CHOLAMANDALAM INVESTMENT AND FINANCE COMPANY LIMITED

POLICY ON DEALING WITH AND DETERMINING MATERIALITY OF RELATED PARTY TRANSACTIONS

1. Introduction and Background:

Cholamandalam Investment and Finance Company Limited ("Company") recognises that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's interests. Accordingly, any dealing with a related party or any related party transaction must be conducted in a manner that ensures no preferential treatment is given and that adequate approvals are obtained and disclosures are made, as required under applicable law and the relevant policies of the Company.

The Companies Act, 2013 ("Act"), read with the Rules framed thereunder and amendments thereto, as well as Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto ("SEBI LODR Regulations"), contain detailed provisions governing Related Party Transactions.

Considering the above, the Company has framed this Policy on dealing with and determining materiality of Related Party Transactions ("Policy"). This Policy has been adopted by the Company's Board of Directors, as recommended by the Audit Committee, in order to determine the manner of dealing with Related Party Transactions including determination of materiality of Related Party Transactions, Material Modifications (as defined below), and setting forth the procedures under which certain transactions must be reviewed and approved as per the applicable provisions of the Companies Act, RBI and SEBI LODR Regulations as defined below.

This Policy shall apply to CIFCL and all its subsidiaries, to the extent of complying with Regulation 23 of SEBI LODR Regulations.

2. Objective and Purpose

This Policy is framed as per requirement under Regulation 23 of the SEBI LODR Regulations and is intended to ensure proper approval, review and disclosure of related party transactions and subsequent material modifications. Such transactions may be considered appropriate only if they are in the best interest of the Company.

The purpose of this Policy is to set out:
(a) the manner of dealing with transactions between the Company and its related parties in accordance with the applicable provisions;
(b) the materiality thresholds for Related Party Transactions; and
(c) the guiding principles and mechanisms to ensure appropriate identification, approval, review, disclosure, and reporting of transactions between the Company and its related parties, including any material modifications thereto, in the best interests of the Company and its stakeholders.

3. Definitions

a. "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. [Explanation (b) to Section 188(1) of the Act].

b. "Associates" in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

c. "Audit Committee" or "Committee" means the Audit Committee as constituted by Board of Directors of the Company under applicable law;

d. "Board" or "Board of Directors" in relation to a company, means the collective body of the directors of the Company.

e. "Companies Act" means the Companies Act, 2013 together with the rules formulated thereunder, as amended from time to time;

f. "Director" means a director appointed to the Board of the Company;

g. "Key Managerial Personnel" or "KMP" means key managerial personnel of the Company as defined in sub- section (51) of Section 2 of the Companies Act, 2013 which include (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 pursuant to Section 203 of the Companies Act, 2013."Listed Subsidiary" means a subsidiary of the Company which is a listed entity to which Regulations 15(2) and 23 of the SEBI LODR Regulations are applicable

h. "Material Modification" shall mean a modification to the terms of a Related Party Transaction, the effect of which will be an increase over the approved limit for such a transaction, by an amount of more than Rs. 100 Crores in a financial year or ten percent (10%) of the approved limit, whichever is lower.

i. "Material Related Party Transaction" means a transaction with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds prescribed under Regulation 23 or Schedule XII of the SEBI LODR Regulations, as stated below:

Consolidated Turnover of the Company	Threshold
Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower

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

j. 'Promoter' and 'Promoter Group' shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof;

k. "Related Party" means a related party as defined under Section 2 (76) of the Companies Act 2013 read with Regulation 2(1)(zb) of SEBI LODR Regulations and applicable accounting standards, as amended from time to time;

l. "Related Party Transaction" means a transaction as defined under Regulation 2(1)(zc) of SEBI LODR Regulations, as amended from time to time and covers a transaction between the Company or any of its subsidiary(ies) 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 subsidiary(ies).

m. "Relative" means a relative as defined in Section 2(77) of the Companies Act 2013.

n. "SEBI LODR Regulations" means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

o. "Subsidiary" means a subsidiary as defined in section 2(87) of the Companies Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act or SEBI LODR Regulations or applicable accounting standards, as the case may be.

Provisions pertaining to 'Lending to Related Parties' have been covered under the Credit Policy laid down by the Board of Directors of the Company.

