointed as member of the Committee.

“Material Related Party Transaction” would mean related party transactions as defined under Regulation 62K of Listing Regulations and/or contracts or arrangements given under the Act, read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.

“Material Modifications” to a related party transactions shall mean increase by 10% of the transaction value as earlier approved by the Audit Committee / Shareholders, as the case may be or absolute change in the nature of transaction.

“Office or place of profit” means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise,

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“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 its 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.

“Relative” shall mean persons as defined under Section 2(77) of the Act and rules prescribed thereunder.

“Related Party” shall have the meaning as defined under RBI Direction, Act and applicable Indian Accounting Standards or under the applicable accounting standards.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares of ten per cent or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during immediate preceding financial year shall be deemed to be a related party.

"Related Party Transaction" means a related party transaction as defined under the Act and Listing Regulations".

"RBI Directions" means Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 read with Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025 and other applicable regulation, as updated from time to time.

"Senior Management Personnel / Senior Management" shall mean the officers and personnel of the Company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as Key Managerial Personnel, other than the Board of Directors.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Act or, RBI Directions, Listing Regulations, Notifications, Circulars or guidelines as may be amended from time to time shall have the meaning respectively assigned to them therein.

Key Principles for Related Party Transactions

Identification of Related Parties

All the Directors and KMPs shall be responsible for informing the Company of their interest (including interest of their Relatives) in other companies, body corporates, firms or concerns at the beginning of every financial year and any change in such interest during the year, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have interest in any transaction or matter directly affecting the Company.

In addition, all Directors and KMPs are responsible for giving notice to the Company Secretary of the Company for any potential Related Party Transaction involving them or their Relatives. The relevant Director/ KMP will also be required to provide any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with the Policy.

Also, every officer of the Company entrusted with the authority to enter into any transaction shall be responsible for providing notice to the Board or Audit Committee, as the case may be through the Company Secretary of the Company of any Related Party Transaction involving the Company. The Board/Audit Committee, through the Company Secretary will determine whether the Transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

Such notice of any Related Party Transaction should be given in advance so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee or the Board, as the case may be.

Ordinary Course of Business

The phrase Ordinary Course of Business is not defined under the Act or Listing Regulations or RBI Directions.

The Company shall adopt a reasonable approach/methodology to demonstrate 'Ordinary Course of Business' which shall, *inter alia*, include the Nature of the transaction, the frequency/regularity/length of time the company is engaged in such transaction, such transaction/action is consistent with the past practices and was taken in the ordinary course of the normal day-to-day operations of such company, common commercial practice i.e. customarily taken, in the ordinary course of the normal day-to-day operations of other companies that are in the same/similar line of business.

Arms-Length Transaction

For transactions between two related parties to be considered to be at Arm's Length Pricing, the transaction should be conducted between the two parties as if the parties were unrelated i.e. Arm's Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods/services, risk assumed, assets/resources employed, key terms/covenants.

In the absence of any guidelines on Arm's Length Pricing in the Act or Listing Regulations or RBI Directions, the Company shall adopt reasonable approach/methodology to demonstrate Arm's Length Pricing for the specified Related Party Transactions identified, which shall, *inter alia*, include, the nature of the transaction, description of functions to be performed, risks to be assumed and assets to be employed, key terms/special terms in the arrangement forming part of a composite transaction;

The Company shall assess whether transactions with related parties are done at an Arm's Length and Company adopts generally accepted practices and principles in determining whether the transaction is at "Arm's Length".

Materiality Threshold for Related Party Transaction

The Company follows Materiality Thresholds for Related Party Transactions as defined under Definition section of this Policy.

Guiding Principles for Approval of Related Party Transactions

For seeking approval of Audit Committee or the Board of Directors, as the case may be, for Related Party Transaction(s), all relevant material information of the Related Party Transaction(s), as provided under the Act and rules made thereunder/ Listing Regulations/RBI Directions including but not limited to terms of the transaction, the business purpose of the transaction, the benefits to the Company etc. will be provided to the Board/ Audit Committee, as the case may be.

In determining whether to approve or reject a Related Party Transaction, the Board/Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a) Whether the transaction is in the ordinary course of business of the Company;
- b) Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- c) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d) Whether the Related Party Transaction would impair the independence of an otherwise Independent Director or Nominee of a Director;

- e) 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, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel'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.

