SK FINANCE LIMITED
(Formerly known as Ess Kay Fincorp Limited)

Policy on materiality of related party transactions and on dealing with related party transactions

SUMMARY OF POLICY

Policy Name	Policy on materiality of related party transactions and on dealing with related party transactions.
Act/Regulations	Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended from time to time.
Latest Review Date	09th February, 2022
Review Cycle	As and when deemed fit and atleast once in 3 years.
Approver	Board of Directors of SK Finance Limited

1. **Introduction**

The board of directors (*hereinafter referred as the* "**Board**") of SK Finance Limited (Formerly known as Ess Kay Fincorp Limited) (*hereinafter referred as the* "**Company**") has adopted the following Policy on materiality of related party transactions and on dealing with related party transactions (*hereinafter referred as the* **"Policy"**) pursuant to the regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("SEBI Listing Regulations"). This policy will ensure that related party transactions of the Company are carried out in a transparent manner and aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

2. **Definitions**

"**Applicable Law**" means the Companies Act, 2013 and its amendments thereto, the rules made thereunder ("Companies Act, 2013"), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("SEBI Listing Regulations"), RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non- Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, Accounting standards as issued by Institute of Chartered Accountants of India, Income Tax Act, 1961 and the rules made thereunder, any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, as may be in effect from time to time.

"Arm's length transaction" shall have the same meaning as prescribed to it under Section 188(1)(b) of Companies Act, 2013.

"**Articles**" or "**AOA**" means the Articles of Association of the Company as may be amended from time to time.

"**Audit Committee**" means the audit committee of Board of Directors of the Company constituted in accordance with the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

"**Board of Directors**" or "**Board**" means the Board of Directors of the Company, as constituted from time to time.

"**Investor Nominee Director**" shall have the same meaning as prescribed to it under the Shareholders Agreement.

"**Key Managerial Personnel**" or **"KMPs"** means key managerial personnel as defined under the Companies Act, 2013 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;

"Material Related Party Transaction" shall have the same meaning as given to 'a transaction with a related party shall be considered material' under the SEBI Listing Regulations or Companies Act, 2013, as amended from time to time.

"Omnibus Approval" in case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company and on Arm's length basis, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by Company , subject to the following conditions, namely:

a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
c) 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.
d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

"Ordinary Course of Business" means the ordinary course of business including but not limited to transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company, as applicable, consistent with past practice and compliant with Applicable Laws in all material respects or to the extent required to taken in compliance with statutory obligations or contractual obligations existing as of the date hereof or entered in accordance with the terms of Shareholders Agreement.

"**Person(s)**" shall mean an individual, corporation, partnership, limited liability partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Policy**" means this policy in relation to Related Party Transactions of the Company.

"**Qualifying Investors**" means each of (a) the Investors (other than Investor 1) and (b) Investor 1 (on and from the date Investor 1 issues the NVP Certificate) and (c) each NVP Eligible Transferee.

"**Related Party**" shall have the same meaning as defined under Section 2(76) of the Companies Act, 2013 or/and Regulation 2(1)(zb) of the SEBI Listing Regulations or under the applicable accounting standards, as amended from time to time.

"**Related Party Transaction**" shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations or as envisaged in Section 188(1) of the Companies Act, 2013 or as prescribed under the shareholders agreement and such other transactions that qualify as a related party transaction under the applicable Indian Accounting Standards.

"Relative" shall have the meaning as defined under Section 2(77) of the Companies Act, 2103 read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if –
a. They are members of a Hindu undivided family;
b. They are husband and wife;
c. Father (including step-father);
d. Mother (including step-mother);
e. Son (including step-son);
f. Son's wife;
g. Daughter;
h. Daughter's husband;
i. Brother (including step-brother); or sister (including step-sister).

"Subsequent Material Modification" will mean and include any modification to an existing related party transaction having variance of 10% (ten percent) of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

"Shareholders Agreement" means the existing Restated and Amended Shareholders' Agreement dated 13th December, 2021 entered amongst the Company, Mr. Rajendra Kumar Setia and Investors or any further restatement/modified shareholders agreement as may be in effect from time to time;

Any other term not defined under this policy shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation or under the Shareholders Agreement.

