ESS KAY FINCORP LIMITED
(Previously Ess Kay Auto Finance Private Limited)

POLICY ON RELATED PARTY TRANSACTIONS

The policy is based on Section 188 of the Companies Act, 2013

Effective from May 19, 2017

1. **Introduction**

The board of directors (the "**Board**") of Ess Kay Fincorp Limited ("**Company**") has adopted the following policy and procedures with regard to Related Party Transactions (*as defined hereinafter*). The Audit Committee (*as defined hereinafter*) on the recommendation of the Board will review and may amend this Policy from time to time. This Policy will be applicable to the Company effective from [30th December'2018] (*Closing Date).*

Purpose

This Policy is being brought in place to ensure that all Related Party Transactions undertaken by the Company are in compliance with and abide by applicable law (including the Charter Documents and the Shareholders Agreement).

2. **Definitions**

"**Act**" means the (Indian) Companies Act, 1956 (to the extent that such enactment is in force and applicable to the context in which such term is used herein), or the (Indian) Companies Act, 2013 (to the extent that such enactment is in force and applicable to the context in which such term is used herein), in each case and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments of the foregoing (any reference to a section of the Act will be to such section of the Companies Act, 2013, unless otherwise specified).

"**Arm's Length Basis**" means a transaction between two Related Parties that is conducted as if they were unrelated so that there is no conflict of interest. For determining Arm's Length Basis, reliance shall be placed on Indian Accounting Standard (Ind AS) 24.

"**Articles**" or "**AOA**" means the Articles of Association of the Company as may be amended from time to time as prescribed under the Transaction Documents.

"**Audit Committee**" means "Audit Committee" constituted by the Board of Directors of the Company under provisions of the Act and in compliance with Articles, from time to time.

"**Board of Directors**" or "**Board**" means the Board of Directors of the Company, as constituted from time to time.

"**Director**" shall have the same meaning as prescribed to it under the Transaction Documents.

"**Investor Nominee Director**" shall have the same meaning as prescribed to it under the Transaction Documents.

"**Key Managerial Personnel**" shall mean and include Key Management Team and Key Managerial Persons.

"**Key Managerial Persons**" shall have the same meaning as prescribed to it under the Share Subscription Agreement;

"**Key Management Team**" shall have the same meaning as prescribed to it under the Shareholders Agreement;

"**Ordinary Course of Business**" in relation to the Company means the ordinary course of business, as applicable, consistent with past practice and compliant with Applicable Laws in all material respects or to the extent required to taken in compliance with statutory obligations or contractual obligations existing as of the date hereof or entered in accordance with the terms of the Transaction Documents;

"**Person(s)**" shall mean an individual, corporation, partnership, limited liability partnership, association, trust or other entity or organisation, including a government or political subdivision or an agency or instrumentality thereof.

"**Policy**" means this policy in relation to Related Party Transactions of the Company.

"**Qualifying Investors**" means each of (a) the Investors (other than Investor 1) and (b) Investor 1 (on and from the date Investor 1 issues the NVP Certificate) and (c) each NVP Eligible Transferee.

"**Related Party**" means such party with reference to a company as defined in Section 2(76) of the Act.

"**Related Party Transaction**" means any agreement, arrangement or contract (whether in writing or otherwise) entered into by the Company with a Related Party of such Company (including lending or investment transactions, infrastructure sharing agreements, referral and commission arrangements, etc.) and such other transactions that qualify as a related party transaction under the Indian Accounting Standards (Ind AS) 24.

"**Shareholders Agreement**" means the shareholders agreement dated November 7, 2017 entered into by the Company with Norwest Venture Partners X- Mauritius, Karma Holdings Mauritius Limited, Baring Private Equity India AIF and Rajendra Kumar Setia;

"**Share Subscription Agreement**" means the share subscription agreement dated November 7, 2017 entered into by the Company with Norwest Venture Partners X- Mauritius, Karma Holdings Mauritius Limited, Baring Private Equity India AIF and Rajendra Kumar Setia;

All other capitalized terms not defined under this Policy shall have the same meaning as ascribed to them under the Shareholders Agreement.

3. Policy

3.1. Role of the Audit Committee

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy. No omnibus approval shall be granted by the Audit Committee for Related Party Transactions. It is clarified that, the foregoing restriction shall not require the Audit Committee to approve commissions payable to a Related Party on 'a per transaction basis' and the Audit Committee may stipulate a cap on the commissions that may be payable to a Related Party or stipulate a rate of commission payable to such Related Party, which cap or rate may be applied on an annual basis or for any identified part of a Financial Year. Each proposed Related Party Transaction or any modifications thereof, shall be placed before the Audit Committee for prior approval in accordance with this Policy.