4. Manner of dealing with Related Party Transactions (RPTs)

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

a. Identification / monitoring mechanism of potential Related Party and RPTs

a.1 The Company shall identify the Related Parties as follows:

The Company shall identify Related Parties in accordance with the provisions of the Companies Act, 2013, the SEBI LODR Regulations and applicable Accounting Standards, based on disclosures received from relevant stakeholders, as follows:

i. Every Director and Key Managerial Personnel shall be responsible for providing to the Board or the Audit Committee, a list of his/her related parties, at the time of his/her appointment, on an annual basis and whenever there is a change in the information already submitted.
ii. The list of Promoters and Promoter Group shall be as per disclosure/s under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time.
iii. Each Subsidiary of the Company shall provide its list of Related Parties to the Company on a quarterly basis and whenever there is a change in their related parties forthwith.
iv. The Company shall review and update the list of Related Parties on a regular basis and changes, if any, shall be considered as soon as possible.
v. The Company shall provide the complete list of Related Parties to its subsidiaries, to enable compliance by subsidiaries of Regulation 23 of SEBI LODR Regulations.

a.2 An appropriate monitoring mechanism shall be put in place to track all transactions with the Related Parties which may inter alia include the following:

i. Maintain an updated list of Related Parties at all times, including their PAN or any other unique identity number.
ii. Put in place a process to assess all the potential transactions with Related Parties ahead of the transactions and seek necessary approvals from the Audit Committee/ Board/shareholders as the case may be.
iii. The Chief Financial Officer (CFO) of the Company shall determine and assess whether the transaction/s constitute a Related Party Transaction and seek necessary approvals prior to entering into the transactions.
iv. All transactions with Related Parties shall be tracked using an unique identity number.
v. Such transactions shall be flagged for further evaluation/ monitoring and compliance of this Policy.

b. Approval process Related Party Transactions

i. Approval of Audit Committee

1) Subject to the omnibus approval process under Regulation 23(3) of the SEBI LODR Regulations and Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2015, all Related Party Transactions and subsequent modifications and those transactions proposed to be entered in the ordinary course of its business and on arm's length basis shall require prior approval of the Audit Committee.
2) 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 is above Rs. 1 crore and exceeds the threshold limits specified under Regulation 23(2)(b) of SEBI LODR Regulations, as amended from time to time.

3) In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the Company is a party but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of the Company shall be obtained if the value of such transaction exceeds the threshold limits specified under Regulation 23(2)(c) of SEBI LODR Regulations, as amended from time to time.

Prior approval of the Audit Committee and 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 sub-regulation (2) of regulation 15 of the LODR Regulations are applicable to such listed Subsidiary.

4) For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the Audit Committee of the Listed Subsidiary shall suffice.
5) Related Party Transactions that are not on arm's length basis, irrespective whether those are covered under Section 188 or not, to be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.

6) Where any member of Audit Committee / Director is interested in any contract or arrangement with a Related Party, such member / Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
7) The Audit Committee will undertake quarterly evaluation of the Related Party Transactions. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

8) Any remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of this Policy.

Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

ii. Approval of the Board of Directors

The following transactions shall require approval of the Board duly recommended by the Audit Committee:

1) All transactions with Related Parties specified under Section 188 of the Companies Act, which are not in ordinary course of business or not at arm's length, or both.
2) All transactions with Related Parties which are required to be placed before the shareholders for approval under the Companies Act or SEBI LODR Regulations.

iii. Approval of the shareholders

1) All Material Related Party Transactions and any subsequent Material Modifications made thereto shall require prior approval of the shareholders through a resolutionand no Related Party shall vote to approve such resolutions whether the Company is a Related Party to the particular transaction or not.
2) All Related Party Transactions specified under Section 188 of the Companies Act, which are not in ordinary course of business or not on arm's length basis and exceed the threshold limits specified thereunder shall require prior approval of the shareholders through a resolution and voting restrictions for this purpose would be governed by the Companies Act and SEBI LODR Regulations as amended from time to time.

Conflict of Interest and Abstention from Voting

Directors, Key Managerial Personnel and other concerned employees shall disclose any actual or potential conflict of interest in relation to a Related Party Transaction in accordance with the applicable provisions. Any Director/Member who is interested in a Related Party Transaction shall abstain from participating in discussions and voting on the matter at the meeting of the Board or the Audit Committee where such transaction is considered. Further, any Related Party shall not vote to approve a resolution for a material Related Party Transaction at the shareholders' meeting, whether the Company is a related party to the particular transaction or not, in accordance with applicable laws and regulations.

