

**TOYOTA FINANCIAL SERVICES  
INDIA LIMITED**

**POLICY ON RELATED PARTY  
TRANSACTIONS**

*Version 1.2*

<b>Classification</b>	<b>Policy on materiality of related party transactions and on dealing with related party transactions.</b>
<b>Department</b>	<b>Corporate</b>
<b>Owner</b>	<b>Nithya prabhu R</b>
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***Approval and sign off of Board of Directors: This document has been approved by the Board of Directors and signed off by the Managing Director & CEO as token of approval.***

Narayanaswamy Raja, MD & CEO	
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***TFSIN distribution and signoff list: This document has been issued to the following people for sign-off, review, information & recommendation.***

<b>Name</b>	<b>Designation</b>	<b>Action Required</b>	<b>Signature</b>
Narayanaswamy Raja	MD & CEO	Recommend	
Manabu Ueno	WTD	Recommend	
Anupam Vasdani	CFO	Review	
Samrat Ghosh	CRO	Review	
Nithya Prabhu R	Company Secretary	Review & proposed	
Samrat Saha	Manager – Corporate	Revise	

**Version history:**

No.	Description	Reason for Change	Reference to Update	Date
1	Policy Approval	NA	Initial issue	13-Mar-2015
1.1	Special Resolution has been replaced with Ordinary Resolution	Amendment to the Companies Act, 2013	The Companies Act, 2013	18-Jun-2020
1.2	<ul style="list-style-type: none"> <li>i) Objects realigned with SEBI LODR</li> <li>ii) Material Transaction defined as per SEBI LODR</li> <li>iii) Process of identification of related party transactions (RPT) defined.</li> <li>iv) Section on Audit Committee &amp; Shareholders' approval aligned with SEBI LODR</li> <li>v) Reporting of RPT aligned with SEBI LODR</li> <li>vi) Section on exemptions deleted since linked with SEBI LODR and Companies Act.</li> </ul>	Applicability of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR)	SEBI LODR	02-Feb-2022

## TABLE OF CONTENTS

Objective .....	3
Scope.....	3
Definitions .....	3
Identification of Related Parties.....	4
Approvals required for Related Party Transaction (RPT) .....	5
Reporting of Related Party Transactions .....	6
Related Party Transactions not approved previously.....	7
Indemnity .....	7
Scope Limitation .....	7

## Objective

The Companies Act, 2013 and the Rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR), the Regulatory Framework for NBFCs prescribed by RBI from time to time, contain provisions related to Related Party Transactions and require framing a policy on these transactions. In order to comply with the said compliance requirements, the Company has formulated this 'Policy on Related Party Transactions'. This Policy applies to transactions between the Company and one or more of its Related Parties. This Policy outlines the basis on which the materiality of related party transactions will be determined and the manner of dealing with the related party transactions by the Company. It provides a framework for governance and reporting of Related Party Transactions.

## Scope

This Policy shall be applied in:

- i. Identifying Related Parties, updating and maintaining the database of such Related Parties;
- ii. Identifying Related Party Transactions;
- iii. Identifying whether the Related Party Transactions are in Ordinary Course of Business and at Arms' Length in relation to the Related Parties;
- iv. Obtaining approval before entering into the Related Party transactions;
- v. Documenting the Arms' Length pricing of transactions and
- vi. Determining the disclosures to be made about these transactions.

Going Forward, the Audit Committee will review and amend this Policy, as and when required, subject to approval of Board.

## Definitions

- a. "**Act**": means the Companies Act, 2013 and the Rules framed thereunder including any modifications, amendments, clarifications, circulars or re-enactments thereof from time to time.
- b. "**Audit Committee or Committee**" shall have the same meaning as defined under Section 177 of the Companies Act, 2013 and SEBI LODR.
- c. "**Arm's Length Transactions**" shall mean the transactions carried out between the Related Parties as if they are not related to each other avoiding the 'Conflict of Interest'.
- d. "**Board**" means Board of Directors of the Company.
- e. "**Company**" means Toyota Financial Services India Limited.
- f. "**Key Managerial Personnel**" means key managerial personnel as defined under the Act.

- g. "**Related Party**" means a related party as defined under the Act or SEBI LODR or Accounting Standard, as may be amended from time to time.
- h. "**Related Party Transaction**" means any transaction as defined under the Act or SEBI LODR, as may be amended from time to time.
- i. "**Material transaction**" shall have the same meaning as given to 'a transaction with a related party shall be considered material' under the SEBI LODR, as may be amended from time to time. A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements, 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.
- j. "**Relative**" means a relative as defined under the Act.
- k. "**Transaction**" with a Related Party shall be construed to include single transaction or a group of transactions whether or not under a contract.

