

RELIANCE RETAIL FINANCE LIMITED

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

INTRODUCTION AND OBJECTIVE

This policy has been outlined within the framework of Revised Regulatory Framework for Non-Banking Financial Companies issued by the Reserve Bank of India vide its Notification Master Direction DNBR. PD. 008/03.10.119/2016-17.

In terms of the extant regulatory framework as notified in the Reserve Bank of India (RBI) master circular dated September 1, 2016 (as amended from time to time) all systemically important NBFC (NBFC-ND-SI) are required to disclose all material transactions with related parties and its policy on dealing with Related Party Transactions on its website and also in the Annual Report.

In accordance with the above, the Board of Directors of Reliance Retail Finance Limited (herein after referred to as “Company” or “RRFL”) has approved the policy on dealing with Related Party Transactions at its meeting held on July 22, 2020.

The policy will be effective from July 22, 2020.

SCOPE AND INCLUSION

This policy sets definition of related party transactions and dealing with related party transactions.

POLICY

Contracts / arrangements will be treated as Related Party Transaction if the same has been entered with any entity which fulfils the definition of “Related Party” as per Accounting Standard -18 and / or definition given under Section 2(76) of the Companies Act, 2013. All related party contracts / arrangements shall be entered on arms' length basis. In exceptional circumstances, where permitted by law, related party contracts / Arrangements may deviate from the principle of arm's length, after approval from Audit Committee. All related party contract / arrangements shall comply with the Companies Act, 2013.

Definitions:

(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.

The following clauses shall be adhered to as prescribed in Section 188, Companies Act 3013:

(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 special resolution:

Provided further that no member of the company shall vote on such special 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 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.

(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 special 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 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.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(5) Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,—

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

All related party contract / arrangements shall comply with Accounting Standards. All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

All international related party contract / arrangements shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

The Audit Committee should review the transactions entered into with the related party on quarterly basis.