

INCRED FINANCIAL SERVICES LIMITED ('INCRED')
(Formerly known as KKR India Financial Services Limited)

POLICY ON RELATED PARTY TRANSACTIONS

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InCred Financial Services Limited
(Formerly known as KKR India Financial Services Limited)
(“InCred / The Company”)

POLICY ON RELATED PARTY TRANSACTIONS (“POLICY”)

1. PREAMBLE

This Policy is being framed with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions in the Companies Act, 2013 (“**Act**”) and the Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) (“**Listing Regulations**”) and the applicable provisions of the “Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016” (“**RBI Directions**”).

A Related Party Transactions (*as defined below*) may be entered into by the Company or its subsidiaries only in accordance with this Policy as amended from time to time.

1. PURPOSE

The Policy intends to define a governance framework for proper approval and reporting of transactions between the Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand.

The Company is required to disclose each year in the financial statements and the annual report all transactions/material transactions (as the case may be) between the Company and Related Parties and is also required to submit a report on Related Party Transactions to the concerned stock exchanges in such manner and within such timelines as specified under the Listing Regulations. Further, the Company is also required to disclose the policy on Related Party Transactions on its website and a web link thereto is to be provided in the annual report.

2. REVIEW OF POLICY

The Board/ Audit Committee shall review and accordingly may amend this Policy, as and when required by the applicable laws, rules and regulations. Any regulatory updates will stand updated in this Policy.

3. DEFINITIONS

“**Audit Committee**” or “**Committee**” means a committee of the Board of the Company constituted under provisions of the RBI Directions, the Act and the Listing Regulations.

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

“**Key Managerial Personnel**” or “**KMP**” mean key managerial personnel as defined under the Act and includes

- i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- ii. Company Secretary; and
- iii. Chief Financial Officer.

“Material Related Party Transaction” means a transaction with a Related Party shall be considered material if the transaction / transactions 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, or such other limits as may be prescribed under the SEBI LODR Regulations and/or the Act, as amended from time to time.

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 5% of the annual consolidated turnover of the Company as per the last consolidated audited financial statements of the Company.

“Material Modification” means any change to the limit exceeding 10% of value of the original transaction with the Related Party already approved by the Audit Committee / Board / shareholders.

“Related Party” is a party as defined in Section 2(76) of the Act and/or Regulation 2(1)(zb) of the Listing Regulations.

“Related Party Transaction” (“RPTs”) shall have the meaning ascribed thereto under the Listing Regulations and/or the Act, as amended from time to time.

Any words/ terms used in the Policy but not defined herein shall have the same meaning ascribed to it, in the Act or rules made thereunder, the Listing Regulations, the Indian Accounting Standards or any other relevant legislation/ law applicable to the Company.

4. POLICY STANDARDS

All RPTs (including subsequent Material Modifications) must be reported to the Board/ Audit Committee (as the case may be) and be referred for approval of the Audit Committee/Board/shareholders (as the case may be) in accordance with this Policy.

4.1 Identification of Potential RPTs

For identification of the Related Parties, the Secretarial function shall prepare/ update a Related Parties list basis intimations received from the Directors / KMPs or changes in corporate or investment structure, as informed from time to time. The names/ details of all RPs identified shall be consolidated as a RP List, which shall be updated on a regular basis by the Secretarial Team. The updated RP List will be shared with all relevant functions and shall be referred by the Controllership/ Finance Team for monitoring of the transactions and ensuring compliance at their end.

Each director and Key Managerial Personnel shall be responsible for providing notice to the Board or Audit Committee of any potential RPTs 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/Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

The Company’s directors and KMP shall endeavor to intimate such notice of any potential RPT well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

All RPTs for the period shall be placed for approval by the Board of Directors/ Audit Committee, in accordance with this Policy. To review a RPT, the Board / Audit Committee will be provided with all the relevant information pertaining to the RPT, which shall include all such information as prescribed as per the Act and the Listing Regulations.

4.2 Prior approval of Audit Committee

- All RPTs defined/ stipulated under the Act and Listing Regulations and subsequent Material Modifications shall require prior approval of the Audit Committee.
- Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.
- A Related Party Transaction to which the subsidiary of the 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company with effect from April 1, 2022 and exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary with effect from April 1, 2023
- However, the Audit Committee may grant omnibus approval, on an annual basis, for RPTs proposed to be entered into by the Company subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with applicable law and this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- b. Such omnibus approval 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 and
 - (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT 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.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and/or any other transaction that the Audit Committee may deem not fit for omnibus approval.

