

clear

Clear's Handbook on Related Party Transactions, 2023



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Clear's Handbook on Related Party Transactions

Editorial

Dear Readers,

This study looks at the evolution of the concept of 'Related Party' and 'Related Party Transactions' over the period. Considering the recent amendment notified by the Securities and Exchange Board of India ("SEBI") with respect to inclusion of transactions with the intent to benefit a third party, the ambit and scope of Related Party Transactions have been widened. In continuance to the policy published in our previous report, titled 'CimplifyFive's Report on the Policy for Dealing with Related Party Transactions, 2017', we have updated the policy with the latest changes as observed in the policies of Nifty 50 Companies and the said policy can be considered and adopted by companies, with or without modifications. We have picked the Nifty 50 companies for this study as they represent the elite of the corporate world.

This study is undertaken by CimplifyFive Corporate Secretarial Services Private Limited (a Clear Company), which has a vision to 'leverage research and technology to eliminate procedural non-compliance for entities regulated by the Companies Act, 2013 and Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR). The objective of this study is also to promote better governance and disclosures through data-based research. We look forward to receiving your feedback to enrich this study at contact@cimplifyfive.com.

Team Clear

CimplifyFive Corporate Secretarial Services Private Limited (a Clear Company)

21st August, 2023

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Bliss Listed

Say Hello to secretarial automation solution that tracks compliance under the Companies Act, 2013 and SEBI's LODR



Real time dashboard on compliance status with email alerts



Automation of routine corporate secretarial compliances



Customisable generation of agenda and minutes



Search and retrieval from e-repository of all secretarial records since incorporation



1. Introduction

Related party transactions (“RPT”) refer to transactions that occur between two parties with pre-existing relationships, such as companies within the same corporate group, subsidiaries, joint ventures, or entities with common ownership, management, or control. Such transactions can involve the exchange of goods, services, loans, or transfer of assets. The nature of these transactions often raises questions about fairness, transparency, and potential conflicts of interest.

In today's complex business environment, related party transactions have become a subject of increasing scrutiny by regulators, investors, and stakeholders. This handbook aims to provide a comprehensive analysis of related party transactions, focusing on the evolution of RPT along with the reporting requirements, the compliance calendar as per Companies Act, 2013, and SEBI’s LODR 2015 , and using the conclusions so drawn to recommend a model RPT Policy.

2. Legislation and its Evolution

I. Related Party:

Section reference	Act/ Rule/ Regulation	Related Party Definition	History of changes to the Provision
2(76)	Companies Act, 2013	Director or his relative	-
		KMP or his relative	-
		A firm, in which director, manager or his relative is a partner	-
		A private company, in which director, manager or his relative is a member or director	Relative of director/ manager of private company is included effective from 24-07-2014
		A public company, in which director or manager is a director and holds along with his relatives more than two per cent of paid-up share capital	Earlier, the provision read as 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. Currently, directorship and shareholding both are required. Earlier, either of them would suffice.

Section reference	Act/ Rule/ Regulation	Related Party Definition	History of changes to the Provision
		Any body corporate whose director, managing director or manager is accustomed to act in accordance with the advice/directions/instructions of director/ manager	-
		Any person on whose advice/directions/instructions the director/manager is accustomed to act	-
		Any body corporate which is the: <ul style="list-style-type: none"> • Holding Company • Subsidiary Company • Associate Company • Subsidiary Company of its Holding Company • Investing Company or venturer of the company (Body corporate of which the company is an associate company) 	Investing Company/ Venturer Company included in the definition of related party w.e.f. 09-02-2018
3	Companies (Specification of definition details) Rules, 2014	Director (Not including independent director) or KMP of holding company or his relative	-
2(zb)	SEBI (LODR) Regulations, 2015	Any person/ entity forming part of promoter or promoter group	A new addition w.e.f. 09-11-2021
		Any person/ entity holding 20% or more equity shares (either directly or on beneficial interest basis) at any time during the immediately preceding financial year	

Section reference	Act/ Rule/ Regulation	Related Party Definition	History of changes to the Provision
		Any person/ entity holding 10% or more equity shares (either directly or on beneficial interest basis) at any time during the immediately preceding financial year	A new addition w.e.f. 01-04-2023

II. Related Party Transaction:

Section reference	Act/ Rule/ Regulation	Related Party Transaction Definition	History of the Provision
2(zc)	SEBI (LODR) Regulations, 2015	Transfer of resources, services, or obligations between:	A new addition w.e.f. 09-11-2021
		Listed entity/ its subsidiary and listed entity/ its subsidiary.	
		Listed entity/ its subsidiary and any other entity/ person, the purpose and effect of which is to benefit related party of listed entity/ its subsidiaries	A new addition w.e.f. 01-04-2023
		The following are not related party transactions:	A new addition w.e.f. 09-11-2021
		Issue of specified securities on preferential basis	
		Payment of dividend, subdivision or consolidation of securities, rights issue or bonus issue, buyback of securities (provided it is uniformly applicable/ offered to all shareholders in proportion to their shareholding)	
Acceptance of fixed deposits by Banks/ NBFCs (provided terms are uniformly applicable to all shareholders/public)			

III. Reporting Requirement:

Section reference	Act/ Rule/ Regulation	Transaction	Reporting Requirement
188(1) and 188(2)	Companies Act, 2013	Related Party Transaction	To be reported in the Board's report along with the justification for entering into such transaction
23(9)	SEBI (LODR) Regulations, 2015	Related Party Transaction	Submit disclosures to stock exchange and publish the same on its website every six months on the date of publication of its standalone and consolidated financial results.
		RPT disclosures- for High Value Debt Listed Entities	To be submitted with its standalone financial results for the half year

IV. Thresholds and Approval authority:

Section	Act	Nature of Transaction	Shareholders' Approval (Ordinary Resolution)	Audit Committee Approval	Board Approval
188(1)	Companies Act, 2013	Sale/ purchase/ supply of goods/ materials	Yes, if the transaction value exceeds 10% of turnover of the Company (Member who is a related party to not vote on such resolution)	Yes	Yes
		Selling/ disposing/ buying property	Yes, if the transaction value exceeds 10% of net worth of the Company (Member who is a related party to not vote on such resolution)	Yes	Yes
		Leasing of property	Yes, if the transaction value exceeds 10% of turnover of the	Yes	Yes

Section	Act	Nature of Transaction	Shareholders' Approval (Ordinary Resolution)	Audit Committee Approval	Board Approval
			Company (Member who is a related party to not vote on such resolution)		
		Availing/ rendering of services	Yes, if the transaction value exceeds 10% of turnover of the Company (Member who is a related party to not vote on such resolution)	Yes	Yes
		Appointment of agent for purchase/ sale of goods/ materials/ services/ property	-	Yes	Yes
		Appointment of related party to any office/ place of profit in company/ associate company/ subsidiary company	Yes, if the monthly remuneration exceeds Rs.2,50,000/- (Member who is a related party to not vote on such resolution)	Yes	Yes
		Underwriting subscription of securities/ derivatives of the company where remuneration	Yes, if the transaction value exceeds 1% of the net worth of the Company (Member who is a related party to not vote on such resolution)	Yes	Yes
23(2)	SEBI(LODR) Regulations, 2015	All RPT and subsequent material modifications	-	Yes (Only members who are independent directors to	Yes

