



SBI Payment Services Private Limited

Policy on Related Party Transactions

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1. Preamble

State Bank of India (SBI) is one of the largest financial conglomerates of India with a diversified presence across various segments. SBI Payment Services Private Limited (“SBI Payments”) is a subsidiary of SBI.

SBI Payment Services Private Limited (hereinafter referred to as “SBI Payments” or “the Company”) has formulated this policy on Related Party Transactions in line with the requirements of Section 188 of the Companies Act, 2013 and rules and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended from time to time

2. Purpose

The key purpose of this policy are as follows:

- a) To identify the related parties, updating and maintaining the database of such related parties and to identify the transactions of the Company with such related parties.
- b) To detail the principles on which the transactions between the Company and its related parties will be undertaken.
- c) To put in place a system for ensuring timely and proper disclosure/ reporting of transactions between the Company and its related parties is complied with and for laying the process of obtaining the required approvals as per the applicable regulations and law.
- d) To govern and ensure transparency in the services provided by each related party.

3. Statutory/ Regulatory Requirements

- a) Sections 177 and 188 of the Companies Act, 2013 mandates to seek approval of the Audit Committee, the Board of Directors (Board), and the Shareholders for the Related Party Transactions (RPTs) undertaken by the Company, as applicable to the transactions respectively.
- b) SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, as amended from time to time, to the extent applicable.

4. Applicability

All Related Party Transactions, with the following entities:

- a) State Bank of India, its associates and subsidiaries
- b) Hitachi Payment Services Private Limited
- c) Key Managerial Personnel (under section 2(51) of the Companies Act 2013)
- d) Any other party, designated as a related party, by virtue of any provisions of the Act, Statute or Regulations, as applicable from time to time.

5. Definitions

- a) **"Act"** means the Companies Act, 2013 and includes any statutory modifications or re-enactments thereof from time to time.
- b) **"Audit Committee" or "Committee"** means a committee constituted of the Board of Directors of SBI Payments.
- c) **"Arm's Length Transaction:** As per Explanation (b) to Section 188 (1) of the Companies Act, 2013, "arm's length transaction" means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- d) **"Associate Company":** As per Section 2(6) of the Companies Act, 2013, "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

[Explanation— For the purpose of this clause:

(a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

- e) **"Board of Directors" or "Board"** means the Board of Directors of SBI Payments.
- f) **"Control";** as per Section 2(27) of the Companies Act, 2013, control shall mean the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.
- g) **"Key Managerial Personnel" (KMP)** means key managerial personnel as defined under the Companies Act 2013 and includes the following, if applicable:
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the Chief Financial Officer;
 - (iii) the Whole-Time Director;
 - (iv) the Company Secretary; and
 - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - (vi) Such other officer as may be prescribed under the Act.
- h) **"Ordinary course of business"** means any matter which transpires as a matter of normal and incidental daily customs and practices in business and / or something which is done, as a matter of corporate historical practice, in the ordinary course of business and includes:
 - (i) transactions covered in the 'main objects' or the 'objects incidental or ancillary' to attainment of the main objects as envisaged in the Memorandum of Association of the Company;
 - (ii) transactions which are usually carried on by the Company;

- (iii) transactions which has been done by the Company regularly;
- (iv) transactions done with a Related Party on a similar basis as if a third party; and
- (v) transactions or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

i) Subsidiary Company or Subsidiary:

"Subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than one-half of the [total voting power] either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed under Rule 2 of the Companies (Restriction on Number of Layers) Rules, 2017 shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation—For the purposes of this clause—

- (a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) The expression "company" includes any body corporate;
- (d) "Layer" in relation to a holding company means its subsidiary or subsidiaries;
- j) **“Listed Entity”** for the purpose of this policy shall mean State Bank of India or SBI, the holding entity of the company, which has listed its shares and securities on the BSE and NSE Ltd and to whom the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time is applicable.
- k) **LODR Regulations” or “SEBI (LODR) Regulations”** shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and as applicable to the Company, by virtue of being a subsidiary of a listed entity.

I) "Related Party":

As per Companies Act, 2013 (the Act)

As per Section 2(76) of the Companies Act, 2013 and rules made thereunder, if any, "Related Party" with reference to a Company, 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 of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in professional capacity;
- (viii) any 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 venture of the company;Explanation – For the purpose of this clause, "the investing company" or the venture of a company means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate
- (ix) such other person as may be prescribed. [As per Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, the prescribed persons are – a director, other than an independent director or key managerial personnel of the holding company or his relatives with reference to a company, shall be deemed to be a related party.