## Identification of Related Parties

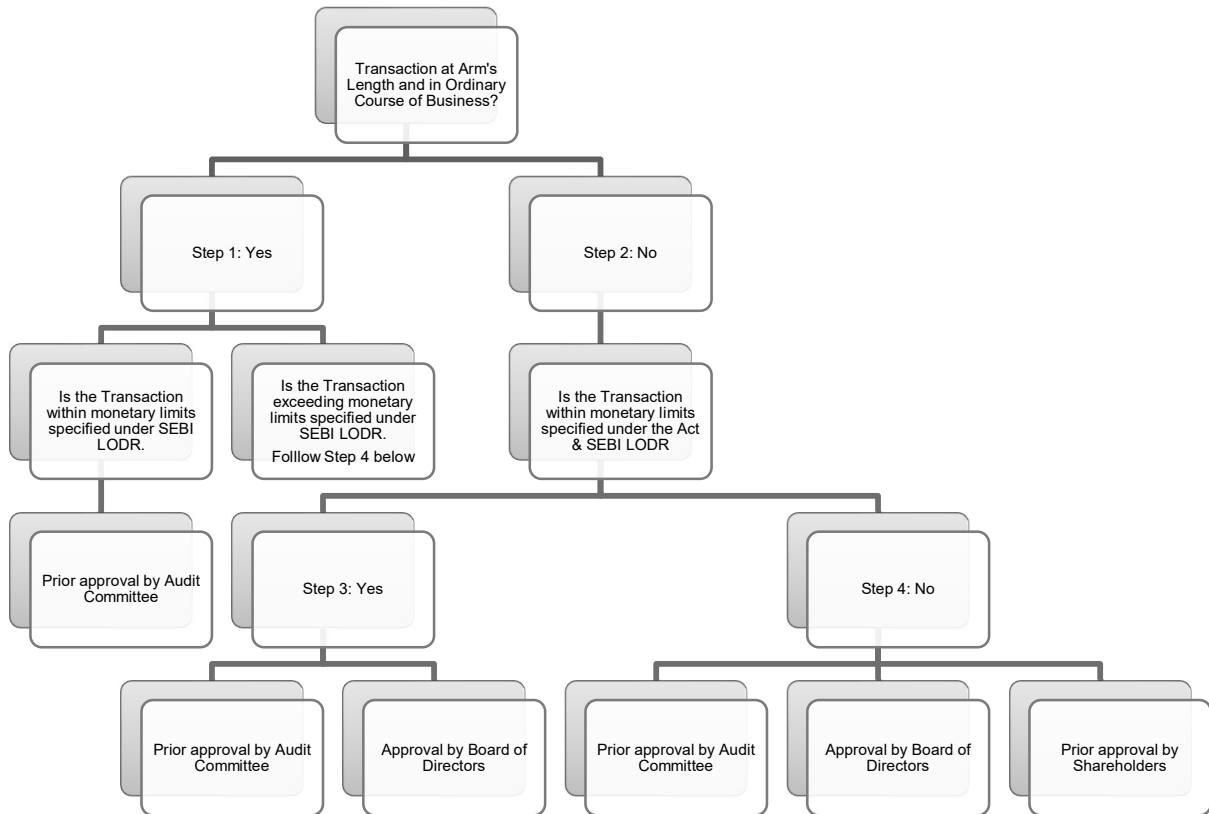
Each Director and Key Managerial Personnel is responsible for providing notice to the Audit Committee/Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the Transaction that the Board/Audit committee may reasonably request.

Every Director, Key Managerial Personnel and connected Related Parties shall at the beginning of the financial year disclose to the Company Secretary of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable.

The Company Secretary shall formulate an internal process and maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declarations provided by the Directors and Key Managerial Personnel. The list of Related Parties shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

The functional departments shall submit to the Finance & Accounts Department and the Company Secretary, the details of the proposed transaction. Based on such information, the Company Secretary will facilitate for the necessary approval from the Audit Committee / Board of the Company, as applicable.

## Approvals required for Related Party Transaction (RPT)



### A. Audit Committee

All the transactions which are identified as related party transactions and subsequent material modifications should be preapproved by the Audit Committee whether at a meeting or by resolution by way of circulation, before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

Any member of the Committee who has a potential interest in any related party transaction will excuse himself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.

The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

## **B. Board of Directors**

In case any related party transactions are referred by the Audit Committee to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction, etc. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will excuse himself and abstain from discussion and voting on the approval of the related party transaction.

## **C. Shareholders**

If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds thresholds prescribed under the Companies Act, 2013, it shall require Shareholders' approval. Moreover, all material related party transactions and subsequent material modifications shall require prior approval of the Shareholders and no related party shall vote to approve such resolutions whether the member is a related party to the particular transaction or not. However, prior approval of Audit Committee, Board or Shareholders, as the case may be, shall be subject to exemptions, as may be specified under the Act or SEBI LODR, as amended from time to time.

## **Reporting of Related Party Transactions**

Every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Board's report to the Shareholders along with the justification for entering into such contract or arrangement. This Policy shall be placed on the website of the Company. The Company shall submit to the stock exchange disclosures of related party transactions along with its financial results on a half-yearly basis in the format specified in the relevant accounting standards for results and publish the same on its website. The Company shall also disclose the related party transactions as per applicable accounting standards along with the annual audited financial statements.



## **Related Party Transactions not approved previously**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction and the Company shall take such action as the Committee deems appropriate under the circumstances.

## **Indemnity**

Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Audit Committee/ Board or approval of Shareholders under Sub Section (1) of Section 188 of the Companies Act, 2013/ SEBI LODR and if it is not ratified by the Board or, as the case may be, by the Shareholders such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any Director, or is authorized by any other Director, the Company may demand that the Directors concerned shall indemnify the Company against any loss incurred by it.

## **Scope Limitation**

In the event of any conflict between the provision of this Policy and of the Companies Act, 2013, SEBI LODR or any other statutory enactments, rules or any amendment thereof made vide notifications / circulars as may be published in Official Gazette of India from time to time, the provisions of such enactment or amendment shall prevail over this Policy. In case of any subsequent changes in the applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the law.

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