5. Procedure for approving Related Party Transactions and Material Modifications

The Audit Committee/Board/shareholders shall be provided with the material facts of such Related Party Transactions and such information as specified under the Companies Act or SEBI LODR Regulations or any notifications / circulars issued in

this regard, as amended from time to time, and the Audit Committee/Board will determine whether to approve such Related Party Transactions or not. Further, the Audit Committee / Board, as the case may be, is entitled to seek the assistance of any employee of the Company or its Subsidiaries or one or more independent experts of its choice at the expense of the Company or its Subsidiaries.
The Company shall ensure that all information prescribed in the SEBI Industry Standards for RPT Disclosures (as amended from time to time), including information required for approval of the Audit Committee and shareholders, is submitted as part of the RPT proposal.

In assessing a Related Party Transaction, the Company and the Audit Committee shall consider such factors as it deems appropriate, including without limitation –

a. the business reasons for the Company to enter into the Transaction with related party;
b. the commercial reasonableness of the terms of the Transaction;
c. the materiality of the Transaction to the Company or its Subsidiaries;
d. whether the terms of the Transaction are fair to the Company / its Subsidiaries and on the same basis as would apply if the transaction did not involve a Related Party;
e. the extent of the Related Party's interest in the Transaction;
f. abuse of position on account of conflict of interest and non-arm's length dealings which are beneficial to the Related Party but detrimental to the other stakeholders.

6. Related Party Transactions that do not require approval:

The following Related Party Transactions do not require approval of Audit Committee/Board/ shareholders, as the case may be:

a. Any transaction including subsequent Material Modification entered into between (i) the Company and its wholly owned Subsidiary or (ii) between two wholly owned Subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
b. Any Transaction including subsequent material modifications, entered into by a listed Subsidiary of the Company, which is required to comply with Regulation 15(2) and Regulation 23 of SEBI LODR Regulations, provided the Company is not a party to such transaction.
c. Related Party Transactions of unlisted subsidiaries of a listed subsidiary of the Company, where prior approval of the audit committee of the listed subsidiary is obtained.
d. Any transaction in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within the prescribed timeline.
e. Remuneration and sitting fees paid by the Company or its subsidiary to its Director, Key Managerial Personnel or Senior Management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not a Material Related Party Transaction.

Such other transactions which have been specifically excluded from the definition of Related Party Transactions under the proviso to Regulation 2(1)(zc) of the SEBI LODR Regulations, and therefore, do not require the Company to obtain the Audit Committee's approval.

7. Mechanism for determining ordinary course of business and arm's length basis:

a. Ordinary course of business:

All transactions or activities that are necessary, normal and incidental to the business of the Company shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions.

To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may inter alia be considered:

a. Whether the activity is covered in the objects clause of the Memorandum of Association.
b. Whether the activity is in furtherance of the business.
c. Whether the activity is normal or otherwise routine for the particular business (i.e., activities like advertising, staff training, etc.).

d. Whether the activity is repetitive/ frequent.
e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account.
f. Whether the transactions are common in the particular industry.
g. Whether there is any historical practice to conduct such activities.
h. The financial scale of the activity with regard to the operations of the business.
i. Revenue generated by the activity.
j. Resources committed to the activity.

b. Arm's length:

The following guidelines may be used for determining the arm's length basis of the transaction:

a. whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
b. whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
c. whether the transaction would affect the independence of an Independent Director;
d. whether the transaction poses any consequential potential reputational risk issues;
e. whether the transaction would present an improper conflict of interest for any Director or KMP, taking into account the size of the transaction, the overall financial position of the Director/KMP or other Related Party, the direct or indirect nature of the Directors', KMPs', or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.

For determining the arm's length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be applied to determine these criteria on a case-to-case basis.

The CFO shall provide a quarterly certification to the Audit Committee on the compliance of this Policy including the ordinary course and arm's length aspects of all Related Party Transactions entered into by the Company.

Documentation for Arm's Length may include: comparative quotes from unrelated parties, market benchmarks, independent valuations, copies of similar unrelated transactions, or a commercial justification.
Related Parties shall be subject to the same selection, underwriting or screening criteria as applicable to comparable unrelated parties.