As per SEBI (LODR) Regulations, 2015:

- (i) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (ii) any person or any entity, holding equity shares:
 - (a) of twenty per cent or more; or
 - (b) 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 immediately preceding financial year; shall be deemed to be a related party for the company.

m) "Related Party Transactions"

As per Companies Act, 2013

In terms of Section 188 (1) of the Companies Act, 2013, related party transactions means all transactions between the Company on one hand and one or more Related Party on the other including contracts, arrangements and transactions, detailed as under:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit¹ in the company, its subsidiary company or associate company; and underwriting the subscription of any securities or derivatives thereof, of the company.

As per SEBI (LODR) Regulations 2015:

In terms of Listing Regulations, "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- i. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- ii. a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction, however to ensure compliance with provisions of Articles of Association with respect to reserved matters:

- (a) 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;
- (b) 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.

¹ As outlined in the Companies Act, 2013, 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;

- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

- n) **"Relative"** mean such person as defined in Section 2(77) of the Companies Act, 2013, as amended from time to time.

As per 2(77) of the Companies Act, 2013 and Rule 4 of Companies (specification of definitions details) Rules, 2014 following are covered under definition of relatives:

- (i) Member of a Hindu Undivided Family;
- (ii) Spouse
- (iii) Father (includes the step-father);
- (iv) Mother (includes the step-mother);
- (v) Son (includes step-son);
- (vi) Son's wife;
- (vii) Daughter;
- (viii) Daughter's husband;
- (ix) Brother (includes the step-brother) or
- (x) Sister (includes the step-sister)

6. Identification of Related Parties & Process for entering into a Related Party Transactions

- (i) The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties:
- (a) Every director shall at the first meeting of the Board in which he 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 which shall include the shareholding, in 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.
 - (b) Every director shall also furnish a declaration in relation to their relatives, their relatives' partnership in firms, interest/shareholding/directorships in private companies and public companies;
 - (c) Declaration by KMPs of the Company regarding relatives and entities over which they are able to exercise significant influence etc.
 - (d) Declaration by CFO or Company Secretary whether any company is a a holding, subsidiary or an associate company (including a joint venture company) of the company or a fellow subsidiary and investing company or venture of the Company.

The Company should receive the aforesaid declarations in the beginning of every financial year and shall be collated and maintained by the Company Secretary.

The Company Secretary of the Company shall at all times maintain a database (Register of contracts or arrangements) of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the declarations above. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.

(ii) Process:

- (a) The transactions with Related Parties shall generally be in the form of master agreements which would define the terms governing the transactions along with amount to be paid or where the monetary value is not definite, it shall be based on a formula/calculation which is duly approved.
- (b) As and when a transaction with any Related Party, as defined above in this policy, is contemplated or execution of master agreements with Related Party is in the process as stated above, the functional departmental heads shall share the details to the Company Secretary with the supporting documents including an external certificate to be obtained for Transfer pricing, justifying that the transactions are on arms' length basis and in an ordinary course of business at prevailing market rate.

The details may include the following:

- (i) the name of the Related Party and the nature of relationship;
 - (ii) the nature of the contract or arrangement;
 - (iii) the duration and particulars of the contract or arrangement;
 - (iv) the material terms of the contract or arrangement including the value, if any;
 - (v) general description of the transactions, including material terms and conditions, if any;
 - (vi) Any advance paid or received for the contract or arrangement, if any;
 - (vii) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
 - (viii) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
 - (ix) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
 - (x) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;
 - (xi) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally;
 - (xii) copy of the draft contract/agreement detailing the contractual obligations of the transaction and
 - (xiii) any other material information regarding the transactions or the Related Party's interest in the transactions.
- (c) Based on the details shared above, the Company Secretary will appropriately take it up for necessary prior approvals from the relevant authority at its next meeting and convey back the decision to the originator.

- (d) For the purpose of implementing the provisions under this Policy, the Audit Committee and/or Board of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy. In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

7. Approvals in reference to Related Party Transaction

(A) Approval by Audit Committee (as per Section 177(4) (iv) of the Companies Act, 2013)

- (a) The Audit Committee shall review and if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented to the Committee:
- (i) the name of the Related Party and the nature of relationship;
 - (ii) the nature of the contract or arrangement;
 - (iii) the duration and particulars of the contract or arrangement;
 - (iv) the material terms of the contract or arrangement including the value, if any;
 - (v) general description of the transactions, including material terms and conditions, if any;
 - (vi) Any advance paid or received for the contract or arrangement, if any;
 - (vii) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;
 - (viii) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
 - (ix) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
 - (x) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;
 - (xi) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally;
 - (xii) copy of the draft contract/agreement detailing the contractual obligations of the transaction and
 - (xiii) any other material information regarding the transactions or the Related Party's interest in the transactions.
- (b) If any material information with respect to such transactions changes subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.
- (c) In case of transaction, other than transactions referred to in Section 188 of the Companies Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

Provided also that in case any transaction involving any amount not exceeding one crore rupees 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 and if the transaction is with the related party to any director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

(d) Omnibus Approval for RPTs by Audit Committee:

- In cases of frequent/regular/repetitive transactions, other than the transactions which are undertaken pursuant to the Agreement which is already approved by Audit/Board/Shareholders as the case may be, the Audit Committee may accord omnibus approval for related party transactions proposed to be entered into by the Company 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 Companies Act, 2013 and such other criteria as the Committee may deem fit.
1. 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.
 2. 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.
 3. The omnibus approval may 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.

