



PhonePe Limited (the “Company” or “PhonePe”)

**Policy for Determining Material Subsidiary and Governance
Framework of all Subsidiaries including Material Subsidiary
(the “Policy”)**

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Objective

Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 specifies that a *material subsidiary shall mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. Explanation.- The listed entity shall formulate a policy for determining 'material' subsidiary.*

Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 talks about the *corporate governance requirements with respect to subsidiary of listed entity.*

Accordingly, the objective of this Policy is to lay down the governance framework for all Subsidiaries including such identified Material Subsidiaries as is required by the above mentioned SEBI LODR Regulations.

Applicability

This Policy has been issued with the approval of the Board of Directors of PhonePe and shall come into force with effect from the date of listing of the Company's equity shares on recognized stock exchange(s) in India. This Policy shall also be posted on the website of the Company, i.e., www.phonepe.com.

This Policy shall be applicable to all Subsidiaries including Material Subsidiaries of the Company.

Definitions

Unless the context requires otherwise, the words, terms, expressions, and derivations used in this Policy shall have the same meaning given in the Companies Act, 2013 and/ or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

"Act" means Companies Act, 2013, as amended from time to time and the Rules framed thereunder (including any statutory modifications, enactments or re-enactments thereof for the time being in force).

"Audit Committee" or **"Committee"** means Audit Committee of the Board of Directors of the Company constituted under provisions of the Act and the SEBI LODR Regulations.

"Board" or **"Board of Directors"** means Board of Directors of the Company.

"Body Corporate" means body corporate as defined under section 2(11) of the Act.

"Company" means PhonePe Limited ("**PhonePe**").

"Listed Subsidiary" or **"Listed Subsidiaries"** means a Subsidiary of the Company that is a company as defined under section 2(87) of the Act and whose equity shares are listed on any of the recognized Stock Exchanges in India.

"Material Subsidiary" or **"Material Subsidiaries"** shall mean a Subsidiary of the Company, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively of the Company and its subsidiaries in the Company's immediately preceding accounting year.

"Net worth" means Net worth as defined under section 2(57) of the Act.

“Policy” means Policy for Determining Material Subsidiary and Governance Framework of all Subsidiaries including Material Subsidiary.

“Revenue” means revenue as defined in the Indian Accounting Standards.

“Significant Transaction or Arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the subsidiary for the immediately preceding accounting year.

“SEBI” means Securities and Exchange Board of India.

“SEBI LODR Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (including any statutory modifications, enactments or re-enactments thereof for the time being in force) together with the circulars/ guidance issued by the stock exchange(s) and SEBI.

“Subsidiary” or “Subsidiaries” in relation to any other company (that is to say the holding company), means a company in which the holding company –

- (i) controls the composition of the board of directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation. – For the purposes of this clause, –

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company’s board of directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes any Body Corporate;
- (d) “layer” in relation to a holding company means its subsidiary or subsidiaries.

“Turnover” means Turnover as defined under section 2(91) of the Act.

“Unlisted Subsidiary” or “Unlisted Subsidiaries” means a Subsidiary of the Company as defined under section 2(87) of the Act, and whose securities are not listed on any of the Stock Exchanges in India or outside India.

Criteria for determining a Material Subsidiary

As determined by the Audit Committee, any Subsidiary of PhonePe which falls under the definition of Material Subsidiary as provided for under the SEBI LODR Regulations shall be considered a Material Subsidiary for the purpose of this Policy.

The Audit Committee, at such intervals as it deems necessary, may review such details/information as may be required to determine which of the Company’s Subsidiaries are to be deemed Material Subsidiaries.