8. Omnibus approval

Criteria and the need for granting omnibus approval by the Audit Committee:

a. The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company or its subsidiary which are routine and repetitive in nature and incidental to the general operations of the Company, subject to such criteria/conditions as it may deem fit, further taking into account the justification for needing an omnibus approval. Such approval shall specify the details as required under the Companies Act, SEBI LODR Regulations or any notifications / circulars issued thereunder, as amended from time to time.
b. The Audit Committee may specify any additional conditions for such determination, as it may deem fit.
c. The Audit Committee may also grant omnibus approval, without the above details, for unforeseen transaction subject to a value not exceeding Rs. one crore per transaction.
d. Such omnibus approvals shall be valid for a maximum period of one year.
e. The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to such omnibus approvals, on a quarterly basis.
f. The Audit Committee shall review the status of long-term (more than one year) and recurring Related Party Transactions on an annual basis.
g. The Audit Committee shall not grant omnibus approval for transactions that are not in the ordinary course of

business or not on an arm's length basis.

The Audit Committee may prescribe counterparty-wise or category-wise annual value limits for operational convenience.

The Company shall make specific disclosures for the review and approval of Related Party Transactions in the Audit Committee Meeting and/or General Meeting as the case may be, as prescribed in the Industry Standard Note issued by the Industry Associations under the aegis of the Stock Exchanges from time to time, in this regard. The applicability of disclosures shall be as per the thresholds prescribed in the Industry Standard Note from time to time. Further, as part of the information to be submitted, the Company shall also provide a Certificate from the Managing Director and Chief Financial Officer of the Company confirming that the terms of Related Party Transactions proposed to be entered into are in the interest of the Company.

h. The omnibus approval shall specify the following:
   i. name of the Related Parties;
   ii. nature and duration of the transaction;
   iii. maximum amount of transaction that can be entered into;
   iv. the indicative base price or current contracted price and the formula for variation in the price, if any; and
   v. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction and the minimum information.

i. Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.

   Notwithstanding the generality of foregoing, Audit Committee shall not consider or grant omnibus approval for following transactions:
   - Transactions which are not in ordinary course of business or not on arm's length basis;
   - Transactions in respect of selling or disposing of the undertaking of the Company;
   - Such other transactions as specified under Applicable Law from time to time or where the Audit Committee believes that approvals for a specific transaction should be taken on a case to case basis and not through the omnibus approval route.

These provisions relating to omnibus approval of the Audit Committee shall not apply to a transaction, other than a transaction referred to in section 188, between a holding Company and its wholly owned subsidiary Company.

In case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

Provided further that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines under the Act.

9. Ratification of Related Party Transactions:

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy, the members of the audit committee, who are Independent Directors, may ratify such transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

a. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;

b. the transaction is not material in terms of Regulation 23 of SEBI LODR Regulations;
c. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

d. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of Regulation 23(9) of SEBI LODR Regulations;

e. any other condition as specified by the audit committee:

It may be noted that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Audit 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 Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

In cases where the Board and/or shareholders' approval is required for a Related Party Transaction but such approval has not been obtained, and if it 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 Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders.

10. Disclosures:

The Company shall make necessary disclosures as per the requirements under the Companies Act, SEBI LODR Regulations and Indian Accounting Standards, as the case may be within the prescribed timelines.

a. This Policy shall be hosted on the Company's website at www.cholamandalam.com and a web link shall be provided in the Annual Report.
b. The CFO shall provide a quarterly certification to the Audit Committee confirming compliance with this Policy, including ordinary course and arm's length requirements.
c. The Company shall submit Related Party Transaction disclosures to the Stock Exchanges in the format prescribed by SEBI, on a half-yearly basis, on the same day as publication of financial results. The disclosures shall be consolidated for the Company and all its subsidiaries and shall also be uploaded on the Company's website
d. The Company shall maintain a Register of Contracts or Arrangements in which Directors are interested, in accordance with Section 189 of the Companies Act, 2013. The register shall be kept at the registered office, signed by Directors present at the meeting, and made available for inspection as required.

11. Limitation, Amendment and Policy Review:

In the event of regulatory changes which make any of the provisions in the Policy inconsistent, such amended regulatory changes would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law(s).

This Policy shall be reviewed by the Audit Committee and Board at least once in every three years. Any changes or modification to the Policy as recommended by the Audit Committee shall be placed before the Board for approval. The Board can from time to time authorise Directors to make changes in the Policy due to regulatory or legal

requirement and such changes made to be brought to the attention of the Board at the first meeting following the amendment(s)