3.2. **Identification of Potential Related Party Transactions**

Each Director and Key Managerial Personnel is responsible for providing notice to the company secretary of any potential or proposed Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. It is hereby clarified that such notice by the relevant Director or Key Managerial Personnel shall be sent prior to such Related Party Transaction being approved to the Audit Committee so as to assist the Audit Committee in determining to grant approval for the said Related Party Transaction. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. In the event a Director or Key Managerial Personnel, as the case may be, fails to provide prior notice as required in this Clause 3.2, the Related Party Transaction shall be rescinded/terminated by the Company.

3.3. **Review and Approval of Related Party Transactions**

(i) Every Related Party Transaction shall be subject to the prior approval of the Audit Committee (which approval shall be deemed to have been obtained if majority of the members of the Audit Committee have voted in favour of such a matter (which majority shall be deemed to not have been achieved unless the consent of each of the Investor Nominee Directors is obtained as per the Articles)). Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

(ii) It is hereby clarified that each Related Party Transaction (including each Current Related Party Transaction) existing as on the date of this Policy becoming effective shall be placed for approval at the first Board Meeting held after the Closing Date, shall require Investors' Consent from Qualifying Investors and shall also be placed before the Audit Committee for approval in accordance with this Policy and the Audit Committee shall consider and approve such Related Party Transaction, with or without modification as may be necessary failing which such Related Party Transaction shall be rescinded/terminated by the Company.

(iii) To review a Related Party Transaction, the Audit 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. The information provided shall specifically cover the following:

a. the name of the potential Related Party and nature of relationship;

b. the nature, duration of the contract and particulars of the contract or arrangement for the proposed Related Party Transaction;

c. the material terms of the contract or arrangement including the value (i.e., the pricing and other commercial terms of the contract or arrangement for the proposed Related Party Transaction including details with respect to how such market value was determined), 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/payment 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;

g. the persons/authority approving the proposed Related Party Transaction;

h. details on historical transactions with the proposed Related Party ;

i. any existing/historical bad debts with the potential Related Party;

j. any guarantees given to/received from the potential Related Party; and

k. any other information relevant or important for the Audit Committee to take a decision on the proposed Related Party Transaction.

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

a. 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;

b. whether there are any undue compelling 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 would affect the independence of the Directors/ Key Managerial Personnel;

d. whether the proposed Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transaction;

e. whether the proposed Related Party Transaction is being entered into in the ordinary course of business as required under applicable law; and

f. whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the Director's, 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 Audit Committee deems relevant.

(v) Each Related Party Transaction should be brought before the Committee, then the Committee shall consider and approve (or not approve, as the case may be) the Related Party Transaction and the considerations set forth above shall apply to the Committee's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(vi) Notwithstanding anything to the contrary contained in this Policy, all the Related Party Transactions shall require: (a) approval of the shareholders through special resolution in accordance with the provisions of Companies Act, 2013 and the Related Parties shall abstain from voting on such resolution; and (b) Investors' Consent. For avoidance of doubt, the term Investors Consent will have the meaning as set out in the Articles of Association of the Company.

(vii) All Related Party Transactions, which are not in the Ordinary Course of Business and not on Arms' Length Basis shall also require the Investors' Consent from Qualifying Investors and the approval of the shareholders through special resolution as per the requirements of the Companies Act 2013 and such Related Parties shall abstain from voting on such resolution as per the provisions of the applicable law.

(viii) Without prejudice to anything stated above, the Audit Committee shall periodically review and amend the arrangement governing the following Related Party Transactions to ensure compliance with applicable law including but not limited to the arms' length pricing requirements stipulated under the Income Tax Act, 1961 and provisions of Indian Accounting Standard (Ind AS) 24.

(ix) Without prejudice to anything stated above, no decision of the Audit Committee in relation to a Related Party Transaction shall be granted without the prior consent of each of the Investor Nominee Directors.

All arrangements with relation to the matters set out above shall be entered into in writing and duly executed by the entities involved.

4. Related Party Transactions not approved under this Policy

(i) In the event the Company becomes aware of a transaction with a Related Party, which is regulated under the Act or which is not on Arm's Length Basis or not in the Ordinary Course of Business or that has not been approved or is not in accordance with the delegation approved under this Policy, such transaction shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such 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 shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

(ii) In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Related Party etc. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

5. Policy Severable

(i) This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any Applicable Law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

(ii) This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at http://www.skfin.in/