

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

1. Introduction:

KRA Leasing Limited (the “Company”) recognizes that related party transactions (“RPTs”) can present a potential or actual conflict of interest which may raise questions about whether such transactions are consistent with the best interests of the Company and its stakeholders. The Board of Directors (“Board”) of the Company has adopted the following policy with regard to related party transactions pursuant to the provisions of Memorandum and Articles of Association of the Company, Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 (“the Act”) and the Rules framed thereunder and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) as amended from time to time and any other laws and regulations as may be applicable to the Company.

2. Objective:

The objective of this policy is to set out the materiality thresholds for related party transactions (RPTs), the manner of dealing with the RPTs based on the Act, listing regulations and any other laws and regulations that may be applicable. The policy provides for guidelines for identification of related parties and proper conduct and documentation for all Related Party Transactions.

3. Applicability:

This amended policy shall come into force with effect from 1st April 2022 and shall be applicable to transaction made with related parties, as defined hereinafter.

4. Definitions:

“**Act**” shall mean the Indian Companies Act, 2013 (including 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 question of conflict of interest. For determining Arm’s Length basis, guidance may be taken from the transfer pricing provisions under the Income-tax Act, 1961

“**Board**” means Board of Directors of the Company.

“**Audit Committee or Committee**” means the Committee of the Board formed under section 177 of the Act and Regulations 18 of the listing regulations 2015.

“**Control**” means control as defined in Section 2(27) of the Act and shall have the same meaning as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Key Managerial Personnel**” shall mean the officers of the Company as defined in Section 2(51) of the Act.

“**Policy**” means Policy on Materiality Of Related Party Transactions And On Dealing With Related Party Transactions.

“Material Related Party Transaction” shall mean and includes:

- Transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company, whichever is lower.
- Transactions which exceed the threshold limits as defined under Section 188 of Act read with rules made thereunder.
- Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification” means any modification to the approved Material related party transaction (“transaction”) which shall result in change in the value of the transaction by 20% as compared to the approval given by Audit Committee/Board/Shareholders, earlier.

“Related Party” means:

- A related party under section 2(76) of the Act or under the applicable Accounting Standards;
- Following shall be deemed to be a related party:
 1. any person or entity forming a part of the promoter or promoter group of the listed entity;
 2. any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;in the Company 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;

“Relative” means relative as defined under Section 2(77) of the Act and Rules prescribed thereunder.

“Related Party Transaction” means transaction(s) as given under Section 188 of the Companies Act, 2013 and Rules made thereunder and as defined in clause (zc) of Regulation 2 of the listing regulations including modification(s) or amendment(s) made thereto.

5. Identification of Related Party Transactions:

A. As regards transactions with Related Parties that require prior approval of the Board/Audit Committee, the Group Financial Controller or Head of Finance shall be

responsible to notify the Board/ Audit Committee of any such potential Related Party Transactions. The CFO should identify all the proposed related party transactions, those required or may be entered during the upcoming financial year and placed before the committee/board in the meeting scheduled to be held before start of the financial year.

B. Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of the Company of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

C. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through the Company Secretary.

6. Approvals:

A. Prior Approval of the Audit Committee:

The Audit Committee shall review and approve all Related Party Transactions proposed to be entered into, between:

- i. The Company and any of its related parties
- ii. The Company and Related Party of any of the Company's Subsidiary(ies)
- iii. The Company's Subsidiary (ies) and Related Party of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds **ten percent** of the **annual consolidated turnover**, as per the last audited financial statements **of the Company**.
- iv. The Company's Subsidiary(ies) and Related Party of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds **ten percent** of the **annual standalone turnover**, as per the last audited financial statements **of the Subsidiary, with effect from April 1, 2023**,
- v. The Company/ its subsidiaries and any other person or entity, even if unrelated, the purpose and effect of which is to benefit a related party of the Company/its subsidiaries, with effect from **April 1, 2023**.
- vi. **Any material modification(s) to the approved RPT.**
- vii. Exception: **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 regulation 15(2) of the listing regulations are applicable to such listed subsidiary.