Section	Act	Nature of Transaction	Shareholders' Approval (Ordinary Resolution)	Audit Committee Approval	Board Approval
				approve the transaction)	
		RPT of subsidiary company of listed entity wherein listed entity is not a party but transaction exceeds 10% of annual consolidated turnover (individually or taken together with previous transaction in the year) of listed entity	-	Yes, Audit committee of the Listed Entity	Yes
		W.e.f April 01, 2023 RPT of subsidiary company of listed entity wherein listed entity is not a party but transaction exceeds 10% of annual standalone turnover (individually or taken together with previous transaction in the year) of listed entity the subsidiary entity.	-	Yes, Audit Committee of the Listed Entity	Yes
		RPT of unlisted subsidiary of a listed entity	-	Yes, Audit Committee of the Listed Entity	Yes

Section	Act	Nature of Transaction	Shareholders' Approval (Ordinary Resolution)	Audit Committee Approval	Board Approval
23(3)(a)	SEBI(LODR) Regulations, 2015	Omnibus approval for transactions (Such amount as may be decided by the audit committee; in the policy); If amount cannot be specified, maximum value of Rs. 1 crore per transaction)	-	Yes, to be valid for a maximum period of 1 year	Yes
23(3)(d)	SEBI(LODR) Regulations, 2015	Transactions entered pursuant to omnibus approval given by audit committee	-	To be reviewed by the audit committee on a quarterly basis	Yes
23(4)	SEBI(LODR) Regulations, 2015	Material related party transactions and subsequent material modifications as defined by Audit Committee	Yes (No related party to vote to approve on the transaction)	Yes	Yes

As per Regulation 23(5) of SEBI LODR, the provisions of sub-regulation (2), (3) and (4) of regulation 23 are not applicable to the following transactions:

- a. Between 2 Government Companies.
- b. Between holding company and its wholly owned subsidiary (Provided the subsidiaries accounts has been consolidated with the holding company and has been placed before the shareholders at the general meeting for their approval)
- c. Between 2 wholly-owned subsidiaries of the listed holding company (Provided the accounts of the subsidiaries has been consolidated with the holding company and has been placed before the shareholders at the general meeting for their approval).

V. Policy on materiality of Related Party Transactions: Regulation 23(1):

1. The listed entity to formulate a policy on materiality of RPT including threshold limits duly approved by the Board of Directors.
2. The policy is required to be reviewed by the Board of Directors once in every 3 years and is to be updated accordingly.
3. Transaction is said to be material if:
 - a. The amount exceeds the lower of of:
 - 1000 Crore (OR)
 - 10% of annual consolidated turnover of the listed entity as per the last audited financial statements
 - b. In case of transaction w.r.t. brand usage/ loyalty:
 - Amount exceeds 5% of the annual consolidated turnover of the entity as per the last audited financial statements of the listed entity.

3. Compliance Calendar for Related Party Transactions

Sl. No.	SEBI (LODR) Regulations, 2015	Disclosure requirement	Compliance Due Date
1	Reg 23 (1)	Review of Policy on materiality and dealing with RPT by the Board of Directors	At least once in every three years
2	Reg 23(3)(e)	Obtain fresh omnibus approval for RPTs, subject to the specified conditions, from the Audit Committee	Every year
3	Reg 23(3)(d)	Audit Committee to review the details of RPT, pursuant to each of the omnibus approvals given.	Quarterly
4	Reg 23 (9)	Disclosures of related party transactions on a half yearly basis	On the date of publication of standalone and consolidated financial results

Note: w.e.f. 01.04.2023, RPT includes any transactions with any other person that benefit a related party of the listed entities or any of its subsidiaries.

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Dashboard



4. Model Policy on Related Party Transactions

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

(Amended to include changes in RPT provisions till June 2023)

Custodian	Designation of the person entrusted with keeping the policy current
Approved by	Final approving authority- Board of Directors of the Company
Approved on	Date of the Board Meeting where the Policy is approved
Effective Date	Date in the policy from which the policy will become effective
Version	Start from 1.0 and keep updates numbered chronologically
Next Review	On the 1st of April each year or at such shorter frequency as changes in regulations necessitate

PREAMBLE

_____ Limited recognizes that Related Party transactions can present potential or actual conflicts of interest and may raise concerns on whether such transactions are consistent with the Company's and its shareholders' best interests.

OBJECTIVE

In order to promote good governance and provide transparency by ensuring that there is no conflict of interest in conducting the business, the Board of the Company, acting upon the recommendation of its Audit Committee has adopted the following Policy and procedures with respect to Related Party Transactions of the Company. This Policy is in accordance with the Section 188 of Companies Act, 2013 read with the Rules framed thereunder and Regulation 23 of SEBI (LODR) Regulations, 2015 (as amended from time to time).

TERMS & REFERENCES

All terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Companies Act, 2013 and the Rules thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

DEFINITIONS

1. "Arm's Length Transaction ('ALP')" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, or where based on the business requirements and then prevailing economic conditions, the relevant stakeholders have approved the terms of proposed related party transaction or where a regulator provides for any conditions impacting the market price of such transaction.

2. “Audit Committee” or “Committee” means Audit Committee constituted by the Board of Directors of the Company under provisions of Regulation 18 SEBI (LODR) Regulations, 2015 and Section 177 of Companies Act, 2013 as amended from time to time.
3. “Associate Company” means any Company, in which the Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a joint venture company.
4. “Ordinary Course of Business (‘OCB’)” means a transaction which/wherein:
 - is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
 - is as per historical practice with a pattern of frequency, or
 - is in connection with the normal business carried on by the Company, or
 - the income, if any, earned from such activity/ transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
 - is common commercial practice, or
 - meets any other parameters/criteria as decided by the Board/ Audit Committee.
5. “Material modification” means any modification to the previously approved Related Party Transaction which shall result in a variance on the pricing, quantity and/or overall transaction value, by the specified percentage as decided by the Audit Committee.
6. “Material Related Party Transactions” shall have the same meaning as defined in Regulation 23 of the SEBI (LODR) Regulations, 2015.
7. “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
8. “Related Party” shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the the SEBI (LODR) Regulations, 2015.
9. “Related Party Transactions” shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015 or as envisaged in Section 188(1) of the Act.
10. “Transaction” shall be construed to include single transaction or a group of transactions in a contract.
11. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

DEALING WITH RELATED PARTY TRANSACTIONS

Related Party Transactions in the Company are subject to prior approval by the Audit Committee and in some cases additional approval of the Board of Directors and Shareholders of the Company in accordance with this Policy.

In dealing with Related Party Transactions, the Company will follow the following approach:

1. Identification of Related Parties

- The Company Secretary shall keep a database of Related Parties containing the names of individuals, and entities declared by the Directors based on the latest definition of Related Party as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015.
- The functional departments shall submit to the head of Finance & Accounts and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying that the transactions are on arm's length basis at prevailing market rate and in the ordinary course of business.
- Based on this information, the Company Secretary shall process it and share with the Audit Committee for their approval and if need be, the Board and Shareholders thereafter.