3. Policy

3.1. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the company secretary of any potential or proposed Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee or the Board as the case may be. It is hereby clarified that such notice by the relevant Director or Key Managerial Personnel shall be sent prior to such Related Party Transaction being approved to the Audit Committee so as to assist the Audit Committee in determining to grant approval for the said Related Party Transaction. 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.

3.2. Role of the Audit Committee

All Related Party Transactions any modifications thereof must be placed before the Audit Committee for its prior approval in accordance with this Policy. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

3.3. **Review and Approval of Related Party Transactions**

3.3.1 Approval of the Audit Committee

(i) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. In addition to the prior approval of Audit Committee, the consent of each of the Investor Nominee Directors is to be obtained for each related party transaction and subsequent material modifications as per the Articles. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

(ii) To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction and shall specifically cover the following as applicable:

a. Type, material terms and particulars of the proposed transaction;
b. Name of the related party and its relationship, including nature of its concern or interest (financial or otherwise);
c. Tenure of the proposed transaction;
d. Value of the proposed transaction;
e. The percentage of company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company:
   (i) details of the source of funds in connection with the proposed transaction;
   (ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments:
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
   (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
   (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
g. Justification as to why the RPT is in the interest of the company;
h. A copy of the valuation or other external party report, if any such report has been relied upon;
i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
j. Any other information relevant or important for the Audit Committee to take a decision on the proposed Related Party Transaction.

(iii) In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

a. whether the terms of the Related Party Transaction 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 undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

c. whether the Related Party Transaction would affect the independence of the Directors/ Key Managerial Personnel;

d. whether the proposed Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transaction;

e. whether the proposed Related Party Transaction is being entered into in the ordinary course of business as required under applicable law; and

f. whether the Related Party Transaction 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 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 Audit Committee deems relevant.

(iv) Each Related Party Transaction should be brought before the Committee, then the Committee shall consider and approve (or not approve, as the case may be) the Related Party Transaction and the considerations set forth above shall apply to the Committee's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(v) Notwithstanding anything to the contrary contained in this Policy, all the material Related Party Transactions as defined under regulation 23 of SEBI Listing regulations and section 188 of the Companies Act, 2013 and rules made thereunder and subsequent material modifications shall require: (a) prior approval of the shareholders through resolution in accordance with the provisions of SEBI Listing regulations and Companies Act, 2013 and no Related Party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not; and (b) Investors' Consent. For avoidance of doubt, the term Investors Consent will have the meaning as set out in the Articles of Association of the Company.

(vi) All Related Party Transactions, which are not in the Ordinary Course of Business and not on Arms' Length Basis shall also require the Investors' Consent from Qualifying Investors and the approval of the shareholders through resolution as per the requirements of the SEBI Listing regulations and Companies Act 2013.

(vii) The Committee may decide to get advice, certification, study report, transfer pricing report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors/ Secretarial Auditors) or technical person including price discovery process, to review transactions with Related Party.

(viii) Without prejudice to anything stated above, the Audit Committee shall quarterly review and amend the arrangement governing the Related Party Transactions, if required, to ensure compliance with applicable law including but not limited to the arms' length pricing requirements stipulated under the Income Tax Act, 1961 and provisions of Indian Accounting Standard (Ind AS) 24.

(ix) Without prejudice to anything stated above, no decision of the Audit Committee in relation to a Related Party Transaction shall be granted without the prior consent of each of the Investor Nominee Directors.

3.3.2 Approval of Board of Directors:

(i) The following Related Party Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

a) Related Party Transactions referred by the Audit Committee;
b) Related Party Transactions not on Arm's Length Basis, and/or;
c) Related Party Transactions not in the Ordinary Course of Business.

(ii) The Board of Directors shall review, approve and recommend all transactions requiring shareholders' prior approval as per SEBI Listing regulations and the Companies Act, 2013.

