

**POLICY ON MATERIALITY OF
RELATED PARTY TRANSACTIONS
AND ON DEALING WITH
RELATED PARTY TRANSACTIONS**

1 Objective

Clause 49 of the Listing Agreement and section 188 and other applicable provisions of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014. The Company is required to formulate a Policy to ensure proper approvals and reporting of related party transaction as required.

The primary objective of the Policy is to ensure highest standard of Corporate Governance, transparency, probity and ethical standards in all dealings of the Company with Related Parties. The Board of Directors of ADVENT COMPUTER SERVICES LIMITED ("The Company") has adopted the following policy and procedures so as to deal with Related Party Transactions as defined herein.

The Audit Committee will review and may amend this policy from time to time, subject to the approval of the Board.

This policy is to regulate transactions between the Company and its Related Parties in light of laws and regulations applicable to the Company.

2 Definitions

- 2.1 "**Act**" means the Companies Act, 2013.
- 2.2 "**Audit Committee**" means the Audit Committee of the Company constituted under provisions of Listing Agreement and Companies Act, 2013 and known as the Audit & Risk Committee.
- 2.3 "**Arm's length transaction (ALP)**" as per explanation (b) to section 188(1) of the Companies Act, 2013, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- 2.4 "**Board**" means Board of Directors of the Company.
- 2.5 "**Clause 49**" means clause 49 of the Listing Agreement.
- 2.6 "**Related Party**" means related party as defined in section 2(76) of the Act and Clause 49 of the Listing Agreement.

Explanation:

- a. Section 2(76) of the Act read with Rule 3 of the Companies (Specification of Definition Details) Rules, 2014, defines the term Related Party as follows:
 - (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 under 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 the Company; or
 - b) A subsidiary of a holding company, to which it is also a subsidiary
 - (ix) Director (other than an Independent Director) or Key Managerial Personnel of the Company's holding Company or his relative;
- b. For the purpose of Clause 49 (VII), an entity shall be considered as related to the Company if:
- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - (ii) such entity is a related party under the applicable accounting standards. For the purpose of Clause 49 (VII) of the Listing Agreement, Accounting Standard 18 defines the term Related Party as follows:
 - i. Enterprises that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise; this includes holding companies, subsidiaries and fellow subsidiaries.
 - ii. Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
 - iii. Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
 - iv. Key Management Personnel (KMPs) and their relatives;

- v. Enterprises over which any person at (iii) or (iv) above is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

2.7 **“Related Party Transaction”** refers to those transactions that are covered under the scope of section 188(1) of the Act and Clause 49 of the Listing Agreement.

Explanation:

Related Party Transactions that are covered under section 188(1) of the Act are as follows:

- i. Sale, purchase or supply of any goods or materials,
- ii. Selling or otherwise disposing off or buying property of any kind,
- iii. Leasing of property of any kind,
- iv. Availing or rendering of any services,
- v. Appointment of any agent for purchase or sale of goods, materials, services or property,
- vi. Related Party’s appointment to any office or place of profit in the Company, its subsidiary or associate company; and
- vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

In terms of clause 49(VII) (A) of the Listing Agreement, a Related Party Transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

2.8 **“Material Related Party Transaction”** shall have the meaning as defined in clause 49(VII)(C) of the Listing Agreement, as per which, the term means:

- (i) “a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions 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.”
- (ii) Words used in this Policy which are not defined in the policy shall have the same meaning as defined in the Act or in Clause 49 of the Listing Agreement as the case may be.

3 Exempted Transactions

3.1 **“Related Party Transactions Exempt under the Act”** means those Related Party Transactions which fulfill the following two criteria and which are exempt from the requirements of Board and Shareholder approvals:

- (i) such transaction is undertaken in the ordinary course of business; and
- (ii) is on arm’s length basis.