2. Review of Related Party Transactions

- The Audit Committee shall review the policy on materiality of RPTs and the process of dealing with them, including the threshold limits duly approved by the Board, and shall recommend to the Board amendments, if any, required to be made to the existing policy of the Company.
- This policy shall be reviewed by the Board of Directors at least once every three years.
- A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions entered into during a financial year, exceeds the lower of one thousand crore or ten percent of the annual consolidated turnover of the listed entity as per its last audited financial statements.
- 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 entered into during a financial year, exceeds five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- All the transactions with Related Parties shall be referred by the Company Secretary to the Audit Committee for review at its scheduled quarterly meetings or as may be called upon by the Audit Committee from time to time along with all relevant information of such transactions.
- The Audit Committee may refer any of the Related Party Transactions brought before it or it being mandatory under any law, for approval of the Board. The Board may, on its own accord, also decide to review any Related Party Transaction.

3. Criteria for approval

- The Board and the Audit Committee shall take into account among other factors as it may deem appropriate, whether such contract or arrangement is entered into on terms no less favourable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances; the results of an appraisal, if any and the extent of the Director or KMP's interest in such contract or arrangement and whether it is in the ordinary course of business of the entity.
- The Board and the Audit Committee shall be provided with all relevant material information about the Related Party Transaction, including the terms of the transaction, arm's length justification, the business purpose of the transaction and any other relevant matters. In determining whether to approve a Related Party Transaction, the Audit Committee / Board, amongst others, will consider the following factors to the extent relevant in the matter:
 - i. Whether the terms of the Related Party Transaction are fair and on arm's length basis and in the ordinary course of business to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - 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;
 - iv. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel or their Relatives of the Company or affect the independence of a Director.
- No Director or Key Managerial Personnel shall remain present at the meeting nor participate in any discussion or approval of contracts or arrangements w.r.t. Related Party Transaction in case such Director or Key Managerial Personnel is concerned or interested. Further, the interested Director /KMP shall not be counted in determining the presence of a quorum when such Transaction is being considered.
- The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals / procedures shall not be covered under this Policy. Example of such transactions are as follows:

- i. Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
 - ii. Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
 - iii. Issues of shares / securities to related party;
 - iv. Any benefits, interests etc. arising to related party solely from the ownership of Company's shares at par with other holders e.g. Dividends, Right Issues, Stock Split, Bonus shares, etc.
 - v. Shares based incentive plans for the benefits of Directors or KMPs approved by the Shareholders including ESOPs.
 - vi. CSR Contribution.
- Where necessary, any Director may seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis.

APPROVAL OF RELATED PARTY TRANSACTIONS

1. Approval of Audit Committee

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards.

Omnibus Approval

The Audit Committee may, subject to applicable regulatory provisions including Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 other relevant sections of Companies Act 2013, Regulation 23 of SEBI (LODR) Regulations, 2015 and provisions of this Policy, grant omnibus approval to Related Party Transactions subject to fulfilment of the following conditions:

- i. Such Related Party transactions are repetitive in nature and fall in criteria laid down by the Audit Committee for granting the omnibus approval in line with the Policy.
- ii. Specific need of such omnibus approval and that the approval is in the interest of the listed entity.
- iii. The omnibus approval shall specify the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, the indicative base price/current contracted price and the formula for variation in the price, if any and such other condition 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 rupees one crore per transaction.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Provided further that only those members of the audit committee, who are independent directors, shall approve these related party transactions.

(Note: Any transaction which is outside the purview of this section can be captured)

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.

Validity Period: Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2. Approval of Board

The following Related Party Transactions and subsequent material modifications shall be subject to prior approval of the Board of Directors:

- i. If the Audit Committee is of opinion that a particular Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such transaction.
- ii. Where it is mandatory under any law for Board to approve the Related Party Transactions.
- iii. Related Party Transactions, in which the Directors or the Key Managerial Personnel, are concerned or interested.
- iv. Related Party Transactions which are not:
 - a. in the ordinary course of business; or
 - b. conducted at an arm's length basis
- v. All material related party transactions which are intended to be placed before the shareholders for approval.

3. Approval of Shareholders

The following Related Party Transactions and subsequent material modification shall require approval of Shareholders of the Company by way of an ordinary resolution:

All Material contracts and arrangements w.r.t. Related Party Transactions. All entities falling under the definition of Related Parties shall not vote to approve such shareholders' resolution irrespective of whether the entity is a Related Party to the particular transaction or not.

- i. Related Party Transactions exceeding the threshold limits as may be prescribed by the Companies Act, 2013 from time to time and which is either not:
 - a. in the ordinary course of business; or
 - b. conducted at an arm's length basis.
- ii. The Related Parties who are concerned / interested in the transactions shall not vote to approve from voting on such shareholder's resolution.

The approval requirements mentioned hereinabove shall also apply to those transactions undertaken by the Company or any of its subsidiaries on the one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

RELATED PARTY TRANSACTIONS OF SUBSIDIARY COMPANIES

Related Party Transactions to which only unlisted subsidiary of the Company is a party shall require prior approval of the Audit Committee of the Company if the total transaction exceeds the turnover thresholds as prescribed under the SEBI (LODR) Regulations, 2015 from time to time.

EXCLUSIONS

The following RPTs will not be put up for approval of the Audit Committee / Board /Shareholders:

- Transactions between the Company and its Wholly Owned Subsidiary (WOS) (if the Company is preparing consolidated accounts and placing the same before its shareholders for approval)
- Transactions between two WOS of the Company (if the Company is preparing consolidated accounts and placing the same before its shareholders for approval)

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If a Related Party Transaction is entered into by the Company without being prior approval under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction along with the reason why such transaction was entered into without bringing it to the notice of the Audit Committee and decide such action as it may consider appropriate including ratification, revision or termination of the RPT.

In connection with any review of a RPT, the Committee has authority to propose to the Board to modify or waive any procedural requirements of this Policy as may be required along with the reasons for the same.

DISCLOSURES

- Every Related Party Transaction with proper justification for it shall be disclosed in the Financial Statements.
- Details of all Material Transactions with Related Parties shall be disclosed quarterly along with the compliance report on Corporate Governance and Directors Report.
- The Company shall disclose the Policy on dealing with Related Party Transactions on its website and in the Annual Report, as well.
- The Policy shall be communicated to all operational employees and other concerned personnel of the Company.
- This Policy on Dealing with Related Party Transactions shall be displayed on the Company's website.
- The Company shall disclose to the stock exchange as per Regulation 23(9) of SEBI (LODR) Regulations, 2015, on the same date as on the date of publication of the standalone and consolidated financial results for each half year and publish on its website the disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results.

GENERAL

Notwithstanding anything contained in this policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws/regulations either existing or arising out of any amendment to such laws/regulations or otherwise and applicable to the Company from time to time.

INTERPRETATION

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and their decision in such a case shall be final and binding all stakeholders.

In case of any conflict between the provisions of this Policy and of Statutory Provisions, the Statutory Provisions shall prevail over this Policy. Any subsequent amendment/modification in the Statutory Provisions shall automatically be construed to be included in this Policy.

COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Audit Committee and Board of Directors of the Company who shall have the power to ask for any information or clarifications from the Management in this regard.

Audit Committee of the Company shall report and update the Board, periodically, on various matters that it has considered and shall record its written summaries of recommendations to the Board.

