



POLICY ON RELATED PARTY TRANSACTIONS

Version	2
Issued on	August 12, 2016
Effective from	August 12, 2016

Veritas (India) Limited

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Veritas (India) Limited

POLICY ON RELATED PARTY TRANSACTIONS

I. Background

The Board of Directors of Veritas (India) Limited (“**Company**”) in pursuance of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) and other applicable provisions (including any statutory enactments / amendments thereof), adopted the policy on materiality of related party transactions and on dealing with related party transactions (the “**Policy**”) vide its Board meeting held on August 12, 2016.

II. Effective date

The Policy shall come into force with effect from the date Regulation 23 of the SEBI Listing Regulations takes effect with respect to the Company.

III. Purpose

The changes introduced in the corporate governance norms under Section 188 of the Companies Act, 2013 (“**Companies Act**”), as amended and the rules framed thereunder and Regulation 23 of the SEBI Listing Regulations require companies to have enhanced transparency and due process for approval of the related party transactions.

Accordingly, the Company has framed this Policy with the intent to ensure the proper approval and reporting of related party transactions. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties (as defined below) as well as policies concerning transactions with Related Parties (as defined below).

IV. Definitions

“**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 Audit Committee constituted by the Board, from time to time, under Section 177 of the Companies Act and the SEBI Listing Regulations.

“**Board of Directors**” or “**Board**” means the board of directors of the Company, as constituted from time to time.

“**Company**” means Veritas (India) Limited.

“**Key Managerial Personnel**” means the Managing Director, the Company Secretary, the Chief Financial Officer and such other officers/employees of the Company as defined in section 2(51) of the Companies Act.

“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 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.

Notwithstanding the above, 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] of the annual consolidated turnover of the Company as per its last audited financial statements.

“Related Party”, means a person or an entity: A. which is a related party under Section 2 (76) of the Companies Act, 2013; or B. which is a related party under the applicable accounting standards C. belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity.

A. As per Section 2 (76) of the Companies Act 2013 and rules made thereunder, Related Party with reference to the Company , has been defined as:-

- (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, 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;
- c. an investing company or the venturer of the company

Explanation—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) any person or entity as may be prescribed under applicable Accounting Standards;

(x) such other person as may be prescribed.

(B) Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions as defined in the Accounting Standard 18 or such other entity/entities as may defined in the applicable accounting standard from time to time.

(C) 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.

“Relative” with reference to any person, means anyone who is related to another, if-

(a) they are members of a Hindu Undivided Family;

(b) they are husband and wife; or

(c) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

i. Father (includes step-father).

ii. Mother (includes the step-mother).

iii. Son (includes the step-son).

iv. Son's wife.

v. Daughter.

vi. Daughter's husband.

vii. Brother (includes the step-brother)

viii. Sister (includes the step-sister).

(d) B. Related Parties under the applicable Indian Accounting Standard (IND AS) 24 are as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Note:

- I. For further details reference may be made to IND AS-24 'Related Party Disclosures'
- II. Any subsequent modification/announcement/accounting standard/ interpretation issued in this regard shall be deemed to be automatically incorporated and may be referred.
- III. The Compliance requirements under the said IND AS 24 do not fall within the scope of this Policy.

"Related Party Transaction" means the transaction as prescribed under Regulation 2(1) (zc) of SEBI Listing Regulations and Section 188 of the Companies Act.

Such as it is a transfer of resources, services or obligations between a company and a related party, regardless, of whether a price is charged and inter alia include all contracts or arrangements with a Related Party with respect to:

- 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.

"Subsidiary" shall mean a subsidiary as defined under the Companies Act.

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

All the words and expressions used in this Policy, unless defined herein, shall have meaning respectively assigned to them under the Companies Act, 2013 and the Rules,

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Notifications and Circulars made / issued thereunder, Listing Regulations and applicable Accounting Standard(s) as amended, from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the SEBI Listing Regulations, Accounting Standard 18 or any other applicable regulation.

V. Identification of related party transactions

Every Director and Key Managerial Personnel shall, as may be applicable to them, provide a declaration containing the necessary details of related parties covered in the definition of related party and relatives to the Company Secretary upon their appointment and on an annual basis. Also, provide declarations within 30 days if there has been a change in the details from the last declaration made under this Related Party Policy.

The Chief Financial Officer (“**CFO**”) is responsible for identification of the potential related party transactions and to provide necessary information in advance to the Company Secretary for initiating the process to obtain the necessary approvals of the Audit Committee/Board/Shareholders. Further, the Chief Financial Officer and the Managing Director are responsible for providing additional information about transactions that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

VI. Dealing with related party transactions

The Board shall fulfil the function of monitoring and managing potential conflicts of interest of management, Board and shareholders, including misuse of corporate resources and abuse in related party transactions.

The Company shall comply with applicable provisions of the SEBI Listing Regulations, Companies Act and Rules made there under, the Listing Agreement and other applicable law in force from time to time in dealing with the Related Party Transactions.

VII. Approval process

7.1. Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee.

Accordingly, all proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee.

The CFO of the Company shall provide to the Committee all relevant material information of all Related Party Transaction(s), including the terms of the transaction(s), the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters *inter alia* including the following:

- (i) the name of the related party and nature of relationship;
- (ii) the nature, duration of the contract and particulars of the contract or arrangement;
- (iii) the material terms of the contract or arrangement including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;

- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (vii) the persons/authority seeking the approval of the proposed transaction; and
- (viii) any other information relevant or important for the Committee to take a decision on the proposed transaction.

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:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect nature of the Directors, 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.
- (v) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (vi) 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

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board or shareholders.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Should be deleted as SEBI LODR regulations do not have any provision of post-facto approval

Omnibus 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:

- (i) The Audit Committee shall lay down the criteria for granting an omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of Related Party Transactions which are repetitive in nature.
- (ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the company;
- (iii) 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;
- (iv) 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.
- (v) Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- (vi) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

7.2. Board

A Related Party Transaction shall be approved by the Board by passing a resolution in this regard at a meeting of the Board, provided that Board approval is not required for any the

Related Party Transaction(s) to be entered into in the ordinary course of business and on an arm's length basis.

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.

7.3. Shareholders

Transactions not in ordinary course of business or not at arm's length

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, and the SEBI Listing Regulations, as may be applicable, which are not in the ordinary course of business or not an Arms' length transaction shall also require the prior approval of the shareholders through special resolution and no member of the Company shall vote on such special resolution, if such member is a related party.

Material Related Party Transaction

All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

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VIII. Exemption from applicability of the Policy

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party Transactions and such Transactions shall not require approval of Audit Committee or Shareholders:

- (i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- (ii) Any transaction that involves provision of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or that of any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- (iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

IX. Disclosure

The concerned units shall on a quarterly basis, prepare a summary of all related party transactions entered into during the quarter and submit the same, along with the copy of requisite approvals obtained, to Company Secretary within 7 days from the close of each quarter. All disclosures pertaining to Related Party Transactions required under the Companies Act and Listing Regulations shall be made accordingly.

The Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

X. LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the Companies Act, 2013 and Rules made thereunder/ Listing Regulations or other statutory enactments, rules, as the case may be, shall prevail over this Policy and shall be adhered to accordingly by all concerned.

XI. Policy review

The Board may, subject to applicable laws, amend, suspend or rescind this Policy at any time and in any case, the Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Related Party Policy.

In the event of any conflict between the provisions of this Policy and of the applicable law(s) dealing with the Related Party Transactions, such applicable law(s) as may be in force from time to time shall prevail over this Policy.