

CARE Ratings Limited

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

1. TITLE:

This Policy shall be called 'Policy on materiality of Related Party Transactions and dealing with Related Party Transactions'.

2. OBJECTIVE:

Related Party Transactions have been one of the major areas of focus for the corporate governance reforms in India. Provisions have been made in the Companies Act, 2013 ("the Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") setting out the procedure for approval as well as disclosure of transactions with related parties and to ensure transparency and due process for approval of the Related Party Transactions. Listed companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. No Related Party Transaction may be entered into by the Company or any of its subsidiaries or associates except in accordance with the provisions of this Policy. This Policy has been made to comply with the provisions of the Act and SEBI LODR Regulations as amended from time to time.

3. DEFINITIONS:

"Act" means the Companies Act, 2013, as amended from time to time.

"Associate Company" means a company as defined in Section 2(6) of the Act.

"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.

"Audit Committee" means the audit committee constituted by the Board of Directors of the Company in accordance with the Act and the SEBI LODR Regulations as amended from time to time.

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

"Company" means CARE Ratings Limited.

“Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds rupees one thousand crore (1000 crores) or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

However, 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 five percent (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material Modification” shall mean an amendment to the terms of a transaction / agreement / commitment with / to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by ten per cent (10%) of the approved limit or means any modification related to change in price, tenure, delivery schedule, non-statutory obligations of any contract or arrangement with Related Party.

“Policy” means this Policy, as amended from time to time.

“Related Party” in relation to the Company means a party related with the Company in any of the ways as are laid down in Section 2(76) of the Act and/or under the applicable accounting standards and SEBI LODR Regulations as amended from time to time.

“Relative” in relation to the Company means any person who is related to another as laid down in Section 2(77) of the Act.

“Related Party Transaction” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Act or SEBI LODR Regulations or any other related law, regulation, standard, etc.

“Subsidiary” means a company as defined in Section 2(87) of the Act.

Any word or term used in this Policy but not defined herein shall have the same meaning as ascribed to it in the Act or Rules made there under, SEBI LODR Regulations or any other relevant act, rules and regulations.

4. APPROVAL OF RELATED PARTY TRANSACTIONS:

Approval of the Audit Committee:

Every Related Party Transaction (RPT) and subsequent material modifications shall be subject to prior approval of the Audit Committee of the Board of the Company. The approval of the Audit Committee can be granted by way of a circular resolution. Only those members of the Audit Committee who are Independent Directors shall approve Related Party Transactions. The Audit Committee shall also review the status of long-term (i.e. of the term of more than one year) or recurring RPTs on an annual basis. While seeking approval of the Audit Committee for Related Party Transactions, details as may be prescribed under the applicable laws will have to be given to the Audit Committee from time to time.

In addition to the above, a Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent (10%) of the annual consolidated turnover, as per the last audited financial statements of the Company.

A Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

The Audit Committee may grant an omnibus approval for Related Party Transaction proposed to be entered into by the Company or its subsidiary, subject to such conditions as may be prescribed under the Act and SEBI LODR Regulations. Also, the Audit Committee shall review at least on a quarterly basis, the details of the Related Party Transaction entered into by the Company or its subsidiary pursuant to the omnibus approval.

Ratification by Audit Committee:

The members of the Audit Committee, who are independent directors, may ratify Related Party Transaction(s) within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to conditions prescribed in the SEBI LODR Regulations. Further failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a Related Party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Approval of the Board:

The Board shall consider and approve such Related Party Transactions as required to be approved under the Act and/or SEBI LODR Regulations, and/or transactions referred to it by the Audit Committee.

Where any Director of the Company is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Approval of the Shareholders of the Company:

All Related Party Transaction (other than material Related Party Transaction) which are not in the ordinary course of business or not at an Arms' length transaction and in excess of the threshold limits prescribed under the Act shall also require the approval of shareholders of the Company. No shareholder of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such shareholder is a Related Party.

Further, all material Related Party Transactions and subsequent material modifications thereof as defined by the Audit Committee shall require prior approval of shareholders of the Company [unless it is exempt pursuant to the provisions of SEBI LODR Regulations] and no Related Party shall vote to approve such resolution whether the entity is Related Party to the particular transaction or not. While seeking approval of the Shareholders for Related Party Transactions, details as may be prescribed under the applicable laws shall be given to the Shareholders from time to time.

The requirements of seeking prior approval of the Audit Committee, omnibus approval and approval of Shareholders of the Company shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary or two wholly owned subsidiaries of the Company, if the accounts of the Wholly Owned Subsidiaries are consolidated with the accounts of the Company and placed before the Shareholders of the Company at the general meeting for approval.

5. DISCLOSURE:

Disclosures as appropriate concerning the Related Party Transactions and/or material Related Party Transactions shall be made in the Annual Report of the Company including its Financial Statements and also to the Stock Exchanges on where equity shares of the Company are listed and to such other authority as may be prescribed.

6. REVIEW:

This Policy shall be reviewed as and when required but at least once in three years.

7. AMENDMENT:

The Board may amend this Policy as may be required from time to time in accordance with the provisions of the Act, rules made therein, the SEBI LODR Regulations including any further amendments and notifications as may be made effective in this regard. In the event of any conflict between the provisions of this Policy and of the Act or the SEBI LODR Regulations or any other statutory enactments, rules, the provisions of such Act or the SEBI LODR Regulations or statutory enactments, rules shall prevail over this Policy to the extent applicable. Any subsequent amendment / modification in the Act or the SEBI LODR Regulations or statutory enactments in this regard shall mutatis mutandis apply to /prevail upon this Policy.