

POLICY ON RELATED PARTY TRANSACTIONS AND ITS MATERIALITY

FOR

PB FINTECH LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS AND ITS MATERIALITY

1. Preamble

The Board of Directors (**the “Board”**) of PB Fintech Limited (formerly known as PB Fintech private Limited / Etechaces Marketing and Consulting Private Limited) (**the “Company”** or **“PB Fintech”**), has adopted the policy and procedures with regard to Related Party Transactions and also its materiality, described herein and forming a part of this policy document and this policy shall be effective from October 19, 2021.

The Audit Committee will review and recommend to the Board any amendments required to be made to this policy from time to time and the policy would stand amended on its approval. This policy has been readopted by board on 13th May 2022 and 10th February 2023 in line with SEBI (LODR) (Sixth Amendment) Regulations, 2021 and SEBI (LODR) (Seventh Amendment) Regulations, 2022.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties and also determine the materiality of the transactions based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy has been framed to comply with the requirement of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI LODR”**) and in terms of Section 188 of the Companies Act, 2013 (hereinafter referred to as **“the Act”**) read with the relevant rules and intended to ensure the proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties as laid down in the SEBI LODR and the Act. Such Related Party Transactions are considered appropriate only if they are in the best interests of the Company and its shareholders. The Company is required to disclose this policy on its website and the details of the web link at which the policy can be accessed would be provided in the Annual Report.

3. Definitions

“Audit Committee or Committee” means Committee of Board of the Company constituted under provisions of Regulation 18 of SEBI LODR and Section 177 of the Companies Act, 2013.

“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.

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- i.** Managing Director, or Executive Director or Chief Executive Officer or Manager;
- ii.** a Whole-time Director;
- iii.** Company Secretary; and
- iv.** Chief Financial Officer

“Material Related Party Transaction” means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 Crores 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 sum as may be prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

Notwithstanding the above, 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 the Company as per the last consolidated audited financial statements of the Company.

“Material Modification” Material Modification” shall mean any modification made in the terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/ or shareholders, as the case may be which, individually or taken together with previous modifications during a financial year, results in variation in the value of the Related Party Transaction, by at least 10% or has significant impact, on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time..

Provided that a modification shall also be material, if by such modification, the terms of the contract cease to be arms’ length.

Also, the Modification that is not material, but due to which a non material transaction becomes material, then the non-material modification shall also be considered as Material and shall require approval of Audit Committee of the Company.

“Omnibus Approval” means Omnibus Approval as stated in Clause 4.3 of this Policy made in line with Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and applicable from time to time.

“Policy” means this Policy on Related Party Transactions and its materiality.

“Related Party” means a related party as defined under (i) Section 2 (76) of the Companies Act, 2013, as amended from time to time, (ii) the applicable accounting standards and (iii) SEBI LODR, as amended from time to time

The definition of related party as defined under section 2(76) of the Companies Act, 2013 is reproduced as follows:

- A.** Related Party with reference to the Company under Section 2(76) of the Companies Act, 2013 means
- i.** a Director or his relative
 - ii.** a Key Managerial Personnel or his relative
 - iii.** a firm, in which a Director, Manager or his relative is a partner
 - iv.** a private company in which a Director or Manager or his relative is a Member or Director

- v. 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
- vi. any Body Corporate whose Board, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager
- vii. any person under whose advice, directions or instructions a Director or Manager is accustomed to act:
- viii. Provided that nothing in sub-clauses (vi) and (vii) shall not apply to the advice, directions or instructions given in a professional capacity;
- ix. any company/body corporate which is – (A) a holding, subsidiary or an associate Company of such Company; or (B) a subsidiary of a holding Company to which it is also a subsidiary or (C) an investing company or the venturer of the Company;
- x. Director other than an independent director or Key Managerial Personnel of the holding company or his relative with reference to a Company;

B. The definition of related party under the accounting standards is reproduced as follows:

Meaning of Related Party under the applicable accounting standards is as follows:

As per Ind AS-24, the parties are related to each other if at any time during the reporting period one party has the ability to control the other party or exercise significant control over the other party in making financial and / or operating decisions.

