



APAC FINANCIAL SERVICES PRIVATE LIMITED **(“APAC FS” or “the Company”)**

RELATED PARTY TRANSACTIONS POLICY

Key Contents:

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Review Calendar:

- Annual review in January of each year, unless in the opinion of the Managing Director or Policy Owner a review of the policy is needed sooner.

Approval Month –February 15, 2023

Owner: Company Secretary & Compliance Officer

Related Party Transactions Policy

1. Introduction

This policy (“**Policy**”) enumerates APAC Financial Services Private Limited (“**APAC**” or the “**Company**”) requirements and procedures related to **Related Party Transactions (“RPTs”)**. This **Policy** has been prepared in compliance with the Companies Act, 2013, Indian Accounting Standard (Ind AS) 24 and other applicable laws, if any, prescribing for formulation of the **RPT Policy**.

The Policy governs transactions with any Related Parties (defined below) keeping in view the potential or actual conflict of interest which may arise upon the transactions being entered into by the Company with the Related Parties and whether such transactions are consistent with the interests of the Company and its members.

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notifications, Clarifications, Circulars, Master Circulars/ Directions by the Reserve Bank of India (“RBI”) arise then, interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by RBI shall prevail.

2. Objective/Purpose

This Policy is framed in accordance with the provisions as mentioned above.

Any RPTs shall be entered into by the Company only in accordance with this Policy.

3. Definitions

“Board of Directors” or “Board” means the Board of Directors of APAC

“Body Corporate” or “Corporation” is a company incorporated in or outside India but does not include:

- a. a co-operative society registered under any law relating to co-operative societies; and
- b. any other body corporate (not being a company as defined in this Act), which the Central Govt. may, by a notification in the official gazette, specify.

“Company” or “APAC” means APAC Financial Services Private Limited.

“Control” shall have meaning as per the Companies Act 2013 & Rules made thereunder and as per Accounting Standards.

“Joint Ventures” – A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“Key Managerial Personnel”, in relation to a company, means—

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Directors;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed under the Companies Act 2013.

“Related Party”, with reference to APAC, means

1. a Director of APAC or his / her Relative;
2. a Key Managerial Personnel of APAC or his/her Relative;

3. a firm, in which any Director, Manager of APAC or his/her Relative is a partner;
4. a private company in which a Director or Manager of APAC or his relative is a member or director;
5. a public company in which a Director or Manager of APAC is a Director and holds along with his Relatives, more than two per cent of the company's paid-up share capital;
6. any Body-Corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager of APAC;
7. any person on whose advice, directions or instructions a director or manager of APAC is accustomed to act: Provided that nothing in sub-clauses (6) and (7) shall apply to the advice, directions or instructions given in a professional capacity;
8. any body corporate which is—
 - a. a holding, subsidiary or an Associate Company of APAC; or
 - b. a subsidiary of a holding company to which APAC is also a subsidiary; or
 - c. an investing company or the venture of the company
9. A Director or Key Managerial Personnel of the holding company or his Relative shall be deemed to be a Related Party.
10. Parties are considered to be related if at any time during the reporting period one party has the ability to Control the other party or exercise significant influence over the other party in making financial and /or operating decisions.

“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).

List of related parties shall be as per Related Party Disclosures (Ind AS) 24 - Related Party Disclosures

“Related Party Transactions” (or “RPTs”) means transactions specified in Section 188 of the Companies Act, 2013 and as amended from time to time. RPTs means any transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged or not.

A transaction with a Related Party shall be deemed to include either a single transaction or a group of transactions in a contract.

“Material Related Party Transaction” means any transaction/transactions to be entered into individually or taken together with previous transactions during a financial year as prescribed in the Companies Act, 2013.

4. Identification of potential related party transactions

APAC's Company Secretary will 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, including any revisions therein. The list of Related Parties will be further augmented to include declarations of Directors and Key Managerial Personnel of APAC. The Related Parties list shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments. The functional / business heads / Financial Officer /Company Secretary/ shall have access to the updated database.

Each Director and Key Managerial Personnel is responsible for providing declarations to the Company Secretary of any Related Parties involving him or her or his or her Relatives, including any additional information that the Company Secretary may reasonably request.

Every Director, Key Managerial Personnel, Functional / Business heads / Joint CEOs / Group Financial Controller 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 may request, for being placed before the Board.

5. Related Party Transactions

The functional departments shall submit to the Group Financial Controller and the Company Secretary, the details of any proposed RPT with draft agreements or other supporting documents justifying that the transaction is in Ordinary Course of Business and on an arm's length basis at prevailing market rates. Based on such information, the Company Secretary will facilitate the necessary approval from the Board. Further details on the approval process follow below.

