

SBEC SYSTEMS (INDIA) LIMITED

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

The Board note that as per amended Clause 49 (VII) of the Listing Agreement Company is required to form a policy on determining materiality of related party transactions and also on dealing with Related Party Transactions.

The Board is review and form a policy for necessary Compliance.

POLICY

1. The Policy with related a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent (10%) of the annual consolidated turnover of the company as per the last audited financial statements of the company."
2. **All Related Party Transactions shall require prior approval of the Audit Committee. 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 the policy on Related Party Transactions of the company 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 (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;

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.

- d) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL:

Above provisions shall not be applicable where:

- (i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act , in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- (ii) Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy;
- (iii) Any 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.
- (iv) Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- (v) Payment of Dividend;
- (vi) Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made thereunder, and must be approved in advance by the Audit Committee.

3. 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.

4. Approval by Circulation of Resolution by the Committee

In the events if the Company management determines that it is impractical or undesirable to wait for holding a meeting of Committee to enter into a related party transaction, such transaction may be approved by the Committee by way of circulation in accordance with this policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

5. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL

- Each Director and Key Managerial Personnel of the Company shall promptly notify the Company / Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request. The Company Secretary, in consultation with other members of management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.
- Every Director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.
- Any Director or Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel, as the case may be.

6. Guidelines on Determination of Arm's length nature of the Related Party Transactions

As a matter of prudence, the following guidelines are issued:

At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall inter- alia take into consideration the following:

- (i) Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbors available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

6. DISCLOSURES

- The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

For the above purpose the term related party is defined as under:

Related Party:

- (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."

Section 2(76) "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 or manager is a director or **(read as and)** holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) anybody 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 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;
- (ix) such other person as may be prescribed;