

3i INFOTECH LIMITED

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

Reviewing Authority	Audit Committee
Approving Authority	Board of Directors
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1. Preamble and Purpose

The Board of Directors (the “Board”) of 3i Infotech Limited (the “Company” or “3i Infotech”), has adopted the following policy and procedures with regards to Related Party Transactions of the Company, based on recommendations of the Audit Committee. The Audit Committee may review and the Board may approve amendment of this policy from time to time.

The purpose of this policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and ensure proper reporting and approval of such Related Party Transactions.

This policy is framed as per the requirement of Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires a listed entity to formulate a policy on materiality of related party transactions and on dealing with the Related Party Transactions.

2. Applicability

This policy will be applicable to the Listed Entity or its subsidiary in the context of its transactions between the Listed entity or its subsidiary and its Related Parties based on the applicable laws and regulations.

3. Definitions

“**Act**” means the Companies Act, 2013 and the Rules framed and Circulars and Notifications issued thereunder, including any modifications, amendments thereto or re-enactment thereof.

“**Listing Regulations**” mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

“**Transactions on an arm’s length basis**” means transactions between two related parties which are conducted as if they were unrelated, so that there is no conflict of interest.

“**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.

Explanation “significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

“**Joint Venture**” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“**Audit Committee**” or “**Committee**” means the Audit Committee of the Board of Directors of the Company.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company.

“Company” means 3i Infotech Limited.

“Key Managerial Personnel” means –

- i. the Chief Executive Officer or the Managing Director or the manager;
- ii. the Company Secretary;
- iii. the whole-time Director;
- iv. the Chief Financial Officer; and
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

“Material Modifications” mean any modifications to the material related party transactions if monetary value of such modification exceeds fifty percent or ten crores, whichever is higher, of the monetary value of the originally approved related party transaction.

“Material Related Party Transaction” would mean any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceeding the threshold amount specified in the section under Material Related Party Transactions.

“Policy” means the Policy on materiality of Related Party Transactions and policy on dealing with Related Party Transactions, as may be amended from time to time.

“Related Party” means a related party as defined under Section 2(76) of the Act read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company or any of its subsidiaries on 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;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

b. Corporate actions (viz. dividend, rights, bonus, sub-division, consolidation, buy-back, etc.) by subsidiaries of a listed entity and corporate actions received by the listed entity or its subsidiaries which are uniformly applicable to all shareholders in proportion to their shareholding.

c. Retail purchases from any listed entity or its subsidiary by its directors/ employees, without establishing a business relationship and at the terms which are uniformly applicable to all directors and employees.

“Relative” shall mean A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- i. Member of a Hindu Undivided Family
- ii. Spouse;
- iii. one person is related to the other in such manner as may be prescribed, including:
 - a) Father (including step-father);
 - b) Mother (including step-mother);
 - c) Son (including step-son);
 - d) Son’s wife;
 - e) Daughter;
 - f) Daughter’s husband;
 - g) Brother (including step-brother); and
 - h) Sister (including step-sister).

4. Policy

a. Identification of potential Related Party Transactions

For Identification of potential Related Party Transactions, the following shall be observed:

- i. Each Director/ Key Managerial Personnel shall provide written notice to Each Director/ Key Managerial Personnel shall provide written notice to the Company Secretary of any potential Related Party Transaction involving him or her /his or her relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary, in consultation with the Chief Financial Officer, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- ii. Every Director/ 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.
- iii. Where any Director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- iv. A contract or arrangement entered into by the company without disclosure or with participation by a Director /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.

b. Review and approval of Related Party Transactions

i. Audit Committee Approval

Every Related Party Transaction and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting of the Committee or by a resolution passed by circulation.

In summary, prior approval of Audit Committee is required for the following Related Party Transactions:

- Where Company is a party;
- where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.

The Audit Committee will take into account following consideration while dealing with the Related Party Transactions (RPT):

- Nature of relationship with the related party;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length;
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- Tenure of the proposed transaction (particular tenure shall be specified);
- Value of the proposed transaction;
- The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - iii. nature of indebtedness
 - iv. cost of funds; and
 - v. tenure.
 - vi. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - vii. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- Justification as to why the RPT is in the interest of the listed entity;
- A copy of the valuation or other external party report, if any such report has been relied upon;
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions. Any entity falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

Omnibus Approval of Audit Committee

If the Audit Committee is satisfied regarding the need of an omnibus approval, it may grant an omnibus approval for the Related Party Transactions proposed to be entered into by the Company and also by the Company's subsidiary(ies) which are repetitive in nature and subject to such criteria/conditions as mentioned under in Regulation 17 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be required to be reviewed on a quarterly basis. Such omnibus approval shall include relevant details as set out in Regulation 23(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. 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 INR 1,00,00,000 (Indian Rupees One crore) per transaction.

