

Kotak Mahindra Investments Limited

Related Party Policy

Approval authority	1. Audit Committee 2. KMIL Board
Approved on	Jan 24
Owner of the policy	Finance
Review frequency	Once in two years
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## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. Preamble**

The Board of Directors (“Board”) of Kotak Mahindra Investments Limited (“Company”) have adopted the following policy and procedures with regard to Dealing with Related Party Transactions, as defined below (“Policy” / “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 the approval of the Board.

This Policy will be applicable to the company, so as to regulate transactions between the Company and the 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 (“SEBI Listing Regulations”), Sections 177 and 188 of the Companies Act, 2013 (“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 Companies Act, SEBI Listing Regulations and is intended to ensure 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**” or “**Committee**” means a committee consisting 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 a 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 the 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**” (“KMP”) means key managerial personnel 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 Directors who is in whole-time employment, designated as key managerial personnel by the Board; and  
(vi) 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 Rs. 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 in the originally approved value of the transaction by 20% or more, or in the pricing criteria, or such other parameter as may be determined by the Audit Committee from time to time.

In the case of other related party transactions, any modification which has the effect of variation in the originally approved value of the transaction by 5% or more, or in the pricing, 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.

**“Policy”** means this Related Party Transaction Policy.

**“Related Party”** is defined under Section 2(76) of the Act and clause (zb) of Regulation 2(1) of SEBI Listing Regulations as:

- i. a director or his relative;
- ii. a Key Managerial Personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his relative is a member or director;

- v. 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;
- vi. any body corporate whose Board of Directors (BOD), 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);
- vii. 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 a professional capacity);
- viii. any body 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.
- ix. a director (other than an independent director) or KMP of the holding company or his relative;
- x. a related party as per IND AS or any other accounting standard as may be applicable;
- xi. any person or entity forming a part of the promoter or promoter group of the Company;
- xii. any person or entity, holding equity shares of twenty per cent or more 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.

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

1. 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; or
2. The Company or any of its subsidiaries on one hand, 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 or any of its subsidiaries, with effect from April 1, 2023;

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.

**“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:
  - a. Father (including step-father)
  - b. Mother (including step-mother)
  - c. Son (including step-son)
  - d. Son’s wife
  - e. Daughter
  - f. Daughter’s husband
  - g. Brother (including step-brother)
  - h. Sister (including step-sister)

#### **4. Identification of Potential Related Party Transactions**

The Company shall:

1. Identify and keep on record Company’s Related Parties considering the requirements of applicable regulations 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 and of holding company.
2. Update the record of Related Parties whenever necessary and shall be reviewed at least once a quarter
3. List of Related Party will be brought to the attention of the Management of the Company and the Board/Audit Committee at least on a quarterly basis.

#### **5. Review and Approval of Related Party Transactions**

##### **Approval of Audit Committee**

Prior approval of Audit committee shall be taken by resolution for all transactions with Related parties and subsequent modifications e (except transactions specifically exempt under the provisions of the Act and the SEBI Listing Regulations).

##### **1. Omnibus Approval**

The Audit Committee may grant an omnibus approval for related party transactions which shall be valid for a period of 1 year.

The conditions for according omnibus approvals will be as follows:

- The Related Party Transactions are repetitive in nature or foreseeable and are in the interest of the Company;
- The Related Party Transactions under the omnibus approval route shall be reported to the Audit Committee on a quarterly basis for its noting.

- 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. 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.
2. Only those members of the Audit Committee, who are Independent Directors, shall approve the Related Party Transactions.
  3. Where any Director/member of committee is interested in any transaction with a Related Party, such Director/member 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.
  4. All relevant facts pertaining to a Related Party Transaction, including but not limited to, name of the related party, nature of relationship and value of transaction, shall be placed before the Audit Committee along with such other details as prescribed under Applicable Laws from time to time or otherwise relevant or important for the Audit Committee to take a decision on the proposed Related Party Transaction
  5. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.
  6. Exemption:

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

    - 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 appropriately by the Nomination and Remuneration Committee.
    - 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.

- Transaction between a holding company and its wholly owned subsidiary company or between two wholly owned subsidiaries of holding company.
7. 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.

#### **Approval by Board**

Prior approval of the Board of Directors to be obtained for related party transactions which are not in ordinary course of business or not on arm's length in accordance with Section 188 of the Companies Act, 2013.

#### **Approval by Shareholders**

1. All material Related Party Transactions and Subsequent material modifications thereto require the prior approval of the Shareholders of the Company by Ordinary resolution in accordance with this Policy and Applicable Laws.  
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.
2. Prior consent of members by ordinary resolution for transactions with a Related Party, if such transactions are not in the ordinary course of business of the Company or not at arm's length and exceed the threshold limits in accordance with Section 188 of the Act.
3. The Audit Committee and Board of Directors of the Company shall approve all material Related Party Transactions before recommending the same for approval of the Shareholders.



4. None of the related parties of the Company, whether or not such related party(ies) is a party to the Related Party Transactions, shall vote to approve material Related Party Transactions, unless permitted under Applicable Law.

Provided that above requirement shall not apply to a company in which ninety per cent or more members, in number, are relatives of promoters or are related parties.

5. However, the requirement for obtaining Members' approval, as above, will not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the members at the general meeting for approval. The resolution passed by the holding company shall be enough for entering into such transaction.

#### **6. Decision regarding transactions in Ordinary course of Business and at Arm's length.**

The Audit Committee or the Board shall after considering the information placed before them satisfy themselves that the transaction is in the ordinary course of business and meets the arm's length requirements.

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

Where any transaction involving any amount not exceeding one crore rupee is entered into by a director or officer of the Bank 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 Bank against any loss incurred by it;

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting where required, such contract shall be 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. Failing this, such contract or arrangement shall be voidable at the option of the Board 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.

#### **8. Reporting and Disclosure of Related Party Transactions**

The Company shall disclose each year, in its financial statements, the transactions between the Company and its Related Parties, as well as policies concerning transactions with Related Parties, 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.

**9. 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.

The above policy will be in force with effect from April 1, 2022 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.