

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

Document Summary:

Document Title	Policy on Related Party Transactions
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Scope of policy	Applicable to the related party transactions.
Purpose of Policy / Summary	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.
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Annexures / Supporting Documents	NA

Version Control:

Ver. No.	Effective From	Details of Amendment	Prepared by	Reviewed by	Approved by
1.0	23 rd June 2017	New Policy	Accounts & Finance	CFO & COO	BOD
2.0	June 2020	Annual review	Accounts & Finance	IC, CFO & COO	BOD
3.0	June 2021	Annual review with cosmetic updates	Internal controller	CFO, CS	Management Committee
4.0	June 2022	Annual review with updates on periodical review by Board as per the act	Internal controller	CFO, Finance, Company Secretary, IC	Management Committee

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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 Related Party Transactions on its website and also in the Annual Report.

The Board of Directors will periodically review this Policy from time to time as it deems appropriate.

3. 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;
- "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;

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- "Policy" means Related Party Transaction Policy;
- "Related Party" in relation to the Company means -
 - A Director or his Relative;
 - A Key Managerial Personnel or his Relative;
 - A firm, in which a Director, Manager or his Relative is a partner;
 - A private company in which a Director or Manager or his relatives is a member or director;
 - 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;
 - 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;
 - 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;
 - Director or Key Managerial Personnel of the holding company or his relative with reference to a company;
 - Any other person that may be prescribed under the Act.
- "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
 - Daughter's husband
 - Brother(including step-brother); or
 - Sister (including step-sister)

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

4. IDENTIFICATION OF RELATED PARTIES & POTENTIAL RELATED PARTIES TRANSACTIONS

The 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 Secretarial Team shall maintain database as per Companies Act. The same shall be duly shared with Finance/Secretarial Team at regular intervals. The database shall be reviewed on yearly basis jointly by the Finance Team and Secretarial Team 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.

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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 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 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.

5. APPROVAL OF TRANSACTION

- **Approval of Audit Committee**

- All RPT or any subsequent modifications to RPT of the Company with Related Parties shall require approval of the Audit Committee. The Audit Committee may grant omnibus approval for the related party transaction which are repetitive in nature and are in the ordinary course of business and are at arm's length, subject to compliance of the conditions set forth under the Act read with the rules made thereunder and other applicable law. The Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.
- Any member of the Audit Committee who has a potential interest in any RPT will abstain from discussion and voting on the approval of the RPT.
- The Audit Committee shall review on yearly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval granted as stated above.

- **Prior approval of Board of Directors**

- All transactions with related parties which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval of the Board of Directors, in terms of Section 188 of the Act.

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- In the above context, where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present during the discussions and vote on the subject matter of the resolution relating to such contract or arrangement.
- While it is intended that all transaction that are mentioned above required prior approval of the Board of Directors, an illustrative list of transactions as prescribed under the Act, which require prior approval of the Board of Directors of the Company (excluding those transaction entered into the company in its ordinary course of business and on an arm's length basis).

- **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 and exceeds the threshold under section 188 of the Act shall require prior approval of the shareholders through an ordinary resolution. An illustrative list of transactions are prescribed under the Act.

6. 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.

7. AMENDMENT

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.

8. IMPLEMENTATION

This Policy shall be communicated to all Directors, Key Managerial Personnel and concerned persons of the Company and the same shall be effective immediately on approval by the Board of Directors.