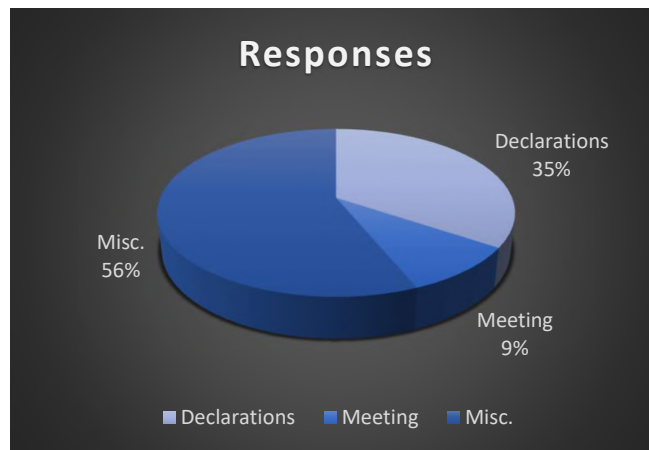
PERIODICITY OF REVIEW

The policy shall be reviewed by the Board of Directors at least annually. The custodian of this policy shall submit to the Audit Committee of the Company proposals for additions, deletions, modifications or change as and when required by changes in legislation or regulations or emerging business practices as soon as it is feasible to incorporate the change to make the Policy current and effective in dealing with all RPTs. Further, even where no change is required, at annual intervals, this Policy shall be evaluated, and a proposal submitted to the Audit Committee confirming that no change is required.

5. Analysis of RPT Survey responses

Clear had conducted a survey on RPT in the month of February 2023, comprising of 12 questions (Annexure -1) amongst our professional fraternity comprising of Chartered Accountants, Company Secretaries etc, and to gain insight into the challenges faced by them in ensuring compliance with the related party transactions. The survey also intended to understand the participants' take on the newly introduced concept of intent and benefit which came into effect from April 01, 2023.

The responses have been classified into Three Major Categories:



Below is a summary of the interesting insights:

- 35% of the respondents to the survey intend to obtain declarations that the agreement / transaction does not in any way intend to benefit the related party of listed entity or any of its subsidiaries.
- 9% of the Companies who have participated in the survey are planning to bring it as an agenda item in the Board meeting and take approval of Audit Committee.

Our respondents also offered suggestions as to how these transactions can be captured. Top 3 of them are:

- To check the connection of related party with the third party prior to the transaction.
- Ensure that the transaction with a third party is at arm's length and not to open any window to benefit any related party directly or indirectly.
- Use blockchain technology to check for plausible relationships between the related parties.

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Facilitates effective
collaboration through
text annotations

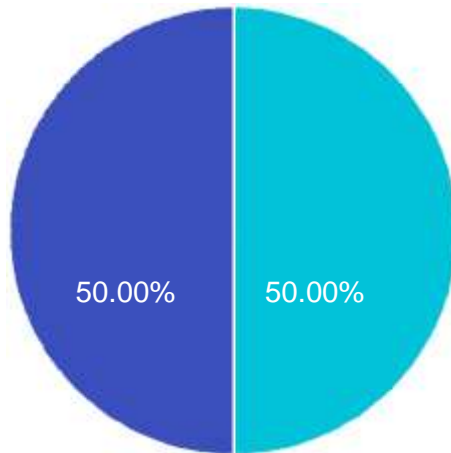


Annexure -1

A. 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.

Q1

1. Do you capture anyone as a related party under this clause?



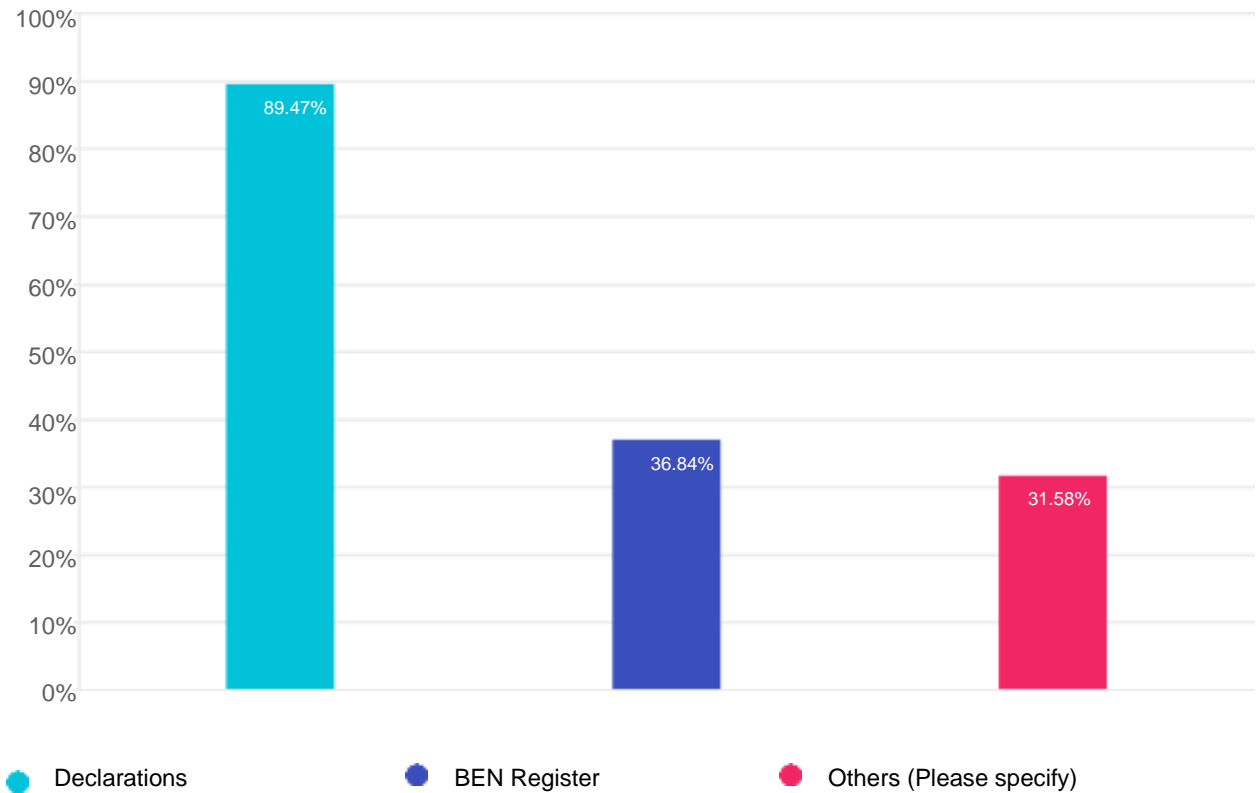
● Yes

● No

Choices	Response percent
Yes	50.00%
No	50.00%

Q2

How do you capture the information?



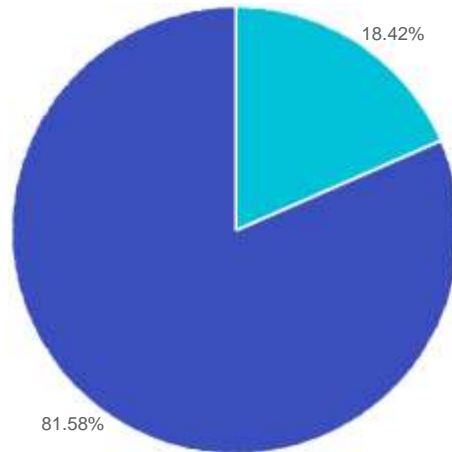
Choices	Response percent
Declarations	89.47%
BEN Register	36.84%
Others (Please specify)	31.58%

Others (Please specify)

1. Agreement
2. Came to know by nature.
3. Articles of Association (AoA)
4. Declaration that he falls under these criteria for better transparency. Maybe with DIR - 8
5. Facts of case, daily instructions to run the company.

