

RELATED PARTY TRANSACTIONS POLICY (HIFSL)

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Document History

Version History

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Document Reviewer / Approver

Role	Name	Email
Approver	Board of Directors	-

Related Party Transactions Policy

INTRODUCTION

The Board of Directors (**“the Board”**) of HSBC InvestDirect Financial Services (India) Limited (**“the Company”** or **“HIFSL”**), has adopted the following Related Party Transaction Policy (**“Policy”**) with regards to any contract or arrangement with a Related Party under the applicable provisions of the Companies Act, 2013 read with rules framed thereunder (the **“Act”**) and other applicable provisions, regulations, if any.

The Policy shall be effective immediately and the same shall be applicable to all prospective transactions.

I) PURPOSE

This Policy is framed as per the provisions of the Act and Master Direction- Non- Banking Financial Company-Systemically Important- Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and intend to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its Members.

The Company is required to disclose each year in the financial statements, transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

II) DEFINITIONS

- a) **“Annual Turnover”** and **“Annual Consolidated Turnover”** means turnover of the Company as reflected in the Audited Financial Statements of the preceding financial year;
- b) **“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;
- c) **“Associate”** means a company as defined under the provisions of the Act including any amendments/ modifications from time to time
- d) **“Audit Committee”** or **“Committee”** means Committee of Board of Directors of the Company constituted under provisions of the Act.
- e) **“Board”** means Board of Directors of the Company;
- f) **“Company Secretary”** means a person who is appointed by the Company to perform the functions of the Company Secretary under provisions of the Act;
- g) **“Key Managerial Personnel (KMP)”** means a person who is defined as KMP under the provisions of the Act including any amendments/ modifications from time to time;

- h) **“Material Related Party Transaction”** means a transaction with a Related Party in terms of the provisions of the Act including any amendments/ modifications from time to time;
- i) **“Net worth”** means net worth of the Company computed in accordance with the provisions of the Act including any modifications/amendment from time to time;
- j) **“Policy”** means Related Party Transaction Policy;
- k) **“Related Party”** means related party as defined under the provisions of the Act including any modifications/amendment from time to time;
- l) **“Relative”** means relative as defined under Section 2(77) of the Companies Act, 2013 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)
- m) **“Transaction”** with a related party shall be construed to include any contract or arrangement or transaction, whether single or as a group of transaction and for the purpose of applying thresholds laid down in this Policy it shall include previous transaction(s) during the financial year with the said Related Party.

III) APPROVAL OF TRANSACTION

a) Approval of the Audit Committee

- i. All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee. Where any Member/Director is considered interested in any transaction with related party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.
- ii. To review a related party transaction, the Committee will be provided with all relevant material information of the related party transaction, 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. In determining whether to approve a Related Party Transaction, the Committee will consider the various informations/criteria/factors as mentioned in the Act, to the extent relevant to the Related Party Transaction.
- iii. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in the

Act and the Rules made thereunder including any modifications/ amendment thereat from time to time.

- iv. The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- v. If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.
- vi. The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.
- vii. To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
- viii. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

b) Approval of the Board and the Shareholders

- i. The Board shall approve such Related Party Transactions as are required to be approved under Act and/or any other Regulations applicable to the Company and/or transactions referred to it by the Audit Committee.
- ii. Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered.
- iii. All such related party transactions exceeding threshold limits prescribed in the Act shall also require prior approval of shareholders of the Company by way of an Ordinary Resolution and related party/ies shall abstain from voting on such resolution.
- iv. In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

c) Transactions which do not require approval

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

IV) 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 or Audit Committee, through the Company Secretary 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 / Audit Committee, 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 Audit Committee / the Board has adequate time to obtain and review information about the proposed Transaction.

V) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Committee may examine the facts and circumstances of the case.

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

VI) EXCEPTIONS

Approval of Audit Committee/ Board of Directors/ Shareholders 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.

VII) IMPLEMENTATION

This Policy will be communicated to all concerned employees and other persons of the Company and the same shall be effective from immediate effect and be reviewed on annual basis.