C. The definition of related party under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as follows:

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

Control means:

- a) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- b) Control of the composition of the Board of the Company or the composition of the corresponding governing body in case of any other enterprise, or
- c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and / or operating policies of the enterprise. Related party relationships covered are as under:

- a) Enterprises, that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- b) associate or joint venture of the reporting enterprise (or an associate or joint venture of a member of a group of which the other entity is a member); or
- c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- d) Key Management personnel and relatives of such personnel; and
- e) Enterprises over which and person described in (c) or (d) is able to exercise significant influence.
- f) **“Related Party Transaction”** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including transactions as defined as a “related party transaction” under the relevant provisions of the Companies Act, 2013 or the SEBI Listing Regulations or any other related law, regulation, standard and:
 - (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;

Explanation: A **“transaction”** shall be construed to include single transaction or a group of transactions in a contract.

“Relative” means relative as defined under Section 2(76) of the Companies Act, 2013.

4. Policy

Every Related Party Transactions proposed to be entered into by the Company must be reported to the Audit Committee for prior approval in accordance with this Policy and applicable laws. If the law requires prior approval of the Board for any Related Party Transactions, or if the Board elects to review and approve any such Related Party Transactions then such transaction shall be approved by the Board.

In accordance with this Policy, the Audit Committee may grant omnibus or blanket approvals for the proposed Related Party Transactions which are regular/routine/repetitive in nature. The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus/blanket approval for Related Party Transactions that cannot be foreseen up to a value of Rs. 1 crore per transaction.

4.1. Identification of potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy and applicable laws.

Each Director and Key Managerial Personnel shall at the time of appointment and thereafter make an annual declaration to the Company within the first week of the financial year as regards his or her interest, shareholdings in other companies/body corporates and also the list of relatives and their interest in other companies/ firm/ body corporates and this declaration shall be placed before the Board at their first meeting held in the financial year. Any change in the declarations as regards any additions/ deletions shall be intimated by the Directors and Key Managerial Personnel by way of a fresh declaration to the Company within 7 days of such change. All such declarations about the change received by the Company shall be placed before the Board at the first subsequent meeting held after the receipt.

The validity of the above declaration would be only and up to the date of the first Audit Committee/ Board meeting of the following financial year and a fresh declaration is required to be given in the manner as mentioned above for each financial year.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

4.2. Pricing methodology for Related Party Transactions

The Related Party Transactions with any Related Party should be entered on Arm's Length basis (unless otherwise determined by the Board and in such cases wherever necessary with the requisite approval of the shareholders) and should be negotiated in the same manner as being done while dealing with an independent third party. While fixing the price, due regard should be given to the surrounding business and commercial situation and such situation need to be documented and should be available for inspection by the Board. Proper reasoning should be presented before the Audit Committee specifying why the RPT should be considered as Arm's Length Basis Transaction.

4.3. Review and Approval of Related Party Transactions

Prior approval of the Audit Committee

All proposed Related Party Transactions shall be referred to the next regularly scheduled meeting of Audit Committee for its review and approval. It is clarified that No Related Party Transaction shall and subsequent material modification be entered into without seeking the prior approval of the Audit Committee.

Any member of the Committee or the Directors of the Board who has a potential interest in Related Party Transaction placed before the Committee will in terms of Rule 15 (2) of Companies (Registration Offices and Fees) Rules, 2014 shall not be present at the meeting during discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction. The members of the audit committee, who are independent directors, can only approve related party transactions. In case all the Members of the Audit Committee are interested in the Related Party Transaction, then the Audit Committee shall not approve that RPT and shall forward it to the Board for its Approval.

A Related Party Transaction to which the subsidiary of a PB Fintech Ltd is a party but PB Fintech Ltd is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the PB Fintech Ltd;

With effect from April 1, 2023, a Related Party Transaction to which the subsidiary of PB Fintech Ltd is a party but the PB Fintech Ltd is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

Any member of the Committee who has a potential interest in any Related Party Transaction(s) will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction(s).

Approval through circular resolution

In the event it becomes 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. Such approval must be ratified by the Committee at its next scheduled meeting.

Omnibus/blanket approval

The Committee may also grant an omnibus/blanket approval as per this Policy in respect of Related Party Transactions which are repetitive/routine/regular in nature and are entered on long term contract basis. Such approvals would however be subject to the following details being available while granting such approval;

- i.** Names/s of the related party; nature of transaction; period of transaction; amount of transaction that can be entered into;
- ii.** The indicative base price/ current contracted price and formula for variation in the price, if any; and
- iii.** Such other conditions/details as the Committee may deem fit.

The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus/blanket approval for Related Party Transactions up to a value of Rs. 1 crore per transaction where the need for such transactions cannot be foreseen and for which the aforesaid details are not available.

The omnibus/blanket approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. However, the details of the transactions entered into under such approvals will be placed for review of the Committee/ Board on a quarterly basis.

