

SBI CARDS AND PAYMENT SERVICES PRIVATE LIMITED

Related Party Transaction Policy

Related Party Transaction Policy

TABLE OF CONTENTS

S. No.	Details	Page No.
1.	Preamble	2
2.	Objective	2
3.	Definition	2
4.	Identification of Related Parties and Process for entering into a Related Party Transaction	4
5.	Approval of Board	6
6.	Approval of Shareholders	7
7.	Exemptions from approval	7
8.	Exceptions	7
9.	Amendment or Modification in the Policy	7

Related Party Transaction Policy

1. Preamble

SBI Cards and Payment Services Private Limited (the “Company”) has formulated this policy on Related Party Transactions in line with the requirements of Section 188 of the Companies Act, 2013 (“Act”), including the rules made thereunder and the RBI Circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014.

Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements transactions between the Company and Related Parties. The related party transactions falling under the provisions of Section 188(1) of the Act are required to be disclosed in the Boards’ Report along with the justification for entering into such transactions. In terms of the aforesaid RBI Circular the Company is required to disclose the details of all material transactions with related parties in the Boards’ Report and is also required to disclose the policy on dealing with Related Party Transactions on its website and in its Boards’ Report.

2. Objective

The objective of this policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the Company. All Related Party Transactions, as that term is defined in this policy, shall be subject to review /approval/ratification in accordance with the procedures set forth below in order to ensure the transparency and procedural fairness of such transactions. Section 188 requires a company to obtain approval of the Board and of the members, in certain situations, prior to entering of any transaction or agreement with a related party.

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 or vested interest in that transaction.
- b. “Ordinary Course of business”

Related Party Transactions that are part of regular operative activities, and connected financial activities, of any organization in similar business and size shall be considered to be in the ordinary course of business operations.

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- I. Nature: Whether the scope of the transaction is generally consistent with the Company’s business activities and whether the Company enters into, or can enter into, similar transactions with a third party;

Related Party Transaction Policy

- II. Frequency: Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations;
- III. Size of transaction: Whether the transaction value is within the reasonable range for similar types of other transactions. An exceptionally large value transaction should invite closer scrutiny.

These are not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

- c. "Board" means Board of Directors of the Company.
- d. "The Company" means SBI Cards and Payment Services Private Limited
- e. "Control" shall include 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;
- f. "Committee" means the Audit Committee of the Company.
- g. "Key Managerial Personnel ("KMP")" means key managerial personnel as defined under the Companies Act, 2013 and includes the following, if applicable;
 - a) the Chief Executive Officer or the Managing Director or the Manager;
 - b) the Company Secretary;
 - c) the Whole-time Director;
 - d) the Chief Financial Officer; and
 - e) Such other officer as may be prescribed under the Act.
- h. "Associate Company", means any company in which the Company controls at least twenty per cent of total share capital or of business decision under an agreement, but which is not a subsidiary of the Company but includes a Joint Venture Company.
- i. "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 ten percent of the annual consolidated turnover as per the last audited financial statements of the company.
- j. "Policy" means Related Party Transaction Policy.
- k. "Related Party" shall have the same meaning as assigned to in the Companies Act 2013, as amended from time to time.
- l. "Related Party Transaction" means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A

Related Party Transaction Policy

“transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

- m. “Relatives” mean such person as defined in Section 2(77) of the Companies Act 2013, as amended from time to time.

As per Section 2(77) of the Companies Act, 2013 and Rule 4 of Companies (specification of definitions details) Rules, 2014 following are covered under definition of relatives:

- 1) Members of HUF
- 2) Spouse
- 3) Father (includes step-father).
- 4) Mother (includes the step-mother).
- 5) Son (includes the step-son).
- 6) Son’s wife
- 7) Daughter
- 8) Daughter’s husband
- 9) Brother (includes the step-brother).
- 10) Sister (includes the step-sister).

4. Identification of Related Parties and Process for entering into a Related Party Transaction

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties:

- 1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals, including his shareholding, shall furnish Form MBP-1 “Notice of Interest by Director” pursuant to Section 184(1) and Rule 9 of the Companies (Meeting of Board and its Powers) Rules, 2014.
- 2) Every Director shall also furnish declaration in relation to their relatives, their relatives’ partnership in firms, interest/shareholding/directorships in private companies and public companies.
- 3) Declaration by KMPs of the Company regarding relatives and entities over which they are able to exercise significant influence etc.
- 4) Declaration by the Director and Manager whether the Board of Directors, managing director or manager of any other body corporate is accustomed to act in accordance with his/her advice, directions or instructions (given otherwise than in a professional capacity)

Related Party Transaction Policy

- 5) Declaration by directors and manager of Company whether they are accustomed to act in accordance with the advice, directions or instruction of any person (given otherwise than in a professional capacity) and if yes particular of such persons(s).
- 6) Declaration by the CFO whether any company is a holding, subsidiary or an associate company (including a joint venture company) of the company or a fellow subsidiary company, If yes, particulars of relevant companies to be provided.
- 7) Declaration by Company Secretary regarding any individual owning, directly or indirectly, an interest in the voting power of the Company that gives such individual control or significant influence over the Company.