Omnibus Approval for RPTs of subsidiaries:

- For RPTs entered by subsidiaries where listed entity is not a party (see note below), omnibus approval of audit committee can be taken in line with omnibus approval undertaken by the listed entity.
- Audit committee need to set criteria for granting the omnibus approval.
- Audit committee shall also review the RPTs of subsidiaries that were approved under omnibus route on quarterly basis.
- Omnibus approval of audit committee of listed entity can be taken for unforeseen RPTs of subsidiaries (where listed entity is not a party).

Note: As per SEBI LODR Regulations, for RPTs entered by subsidiaries of listed entity, where listed entity is not a party, approval of audit committee of listed entity is required if the transaction (whether entered individually or taken together with previous transactions during a financial year) exceeds 10% of standalone turnover of the subsidiary (as per the last audited financial statements of the subsidiary).

ii. Board Approval

The Board shall approve RPTs, which are not in ordinary course of business and/or not at arm's length.

Where the Audit Committee does not approve the RPTs, it shall make its recommendations to the Board for approval.

If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

iii. Shareholders' Approval

All material Related Party Transactions defined under Regulation 23 of Listing Regulations, whether in ordinary course of business and/or arm's length basis or not, shall require approval of the Board and shareholders, and the related parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

Related Party Transactions exceeding the limits prescribed under the Act and not in ordinary course of business and/or arm's length basis, shall require prior approval of the Board and shareholders, respectively.

It is clarified that for Related Party Transactions of unlisted subsidiaries of a listed subsidiary, prior approval of shareholders of the listed subsidiary shall suffice.

Exemptions from obtaining approval of Audit Committee and Shareholders

Transactions entered into,

- (i) between two Public Sector companies; or
- (ii) 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; or
- (iii) transactions entered into between two wholly owned subsidiary of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; or
- (iv) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on the one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (v) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (vi) Remuneration and sitting fees paid by listed entity or its subsidiary to its directors, KMPs or senior management (excluding promoters/promoter group) is now exempt from the requirement of prior approval of audit committee provided the transaction is not material. Further, no disclosure is required to be made to the stock exchanges for the same.

However, all Related Party Transactions would continue to be reported to the Audit Committee on a quarterly basis.

c. Material Related Party Transactions

Material Related Party Transactions shall be transactions with Related Parties which exceed the threshold limits prescribed below:

Category of Transactions	Material Related Party Transactions (as per the Act)*	Material Related Party Transactions (as per the Listing Regulations)
Sale, purchase or supply of any goods or materials	Amounting to 10% or more of turnover of the Company	INR 1000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
Selling or otherwise disposing of or buying property of any kind	Amounting to 10% or more of net worth of the Company	
Leasing of property of any kind	Amounting to 10% or more of turnover of the Company	
Availing or rendering of any services	Amounting to 10% or more of turnover of the Company	
Appointment of any agent for purchase or sale of goods, materials, services	Not Applicable	
Appointment of such Related Party to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding INR 2,50,000	
Underwriting the subscription of any securities or derivatives thereof, of the Company	Remuneration exceeding 1% of net worth	

*Calculations of thresholds as a percentage of turnover or net worth shall be based on the Audited Financial Statement of the preceding financial year for the purposes of the Act.

Provided that transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.”

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action as it deems appropriate.

Post facto ratification of RPTs:

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee;

Provided that 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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

6. General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest between management, Directors and Shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same is in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - a. To seek information from any employee.
 - b. To obtain external legal or other professional advice.
 - c. To secure attendance of external persons with relevant expertise, if considered necessary.
 - d. To investigate any Related Party Transaction.
- iv. The CFO of the Company is authorized to issue necessary guidelines/instructions and enunciate detailed procedures within the framework of this Policy for implementation of this Policy.
- v. The Company, while entering into any Related Party Transaction, shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to its Policy.

7. Disclosures

Appropriate disclosures as required under the Act and the Listing Regulations shall be made in the Annual Return, Directors Report and to the Stock Exchanges.

8. Amendments

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

9. Amendments in Law

Any subsequent amendment/modification in the Listing Regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

10. Interpretation

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it under the Act, the SEBI Act or Rules and Regulations made thereunder, Listing Regulations, Accounting Standards or any other relevant legislation/ law applicable to the Company.

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 the decision of the Audit Committee in such a case shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.