

SF3-IN Policy on Related Party Transactions

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BMW India Financial Services Private Limited

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1. Introduction

BMW India Financial Services Private Limited (Company) recognizes that certain relationships can present potential or actual conflict of interest and may raise questions about whether transactions are associated with such relationships are consistent with Company's and its stakeholders' best interest.

This policy envisages the procedure governing related party transactions required to be followed by the Company to ensure compliance with the applicable Law and Regulation. The Related Party Transaction Policy may be amended from time to time and is subject to the approval of the Board of Directors of the Company.

2. Purpose

This policy is framed as per requirement of applicable laws and intended to ensure 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 shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties. The policy specifically deals with the review and approval mechanism of material related party transactions keeping in mind the potential or actual conflicts of interest that may arise because of such transactions.

3. Applicability and Effective Date

This Policy has been approved by the Board of Directors on its meeting held on 3rd February 2015 and is effective therefrom to regulate transactions between the Company and its related parties based on applicable laws and regulations.

4. Definitions

“Arm’s Length Transactions” means transactions between two related parties that are conducted as if they were unrelated, so that there is no conflict of interest.

For determination of Arm’s Length basis, guidance can be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“Audit Committee or Committee” means a Committee of the Board of Directors of the Company constituted in compliance with section 177 of Companies Act, 2013 and as required vide Reserve Bank of India Master Circular No. RBI/2014-15/36 DNBS (PD) CC No.390/03.10.001/2014-15 dated 1 July, 2014.

“Policy” means Policy on Related Party Transactions.

“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 the threshold limit prescribed under the applicable provisions and rules as per the Companies Act, 2013

An entity shall be considered as related to the Company if any of the following conditions applies:-

- a) The entity is a related party under Section 2 (76) of the Companies Act, 2013 or;
- b) Such entity is a related party under the applicable accounting standards.

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party that involves transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

A “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract;

Words, expressions and terms used in this policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and Income Tax Act, 1961 and the Rules framed there under, as amended from time to time.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

6. Dealing with Related Party Transactions

All Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis, shall require approval of the Audit Committee and/ or Board of Directors of the Company in accordance with this policy.

7. Identification of Potential Related Party Transaction

- BMW Group Companies including investing Company or Venturer of Company as prescribed in the Companies Act, 2013 and the Rule thereof:

Explanation - For the purpose of this clause, “the investing company or the venturer 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.”

All Companies including body corporates in BMW Group shall be considered as Related Parties.

- Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) who would in turn take necessary steps to place the same before the Audit Committee.
- Directors are responsible for informing the Company of their interest (including interest of their Relatives) in other Companies, firms or concerns at the beginning of every financial year and any change in such interest during the year, immediately

on occurrence. The board shall record the disclosure of interest in Form MBP 4 and also in the prescribed Declaration and Undertaking provided in the Regulatory Framework for NBFC by the Reserve Bank of India.

- Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company. In addition, all Directors, Members of the Management Committee and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transactions involving them or their relatives.
- Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

8. Review and approval of Related Party Transactions

Unless otherwise stated in this Policy, all Related Party Transactions, other than transactions between the Company and wholly owned subsidiaries which are in ordinary course of business and which are on arm's length basis, shall require approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation. Transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis should also, as a measure of good governance, be placed before the Audit Committee for information.

The Audit Committee may also grant omnibus approval for Related Party transactions proposed to be entered into with the Company in accordance with the Companies Act, 2013.

The Audit Committee shall take into consideration the following factors like:

- a) Repetitiveness of the transactions (both past or in future);
- b) Justification about the necessity of transaction in question to be executed, which is in the interest of the Company; and
- c) Transactions which are in the ordinary course of business and are at arm's length basis.

The Board of Directors may from time to time specify the criteria in addition to the above factors for making the Omnibus approval by the Audit Committee which shall include the following:

- a) Maximum value of transactions in aggregate which can be allowed under the omnibus route in a year;
- b) Maximum indicative value per transaction which can be allowed;
- c) Extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval;
- d) Review of each omnibus approval granted by the audit committee as may be deemed fit at periodic intervals; and

- e) Transactions which cannot be subject to the omnibus approval by the audit committee.

Such omnibus approval if furnished by the Audit Committee shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of the financial year.

In the event any contract or arrangement with a related party is not in compliance of the factors as stated above then the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder (as amended from time to time) and obtain requisite approval.

Any member of the Audit Committee or Board wherever Board approval is required as per applicable provisions of the Companies Act, 2013, who has potential interest in any Related Party transaction, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such Related Party Transaction.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and the rules framed there under.

To review a Related Party Transaction, the Committee shall be provided with the following information to the extent relevant with respect to actual or potential Related Party transaction and/or prescribed under applicable laws and regulations:

- a) Name of related parties
- b) Nature and duration of the transactions
- c) Maximum amount of transaction that can be entered into
- d) Indicative base or current contracted price and the formula for variation in the price if any
- e) Any other relevant information.

Where it is not possible to foresee the need for any related party transaction and the aforesaid details are not available then the audit committee may provide approval for such transactions subject to their value not exceeding such amount as may be prescribed by the applicable laws per transactions.

9. Related party transactions not approved under this Policy

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding Related Party Transaction and shall evaluate all options available to the Company including ratification, revision or termination of the Related Party Transaction. The Committee may examine the facts and circumstances of the case and take such action/decision it deems appropriate. Any transaction which is entered by the Company in the ordinary course of business and on an arm's length basis shall not require any approval of the board of directors.

Following Related Party Transactions shall not require any separate approval under this policy:-

- a) Any Transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend;
- d) Transactions involving corporate restructuring, such as buy back of shares, capital reduction, merger, demerger, hive-off etc, which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013.
- e) Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

10. Material Related Party Transaction

Wherever applicable, all Material Related Party Transactions shall be placed for prior approval of shareholders through a Resolution. However, the Material Related Party Transactions entered into between the Company and its wholly owned subsidiaries shall not require prior approval of the shareholders.

Disclosure(S)

The Company shall disclose this Policy on its website. In addition to the disclosures required under the Accounting Standards, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.

11. Amendments in Law

In case of any doubt with regard to any provision of the policy and also in respect of matters not covered herein, a reference to be made to the Audit Committee. In all such matters, the decision of the Audit Committee shall be final.

In case of any amendment(s), clarification(s), circulars(s) etc. issued by the relevant authorities not being consistent with the provisions laid down in this Policy, then such amendments(s), clarification(s), circular(s), etc. shall prevail upon the provisions herein and this policy shall be amended accordingly from the effective date as laid down under such regulations. Further, approval on any modifications of this policy shall be approved by Board of Directors of the Company based on the recommendations of the Audit Committee.