

Oracle Financial Services Software Limited

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Related Party Transactions Policy

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1 Introduction:

The Companies Act, 2013 (Act) has significantly revised the regulations governing related party transactions entered into by Indian companies. The Act defines related parties and related party transactions and prescribes certain approval requirements with respect to such transactions.

In line with the requirements of the Act, the Securities and Exchange Board of India (SEBI) has also amended the listing agreement entered into by companies with stock exchanges to revise the corporate governance norms with respect to related party transactions. The Listing Agreement (as defined below) also defines related parties and related party transactions and prescribes the corresponding approval requirements. The Listing Agreement also requires a listed company to adopt a policy setting out the manner in which the company will deal with related party transactions as well as the materiality thresholds applicable to such transactions.

In view of the above and to consolidate the procedural requirements under the Act and the Listing Agreement, the Company has developed this Related Party Transaction Policy (Policy). This policy was approved by the Board of Directors (Board) of Oracle Financial Services Software Limited (Company) at its meeting held on September 8, 2014.

This policy will be effective from April 1, 2014. The Board will review and may amend this policy from time to time.

This Policy is published on the Company's website and can be accessed via the following link: www.oracle.com/financialservices

2 Scope of the Policy

This Policy sets out the principles and processes that apply in respect of transactions entered into by the Company with a Related Party.

In this Policy:

Act means the Companies Act, 2013 and the rules and regulations notified thereunder.

Audit Committee means the audit committee of the board of directors of the Company.

Board means the board of directors of the Company.

Listing Agreement means the listing agreement entered into by the Company with the stock exchanges, as amended from time to time, including by the SEBI circular dated April 17, 2014.

Material Related Party Transaction means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year above the threshold limits specified in the Companies Act, 2013 and the listing agreements.

Related Party has the meaning given to it under the section 2(76) of the Act and in the Listing Agreement.

Related Party Transaction has the meaning given to it in:

- (i) Section 188(1) of the Act, i.e. any of the following transactions with a Related Party as defined under Section 2(76) of the Act:
 - (a) sale, purchase or supply of any goods or material;
 - (b) selling or otherwise disposing of, or buying, property of any kind;
 - (c) leasing of property of any kind;
 - (d) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (e) a Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
 - (f) underwriting the subscription of any securities or derivatives of the Company, and
- (ii) the Listing Agreement, i.e. any transfer of resources, services or obligations between the Company and a Related Party (as defined under the Listing Agreement), regardless of whether a price is charged.

This Policy on Related Party Transactions complements the existing legal framework and aims at avoiding a conflict of interest in relation to the Related Party Transactions.

3 Related Party Transactions Approval Matrix

- a) No transaction with a Related Party shall be entered into by the Company unless it is approved by the appropriate authority. The table below lists the approval matrix applicable to such transactions.

Nature of Transactions	Approving Authority	Rationale
All transactions with Related Parties	Audit Committee	Requirement under section 177 of the Act and the Listing Agreement
Related Party Transactions as defined under Section 188 (1) of the Act, which are not in ordinary course of business <u>OR</u> not at arm's length	Board of Directors and shareholders of the Company	Requirement under Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014
All Material Related Party Transactions (regardless of whether they are in the ordinary course and/or on arm's length terms)	Board of Directors and shareholders of the Company	Requirement under the Listing Agreement

- b) All transactions with Related Parties (including any amendments or modifications to such transactions) must be reported by the Company to the Audit Committee and referred for its approval in accordance with this Policy.
- c) Any person who is a Related Party with respect to a particular transaction cannot participate in the approval process as may be applicable for that transaction.

4 Approval Process

4.1 Identification of Related Party Transactions

The process for entering into a Related Party Transaction will be as set out below.

Transactions with Related Parties shall generally be in the form of master agreements (Master Agreement) which would define the terms governing individual transactions / work orders / purchase orders (Sub-transactions) to be undertaken under the Master Agreement.

The Company will:

- a) identify the transactions with Related Parties;
- b) perform tests to determine whether the transaction is in the ordinary course of business operations or otherwise;
- c) review the commercial terms involved in the transaction and analyze whether the transaction is at 'arm's length' as if the party is unrelated;
- d) consider the value of the transaction to determine if it is a Material Related Party Transaction;
- e) determine the approval requirements applicable to the transaction in accordance with this Policy;
- f) prepare and maintain relevant documentation supporting the basis of its assessment;
- g) present the required details to the Audit Committee, Board or Shareholders for approvals as required; and
- h) execute the Master Agreement once the approvals are obtained.

4.2 Determining whether a transaction is in the ordinary course of business operations

Related Party Transactions that are part of regular operative activities, and connected financial activities, of any organization in similar business and size shall be considered to be in the ordinary course of business operations.

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- **Nature:** Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party.
- **Frequency:** Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- **Size of transaction:** Whether the transaction value is within the reasonable range for similar types of other transactions. An exceptionally large value transaction should invite closer scrutiny.

These are not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

4.3 Determining whether a transaction is at arm's length

As per section 188 (1) of the Act, the expression "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.

In addition to evaluating whether the transaction results in a conflict of interest on the basis of the transfer pricing report, the Company should also consider the additional tests such as those listed below:

- whether the transaction is commercially negotiated;
- whether the transaction is necessary for business opportunities for growing new or existing markets; and
- any other matters the Company considers relevant.

For on-going transactions, the last available transfer pricing report shall be the basis of the assessment. For a new transaction, a review and approval by Company's internal transfer pricing tax team would be the basis.

4.4 Approval for Related Party Transactions

All Master Agreements or any other transactions to be entered into with Related Parties must be reported to the CFO or Company Secretary or Legal Officer/Compliance Officer of the Company to enable necessary review.

The approval of the Audit Committee is required for entering into any Master Agreement or a transaction with a Related Party, including any amendment or modification to such agreements. The relevant information will be provided to the Audit Committee with respect to each Related Party Transaction/Master Agreement, such as:

- a) Name of the Party
- b) Relationship with the Company
- c) Name of the director or key managerial personnel who is related, if any
- d) Type of transaction(s)
- e) Whether the transactions are in the ordinary course of business operations
- f) Whether the transaction is conducted on an arm's length basis
- g) Copy / terms of the contract
- h) Expected annual contract value
- i) Any other relevant information

Each Master Agreement or any other transaction with a Related Party shall be subject to the approval of the Audit Committee and/or the Board and/or the shareholders, as applicable, in accordance with this Policy.

While considering a Master Agreement, the Audit Committee shall review the terms and conditions of the Master Agreement as approved by the Company's legal counsel. The Audit Committee shall have the power to delegate the authority to enter into the Sub-transactions under the Master Agreement to officers of the Company within the approved annual cumulative limit.

The Company shall monitor the actual volume of Sub-transactions entered into under each Master Agreement against the limit approved by the Audit Committee.

The Company shall submit quarterly reports to the Audit Committee setting out details of the Sub-transactions entered into pursuant to each Master Agreement.

The Company shall obtain from the Audit Committee the requisite approvals for entering into Sub-transactions which would result in a deviation from the terms approved by the Audit Committee at a meeting or by resolutions by circulation.

4.5 Exception Handling

If the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the Related Party Transaction shall be reported to the Audit Committee for its approval. A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

When reviewing a Related Party Transaction that has not been approved under this Policy, the Audit Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.
