

POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION

The Board of Directors of Nissan Renault Financial Services India Private Limited (the "Company") have adopted the following Policy on Related Party Transaction ("Policy") with regard to contracts or arrangements with a Related Party under the applicable provisions of the Companies Act, 2013 ("Act") read with the rules framed thereunder and as amended from time to time and applicable RBI master directions.

2. PURPOSE

The purpose of this Policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties and in the best interest of the Company and its stakeholders.

Further, as per Master Direction - Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 Non - Banking Financial Companies - Corporate Governance (Reserve Bank) Directions 2015, issued by the Reserve Bank of India:

- Details of all Material transactions with related parties needs to be disclosed in the Annual Report and
- The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also in the Annual Report.

3. 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.

4. DEFINITIONS

- "Annual Turnover" means turnover of the Company as reflected in the Audited Financial Statements of the immediately preceding Financial Year.
- "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;
- "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 Committee of Board of Directors of the Company constituted under provisions of the Act;
- "Board" means Board of Directors of the Company;

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- "Company Secretary" means a person who is appointed by the Company to perform the functions of the Company Secretary under the Act;
- "Key Managerial Personnel" means -
 - The Chief Executive Officer or the Managing Director or the Manager;
 - The Company Secretary;
 - The Whole - Time Director(s);
 - The Chief Financial Officer;
 - Such other officer as may be prescribed under Section 2(51) of the Act;
- "Net Worth" means net worth of the Company computed in accordance with Section 2(57) of the Act based on the Audited Financial Statements of the preceding Financial Year;
- "Policy" means Related Party Transaction Policy;
- "Related Party" in relation to the Company means -
 - a) A Director or his Relative;
 - b) A Key Managerial Personnel or his Relative;
 - c) A firm, in which a Director, Manager or his Relative is a partner;
 - d) A private company in which a Director or Manager or his relatives is a member or director;
 - e) A public company in which a Director or Manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
 - f) A 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 unless the advice, directions or instructions are given in a professional capacity;
 - g) Any person under whose advice, directions or instructions a Director or Manager is accustomed to act unless the advice, directions or instructions are given in a professional capacity;
 - h) Director or Key Managerial Personnel of the holding company or his relative with reference to a company;
 - i) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.
 - j) any body corporate which is—
 - a holding, subsidiary or an associate company of such company;
 - a subsidiary of a holding company to which it is also a subsidiary; or
 - an investing company or the venturer of the company;"
 - such other person as may be prescribed;
- "Related Party Transaction ("RPT")" means any transactions directly or indirectly with Related Parties and it also includes transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act;
- "Relative" means relative as defined under Section 2(77) of the Act and includes anyone who is related to another in any of the following manner:-
 - They are members of a Hindu Undivided Family ;
 - They are husband and wife ;
 - Father (including step-father)
 - Mother (including step-mother)
 - Son (including step-son)
 - Son's wife
 - Daughter

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- Daughter's husband
- Brother(including step-brother); or
- Sister (including step-sister)
- 'Outsourcing' is defined as the NBFC's use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the NBFC itself, now or in the future. For more details refer NRFSI Outsourcing policy.
- 'Continuing Basis' includes agreements for a limited period.

Any other term not defined herein shall have the same meaning as defined in the Act and other applicable law.

5. IDENTIFICATION OF RELATED PARTIES & POTENTIAL RELATED PARTIES TRANSACTIONS

Finance team of the Company shall at all times maintain a database of Company's Related Parties containing the names of individuals and entities, identified on the basis of the definition set forth in the Definition section above along with their personal/entity details including any revisions therein based on declaration / information received from directors, shareholders, other sources etc., as per Ind AS and Company Secretary shall maintain database as per Companies Act.. The database shall be reviewed on yearly basis jointly by the Finance Team and Company Secretary of the Company.

Each director and Key Managerial Personnel of the Company is responsible for providing notice to the Audit Committee of any potential RPT involving him/her or his/her relative, including any additional information about the transaction that the Audit Committee may request.

Every officer above senior manager/KMP of the Company entrusted with the authority to enter into any transaction shall be responsible for providing notice to the Audit Committee, through Company Secretary of any potential RPT involving the Company and Related Parties listed in the comprehensive list prepared and circulated by the Company Secretary of the Company.

Broad Parameters to assess:

- **Ordinary Course of Business**

The phrase "Ordinary Course of Business" is not defined under the Act or Rules made there under. 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 are in the same / similar line of business. An agreement or Purchase order to be executed to ensure that the transaction is in ordinary course of business.

- **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

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one or more of the following aspects viz. nature of goods / services, risk assumed, assets / resources employed, key terms / covenants. In the absence of any guidelines on Arm's Length Pricing in the Act, the Company shall adopt reasonable approach / methodology to demonstrate Arm's Length Pricing for the specified RPT identified, which shall, inter alia, shall include, the nature of the transaction, description of functions to be performed, risks to be assumed and assets to be employed, key terms / special terms in the arrangement forming part of a composite transaction. An agreement to be executed to ensure that the transaction is on arm's length basis.

6. APPROVAL OF TRANSACTION

- **Omnibus approval of Audit Committee**
 - All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely
 - (1) The Audit Committee shall, after obtaining approval of the Board of Directors, 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) 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;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - (2) 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.
 - (3) 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.
 - (4) The omnibus approval shall contain or indicate the following: -
 - (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:

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

(5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(7) Any other conditions as the Audit Committee may deem fit.

The Omnibus Approval thus received shall be considered as prior approval for the respective/ classified RPT. This shall eliminate the need/ requirement for obtaining prior approval for such repetitive RPT of similar nature. However, such RPTs will continue to be evaluated for propriety of arm's length and ordinary course of business.

On a quarterly basis, the Company secretary will place the agenda before the Audit Committee for review of all RPTs for which Audit Committee has granted Omnibus Approvals.

- **Prior approval of Board of Directors**

1. Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall 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 also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an 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

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subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation:

(a) The expression “office or place of profit” means any office or place:

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression “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.

2. Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.

3. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) 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, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders] and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

- **Prior approval of Shareholders**

Transaction with related parties which are either not in the ordinary course of business or not on ‘arm’s length basis or exceeds the threshold under section 188 of the Act shall require prior approval of the shareholders through an ordinary resolution.

7. RELATED PARTY TRANSACTION 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, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT.

8. AMENDMENT AND REVIEW

Any subsequent amendment in the Act or any other applicable law in this regard, shall automatically apply to this Policy. Accordingly, this policy shall be duly revised to incorporate any amendments. This policy shall be reviewed annually by the Audit committee and placed before the Board.