Q3

2. Do you know of any corporate entity that has identified any related party under this clause?



● Yes

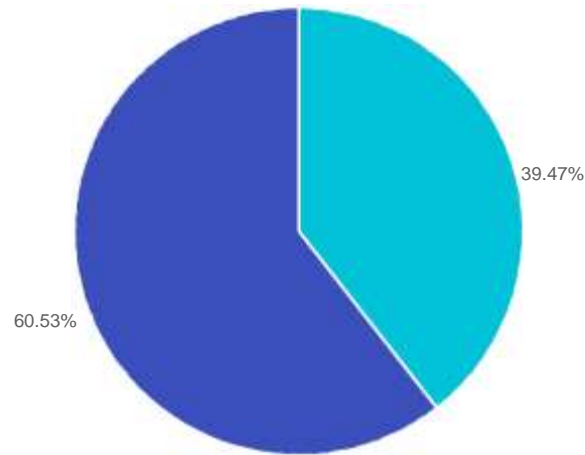
● No

Choices	Response percent
Yes	18.42%
No	81.58%

B. Any Person on whose advice/ directions/ Instructions any director or manager is accustomed to act.

Q4

3. Do you capture anyone as related party under this clause?



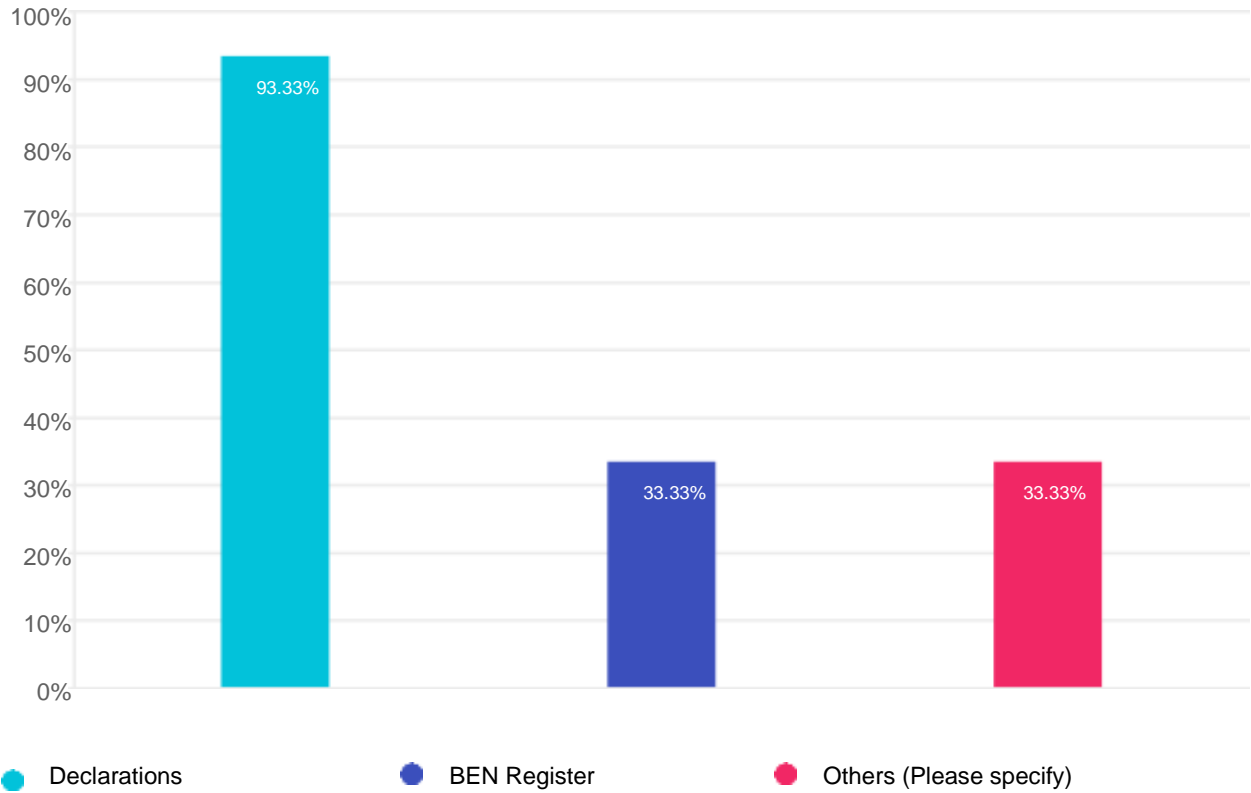
● Yes

● No

Choices	Response percent
Yes	39.47%
No	60.53%

Q5

How do you capture the information?



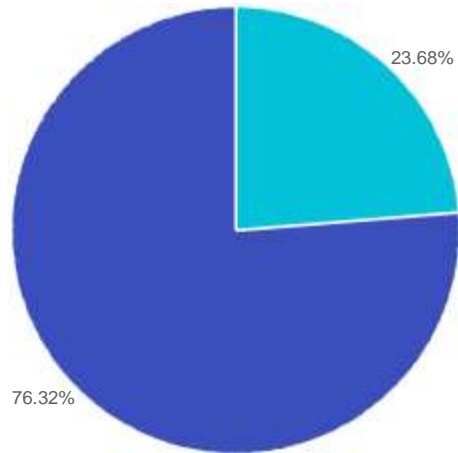
Choices	Response percent
Declarations	93.33 %
BEN Register	33.33%
Others (Please specify)	33.33%

Others (Please specify)

1. Agreement
2. Promoters' maybe responsible.
3. Declaration that he falls under the criteria for better transparency. Maybe with DIR- 8.
4. Shareholder's agreement.
5. MBP-4

