

POLICY ON RELATED PARTY TRANSACTIONS

Document Approval

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1. PREAMBLE

The Board of Directors (the “Board”) of Fedbank Financial Services Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties.

2. OBJECTIVE

This Policy will ensure that related party transactions of the Company are carried out in a transparent manner. It provides a framework for governance and reporting of Related Party Transactions including material transactions. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

This policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, Accounting standards as issued by Institute of Chartered Accountants of India and applicable to the company, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended, Income tax Act and such other statutes as may be put in place in relation to Corporate Governance and Related Party Transactions. This policy has been framed as per with the requirements of RBI Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on NBFC-SI Non-Deposit taking Company and Deposit taking Company Directions, 2016.

3. SCOPE :

This policy shall be applied in:

- a. Identifying related parties, updating and maintaining the database of such persons/entities;
- b. Ascertaining that the transactions entered with the related parties are in ‘ordinary course of business’ and at ‘arm’s length basis’;
- c. Identifying related party transactions;
- d. Obtaining prior approvals for entering into any related party transactions except



transactions which are covered under the omnibus approvals;

e. Determining the disclosures / compliances to be adhered in relation to the related party transactions.

4. DEFINITIONS

“Annual Turnover” means turnover of the Company as reflected in the Audited Financial Statements of the preceding Financial Year on standalone basis;

“Arm’s Length Transaction/Basis” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest;

“Associate” means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company and the term “Associate Company” shall be interpreted accordingly. For the purpose of this definition, “Significant Influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Company Secretary” means a person who is appointed by the Company to perform the functions of the Company Secretary under provisions of the Companies Act, 2013;

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds Rupees One Thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such limits as may be prescribed under law, whichever is stricter, from time to time.

Separately, 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 our Company as per the last audited financial statements of our Company.



“Material modification” means and includes any subsequent change to an existing Related Party Transaction having variance of 20% of the existing limit approved by the Audit Committee/Board/Shareholders as the case may be or such other parameters as may be determined by the Audit Committee from time to time.

“Related Party” a means related party as defined under the Companies Act, 2013 and as amended from time to time.

“Related Party Transaction” means a related party transaction as defined under 2(1)(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 and includes any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- a. Sale, purchase or supply of any goods or materials;
- b. Selling or otherwise disposing of, or buying property of any kind;
- c. Leasing of property of any kind;
- d. Availing or rendering of any services;
- e. Appointment of any agent for the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

(The above is an indicative list and not an exhaustive one).

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or 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
- j. Sister (including step-sister).



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

The terms **Director, Chief Financial Officer, Company Secretary**, shall have the same meaning as assigned under the Companies Act, 2013.

5. POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre –approval / omnibus approval, details whereof are given in a separate section of this Policy. However, any transaction between the company and its Key Management Personnel arising out of employment or under any policy applicable to a wider set of employees will not need prior approval. Such transactions will however need to be reported to the Audit Committee.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

5.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

Each material equity stake-holder who is deemed to be a related-party by virtue of their share-holding will need to keep the company updated of all their related-parties under the expanded



definition of Ind-AS. They will also need to keep the company informed of any changes to this periodically.

The Company has to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;
2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company or their Relatives; and
6. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 or the relevant Accounting Standard or the regulatory provisions.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer.

The functional / business heads / Chief Financial Officer /Company Secretary/ shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

5.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode, provided that those members of the Audit committee, who are independent directors, shall approve the Related Party Transactions. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered. Provided further that, the Audit Committee shall define "material modifications" and disclose it as part of the policy on materiality of related party



transactions and on dealing with related party transactions

5.2.1 CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The 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 includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

5.2.2 TRANSACTIONS NOT REQUIRING APPROVAL OF THE AUDIT COMMITTEE

Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.



- ii) any transaction between the company and its Key Management Personnel arising out of extant HR policies or under any corporate policy applicable to a wider set of employees
- iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iv) Transaction(s) as listed below undertaken by an Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:
 - a) receipt of remuneration by way of sitting fees;
 - b) reimbursement of expenses for attending board and other meetings;
 - c) any profit related commission as approved by members.

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, subject to compliance with the applicable legal provisions.

5.2.3 APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

5.2.4 APPROVAL BY THE BOARD

The following related party transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

- (i) Related party transactions referred by the Audit Committee;
- (ii) Related party transactions not on arm's length basis, and/or;
- (iii) Related party transactions not in the ordinary course of business.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall additionally consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.



5.2.5 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE

- i) In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The Audit committee may specify the criteria for making the omnibus approval which shall include the following namely:
- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus 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 omnibus approval;
 - (d) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- ii) Transactions including modifications to the existing Transactions with Related Parties which are not material but repetitive in nature can be covered in the Omnibus Approval by the Audit Committee which requires the following information:
- (i) name of the related party
 - (ii) nature of the transaction
 - (iii) period of transaction
 - (iv) maximum amount of transaction that can be entered into
 - (v) indicative base price / current contracted price and the formula for variation in the price if any and taxes
 - (vi) payment security and payment terms
 - (vii) warranties and guarantees
 - (viii) justification for the arm's length nature of transaction and
 - (ix) Compliance under the Act, Listing Regulations and other legal aspects

Note: The above details should contain the required relaxation, if any. For example, in case the Period of Transaction is 3 years and relaxation required is say 3 months, then the same should be mentioned in the particulars.

- iii) Where the need for Related Party Transactions **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.
- iv) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: –
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.



The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

- v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

- vi) The Audit Committee may review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made.

Such transactions done under Omnibus limits above will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

5.2.6 APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

Any related party transaction which is not in the ordinary course of business and/or not on arm's length basis, and crosses prescribed threshold limit for as per Companies Act, 2013 will require prior approval of the Shareholders through a resolution and the Related Parties shall abstain from voting on such resolution.

All related party transactions and subsequent material modifications shall require prior approval of audit Committee as per SEBI (LODR) Regulations, 2015.

5.2.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy and is not covered under the Omnibus limits above, 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.



The approval policy framework is summarized below:

Audit Committee approval	Board Approval	Share-holders approval
<ul style="list-style-type: none"> All Related party transactions except items mentioned in 5.2.2 above and subsequent material modifications 	<ul style="list-style-type: none"> Related party transactions referred by Audit Committee for approval of the Board Related party transactions not in the ordinary course of business and not on arm's length relationship 	<ul style="list-style-type: none"> Approval by resolution for Related party transactions not in the ordinary course of business and/or not at Arms length basis and crosses the prescribed materiality threshold limit as per Companies Act, 2013 All material related party transactions and subsequent material modifications as defined by Audit Committee

5.3 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction.

The Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website

Provided further that the Company shall submit such disclosures along with its standalone financial results. Provided further it shall make such disclosures every six months (or such lesser frequency as may be required by the extant regulations) within fifteen days from the date of publication of its standalone financial results as amended by (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time.

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone financial results with effect from April 1, 2023.



6. DECISION REGARDING TRANSACTIONS IN ORDINARY COURSE OF BUSINESS AND AT ARM'S LENGTH

The Audit Committee or the Board shall after considering the materials placed before them judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action as it deems appropriate.

In case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of such transaction.

In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

8. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

9. GENERAL

The Policy would be subject to revision/amendment in accordance with the applicable Laws. The Audit Committee shall review the Policy atleast once in a year for making suitable amendments for better implementation of the Policy.

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this



Policy. Any subsequent amendment(s)/ modification(s)/ circular(s)/ clarification(s)/ notification(s) in/under the SEBI LODR Regulations or the Act or any other governing Act/Rules/Regulations or re-enactment thereof, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and/or amended to that extent, even if not incorporated in this Policy.