(iii) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(iv) Following information as applicable shall be placed before the Board to consider and approve the Related Party Transaction:

a. Type, material terms and particulars of the proposed transaction;
b. Name of the related party and its relationship, including nature of its concern or interest (financial or otherwise);
c. Tenure of the proposed transaction;
d. Value of the proposed transaction;
e. The percentage of company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction;
f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the company:
   (i) details of the source of funds in connection with the proposed transaction;
   (ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments:
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
   (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
   (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
g. Justification as to why the RPT is in the interest of the company;
h. A copy of the valuation or other external party report, if any such report has been relied upon;
i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
j. any advance paid or received for the contract or arrangement, if any;
k. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
l. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

m. Any other information relevant or important to take a decision on the proposed Related Party Transaction.

3.3.3 Approval of Shareholders:

(i) The prior approval of shareholders will be taken for the following Related Party Transactions:

a) All Material Related Party Transaction pursuant to section 188 of Companies Act, 2013 or Regulation 23 of SEBI Listing regulations and no related party shall vote to approve such resolution in terms of applicable laws as on date of such approval.;
b) Any Related Party Transaction which is not in the Ordinary Course of Business and/or not on Arm's Length Basis and/or crosses prescribed threshold limit as per Companies Act, 2013 or SEBI Listing regulations will require prior approval of the shareholders.

(ii) The explanatory statement to be annexed to the notice of general meeting in this regards shall contain following particulars, inter-alia:

a) name of the related party;
b) name of the director or key managerial personnel who is related, if any;
c) nature of relationship;
d) nature, material terms, monetary value and particulars of the contract or arrangement;
e) A summary of the information provided by the management to the audit committee as specified in clause 3.3.1.(ii) above;
f) Justification for why the proposed transaction is in the interest of the company;
g) 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 shareholders;
h) Any other information relevant or important for the members to take a decision on the proposed resolution.

All arrangements with relation to the matters set out above shall be entered into in writing and duly executed by the entities involved.

3.4. **Threshold limits for dealing with related party transactions**

S. No.	**Nature of transaction with a related party**	**Threshold limit till which related party transaction can be carried out with Audit Committee and/or Board approval(**)**	**Threshold limit till which related party transaction can be carried out with shareholders' approval (*)**
1	Sale, purchase or supply of any goods or materials, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
2	Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty)	No upper limit

		crores, whichever is lower.	
3	Leasing of property of any kind	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
4	Availing or rendering of any services, directly or through appointment of agent	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
5	Appointment of any agent for purchase or sale of goods, materials, services or property	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 (twenty) crores, whichever is lower.	No upper limit
6	Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration upto Rs. 2,50,000/- (Two Lakh Fifty Thousand)	No upper limit
7	Underwriting the subscription of any securities or derivatives, thereof, of the Company	Upto 1% (one percent) of net worth.	No upper limit
8	Payment towards brand usage or royalty	Upto 5% of Annual Consolidated Turnover	No upper limit
9	transaction involving a transfer of resources, services or obligations between: (i) the Company on one hand and a related party of the Company on the other hand; or (ii) the Company 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 listed entity, with effect from April 1, 2023;	Upto 3% (three percent) of the annual consolidated turnover or Rs. 20 crores, whichever is lower.	No upper limit

(*) Shareholders reserve the right to specify maximum permissible limit upto which transaction with a respective related party may be carried out in a financial year, in the event whereof such permissible limit will be reckoned as threshold limit for the purpose of this policy.

(**) Provided that in any case the total amount of all the related party transactions cumulatively taken in any financial year shall not exceed 5% of annual consolidated turnover or Rs. 20 (Twenty) Crores, whichever is lower.

Note:

1. Threshold limit shall be determined per year basis.
2. **'Net worth' or 'Consolidated Turnover' or 'Turnover',** wherever specified shall refer to respective figures as per last audited financial statements.

4. **Disclosure**

Disclosure will be made in the Company's Annual Report of the particulars of the transactions/contract / arrangement / modification along with the justification for entering into such transactions/contracts/arrangements / modifications with the Related Parties as a part of Board's Report. The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the SEBI from time to time, and publish the same on its website.

5. **Policy Severable**

(i) This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any Applicable Law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

(ii) This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at https://www.skfin.in/disclosures.php

6. **Amendment**

In case of any subsequent changes in the provisions of the Companies Act, 2013, SEBI Listing Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law. This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.