Broad Parameters to assess "Ordinary Course of Business"

The phrase "Ordinary Course of Business" has not been defined under the Act or Rules made thereunder. However, the Company shall adopt a reasonable approach/ methodology to demonstrate 'Ordinary Course of Business' which shall, inter alia, include the nature of the transaction, the frequency / regularity / length of time the company is engaged such transaction, such transaction/ action is consistent with the past practices and was taken in the ordinary course of the normal day-to-day operations of such company, common commercial practice i.e. customarily taken, in the ordinary course of the normal day-to-day operations of other companies that is in the same / similar line of business.

Broad Parameters to assess "Arm's Length"

For transactions between two related parties to be considered to be at Arm's Length Pricing, the transaction should be conducted between the two parties as if the parties were unrelated, so that there is no conflict of interest i.e. Arm's Length Pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods/ services, risk assumed, assets/ resources employed, key terms/ covenants.

Related Party Transactions Approval Process

I. Approval by Institutional Investor

As entering Related Party Transaction is affirmative item as per Investment Agreement, approval of Institutional Investor would be required.

II. Approval by Board of Directors

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board, APAC shall not enter into any contract or arrangement with a Related Party with respect to-

- 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 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; and
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties:

Provided that nothing of the above shall apply to any transactions entered by APAC in its ordinary course of business other than transactions which are not on arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

A Director 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.

III. Approval by Shareholders

RPTs which are specified in Section 188 of the Companies Act, 2013 or which are either not in the ordinary course of business or are not on an arms-length basis shall require approval of shareholders by way of special resolution.

Where the transaction is between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, no approval is required.

The approval of the Board and the shareholders shall be obtained as and when applicable.

Notwithstanding the foregoing, the following RPTs shall not require approval of Board and/or Shareholders, as the case may be:

- i. Any transaction that involves the providing of compensation to a Director or KMP in connection with his/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 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.

6. Pre-Requisites for entering into potential related party transactions

A. Board Level Pre-requisites:

While considering any transaction, the Board 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 Board shall, inter-alia, consider the following factors to the extent relevant to the transaction:

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;

The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

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 Board deems relevant.

APAC shall enter into any contract or arrangement with a related party subject to the following conditions:

The agenda of the Board Meeting, as the case may be, at which the resolution is proposed to be moved shall disclose:

- a) The name of the Related Party and nature of the relationship
- b) The nature, duration of the contract and particulars of the contract or arrangement
- c) The material terms of the contract or arrangement including the value, if any;
- d) Any advance paid or received for the contract or arrangement, if any;
- e) The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;
- f) 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
- g) And other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present during discussions on the subject matter of the resolution relating to such contract or arrangement

B. Shareholders level Pre-requisites

For approval of the shareholders, a notice calling the General Meeting will be sent along with the explanatory statement to the Shareholders.

The explanatory statement to be annexed to the notice of a General Meeting convened for approval of the RPTs shall contain the following particulars, namely:

- Name of the Related Party;
- Name of the Director or Key Managerial Personnel who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement;
- Any other information relevant or important for the members to take a decision on the proposed resolution;

7. Transactions not previously approved

In the event the Company becomes aware of an RPT that has not been approved or ratified under this Policy, the transaction shall be placed before the Board or the Shareholders as may be required in accordance with this policy for review and ratification within three months from the date on which such contract or arrangement was entered into or as promptly as practicable.

- The Board shall consider all relevant facts and circumstances regarding 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 Board deems appropriate under the circumstances. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Board under the Policy, and shall take any such action it may deem fit.

In any case, where the Board determines not to ratify any RPT that has been commenced without approval, the Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of any RPT, the Board has authority to modify or waive any procedural requirements as specified in the Policy.

8. Disclosure Requirements

This policy will be communicated to all operational employees and other concerned persons of APAC and shall be placed on the website of APAC.

9. Consequence of Non-Approval/Violation of provisions of RPTs

- a. Where any contract or arrangement is entered into by a Director or a Key Managerial Personnel, without obtaining the consent of the Board or approval by a special resolution in the general meeting as required and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, then the contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with Related Party to any Director or a Key Managerial Personnel, or is authorised by any other Director concerned, he or she shall indemnify the Company against any loss incurred by voiding the contract.
- b. Without prejudice to anything in the above para, it shall be open to APAC to proceed against a Director or a Key Managerial Personnel or any other employee who had entered into such contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.
- c. Any director or a Key Managerial Personnel who enters into or authorises a contract or arrangement in violation of the provisions of section 188 of the Companies Act, 2013, in relation to RPTs may be punishable with a fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

10. Registers and the Disclosures

The Company shall keep and maintain a Register, physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which the Policy applies.

Every Director and KMP shall, from time to time, make the necessary disclosures to the Board, within a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard.

The Register shall be preserved permanently and shall be kept in the custody of the Company Secretary/Chief Financial Officer of the Company or any other person authorised by the Board for the purpose.

This Policy will also be uploaded on the website of the Company and shall be disclosed in the Annual Report.

11. Review of the Related Party Policy and Compliance Therewith

Compliance with respect to all aspects of this Policy shall be reviewed by the Board annually. This Policy shall also be reviewed annually in January of each year unless in the opinion of the Company Secretary a review of the policy is needed sooner.