

RELATED PARTY TRANSACTION POLICY

Preamble

The Board of Directors of the company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by company to ensure compliance with the Law and Regulation. The Audit committee will review the same from time to time and propose the amendment required in the policy to the board of directors.

Purpose

Security Exchange Board of India (SEBI), Circular Dated 17 April 2014, has amended the clause 49 of listing agreement entered into by the company with the stock Exchanges. The Amended clause 49 requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with above requirement.

Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted for audit related purpose.

“Board” means Board of Directors of the Company.

“Related Party Transaction” 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.

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher

“Related Party” means related party as defined in Clause 49 of the Listing Agreement which is as follows:

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- 1) A person or a close member of that person's family is related to a company if that person:
 - i. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:
 - a) a director or his relative ;
 - b) a key managerial personnel or his relative ;

- c) a firm, in which a director, manager or his relative is a partner ;
- d) a private company in which a director or manager is a member or director ;
- e) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital ;
- f) 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 ;
- g) 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;

- h) 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 ;
- i) Director or key managerial personnel of the holding company or his relative with reference to a company; or
 - ii. has control or joint control or significant influence over the company; or
 - iii. is a key management personnel of the company or of a parent of the company; or

2) An entity is related to a company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. 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); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in 1).
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

“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. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

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

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a wholetime-Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Control” as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner which includes (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, and (b) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise. Provided that a director or officer of a company shall not be considered to be in control over such target company, merely by virtue of holding such position”

“Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Significant Influence: - means control of at least twenty per cent of total share capital, or of business decisions under an agreement as more specifically defined in AS-18 issued and amended from time to time by the ICAI

Joint venture: - means a contractual arrangement whereby two or more parties undertake] an economic activity which is subject to joint control.

Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. All Related Party Transactions shall require prior approval of Audit Committee. Further, 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.

Procedure:

A. Disclosure by Directors

Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Review and approval of Related Party Transaction

i. Audit Committee

All Material Related Party Transaction which are identified by the audit committee as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Company Secretary shall place the details of all Material Related Party Transaction in the subsequent meeting of the Audit Committee. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- Name of party and details explaining nature of relationship
- Nature of transaction and material terms thereof including the value, if any;
- the manner of determining the pricing to ascertain whether the same is on arm Length,
- Business rationale for entering into such transaction

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction. If the committee determines that the a related party transaction is (i) a Material related party transaction or (ii) Transactions are not in the ordinary course of business or not at the arm's length price, the audit committee shall place the matter before the board for obtaining its approval.

ii. Board of Directors

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews 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. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

iii. Shareholder approval

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act 2013 or otherwise, if any member of company is a related party as per this policy, such member of the company shall not vote on resolution passed for approving such related party transaction.

iv. Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- (a) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the

reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

(b) 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.

v. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party 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.

Disclosures

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report. This Policy will be communicated to all operational employees and other concerned persons of the Company.

Disclaimer: This policy has been framed in accordance with requirement of Clause 49 (VII)

(C) of the Listing Agreement. This may not cover transactions which are required to be dealt as per Accounting Standard -18.

For and On Behalf of

Sital Leasing and Finance Limited

Sd/-

(Director)