

**RELATED PARTY TRANSACTION POLICY****OF****MPOKKET FINANCIAL SERVICES PRIVATE LIMITED**

Summary of Policy

Version	Issue and Effective Date	Review periodicity	Approving Authority	Policy Owner
V1	16-09-2023	Annual	Board of Directors	Compliance Department
V2	15-12-2023	Annual	Board of Directors	Compliance Department

Review Date	Next Review Date	Comments/ Remarks/ Changes
15-12-2023	-	Modified pursuant to introduction of RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
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A. PREAMBLE

The Board of Directors (the “Board”) of mPokket Financial Services Private Limited (the “Company”) has adopted the Related Transaction Policy (“Policy”) ensuring compliance with the provisions pertaining to related party transactions specified under the Companies Act, 2013 (“the Act”), including the rules made thereunder and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India (as amended from time to time) [“RBI Master Directions’] This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

B. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

C. SCOPE

The policy shall be applied in:

- Identifying Related Parties, updating and maintaining the database of such Related Parties.
- Identifying Related Party Transactions
- Identifying whether the Related Party Transactions are in Ordinary Course of Business and at Arm’s Length in relation to the Related Parties

- Obtaining approval before entering into the Related Party transactions
- Determining the disclosures to be made about these transactions

A. DEFINITION

- 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. **“Associate Company”** means any other Company in which Company has a significant influence, but which is not a subsidiary company and includes a joint venture company, as defined under Section 2(6) of the Act.
- c. **“Audit Committee or Committee”** means the Committee duly constituted by the Board of Directors of the Company as per RBI Master Directions and perform such powers, functions and duties as laid down under Section 177 of the Act.
- d. **“Board”** means Board of Directors of the Company.
- e. **“Key Managerial Personnel” (KMP)** means Key Managerial Personnel as defined under the Companies Act, 2013
- f. **“Material Related Party Transaction”** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Agreement, whichever is stricter, from time to time.
- g. **“Policy”** means Related Party Transaction Policy.
- h. **“Related Party”** a means related party as defined under Section 2(76) of the Act.
- i. **“Related Party Transaction”** means any transaction directly and indirectly involve any Related Party which is transfer of resources, services or obligations, regardless of whether a price is charged and includes –
- Sale, purchase or supply of any goods or materials;
 - Selling or otherwise disposing of, or buying property of any kind;

- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for the purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- Underwriting the subscription of any securities or derivatives thereof, of the Company;

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

j. “**Relative**” means a relative as defined under Section 2(77) of the Act and includes anyone who is related in any of the following manner –

- Members of a Hindu undivided family;
- Husband or 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).

k. “**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.

l. “**Subsidiary Company**” or “Subsidiary”, means any other Company in which the Company—

- controls the composition of the Board of Directors; or
- exercises or controls more than one-half of the total share capital total voting power either at its own or together with one or more of its subsidiary companies, as defined under Section 2(87) of the Act.
- **“Senior Management”** means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads engaged in Financial Control, risk management, compliance and internal audit are following under the preview of the regulations.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013, as may be amended from time to time shall have the meaning respectively assigned to them therein.

B. POLICY CONTENT

1. ORDINARY COURSE OF BUSINESS:

Ordinary Course of business means the transactions, customs and practices undertaken by the Company to conduct its business operations and activities (including activities which the as per its Memorandum and Articles of Association) and all the transactions in which the company regularly deals and repeatedly enters into for the purpose of its business or the transaction is necessary, normal and incidental to business.

The assessment of whether a transaction is in ordinary course of business is very subjective, judgmental and can vary on case-to-case basis giving consideration to the nature of business and objects of the entity.

¹Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association;

¹ Guidance Note on Related party Transactions issued by the Institute of Company Secretaries of India on March, 2019.

- b. Whether the activity is in furtherance of the business;
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.);
- d. Whether the activity is repetitive/frequent;
- e. Whether the income, if any, earned from such activity/transaction is treated as business; income in the company's books of account;
- f. Whether the transactions are common in the particular industry;
- g. Whether there is any historical practice to conduct such activities business;
- h. Revenue generated by the activity;
- i. Resources committed to the activity.

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

2. IDENTIFICATION OF RELATED PARTIES:

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

- a. Every Director and Key Managerial Personnel is responsible to declare any person or entity that would be regarded as Related Party for the Company in accordance with this Policy on account of his/her being Director or Key Managerial Personnel of the Company. Such declaration shall include disclosure of his/her (and his/her relative's) concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership, etc. Every director shall at the first meeting of the Board in which he/she 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 and also declare 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).

- b. Company Secretary shall identify other persons or entities that would be regarded as Related Parties on account of their relationship as mentioned in the definition of Related Parties on a half yearly basis based on the information available with him/her or after making enquiries as may be necessary.
- c. Company Secretary shall prepare a comprehensive List of Related Parties based on the information received from Director, Key Managerial Personnel and other persons or entities identified by him. Such list circulated to all the persons having authorities to carry out any transactions so that the Policy can be adhered to.
- d. Board may determine the procedure to be followed for declaration as well as compilation and circulation of comprehensive List of Related Parties.