Additionally, other related party transactions prescribed under the Accounting Standards issued by the ICAI shall be presented to the Audit Committee for its review and noting.

4.3 Broad Parameters to assess “Ordinary Course of Business”

The phrase “Ordinary Course of Business” has not been defined under the Act or Rules made thereunder. However, 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 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 is in the same / similar line of business.

4.4 Broad Parameters to assess “Arm’s Length”

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, so that there is no conflict of interest 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.

The management may, on the advise of the Audit Committee or otherwise (if a need is felt), consult / engage any external legal / transfer pricing expert / valuer to assess / determine the arm's length pricing of a potential RPT.

4.5 Materiality Thresholds for RPTs

- a. The Company will follow materiality thresholds for RPTs as defined in this Policy under the definition section.
- b. The Company shall institute an appropriate framework to provide for approvals / noting of all RPTs to comply with this Policy.

4.6 Review and Approval of RPTs

RPTs (including subsequent Material Modifications) will be referred to the next regularly scheduled meeting of the Audit Committee for review /noting and/ or approval as above. Any member of the Committee who has a potential interest in any RPT will recuse himself or herself and abstain from discussion and/ or voting on the approval of the RPT. In the event the management determines that it is impractical or undesirable to wait until a meeting of the Committee for the approval of a RPT, due to business exigency or otherwise, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force.

In order to review a RPT, the Committee will be provided with all relevant material information such as:

- i. Type, material terms and particulars of the proposed transaction
- ii. Tenure of the proposed transaction
- iii. Value of the proposed transaction
- iv. Details of the related party such as name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise).
- v. Transaction value as a percentage of turnover:
 - 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
 - In case of a RPT involving a subsidiary, such percentage calculated based on the subsidiary's annual turnover on a standalone basis shall be provided
 - Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.
- vi. In case of transactions relating to loans, Inter Corporate Deposits (ICDs), advances or investments:
 - Details of the source of funds in connection with the proposed transaction;
 - Where any financial indebtedness is incurred to make or give loans, ICDs, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT
- vii. Justification for RPT as to why the RPT is in the interest of the Company
- viii. A copy of the valuation or other external party report, if any such report has been relied upon.
- ix. Any other information that may be relevant

In determining whether to approve a RPT, the Committee may consider the following factors, among others, to the extent relevant to the RPT:

- a. Whether the terms of the RPT are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- c. Whether the RPT would affect the independence of an independent director;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- f. Whether the RPT would present an improper conflict of interest for any director or Key Managerial Personnel 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.

If the 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.

The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered by the Company pursuant to each of the omnibus approval given.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

4.7 Shareholders' Approval

All Material Related Party Transactions and subsequent Material Modifications thereto, whether in ordinary course of business and/or arm's length basis or not, shall require prior approval of the shareholders and no related party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

In addition to the above, all transactions specified under the Act (whether material or not) which are not in the ordinary course of business and/ or are not at arm's length basis shall be placed before the shareholders for approval.

The following information shall form part of the explanatory statement of the notice being sent to the shareholders while seeking approval of proposed Related Party Transactions (RPT):

- i. A summary of the information provided by the audit committee of the Company
- ii. Justification for why the proposed transaction is in the interest of the Company
- iii. In case of transactions relating to loans, ICDs, advances or investments:
 - Where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - nature of indebtedness; and
 - tenure;
 - Applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT
- iv. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholder.
- v. Percentage of the counter-party's annual consolidated turnover that is represented by

- vi. the value of the proposed RPT, on a voluntary basis.
- Any other information that may be relevant

5. RPTs where this Policy is not applicable

The requirements of obtaining prior approval of Audit Committee / Board / Shareholders shall not be applicable in the following cases:

- a. Transactions entered into between the 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.
- b. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated the Company and placed before the shareholders at the general meeting for approval.

6. 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 under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the RPT, 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 RPT to the Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

The relevant aspects of this Policy will be communicated to all the directors and concerned employees/officials of the Company.
