

Pension Funds

Aditya Birla Sun Life Pension Management Ltd.



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

ADITYA BIRLA SUN LIFE PENSION MANAGEMENT LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Version 1.1

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Document Version Control:

| Version | Owner of the Document | Date of Approval by AC | Date of Approval by Board | Revised Policy Effective from | Nature of Change |
|---------|------------------------|------------------------|---------------------------|-------------------------------|--|
| 1.0 | Secretarial Department | 31/03/2016 | 31/03/2016 | 31/03/2016 | New Policy |
| 1.1 | Secretarial Department | 21/04/2022 | 21/04/2022 | 01/04/2022 | Incorporated the impact of the amendments to the Listing Regulations on the ultimate holding company |

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Introduction & Purpose

The Board of Directors of Aditya Birla Sun Life Pension Management Limited (“the Company”), on recommendation of the Audit Committee, has adopted this revised policy by its resolution dated _____ to :

- a) regulate transactions of the Company with its related parties (*as defined and identified under the Companies Act, 2013 and Rules made thereunder (the “Act”) and the SEBI (Listing Obligations and Disclosure Requirements), 2015 (“Listing Regulations”)*);
- b) ensure high standards of Corporate Governance while dealing with related parties; and
- c) ensure optimum compliance with various applicable laws prescribed for related party transactions.

This policy has been further amended effective 1 April 2022, to incorporate the impact of the amendments to the Listing Regulations on the holding company of the Company, Aditya Birla Capital Limited (“ABCL”) and its subsidiaries.

Definitions

- a) Act: means the Companies Act, 2013 and Rules made thereunder, as amended from time to time.
- b) Accounting Standard means the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National Finance Reporting Authority.
- c) Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- d) Related Party shall have the same meaning as defined under the Act, applicable Accounting Standards and the Listing Regulations, as amended from time to time.
- e) **Related Party Transaction (RPT) means transactions with related parties as defined under the Act; Listing Regulations; applicable accounting standards, as amended from time to time.**

All terms used in this policy but not defined herein shall have the meaning assigned to such terms in the Act; the Listing Regulations and Accounting Standards, as amended from time to time.

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Terms and References

- a) Arm's Length Basis:** Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one-off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed for this purpose under any law can also be considered for establishing this principle.
- b) Ordinary Course of Business:** Transactions with related parties will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities, including the fixed assets transactions and pursuant to the objects of the Company.
- c) Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower:

(i) Materiality threshold under the Act

A transaction with a related party shall be considered material if it exceeds threshold as prescribed under Section 188 of the Act read with Rules made thereunder or any subsequent amendment thereto.

(ii) Materiality threshold under Listing Regulations

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the following thresholds:

- In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of ABCL as per its last audited financial statements;
- In case of any other transaction(s), if the amount exceeds Rs 1,000 (one thousand) crore or 10% (ten percent) of the annual consolidated turnover of ABCL as per its last audited financial statements, whichever is lower.

d) Material Modification: A modification to a RPT, which has previously been approved by the Audit Committee and / or the shareholders of ABCL, shall be considered material, if the:

- value of the modification individually or taken together with modifications during a financial year, exceeds 10% of the original transaction as approved by the Audit Committee and / or the shareholders of ABCL, whichever is lower.
- material terms of the contract resulting in novation of the contract, change in tenure of the contract, deferment of security / guarantee shall also be treated as a material modification of the transaction.

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Policy

- a) The RPTs should be in conformity with the Act, Listing Regulations and applicable Accounting Standards, as amended from time to time.
- b) All RPTs shall be entered on arms' length basis and in the ordinary course of business.
- c) Any RPT which is not in the ordinary course of business of the Company or not at arm's length basis, shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of the Audit Committee.
- d) All RPTs specified in the Act which are not in the ordinary course of business of the Company or not at arms' length basis and exceed the thresholds laid down in the Act shall be placed before the shareholders' for their approval.
- e) The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions *provided that* value of each such transaction shall not exceed ₹ 1 crore.
- f) All material modifications to a RPT, which has previously been approved by the Audit Committee and / or the shareholders of ABCL, shall be placed before the Audit Committee and / or the shareholders of ABCL for prior approval.

A RPT to which the Company is a party but ABCL is not, will require prior approval of ABCL's Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of ABCL's annual consolidated turnover, as per ABCL's last audited financial statements. With effect from 1st April, 2023, a RPT to which the Company is a party but ABCL is not, will require prior approval of the ABCL's Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the Company's annual standalone turnover, as per the Company's last audited financial statements.

Notwithstanding, the RPTs which cross the materiality threshold as defined under the Listing Regulations and subsequent material modifications thereof, shall be entered by the Company only with the prior approval of the shareholders of ABCL and no related party shall vote to approve, whether the Related Party is a party to a particular transaction or not.

- g) Subject to applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.
- h) Any transaction that is specifically excluded from applicability of the related party provisions under the Act and / or the Listing Regulations shall not require a separate approval under this policy including, inter alia, all transactions between a wholly owned subsidiary ("WOS") of ABCL, and ABCL or other WOS of ABCL, whose accounts are consolidated with ABCL and placed before the shareholders at the general meeting for approval.

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- i) All domestic RPTs shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under 92BA of Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.
- j) All international RPTs shall comply with the International Transfer Pricing Requirement under Section 92B of Income Tax Act, 1961 including certification from Independent accountants under the Transfer Pricing Regulations.

Administrative Measures

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary/ authorized person shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

Interpretation

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary/ authorized person of the Company.

Disclosure

1. The Policy is available on the website of the Company i.e <https://pensionfund.adityabirlacapital.com> and a web link thereto shall be provided in the Annual Report of the Company.

Review

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.