3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

- Every officer of the Company entrusted with the authority to enter into any transaction shall be responsible for providing notice to the Board, through the Secretarial Department of the Company of any potential Related Party Transaction involving the Company and the Related Party listed in the comprehensive list prepared and circulated by the Company Secretary of the Company.
- The Board, through the Secretarial Department of the Company, will determine whether the Transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- The Company will try and ensure that notice of any potential Related Party Transaction is given well in advance, so that the Board has adequate time to obtain and review information about the proposed Transaction

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

I. Approval of Audit Committee

In accordance with the Section 177 of the Act, all Related Party Transactions shall be subject to the prior approval of the Audit Committee even if the transaction and/or subsequent modifications thereto is in the ordinary course of business and at arm's length price

Consideration by the Audit 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.

Standing Pre-Approval / Omnibus Approval by the Audit Committee:

Audit Committee may also grant omnibus approval for related party transaction proposed to be entered into by the Company subject to fulfilment 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 Act; 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 of repetitive nature and that such approval is in the interest of the Company.
- c) Transactions put up for omnibus approval shall specify/disclose
 - 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,

- the indicative base price / current contracted price and the formula for variation in the price if any and
- 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.

- Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- In case of transaction, other than transactions referred to in Section 188 of the Act and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board for obtaining approval.
- In case any transaction involving any amount not exceeding INR 1,00,00,000 is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee.
- Any other conditions as the Audit Committee may deem fit.
- Audit Committee shall review on periodic basis, the details of related party transaction entered by the Company pursuant to each of the omnibus approval given.

II. Approval of the Board:

Subject to the provisions of Section 188 (1) of the Act, the 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. The Act has specified the following transactions for which necessary approval will be required:

- 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

Any related party transaction mentioned above which is not in the ordinary course of business and/or not on arm's length basis will require Board's approval.

Any director of the Company who is concerned or interested in a contract or arrangement, shall be entitled to participate in the meeting after disclosure of his concern or interest in terms of the provisions of the Act, at the meeting of the Board in which the contract or arrangement is discussed.

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

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;

- v. justification for entering into such contract arrangement or transaction;
- vi. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vii. 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
- viii. any other information relevant or important for the Board to take a decision on the proposed transaction

III. Transactions with related parties requiring Shareholders' approvals:

Upon approval by the Audit Committee and Board, if any transactions entered into by the company other than its ordinary course of business which are crossing the transaction limit as prescribed under the provisions of Section 188 of the Act read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, of the Companies Act, 2013 and any transactions entered into by the company in its ordinary course of business which are at an arm's length basis, shall require prior approval of the Members at the general meeting for approval.

No member of the Company shall vote on such resolution, to approve any transaction which may be entered into by the Company, if such member is a Related Party, in the context of the Material Related Party Transaction for which the said resolution is being passed.

IV. Transaction with related parties in accordance with Investment

Agreement(s)/Articles of association of the Company:

At time of entering related party transaction, the Company is required to take into the consideration the provisions related to related party transactions specified in the Article of Association of the Company and/or Investment Agreement(s) entered by the Company with various Investors from time to time.

5. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

- 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 Audit Committee/Board.
- The Audit Committee/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.
- The Audit Committee/Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction under this Policy, and shall take any such action it deems appropriate.
- In any case, where the Audit Committee/Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee/Board may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.
- 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 Section 188(1) of the Act, 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

6. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS:**a) As per the Act:**

- Pursuant to Section 134(4) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, every Contract or arrangement entered with Related

Parties in accordance with Section 188(1) of the Act shall be disclosed in the Board's Report along with the justification for entering into such contract or arrangements in Form AOC - 2.

- In terms of Section 178(8) of the Act, where the Board has not accepted any recommendation of the Audit Committee, the same shall be disclosed in the Boards' report with reason thereof.
- Making necessary entries in the Register of Contracts required to be maintained under Section 189 of the Act.

b) As per the RBI Master Directions:

- Details of all material transactions with related parties shall be disclosed in the annual report.
- The Company shall disclose the policy on its website and also in the Annual Report.

7. EXCEPTION

Approval of Audit Committee/Board of Directors/ Members under this Policy shall not be required if the transaction(s) is in the Company's ordinary course of business and the same is on an arm's length basis.

8. REVIEW OF THE POLICY:

The Policy shall be amended or modified with approval of the Board on the recommendation of the Audit Committee. The Policy shall be reviewed by the Board on an annual basis. Consequent upon any amendments in Applicable Laws or any change in the position of the Company, necessary changes in this Policy shall be incorporated and approved by the Board on recommendation of the Audit Committee.

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.