



SECURITY AND INTELLIGENCE SERVICES (INDIA) LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PREFACE

Related party transactions can present potential or actual conflict of interest which may be against the best interest of the Company and its stakeholders. As per the requirements of the Companies Act, 2013 (the “Act”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Board of Directors of the Company has adopted the following policy and procedures with regard to related party transactions.

2. OBJECTIVE

The objective of this policy is to ensure approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

3. DEFINITIONS

“Act” means the Companies Act, 2013 and the rules made thereunder.

“Audit Committee” means Committee of the Board of Directors of the Company constituted under the provisions of the Act and SEBI Listing Regulations.

“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.

“Board of Directors” or “Board” means the collective body of the directors of the Company.

“Company” means Security and Intelligence Services (India) Limited

“Key Managerial Personnel” shall have the meaning as defined in section 2(51) of the Act.

“Material related party transaction” means the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year which exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Notwithstanding the above, with effect from July 01, 2019, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the

annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.

“**Related party**” shall have the meaning as defined in section 2(76) of the Act or an entity that is a related party under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

Section 2(76) of the Act defines related party as under:
"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 and 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 body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
or
 - (C) an investing company or the venture of the company

For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company.

“Related party transaction” means:

- (i) As per Regulation 2(1)(zc) of the SEBI Listing Regulations, a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.
- (ii) As per the section 188 of the Act, the following transactions between related parties:
 - (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.

“Relatives” with reference to any person, means anyone who is related to another, if—

- i) they are members of a Hindu Undivided Family;
- ii) they are husband and wife; or
- iii) a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
 - a. Father including step-father
 - b. Mother including step-mother
 - c. Son including step-son
 - d. Son's wife
 - e. Daughter
 - f. Daughter's husband
 - g. Brother including step-brother
 - h. Sister including step-sister

“**Transaction**” with a related party shall be construed to include a single transaction or group of transactions in a contract.

“**Turnover**” means the gross amount of revenue recognised in the profit and loss account from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;

“**Net worth**” means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) or any other applicable law or regulation.

4. POLICY ON RELATED PARTY TRANSACTIONS

All the prospective contracts/arrangements with related parties shall be disclosed to the Chief Financial Officer of the Company in advance.

All related party transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

5. APPROVAL OF RELATED PARTY TRANSACTIONS

5.1. Prior approval of the Audit Committee

All related party transactions shall require prior approval of the Audit Committee. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

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. Transactions are repetitive in nature;
- b. Sufficient disclosure shall be made to the Audit Committee, including the following:
 - (i) the name(s) of the related party
 - (ii) nature of transaction
 - (iii) period of transaction

- (iv) maximum amount of transaction that can be entered into
- (v) the indicative base price / current contracted price and the formula for variation in the price, if any; and
- (vi) such other details as the Audit Committee may deem fit in the interest of the Company

In case the aforesaid details are not available and where the need for related party transaction cannot be foreseen, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.

The 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 approvals given. Further, such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Exception: The requirement of obtaining the prior approval of audit committee shall not be applicable for the transactions entered into between a holding 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.

5.2. Prior approval of the Board of Directors

Transactions with related parties (as defined hereunder) within the scope of section 188 of the Act, **which are either not in the ordinary course of business or not at arm's length** shall require prior approval of the Board of Directors.

In the above context, where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

Transaction as defined in section 188 of the Act are as follows:

- 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 Shareholders' approval

Shareholders' approval shall be sought in the following cases:

- a. All related party transactions as specified under Section 188 of the Act **which are either not in the ordinary course of business or not at arm's length basis and which exceeds the threshold laid down in the Companies (Meetings of Board and its Powers) Rules, 2014** (as defined hereunder) shall require prior approval of the shareholders.

S. No.	Particulars of transaction	Transaction value
(i)	sale, purchase or supply of any goods or material, directly or through appointment of agent	amounting to 10% or more of the turnover
(ii)	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	amounting to 10% or more of net worth
(iii)	leasing of property any kind	amounting to 10% 10% or more of turnover.
(iv)	availing or rendering of any services, directly or through appointment of agent	amounting to 10% or more of the turnover
(v)	related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration exceeding INR 2.5 lacs
(vi)	remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	exceeding 1% of net worth

Explanation:

- (i) *The turnover and net worth referred above shall be computed on the basis of the audited financial statements of the preceding financial year.*
- (ii) *The limits specified in s.no. (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

No member of the Company shall vote on a resolution, to approve any contract or arrangement with a related party, if such member is a related party

- b. All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the transaction or not.

Exception: The requirement of obtaining the shareholders' approval shall not be applicable for the transactions entered into between a holding 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.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- 6.1 In the event the Company becomes aware of a related party transaction that has not brought to the notice of or approved by the Audit Committee, the matter shall be reviewed subsequently by the Committee. The Committee shall consider all 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 of such related party transaction to the Committee and shall take any such action it deems appropriate.
- 6.2 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.

7. RATIFICATION OF THE UN-APPROVED TRANSACTIONS

- 7.1 If any contract or arrangement is entered into by the Director or any other employee with any related party without obtaining the consent of the Board or Shareholders by a resolution in the general meeting as the case may be, the transaction shall be placed before the Board/Shareholders for ratification within three (3) months from the date of entering into contract or arrangement.
- 7.2 If the transaction is not ratified within the said time period, then it shall be voidable at the option of the Board, or as the case may be, of the shareholders. If the contract or arrangement is with related party to any director or is authorised by any other director, the Directors concerned shall indemnify the Company against any loss incurred by it.

8. AMENDMENT

The Board may as it deems fit amend the policy from time to time. In any case, if there is a contradiction between the policy and the law in force, then the Law shall supersede the policy.