Q6

4. Do you know of any corporate entity that has identified any related party under this clause?



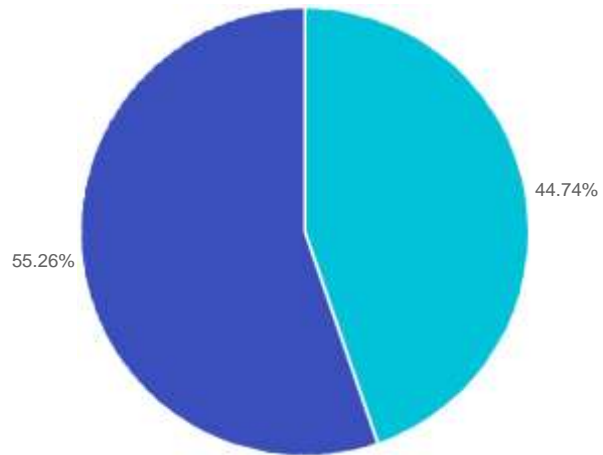
● Yes ● No

Choices	Response percent
Yes	23.68%
No	76.32%

C. For Subsidiary Company

Q7

5. Are you a subsidiary of a Holding Company?



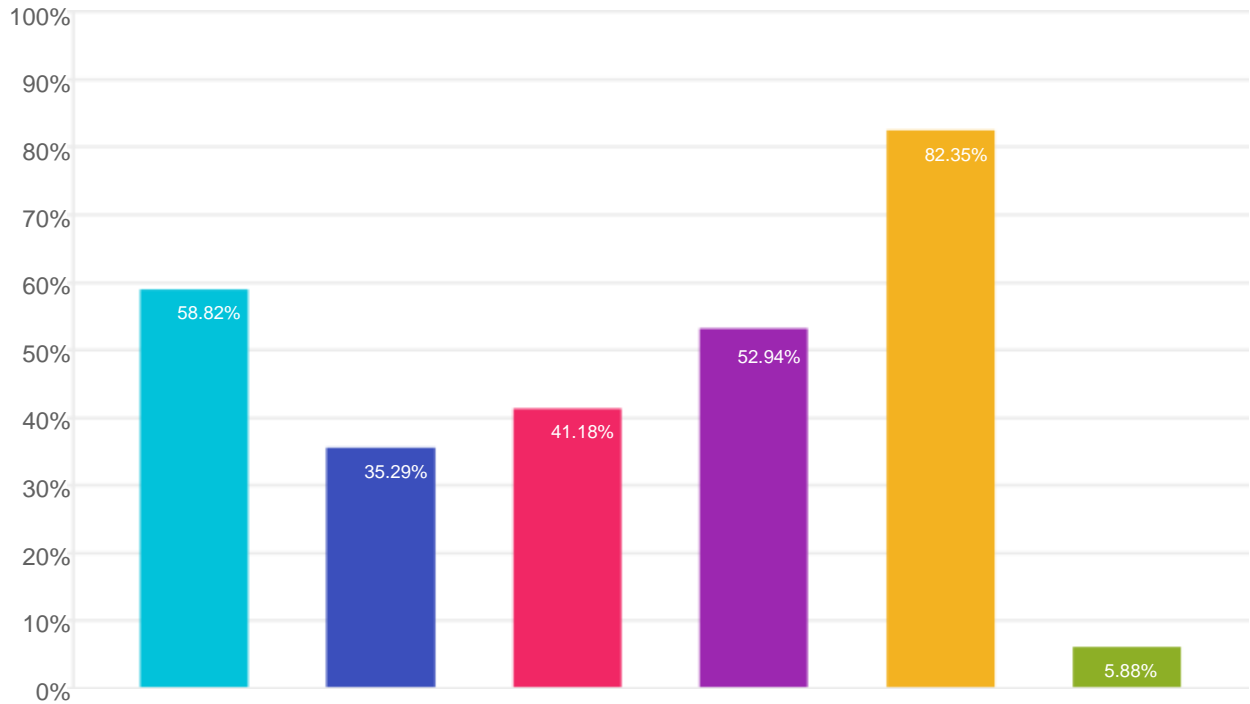
● Yes

● No

Choices	Response percent
Yes	44.74%
No	55.26%

Q8

How do you capture the information on subsidiaries of your Holding Company?



- Take periodic declarations from the Company Secretary / Compliance professionals of your holding company
- Access to a portal with details of all subsidiaries, JVs and Associate Companies of your Holding Company
- Monthly intimation received from your holding company
- Quarterly intimation received from your holding company
- Event based intimation received from your holding company on a company becoming its subsidiary
- Others (Please specify)

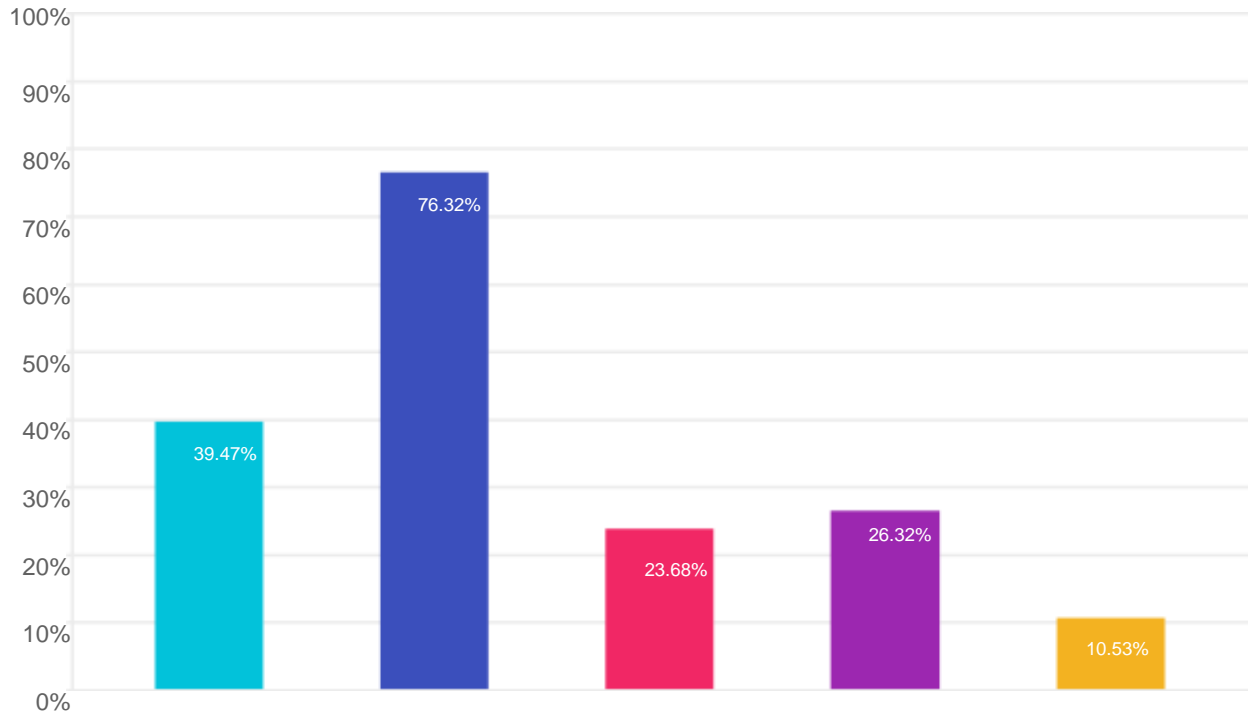
Choices	Response percent
Take periodic declarations from the Company Secretary /Compliance professionals of your holding company	58.82%
Access to a portal with details of all subsidiaries, JVs and Associate Companies of your Holding Company	35.29%
Monthly intimation received from your holding company	41.18%
Quarterly intimation received from your holding company	52.94%
Event based intimation received from your holding company on a company becoming its subsidiary	82.35%
Others (Please specify)	5.88%

Others (Please specify)

1. From financial statements .

Q9

How do you capture the relatives of Directors (not including independent Director) or KMP of the holding company?