Approval Process for Related Party Transactions

Approval of the Audit Committee

- All related party transactions and subsequent material modifications proposed to be made or to be entered into by the Company shall require prior approval of the Audit Committee. The Audit Committee will review and, if appropriate, approve Related-Party Transactions. Accordingly, management shall present to the Committee, the following information with respect to all Related Party Transactions expected to be entered into:
 - a) the name of the Related Party;
 - b) the Related Party's interest in the transactions, including the Related Party's position or relationship with, or ownership of, any entity that has an interest in the transactions;
 - c) the estimated rupee value of the transactions;
 - d) a general description of the transactions, including material terms and conditions;
 - e) in case of loans, the aggregate amount of loans and the rate of interest payable on such loans;
 - f) in case of guarantees issued, the aggregate amount of guarantees, nature of guarantee and commission to be payable on such guarantees;
 - g) an assessment of whether the transactions are on terms that are comparable to the terms available to unrelated third parties or to employees generally; and
 - h) any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).
- After reviewing such information and being satisfied that there is a need for such approval, only those members of the Audit Committee who are Independent Directors, shall approve or disapprove such transactions.
- A related party transaction to which the subsidiary of Company is a party but the Company is not a party, shall require prior approval of the Audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10 % of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party, but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, prior approval of the Audit Committee of the listed subsidiary shall suffice.

Omnibus Approval to transactions

Criteria for Omnibus approval:

The Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval as per the Act and rules made thereunder and the Listing Regulations.

Omnibus approval:

Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by Company subject to the following conditions, namely:

- a) Repetitive in nature and that such approval is in (or not inconsistent with) the best interests of the Company and its Shareholders;
- b) Compliant with requirement of the Arm's length transaction;
- c) In the ordinary course of the business of the Company.

Such omnibus approval shall specify:

- i. the name/s of the related party;
- ii. nature of transaction, period of transaction, maximum amount of transaction that can be entered into, and
- iii. the indicative base price / current contracted price and the formula for variation in the price if any,
- iv. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

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 Rs.1 crore per transaction.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will not remain present at the Meeting when such Related Party Transaction is considered.

If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.

Omnibus approval shall not be made for the transactions in respect of selling or disposing of the undertaking of the Company.

Approval of the Board of Directors

Related party transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. For transactions covered under Section 188 of the Act as stated below will require Board's approval if not at arm's length and not in the ordinary course of business:

- a) sale, purchase or supply of any goods or materials
- b) selling or otherwise disposing of, or buying, property of any kind
- 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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
- g) remuneration for underwriting the subscription of any securities or derivatives thereof.

Any member of the Board who has a potential interest in such related party transaction will recuse himself or herself and abstain from discussion or voting on the approval of such related party transaction.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Committee approval,
- b) Transactions in respect of which the Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval,
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Committee requires Board approval,
- d) Transactions meeting the materiality thresholds laid down under "Approval of Shareholders" section of the Policy, which are intended to be placed before the Shareholders for approval.

Approval of Shareholders

- All related party transactions that are material in nature and subsequent material modifications as defined by the Audit Committee shall require prior approval of the Shareholders through a resolution.
- Materiality of a transaction will be based on the definition specified above.
- No related party shall vote to approve such material related party transactions, whether the entity is a related party to the particular transaction or not.
- All entities falling under the definition of related parties shall not vote to approve the material related party transactions irrespective of whether the entity is a party to the particular transaction or not.

All material related party transactions and subsequent material modifications as defined by the Audit Committee under sub-regulation shall require prior No-Objection Certificate from the Debenture Trustee and the Debenture Trustee shall in turn obtain No-Objection from the debenture holders who are not related with the Company and hold atleast more than fifty percent of the debentures in value, on the basis of voting including e-voting.

After obtaining approval of the debenture holders, approval of the shareholders through resolution shall be obtained.

Provided further that prior approval of the shareholders and No-objection Certificate by Debenture Trustee of the Company, in the manner as specified in sub-regulation (5) of regulation 62K of Listing Regulations shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 62K of these regulations is applicable to such listed subsidiary.

Related party transaction not approved under the Policy

In the event the Company becomes aware of a transaction with a related party that has not been approved under 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, revision or termination of the related party transaction.

Related Party Transaction not requiring Approval

The following Related Party Transactions shall not require any separate approval under the Policy:

- a. 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;

- b. 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;
- c. Transactions that have been approved by the Board under specific provisions of the applicable regulations;
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried-out in accordance with the specific provisions of the applicable regulations;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.
- f. Any related party transaction not requiring approval as per extant applicable law/guidelines.

Compliance with relevant policies of the Company for dealing with related parties

1. Remuneration to the Non- Executive / Independent Director, Managerial Personnel, KMP and Senior Management shall be in accordance with Nomination and Remuneration Policy.
2. Loans to directors, their relatives and to entities where directors or their relatives have major shareholding and Loans to Senior Officers shall be in accordance with Credit Policy
3. Outsourcing of services to related parties shall be governed by the Outsourcing policy of the Company

Disclosure

Appropriate disclosures as required under the Act, Listing Regulations, RBI Directions and other applicable laws and regulations will be made in the Financial Statements, Board's Report and such other places as may be specified under law.

Further, Company shall disclose the Policy on its website and a web link thereto shall be provided in the Annual Report.

Review, Modification & Changes

- There shall be an annual review of the Policy by the Board of Directors;
- The Board of Directors can at any time modify or amend, either the whole or any part of Policy, within the Regulatory Framework.

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