

# D. B. Corp Limited

## Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

### Document Approval Matrix

Version	Type of Document	Reviewed By	Approved By
3.0	Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions	Rakesh Goswami, CFD, Anita Gokhale Company Secretary	Managing Director

(As recommended by the Audit Committee and further approved by the Board of Directors of the Company on July 17, 2014 with authority delegated to the Managing Director to make suitable amendments if required pursuant to any new clarifications / notifications / circulars from Regulatory Authorities like MCA, SEBI, Stock Exchanges, etc.

Accordingly, the original approved policy was subsequently amended with the approval from the Managing Director to incorporate the amendments made by SEBI Circular CIR/CFD/ POLICY CELL/7/2014 dated 15<sup>th</sup> September 2014.

With coming into effect of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) on 1<sup>st</sup> December, 2015 and repeal of the clauses of Listing Agreement and insertion of Rule 6A in the Companies (Meetings of Board and its Powers) Second Amendments Rules, 2015 effective from 14<sup>th</sup> December, 2015, this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions was further updated with approval of the Managing Director to reflect all the amended provisions.)

#### 1. Preamble

On recommendation of the Audit Committee, the Board of Directors (the "Board") of D. B. Corp Ltd. (the "Company" or "DBCL"), has adopted the policy and procedures with regard to Related Party Transactions as here below. The Board has authorised the Managing Director to review and amend this policy if required pursuant to any new clarifications/notifications/circulars from Regulatory Authorities like MCA, SEBI, Stock Exchanges, etc.

This policy regulates transactions between the Company and its Related Parties based on the applicable laws and regulations as amended from time to time.

#### 2. Purpose

This policy is framed as per requirements of the Companies Act, 2013 as amended from time to time (the "Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) and intended to ensure the proper approval, execution and reporting of the transactions between the Company and its Related Parties.

### 3. Definitions

**“Audit Committee or Committee”** means the Audit Committee of the Board of Directors of the Company constituted under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) and the Companies Act, 2013 as amended from time to time.

**“Board”** means Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as amended from time to time.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) the Chief Executive Officer or the Managing Director or the manager and in their absence, a whole-time director;
- (ii) the Company Secretary; and
- (iii) the Chief Financial Officer and
- (iv) such other officer as may be prescribed.

**“Material Related Party Transaction”** means a transaction with a related party which individually or taken together with previous transaction/s during a financial year exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

**“Arm’s length basis transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**“Policy”** means this Related Party Transaction Policy.

**“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards which is as follows:

A ‘related party’ with reference to a company means -

- i) a director or his relative ;
- ii) a key managerial personnel or his relative ;
- iii) a firm, in which a director, manager or his relative is a partner ;
- iv) a private company in which a director or manager or his relative is a member or director ;
- v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- vii) any person on whose advice, directions or instructions a director or manager is accustomed to act :  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- viii) any company which is -
  - (A) A holding, subsidiary or an associate company of such company; or
  - (B) A subsidiary of a holding company to which it is also a subsidiary;
- ix) such other person as may be prescribed;

**“Related Party Transaction”** means any transaction, directly or indirectly involving any Related Party and which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. The transfer of resources, services or obligation includes -

- a. Sale, purchase or supply of any goods or materials;
- b. Selling or otherwise disposing of, or buying property of any kind;
- c. Leasing of property of any kind;
- d. Availing or rendering of any services;
- e. Appointment of any agent for the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;

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

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if -

- i. They are members of a Hindu undivided family ;
- ii. They are husband and wife ; or
- iii. one person is related to the other in the following manner:
  - (1) Father (including step-father)
  - (2) Mother (including step-mother)
  - (3) Son (including step-son)
  - (4) Son's wife
  - (5) Daughter
  - (6) Daughter's husband
  - (7) Brother (including step-brother)
  - (8) Sister (including step-sister)

#### **4. Policy**

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

##### **4.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

#### **4.2 Conditions for approval of Related Party Transactions**

1. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
  - a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
  - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
  - c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit; provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
  - d) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
  - e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
2. Further, all Material Related Party Transactions shall require approval of the shareholders through resolution and the Related Parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

Provided that clause 1 and 2 above shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

3. In addition to the abovesaid, conditions provided under Section 188 of the Companies Act, 2013, Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and any other applicable section / rule as may be amended from time to time need to be complied with by the Company.

#### **4.3 Review and Approval of Related Party Transactions**

Related Party Transactions are to be referred to the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will excuse himself or herself and abstain from discussion and voting on the approval of that Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information about the 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the Related Party Transaction is in the Ordinary Course of Business or not;
- Whether the terms of the Related Party Transaction are fair and are on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- 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 overall financial position of the director, Executive Officer or other Related Party, 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 Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the Related Party Transactions shall not require approval of Board of Directors or Shareholders:

- If the transaction to be entered into by the Company is in its ordinary course of business other than transactions which are not on an arm's length basis.  
It means if the transaction is in ordinary course of business and also on arm's length basis, the consent by way of Board Resolution or Special Resolution of the members of the company is not needed.

#### 4.4 Maintenance of records

All the records pertaining to Related Party Transactions shall be maintained by the Balance Sheet Team which shall be accessible to Secretarial Team as and when necessary for compliance purpose. These records shall be reviewed at regular intervals as deemed fit and necessarily on quarterly basis.

### **5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party 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 at its next meeting or at a specially convened meeting for the purpose, if necessary so that the corrective actions as are possible under all the statutory provisions in this regard can be taken

immediately and within the time limits prescribed under these provisions. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The 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 shall take such action as it deems appropriate.

In any case, where the 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **6. Changes / amendments to the Policy**

The Board of Directors of the Company is authorized to make necessary changes to this policy as and when required on recommendation of the Audit Committee. If any change is necessary to be made due to statutory amendments, the same may be made with the approval of the Managing / Dy. Managing Director of the Company and it shall be placed at the next meeting of the Audit Committee and the Board of Directors for its information and ratification.

#### **7. Effective Date**

This version is effective from 14<sup>th</sup> December, 2015.

#### **8. Date of the meeting of the Board of Directors which ratified / approved this version**

20<sup>th</sup> May, 2016

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