Board's Approval

If the Committee is of the view that a Related Party Transaction should be placed before the Board, or if the Board in any case prefers to review any such Related Party Transaction or if it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at its meeting in accordance with the provisions of this Policy. It is hereby clarified, that until otherwise permitted in law, the Board will not be able to approve a Related Party Transaction by way of a circular resolution.

Shareholder's Approval

All material related party transactions and subsequent material modifications shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. All Related Party Transactions in excess of the limits

prescribed under the Section 188 of the Companies Act, 2013 and the Rules made thereunder, which are not in the ordinary course of business or not on Arm's Length basis shall also require prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

The transactions approved by the Audit Committee on an Omnibus Approval basis, shall be approved by the Shareholders in case the threshold breaches.

Information to be provided to the Audit Committee/ Board for approval:

To review a Related Party Transaction, the Committee/ Board must be provided with all relevant material information of the Related Party Transaction like:

- a) The name of the related party and nature of 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 other 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) Any other information relevant or important for the Board to take a decision on the proposed transaction. in addition to the justification on arms' length/ in the ordinary course of business and the benefits to the Company and to the Related Party.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and

Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect nature of the Directors, 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/Committee deems relevant.

- (iv) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company

4.4. Exemptions:

Notwithstanding the foregoing, the following transactions shall not be deemed to be RPTs for the purpose of this Policy, and shall not require approval of Audit Committee, Board or shareholders, as the case may be.

- a)** Related Party Transactions entered into by the Company with its wholly owned subsidiaries, whose accounts are consolidated with the Company and place before the shareholders at the general meeting for approval.
- b)** Related Party Transactions between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- c)** The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- d)** The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

Such other exclusions and exemptions as may be provided under the Act/Listing Regulations, or other applicable laws from time to time.

- e)** Subject to the applicable laws, approval of the board would not be required for the Related Party Transactions which are in the ordinary course of Company's business and entered on Arm's Length basis.

5. Related Party Transactions not approved under this Policy

In the event, the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy, the matter shall be reviewed by the Committee or the Board as may be required in accordance with this Policy. The Committee, or the Board, as the case may be, 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 Committee, or the Board, as the case may be, shall also examine the facts and circumstances pertaining to the failure of reporting.

In any case, where the Committee, Board or the shareholders, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or 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 a Related Party Transaction, the Committee, or the Board, as the case may be, has authority to modify or waive any procedural requirements of this Policy.

6. Disclosure

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

The company will make disclosures in compliance with the Accounting Standard and other applicable law on “Related Party Disclosures” in its Annual Report. The Policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report of the Company.

7. Interpretation and Amendment

This Policy shall be subject to the laws to the Company. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may consult the Board or may take help of any of the officers of the Company or an outside expert as it deems fit.

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, subject to the same being in compliance with the applicable laws.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

Approval Matrix

Transaction with Related Parties

Type of RPT	Approving body		
	Audit Committee	Board	Shareholders
RPTs u/s 188 -ordinary course & at arm length basis	Required	-	-
RPTs u/s 177	Required	-	-
RPTs under Reg 23 of SEBI(LODR) Regulations	Required	-	-
RPT above-not in ordinary course & arm length& non material	Required	Required	-
<u>Material RPTs</u>	Required	Required	Required

Transaction with subsidiaries (not wholly owned subsidiaries)

Type of RPT	Approving body		
	Audit Committee	Board	Shareholders
RPTs u/s 188- ordinary course & at arm length basis	Required	-	-
RPTs us 177	Required	-	-
RPTs under Reg 23 of SEBI(LODR) Regulations	Required	-	-
RPTs above-not in ordinary course & arm length& non material	Required	Required	-
Material RPTs	Required	Required	Required

Transaction with wholly owned subsidiaries

Type of RPT	Approving body		
	Audit Committee	Board	Shareholders
RPTs u/s 188- ordinary course & at arm length basis	Required	-	-
RPTs us 177	-	-	-
RPTs under Reg 23 of SEBI(LODR) Regulations	-	-	-
RPT u/s 188 -not in ordinary course & arm length& non material	Required	Required	-
RPTs u/s 177-not in ordinary course & arm length & material	-	-	-

Transaction between subsidiary and its related party where the company is not a party

Type of RPT	Approving body		
	Audit Committee	Board	Shareholders
Unlisted subsidiaries	Required if threshold* exceeds	Required(if not in ordinary course & arm length)	Required (If material)

*10% of annual consolidated turnover of listed entity (10% of standalone turnover of subsidiary wef 01.04.2023)