B. Omnibus Approval by the Audit Committee

The Audit committee may lay down the criteria for granting the omnibus approval and shall take into account following considerations for approval of RPTs:

- i. Omnibus approval shall be applicable in respect of transactions which are repetitive in nature.
- ii. Justification, regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- iii. The omnibus approval shall specify the following:
 - a. The name of the related party, nature of transaction, period of transaction, maximum amount of transaction;
 - b. The indicative base price / current contracted price and the formula for variation in the price if any;
 - c. Such other conditions as the audit committee may deem fit.
 - d. Where the need for related party transaction can not be foreseen and details in point (a) to point (c) are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- iv. The audit committee shall review, atleast on quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- v. The omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

C. Information to be reviewed by the Audit Committee for approval/omnibus approval of RPTs

The company shall provide the following information to the Audit Committee for its review for approval/ omnibus approval of a proposed RPT:

- i. Type, material terms and particulars of the proposed transaction;
- ii. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- iii. Tenure of the proposed transaction (particular tenure shall be specified);
- iv. Value of the proposed transaction;
- v. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, covered under Para 5(A)(iv) of this policy, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis);
- vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - a. Details of the source of funds in connection with the proposed transaction;
 - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

- d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- vii. Justification as to why the RPT is in the interest of the listed entity;
- viii. A copy of the valuation or other external party report, if such report has been relied upon;
- ix. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT (on a voluntary basis);
- x. Any other information that may be relevant.
- xi. The audit committee shall also review the status of long term (more than one year) or recurring RPTs on an annual basis.

D. Other conditions for approval of transaction by the Audit Committee

- i. Only those members of the audit committee, who are independent directors, shall approve related party transactions.
- ii. In case of a transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

E. Approval of Board of Directors and manner of approval:

The board may approve the following RPTs:

- i. Transactions covered under section 188 of the Act which are at Arm's length but not in ordinary course of business;
- ii. Transactions covered under section 188 of the Act which are not at Arm's length basis but in ordinary course of business;
- iii. Transactions not at Arm's length basis and not in ordinary course of business can not be approved by the Board.
- iv. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board and if it is not ratified by the Board 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 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.
- v. The Company should provide all the relevant information and informations as required under Rule 15 of Companies (Meetings of Board & Its Powers) Rules, 2014 along with the agenda.
- vi. Any Member of the Board who has a potential interest in such Related Party Transaction will recuse himself/herself and abstain from voting on the approval of such Related Party Transaction. Such Member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

F. Approval of Shareholders and manner of approval:

All material RPTs and material modifications thereto, will be referred to the shareholders for prior approval.

Apart from the above the below transactions as covered under Rule 15 of Companies (Meetings of Board and Its Power) Rules, 2014 also required Shareholder approval through ordinary resolution

(i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188.

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188:

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013 include the information covered in Para C of this policy as a part of the explanatory statement.

No related party shall vote to approve such resolutions whether the entity is a related party to a particular transaction or not.

Exception: prior approval of the shareholders 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 regulation 15(2) of the listing regulations are applicable to such listed subsidiary.

7. Amendment/Modification/Addition:

In case there are any amendments, modifications, additions, etc. in the Act, or the relevant rules, or the Listing Regulations, as a result of which this Policy is required to be amended, in such event the proposed changes in the Policy shall be placed before the Audit Committee and the Board to be reviewed and accordingly approved. Upon the approval of the changes in the Policy, the Board/Audit Committee shall provide suitable directions/guidelines to implement the amended Policy. In any other case,

this policy shall be reviewed the Board at least once in every three years.

Further if any contracts/arrangements pertaining to Related Party Transactions that are approved by the Audit Committee before such amendment/modification/addition, then transactions arising out of the same would not be required to be evaluated again at the time of execution of such contracts/arrangements, provided that the price, value or material terms of the contractor arrangement have not been varied / amended. It shall be the responsibility of the Head of the Finance & Accounts to monitor this process in order to ensure timely execution of the Transactions.

8. Transaction not requiring approval of Audit Committee, Board or Shareholders:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:

- i. 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;
- ii. The following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - a. Payment of dividend;
 - b. Subdivision or consolidation of securities;
 - c. Issuance of securities by way of a rights issue or a bonus issue; and
 - d. Buy-back of securities.
- 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. Any transaction approved by the Nomination and Remuneration Committee and Corporate Social Responsibility Committee.

9. Disclosures:

Appropriate disclosures as required under the Act and the listing regulations shall be made in the Annual Report, Board's Report and to the Stock Exchanges.

10. Scope:

In the event of any conflict between the provision of this Policy and of the listing regulations/the Act or any other statutory enactments, rules ("applicable laws"), the provisions contained in the applicable laws shall prevail over this Policy.