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.

4. 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.
5. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
6. Any other conditions as the Audit Committee may deem fit.

(B) Approval by Audit Committee (As per SEBI (LODR) Regulations, 2015):

1. As per SEBI (LODR) Regulations, 2015, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity; and
2. With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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.

(C) Approval of the Board (to be accorded only in the Board Meeting and not by circulation):

- (a) The following Related Party Transactions shall be placed before the Board of Directors for approval, on being referred by the Audit Committee:
 - (i) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis;
 - (ii) Related Party Transactions not on Arm's Length basis / Arm's Length Price, and/or;
 - (iii) Related Party Transactions not in the Ordinary Course of Business.

For avoidance of doubt, the RPTs in the Ordinary Course of Business and at Arm's Length basis, shall require approval only from the Audit Committee.

- (b) Further, if the Audit Committee determines that an RPT should be brought before the Board even if the same is in ordinary course of business and at arm's length basis or if the Board elects to review any such matter or it is mandatory under any law for the Board to approve the RPT, then that shall be put forth before the Board. The Board shall approve such RPTs as required to be approved under the Act.
- (c) The agenda of the Board meeting at which the resolution is proposed shall disclose:
 - (i) The name of the related party and nature of the relationship type, etc.
 - (ii) the nature, duration and other 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) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (vi) 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

- (vii) any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.

Any Director that has an interest or concern in any contract or arrangement shall in terms of the provisions of the Act, disclose the nature of his concern or interest before or at the meeting of the Board in which the contract or arrangement is discussed.

- (d) In cases, where prior approval of the Board is not taken, the Board may ratify the transactions within three months from the date on which such contract or arrangement was entered into in accordance with this Policy.

(D) Shareholder's Approval

Subject to the exemptions as prescribed under the Companies Act, 2013, the Company shall take necessary approvals from the shareholders while entering into the related party transactions, which are not in the ordinary course of business and at arm's length basis, in case the value of the transactions exceeds the limits as prescribed Rule 15 of the Companies (Meeting of the Board and its power) Rules, 2014

As per the proviso to Section 188 (1) of the Companies Act, 2013, requirement of passing the resolution shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

8. Exceptions

- (i) 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 and/or the Board as may be required and shall consider all 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 by the Audit Committee/Board/Shareholders;
- (ii) Where the Audit Committee and/or Board and/or Shareholders, as required under the provisions of the Act, have approved any agreement(s) with the Related Party or policy(s) for the Company, then any such related party transactions undertaken in ordinary course of business and on an arms' length basis under such agreement(s) or policy(s) shall not require a separate approval by the Board/Audit/Shareholders. The approvals for such an agreement(s) or policy(s) shall be deemed to extend to all such related party transactions, provided the same are undertaken on an arms' length basis and as per the terms defined in the agreement and policy.
- (iii) Any related party transaction which has not been proposed for approval/ ratification/ due to oversight, shall not be considered to be void, unless the same is prejudicial in the interest of the members of the Company and the Audit Committee/ Board of Directors state the same.

Notwithstanding the foregoing, the following shall not be deemed to be Related Party Transactions for the purpose of this Policy and thus the approval of Audit Committee/Board of Directors/Shareholders shall not be required in such cases:

- Any transaction that involves providing of reimbursements or advances to a director or KMP or official working in whole time position, in accordance with the provisions of Companies Act, 2013, in connection with his or her duties to the Company;
- Reimbursement made of expenses incurred by a Related Party for business purpose of the Company or reimbursement received for expenses incurred by the Company on behalf of a Related Party;
- Any transaction that involves the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business; and
- Sitting fees paid to Directors in terms of provisions of the Companies Act, 2013;
- A transaction to give effect to an order of a Court or Tribunal or similar authority.
- Normal banking transactions (deposits, interest, bank charges etc.).

9. Disclosures

The Board of Directors/Audit Committee, as applicable shall on quarterly basis, undertake the noting of all related party transactions undertaken by the Company (whether covered in this policy or otherwise) for the financial year.

The policy on Related Party Transactions shall be placed on the website of the Company.

10. Review of the policy

This Policy shall be reviewed by the Audit Committee every year, in order to align with the ongoing regulatory and business requirements. The policy reviewed by the Audit Committee shall be placed before the Board for its approval.

Consequent upon any changes in regulatory guidelines, such change shall be deemed to part of the policy until the policy is reviewed and approved next time.