Governance framework related to Subsidiaries including Material Subsidiaries

The Company and all its Subsidiaries shall adhere to the following compliances, provided hereunder:

For all Material Subsidiaries (Listed and Unlisted):

- ▶ The list of all Material Subsidiaries shall be placed before the Audit Committee of the Company on an annual basis for information, review and confirmation.
- ▶ The Company shall not dispose of shares in its Material Subsidiary Company(ies) which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to fifty percent or cease the exercise of control over the Subsidiary without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- ▶ Prior approval of shareholders by way of special resolution shall be obtained for selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the Material Subsidiary on an aggregate basis during a financial year unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved. The same shall not apply if such sale, disposal or lease of assets is between two wholly-owned Subsidiaries.

For all Unlisted Material Subsidiaries:

- ▶ At least one member of the board of directors of each Unlisted Material Subsidiary, whether incorporated or existing in India or another jurisdiction, shall be one of the Independent Directors of the Board of PhonePe.
(For purposes of this clause only, *Material Subsidiary herein shall mean a Subsidiary whose Turnover or Net worth exceeds 20% of the consolidated Turnover or Net worth respectively, of PhonePe and its subsidiaries in the immediately preceding accounting year*)
In the event that an Unlisted Material Subsidiary is not required to establish a board of directors, the Company shall designate one of its Independent Directors to assume a supervisory role over the Unlisted Material Subsidiary.
- ▶ All Unlisted Material Subsidiaries incorporated in India shall undertake a secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified by SEBI.

For all Unlisted Subsidiaries (whether or not it is a Material Subsidiary):

- ▶ The minutes of the meetings of the board of directors of all Unlisted Subsidiaries shall be placed at a meeting of the Board of PhonePe. In an event that the Unlisted Subsidiary is not required to conduct board meetings and/or maintain minutes of board meetings, the requirement will be considered fulfilled in accordance with Regulation 24(4) of SEBI LODR Regulations as outlined in the immediately following point.
- ▶ The management of each Unlisted Subsidiary shall periodically bring to the notice of the Board of PhonePe, a statement of all Significant Transactions or Arrangements entered into by the Subsidiary.
- ▶ The Audit Committee of PhonePe shall review the financial statements of each Unlisted Subsidiary, in particular, the investments made by each Unlisted Subsidiary.

- ▶ Any transaction between PhonePe and its Subsidiary(ies) shall be entered into in accordance with the 'PhonePe's - Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions' of PhonePe.
- ▶ The Company shall disclose to the relevant stock exchange(s) on which its securities are listed all events or information with respect to its Subsidiary(ies) which are material for the Company in terms of the materiality as defined under the 'PhonePe's - Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions' of PhonePe.

Responsibility and Disclosures

- ▶ The Company Secretary shall be responsible for ensuring the compliance of this Policy.
- ▶ Once effective, this Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report as prescribed under the SEBI Listing Regulations.
- ▶ The Audit Committee of the Company shall review the list of Material Subsidiaries and make suitable recommendations, including recommendations for the appointment of Independent Director on the Board of Unlisted Material Subsidiary(ies).
- ▶ All terms mentioned in this Policy shall be read in conjunction with the SEBI LODR Regulations as amended from time to time and any changes to the Act and SEBI LODR Regulations will apply mutatis mutandis to this Policy.

Subsequent amendments

The Policy has been framed to comply with the applicable provisions of the SEBI LODR Regulations, as on date of approval of this Policy. Any subsequent amendment/modification in the applicable provisions of the SEBI LODR Regulations or any other relevant statute in this regard shall be deemed to be incorporated in this Policy until such changes can be codified into this Policy.

Review of the Policy

The Board reserves its right to amend or modify/revise /amend this Policy in whole or in part, at any time deemed necessary without assigning any reason whatsoever. The Board may review the Policy from time to time and make suitable modification(s) due to change in applicable laws or otherwise, as may be required, to make it responsive and relevant to the changing times.

In the event of any conflict between the provisions of this Policy and of the applicable law/ regulation, such applicable law/ regulation, as amended from time to time, shall prevail over this Policy.

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*to the limited extent of updation of name on account of conversion to a public limited company