3.2 **“Related Party Transactions Exempt under Clause 49”** means those Related Party Transactions which are exempt from the requirements of Audit Committee and Shareholder approvals, viz:

- (i) Transactions between two Government Companies (not applicable to the Company);
- (ii) Transactions 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;

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation

4 Policy of the Company

Disclosure by Directors and Key Managerial Personnel: Each Director and Key Managerial Personnel shall disclose by notice in writing to the Board, any interest whether by himself or through his relatives or firms, body corporate or other association of individuals in which he or any of his relative is a partner, director or member may having a contract or arrangement or proposed contract or arrangement enter into or to be entered into by or on behalf of the Company. Such notice shall be provided well in advance.

The Company Secretary shall at all times maintain a database of Company’s Related Parties containing the names of individuals and Companies, identified on the basis of information and disclosure of interest provided by the Directors and Key Managerial Personnel.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year. While determining approval of any transaction identified as a related party transaction, the Board will take into account recommendations of the Audit Committee and such other factors necessary to arrive at decision which will be in the best interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

5 Procedure for Approval of Related Party Transactions

5.1 Approval of the Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee as per clause 49 (VII)(D), except transactions exempt under clause 49 of the Listing Agreement.

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 this Policy on related party transaction 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 the following:
 - (i) the names of the Related Party, nature of the transaction, period of transaction and the maximum amount for which the transaction 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;
 - (iv) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
 - (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all material transactions, shall be accompanied with Management's justification for the same. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business, not on arm's length and Material Specific Transactions also assure themselves that the same are in the interest of the Company and its shareholders.

5.2 Prior Approval of the Board of Directors

As per the provisions of the Companies Act, 2013, no company shall enter into transactions which are prescribed under Section 188(1) (a) to (g) given as under except with the consent of Board given by resolution at a meeting of Board.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- 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 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; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

5.3 Prior Approval of the Shareholders of the Company

5.3.1 All kinds of transactions specified under Section 188 (1) of the Act which exceeds the thresholds laid down in rule 15 of Companies (Meetings of Board and its (7) Powers) Rules, 2014 described as under, shall be placed before the shareholders for its approval:

- a. As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below:
 - (i) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - (iii) leasing of property of any kind exceeding ten percent of the net worth of the Company or exceeding ten percent of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

- (iv) availing or rendering of any services directly or through appointment of agents exceeding ten percent of the turnover of the Company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) of sub-section (1) of section 188.
- b. Is for appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- c. Is for remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Provided that no members of the Company shall vote on such resolution to approve any contract or arrangement which may be entered into by the Company if such member is a related party.

It is clarified that “related party” referred to in the provision has to be construed with reference only to the contract or arrangement for which such special resolution is being passed. The term “related party” in the above context refers only to such related party as may be related party in the context of the contract or arrangement for which said special resolution is being passed.

5.3.2 As per clause 49(VII) (E) of the Listing Agreement requires all Material Related Party transactions shall require approval of the shareholders through special resolution and the related parties shall be abstained from voting on such resolution.

6 Register

In compliance with provisions of section 189 of the Companies Act, 2013 read with Rule 16 of Companies (Meetings of board and its powers) Rules, 2014, the Company shall maintain register, giving separately the particulars of disclosure received from Directors all contracts or arrangements to which section 188 applies.

The register shall be preserved permanently and kept at the Registered Office of the Company.

7 Disclosures

Every contract or arrangement entered into under sub section (1) of section 188 shall be referred to in the Board’s Report to the shareholders along with the justification for entering into such contract or arrangement. The disclosure requirement under clause 49(VIII) of the Listing Agreement is as follows:

- a. Details of all material transactions with related parties shall be disclosed quarterly along with the Compliance Report on corporate governance.
- b. This Policy shall be uploaded on the website of the Company at www.adventcomputer.in thereto shall be provided in the Company's Annual Report.

8 Amendments

This policy is a live document intended to be improved and amended as per the regulatory changes by the Board. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this policy. The Audit Committee shall review the policy at least once in every year for making suitable amendments for better implementation of the policy.