- Take periodic declarations from the Company secretary / Compliance professionals of your holding company
- Obtain MBP-1 filed with your Holding Company
- Monthly intimation received from Company Secretary/ Compliance professionals your holding company
- Quarterly intimation received from your holding company
- Others (Please specify)

Choices	Response percent
Take periodic declarations from the Company secretary / Compliance professionals of your holding company	39.47%
Obtain MBP-1 filed with your Holding Company	76.32%
Monthly intimation received from Company Secretary/ Compliance professionals your holding company	23.68%
Quarterly intimation received from your holding company	26.32%
Others (Please specify)	10.53%

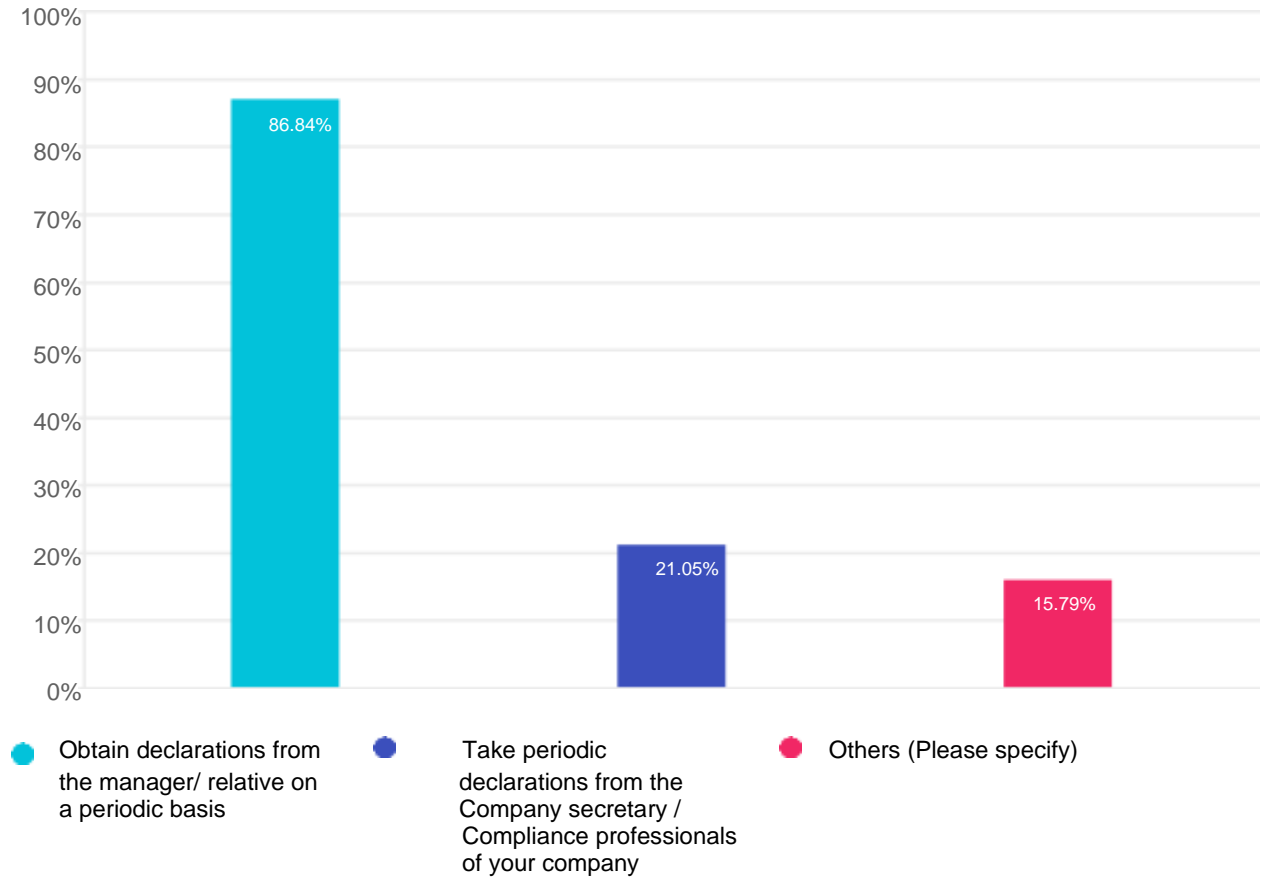
Others (Please specify)

1. Attachment to DIR - 8 and MBP - 1 from holding Company. Maybe, Company secretary can ask for declarations on quarterly basis or need to know basis.
2. Family Tree.

D. Interest (Shareholding or Directorship) of the manager or the relative in other firms/ Companies

Q10

7. How do you capture the interest, shareholding or directorship, of the manager or the relative in other firms/ companies



Choices	Response percent
Obtain declarations from the manager/ relative on a periodic basis	86.84%
Take periodic declarations from the Company secretary / Compliance professionals of your company	21.05%
Others (Please specify)	15.79%

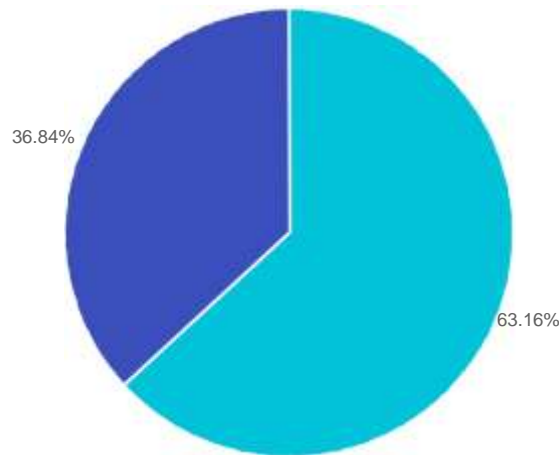
Others (Please specify)

1. Form MBP-1
2. Like auditors, they must also have pre-defined checklists and if corrective action is not taken on time, continuing penalty can be imposed for further delay.
3. MCA records, internal records.
4. Demat and physical holding and MCA for directorship.
5. There are no Managers appointed pursuant to the Companies Act, 2013.
6. Take MBP-1 as he is a KMP.

E. HUF of the Director or Manager, who is a member of HUF.

Q11

8. Do you specifically ask for the HUF of the Director or Manager, in which they could be a member?



● Yes

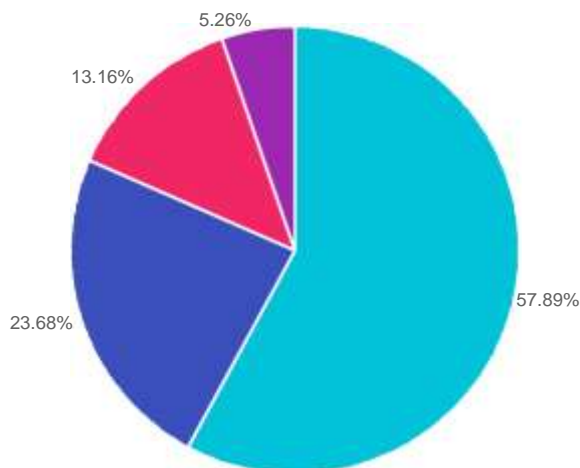
● No

Choices	Response percent
Yes	63.16%
No	36.84%

F. Authentication of Register of Contracts with Related Party and contracts & bodies in which directors are interested

Q12

9. How do you get the Register of Contracts with Related Party and contracts & bodies in which Directors are interested, authenticated at your Board Meeting?



- Take physical signature of the directors in hard copy of the register
- Take print out of the new entries and take physical signatures of the directors
- Get directors to affix digital signature on all the new entries made
- Others (Please specify)

Choices	Response percent
Take physical signature of the directors in hard copy of the register	57.89%
Take print out of the new entries and take physical signatures of the Directors	23.68%
Get directors to affix digital signature on all the new entries made	13.16%
Others (Please specify)	5.26%

Others (Please specify)

1. Up-to-date register shall be signed by the concerned director and the copy of the same to be presented and taken note by Board at its meeting.
2. We will putup in the Board Meeting as part of the agenda and take the approval of all the Directors.