The Company strongly prefers to receive such declarations/ notice of any potential Related Party Transaction well in advance so that the Board has adequate time to obtain and review information about the proposed transaction. The above declarations shall be collated and maintained by the Company Secretary. Further, the declarations so collated shall be revisited on a quarterly basis to add, remove and modify the name of the identified related party.

On the basis of declaration received as detailed above, Corporate Secretarial Department shall maintain a database of Company's Related Parties. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year and share the same with the senior management team of the Company.

The process for entering into a Related Party Transaction will be as set out below:

Transactions with Related Parties shall generally be in the form of master agreements which would define the terms governing individual transactions / work orders / purchase orders (Sub-transactions) to be undertaken under the agreement.

The Company will:

- a. identify the transactions with Related Parties;
- b. perform tests to determine whether the transaction is in the ordinary course of business operations or otherwise;
- c. review the commercial terms involved in the transaction and analyze whether the transaction is at 'arm's length' as if the party is unrelated;
- d. determine the approval requirements applicable to the transaction in accordance with this Policy and applicable laws ;
- e. prepare and maintain relevant documentation supporting the basis of its assessment;
- f. present the required details to the Audit Committee/Board or Shareholders for approvals as required; and
- g. execute agreement once the approvals are obtained.

Related Party Transaction Policy

In connection with its review of a Related Party Transaction, the Company will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction. Company shall inter alia refer to the transfer pricing provisions under Income Tax Act or OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration for determining the arms' length criteria.

Company shall also consider, whether the Related Party Transaction would present a conflict of interest with respect to any director or KMP of the Company, 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 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 deems relevant

5. Approval of the Audit Committee

In accordance with the section 177 of the Companies Act, 2013, all related party transactions will require approval of the Audit Committee even if the transaction is in the ordinary course of business and at arm's length price. (RBI/2015-16/12 DNBR (PD) CC.No.053/03.10.119/2015-16 dated 01-07-2015)

Audit Committee may also grant omnibus approval for related party transaction proposed to be entered into by the Company subject to fulfillment of the following conditions:

- a. The Audit Committee may approve related party transactions under omnibus route subject to fulfilment of the criteria laid in the Rule 6A of the Companies (Meetings of Board and its Powers) Rules 2015 read with Section 177(4) of the Companies Act, 2013 and such other criteria as the Committee may deem fit.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval for transactions for repetitive nature and that such approval is in the interest of the Company;
- c. transactions put up for omnibus approval shall specify/disclose (i) the name/s of the related party, nature of transaction, period of transaction, maximum value of transaction that can be entered into, aggregate value of such transactions, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other information 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 Rs.1 Crore per transaction.

Related Party Transaction Policy

d. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

e. omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

e1. Any other conditions as the Audit Committee may deem fit.

f. Audit Committee shall review on periodic basis, the details of related party transaction entered into by the Company pursuant to each of the omnibus approval given.

6. Approval of Board

Subject to the exemptions as prescribed under Section 188 (1) of the Act related party transactions which are required to be approved by the Board of the Company under the provisions of the Act shall be entered into and acted upon, only after such approval is accorded by the Board.

Any director of the Company who is concerned or interested in a contract or arrangement, shall in terms of the provisions of the Act, disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed.

The Chief Compliance Officer shall certify on quarterly basis to the Board of Directors on the due compliance of laws on related party transactions of the Company.

Management shall present to the Board the following information, to the extent relevant, with respect to the Related Party Transactions for their approval:

- 1) the name of the related party and nature of relationship;
- 2) the nature, duration of the contract and particulars of the contract or arrangement;
- 3) the material terms of the contract or arrangement including the value, if any;
- 4) any advance paid or received for the contract or arrangement, if any;
- 5) justification for entering into such contract arrangement or transaction;
- 6) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 7) 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
- 8) any other information relevant or important for the Board to take a decision on the proposed transaction

7. Transactions with related parties requiring shareholders approvals

a. Subject to the exemptions as prescribed under the Companies Act, 2013, the Company shall take necessary approvals from the shareholders while entering into

Related Party Transaction Policy

the related party transactions in case the value of the transactions exceeds the limits as prescribed under the provisions of the Act.

- b. The related party in the context to the contract or arrangement, shall abstain from voting on such resolution wherever the approval of the shareholders are required.

8. Exemption from approval

Notwithstanding the foregoing, the following transactions shall not require approval of Board or Shareholders:

- 1) Any transaction that involves the providing of reimbursements or advances to a director or KMP to meet expenditure in the course of his or her duties as such Director or KMP of the Company;
- 2) Any remuneration paid to a director or KMP as per the policy of the Company and/or under the provisions of the Companies Act, 2013;
- 3) Sitting fees paid to director(s) in terms of the provisions of the Companies Act, 2013;

9. Exceptions

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Board. The Board shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

10. Amendment or modification in the policy

The Policy shall be reviewed annually or at earlier intervals, if necessary. Consequent upon any changes in regulatory guidelines, such change shall be deemed to be a part of the policy until the policy is reviewed and approved next time.

The Policy on Related Party Transactions shall be amended or modified with approval of Audit Committee and Board.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy