

***POLICY ON MATERIALITY OF RELATED PARTY
TRANSACTIONS AND DEALING WITH RELATED
PARTY TRANSACTIONS***

Approved by the Board at its meeting held on January 31, 2025

1. Preamble

Five-Star Business Finance Limited (“the Company”) is a public limited company and is registered as a Non-Banking Finance Company with the Reserve Bank of India. The Company recognizes that a policy is required to be put in place to regulate Related Party Transactions (as defined below).

This Policy is framed as per requirement of the Companies Act, 2013 as amended from time to time and the rules framed thereunder (“**Companies Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time (“**SEBI LODR Regulations**”). This policy has been put in place to have an enhanced transparency and due process for approval of the related party transactions. Regulation 23 of the SEBI LODR Regulations requires the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

2. Definitions

- a. “**Audit Committee**” or “**Committee**” means the Audit Committee of Board of Directors of the Company;
- b. “**Board**” or “**Board of Directors**” means the Board of Directors of the Company, as constituted from time to time;
- c. “**Companies Act**” means the Companies Act, 2013 together with the rules and regulations formulated thereunder, as amended from time to time;
- d. “**Director**” means a member of the Board of Directors of the Company;
- e. “**Key Managerial Personnel**” or “**KMP**” means the managerial personnel as defined under Section 2(51) of the Companies Act;
- f. “**Policy**” means this Policy, as amended from time to time;
- g. “**Promoter and Promoter Group**” shall have the meaning assigned to it under the Articles of Association of the Company.
- h. “**Related Party**” means a related party as defined in Section 2(76) of the Companies Act or under Regulation 2 (zb) of SEBI LODR Regulations and under the applicable accounting standards as amended from time to time.
- i. “**Relative**” means a relative as defined in Section 2(77) of the Companies Act;
- j. “**Related Party Transaction**” means a transaction as defined under Regulation 2 (zc) of SEBI LODR Regulations as may be amended from time to time.
- k. “**Material Related Party Transaction**” means 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 of the Company, whichever is lower.

However, 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 turnover of the Company as per the last audited financial statements of the Company.

- l. “**Material Modification(s)**” means & includes any modification to an existing Related Party Transactions having a variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be or Rs 1 crore, whichever is higher subject to the conditions as specified in SEBI LODR regulations and Companies Act.

3. Policy

All Related Party Transactions and subsequent Material Modifications shall require approval of the Audit Committee and / or the Board unless otherwise exempted under the provisions of this policy or Companies Act & the rules made thereunder or SEBI LODR regulations as may be amended from time to time.

a. Identification of Potential Related Party and Transactions

The Chief Executive Officer, Chief Financial Officer and Company Secretary are responsible for compiling and maintaining the list of Related Parties as covered under section 2(76) of the Companies Act or Regulation 2 (zb) of SEBI LODR Regulations as well as the applicable Accounting Standards. This list of Related Parties shall be updated on an annual basis and further changes informed as soon as possible.

All Directors as well as KMP are responsible for informing the Company of any potential Related Party Transaction involving him or her or his or her Relative, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company.

In addition, all Directors and KMPs are responsible for giving notice to the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee/ Board) of any potential Related Party Transaction involving them or their relatives. Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee/Board) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee / Board.

b. Approval / Ratification of Related Party Transactions

All Related Party Transactions and subsequent material modifications therein, shall require approval of the Audit Committee as per the provisions of Section 177 of the Companies Act and the rules made thereunder and Regulation 23 of the SEBI LODR Regulation. Only those members of the audit committee, who are independent directors shall approve such related party transactions.

Provided that the remuneration and sitting fees paid by the listed entity 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 sub-regulation (1) of Regulation 23 of the SEBI LODR Regulation.

The members of the audit committee, who are independent directors, may ratify related party 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

- i) 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 rupees one crore
- ii) the transaction is not material in terms of the provisions of sub-regulation (1) of SEBI LODR Regulation
- iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification

- iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of regulation 23 of SEBI LODR Regulation.
- v) any other condition as specified by the audit committee

Provided 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.

The Audit Committee may grant omnibus approval for Related Party Transactions as per the provisions of Section 177 of the Companies Act and the rules made thereunder and SEBI LODR Regulations.

All Related Party Transactions which are either not in the ordinary course of business or on arm's length, shall require approval of the Audit Committee and the Board.

The transactions listed out under Section 188(1) of the Companies Act will also require prior approval of the shareholders through a resolution if they exceed the threshold limits specified therein and if they are not in ordinary course of business or not on arm's length basis and voting restrictions for this purpose would be governed by the Companies Act as amended from time to time.

All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Variation of upto threshold limits of Material Modifications as defined herein above, over and above the approved limits of the Related Party Transactions due to business needs of the Company considering the operational convenience and in the overall interest of the Company is permissible subject to its ratification by the Audit Committee. For the sake of avoidance of doubt, it is hereby clarified that the threshold specified for ratification would be applicable only to ratification of the transaction entered beyond the material modification threshold.

Where an omnibus approval is obtained, the Company Secretary shall obtain details of the Related Party Transactions undertaken by the Company on a quarterly basis, review the value of such transactions and present the same before the Audit Committee for any additional approvals, where the limits laid down under the omnibus approval are likely to be breached.

4. Omnibus approval

The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant overall approval for Related Party Transactions, proposed to be entered into by the Company which are repetitive in nature and which are routine and incidental to the general operations of the Company.

The Audit Committee may make overall approval for related party transactions proposed to be entered into by the company subject to the following:

- (1) Overall Approval Criteria: The criteria for making the overall approval shall include the following, namely:
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the overall route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking overall approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of overall approval made;
 - (e) transactions which cannot be subject to the overall approval by the Audit Committee.
 - (f) Other conditions as Audit Committee may deem fit.

- (2) The omnibus approval shall specify:
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make overall approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (3) Overall approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (4) Overall approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (5) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

5. Policy Review

The Board of Directors shall review the policy mandatorily every three years and update accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. The Board can from time to time authorize Directors to make changes in the policy due to regulatory or legal requirements.

6. Communication of this Policy

This policy relating to Related Party Transactions shall be hosted on its website and a weblink thereto shall be provided in the Annual Report.

The annual report of the Company shall contain the disclosures mentioned in the Schedule V of the SEBI LODR Regulations.