G. Transactions with third parties that intent to or benefit any of the related parties

Q13

10. How do you intend to capture transactions with third parties that may benefit any of the related parties

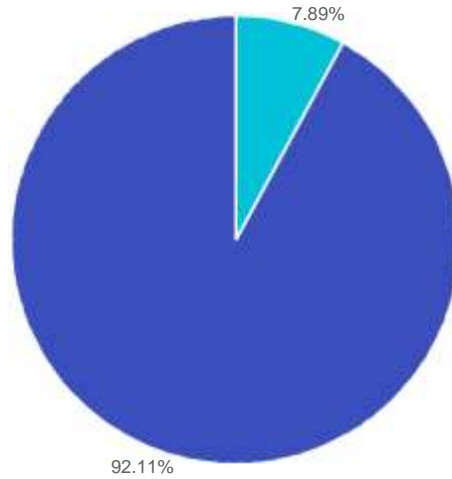
1. To check the connection of related party with the third party prior to the transaction.
2. Agreement/Declaration by Party involved in the transaction.
3. As of now the same is being examined.
4. We take a declaration that the third party is not related and also ensure that transaction is at arms length basis.
5. We must use block chain concept here. The vertical line/layers of Related parties and horizon of related parties must be mapped in all combinations and check for plausible relationship. It's possible with IT development tools in mapping SLA and CIN no and relations benefits be identified by systems .Check nature, future benefit and links .Indirectly follow AS-18.
6. Taking note of it in minutes and anyway it will become related party transactions from April 01, 2023 . So compliance as per Regulation 23 of LODR, 2015 to be followed. Detailed note of the same in minutes to be made. Further, related party transactions policy needs amendment to the effect of capturing related disclosure and finding with respect to related party.
7. Looking at each of the transaction in this broader context is not possible.
8. Check all RPT , if entered with any third parties .
9. On the Basis of Declaration by the Management.
10. By taking declaration from the third party that such agreement/ transaction does not in any way intend to benefit the related party of listed entity or any of its subsidiaries.
11. To be decided on case-to-case basis.

12. Evolving a process. It's difficult to find and embarrassing to request Directors. One has to keep doing forensic audit.
13. Take declarations from respective parties and record the same.
14. Digitally if possible.
15. We are in process to prepare a SOP on declaration of interest directly or indirectly by our Directors/KMP on every transaction exceeding X % of total revenue of the company in a particular FY.
16. We will take approval of the Audit Committee and the Board if required. If it is a material RPT transaction, then it will be put up for approval of the Shareholders.
17. We need to ensure that the transaction with a third party is at arm's length and not to open any window to benefit any related party directly or indirectly.
18. By way of agenda item in the board meeting.
19. Agreement entered to receive consultancy services from M/s ABC, in which Mr. A, director of the company is a Partner for a fixed remuneration of 10 lakhs p.a. for 2 years.
20. All the transaction which needs to pass through meeting or mode need to be captured by the software.
21. By training the persons about RPT.
22. Check thoroughly the transaction how it benefits to related party directly or indirectly, however it would be a great difficulty.

H. Software and Tools for capturing and reporting RPTs

Q14

11. Do you use any software for capturing and reporting RPTs?



● Yes

● No

Choices	Response percent
Yes	7.89%
No	92.11%

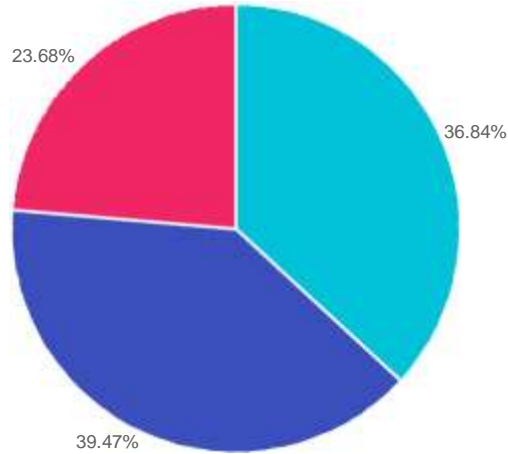
Q15

Name of the software:

1. SAP
2. Oracle
3. XBRL

Q16

12. Would you like to use any software or tool for reporting RPTs?



● No, not required ● Will use if available ● Yes, a critical need.

Choices	Response percent
Yes	36.84%
Will use if available	39.47%
Yes, a critical need	23.68%

Disclaimer and Limitations of the Study

- **General Information:** Clear has prepared handbook on related party transactions to provide guidance on provisions with respect to related party transactions. This handbook is not intended to act as a recommendation or condemnation of any practice, company or firm covered in this report.
- **Risk Warning:** Clear shall not be responsible for any loss or damage arising for anyone using any information contained in this report.
- **Source of Information:** Clear has used the information contained in the websites/Annual Reports of the Company.
- **Limitations:** Competent professionals with adequate experience have undertaken this study. Further, they have also followed a due process of checks and verifications to ensure accuracy of this report. This should have eliminated almost all errors from this report. If any points in errors are brought to our notice and we agree with the same, Clear will rectify the report at the earliest and have the revised report available on its website. Clear does not accept any loss or damage caused to any individual or institution by use of this report.



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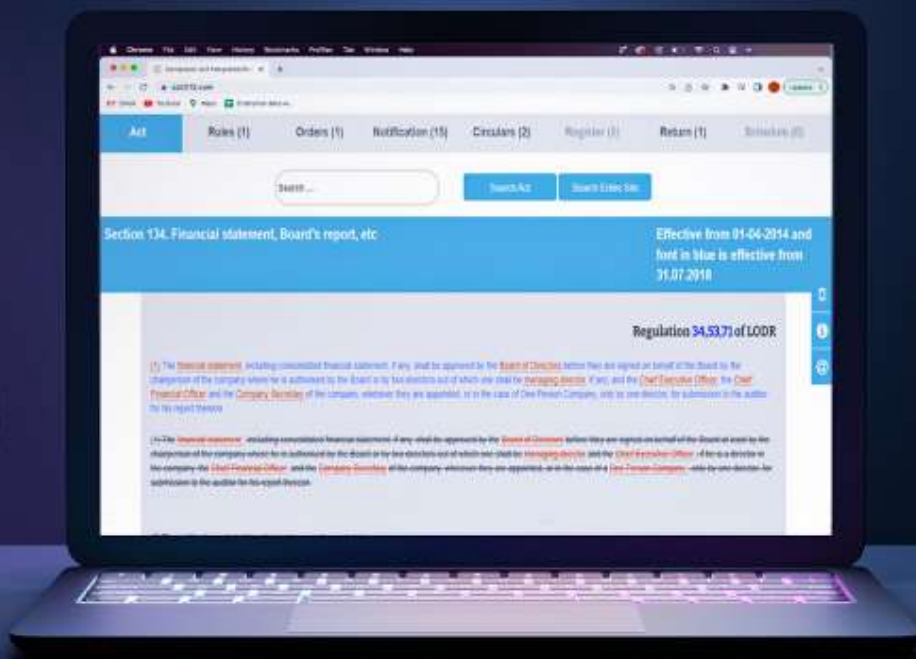
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