

Annexure-1

Policy

On

**Materiality of Related Party Transactions
and Dealing with Related Party
Transactions**

1. Preamble

This Policy is formulated on Materiality of Related Party Transactions (hereinafter referred to as “RPT”) and dealing with RPTs with clear threshold limits as approved here in below as required under applicable provisions of the Companies Act, 2013 (hereinafter referred to as “Act”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”).

2. Purpose of the Policy

This Policy is adopted to monitor and manage potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in RPTs. This Policy clearly defines the process of obtaining the approval of the Board, Committee or Shareholders, as the case may be, for entering into RPTs in compliance with the Act and Listing Regulations and strives to adopt the good practices to carry out RPT in fair and transparent manner.

3. Applicable Definitions

3.1. Act means Companies Act, 2013;

3.2. 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;

3.3. Board means the Board of directors of PTC India Ltd.;

3.4. Committee means the Audit committee of Board as defined under the Companies Act, 2013 and the Listing Regulations ;

3.5. Company means PTC India Ltd.;

3.6. Key Managerial Personnel or KMP means:

(i) Managing Director, or Chief Executive Officer or Manager;

(ii) Company Secretary;

(iii) Whole time Director;

(iv) Chief Financial Officer;

(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

3.7. Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;

3.8. “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 ten percent of the annual consolidated turnover as per the last audited financial statements of the Company;

However, 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 listed entity as per the last audited financial statements of the listed entity.

3.9. “Related Party transactions” means such contract or arrangement as referred to and defined under the Act and Listing Regulations.

3.10. Policy means this Policy;

3.11. Rules means the Company (Meetings of Board and Its Powers) Rules, 2014;

3.12. Related Party means such party as defined under the Act, Listing Regulations and applicable accounting standards. (*Refer Annexure I for details*)

3.13. Relative means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

- 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)
- xi. Brother’s wife
- xii. Sister’s husband

4. The Policy

Following is the structure of dealing with transactions between the Company and Related Parties:

- Identification of Related Parties and potential Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

4.1. Identification of related party transactions and potential Related Party Transactions;

- (i) All RPTs shall be placed before the Audit Committee of the Company for its approval.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a RPT is required to bring the same to the attention of the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) who would in turn take necessary steps to place the same before the Audit Committee.

All Directors and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have interest in any transaction or matter directly affecting the Company.

In addition, all Director and KMPs are responsible for giving notice to the Company Secretary of any potential RPT involving them or their Relatives. Such notice of any potential RPT should be given well in advance so that the Company has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

- (ii) The Audit Committee will determine whether or not transactions as mentioned above constitute a RPT, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction, and refer it to the Board of Directors for its approval, if required.

4.2. Approval of Related Party Transactions:

4.2.1. Audit Committee

1. All RPTs shall require prior approval of the Audit Committee.

Unless otherwise stated in this Policy, all RPTs, other than transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis, shall require prior approval of the Audit Committee of the Company. Transactions between the Company and wholly owned subsidiaries which are in the ordinary course of business and which are on arm's length basis will also, as a measure of good governance, be placed before the Audit Committee for information.

However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions:

- a. The Committee needs to justify the need of granting omnibus approval for its RPTs and their repetitiveness in the past/ future,
- b. 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.
- c. Where the need for RPTs cannot be foreseen and where the details of omnibus approval are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- d. Where the Audit Committee does not approve any RPT, it shall make appropriate recommendation to the Board for its consideration.

2. The Audit Committee while granting omnibus approval shall adopt the following criteria's:
 - a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year, will be 5% of the annual turnover of the Company as per its last audited financial statements.
 - b. The Maximum value per RPT which can be approved under omnibus route will be same as per the materiality threshold as defined in the Policy i.e. 2.50% of the annual turnover of the company as per last audited financial statements of the company,
 - c. Extent and manner of disclosures to be made to the committee at the time of seeking omnibus approval;
 - d. The 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."

3. The following transactions will not be subject to the omnibus approval of the Audit Committee but may be approved by the Committee as and when required:
 - a. Transactions which are not at arm's length or not in the ordinary course of business;
 - b. Transactions which are not repetitive in nature;
 - c. Transactions exceeding materiality thresholds as laid down above;
 - d. Omnibus approval route is not applicable in case of selling or disposing off the undertakings of the Company;
 - e. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties;
 - f. Any other transaction the Audit Committee may deem not fit for omnibus approval.

Note: Where any RPT amounting to not more than rupee one crore is entered without the approval of Audit Committee, then RPT shall be ratified by the Committee within three months from the date of transaction. Otherwise, it shall be voidable at the option of the Committee. In case of RPT amounts to more than rupee one crore then it shall be ratified by the Board of the Company.

4. In determining whether to approve a RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:
 - i. Whether the terms of the RPT are fair and on arm's length basis to the Company.
 - ii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
 - 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. Where the ratification of the RPT is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee

- and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- v. Any other factor the Committee deems relevant for reviewing and approving such RPT.

Any member of the Audit Committee, who has a potential interest in any RPT, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such RPT.

4.2.2. Board of Directors

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and **which** are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval. (*Refer Annexure II for transactions specified under Section 188*)

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval apart from approval of the Audit Committee:

- a. Transactions which may be in the ordinary course of business and at arm's length basis, but which are beyond value threshold and / or other parameters as per the policy determined by the Board from time to time;
- b. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval.

Any member of the Board, who has a potential interest in any RPT, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such RPT.

4.2.3. Shareholders' Approval

1. Shareholders' approval shall be required for the following Transaction(s):
 - a. All the Material RPTs shall require approval of the shareholders through a resolution.
 - b. In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at arm's length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its prior approval.

All entities falling under the definition of related party shall not vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

4.3. Disclosure of Related Party Transactions

- 4.3.1. Every material RPT entered into shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- 4.3.2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- 4.3.3. The Company shall disclose the Policy on dealing with RPTs on its website and also a web link thereto shall be provided in the Annual Report. In addition to the disclosures required under the Accounting Standards, RPTs that are not at arm's length basis and Material RPTs that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.
- 4.3.4. A register of RPTs shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the directors present at the Meeting.
- 4.3.5. Details of all Material RPTs shall be disclosed to the Stock Exchanges on a quarterly basis.

5. Related Party Transactions that shall not require Approval

Following RPTs shall not require any separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b. Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c. Payment of Dividend
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

The above transactions between the Company and the related parties will also, as a measure of good governance, be placed before the Audit Committee for information.

6. Related Party Transactions not approved under the Policy:

In the event the Company comes to know of a RPT 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 & circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the RPT. The Committee shall also examine the reasons for not reporting the RPT to the Committee and shall take any reasonable action in this regard as it deems appropriate.

In case the Committee decides not to ratify a RPT that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with the review of

the RPT, the Committee has authority to modify/waive any procedural requirements of this Policy to the extent not in conflict with the requirement of law.

7. Amendments to the Policy

The Audit Committee of the Company shall review this Policy from time to time, but at least once every three years, and may recommend amendments to the same for approval of the Board.

In case of any amendments(s), clarification(s), circular(s) etc. issued by relevant authorities not being consistent with the provisions laid down in this Policy, then such amendments(s), clarification(s), circular(s) etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendments(s), clarification(s), circular(s) etc.

8. Communication

This Policy will be communicated to all Directors, KMPs and other concerned persons of the Company.

Related party defined under the Act, Listing Regulations and applicable Accounting Standards.

1. Companies Act, 2013

Definition of Related Party - Section 2(76) of the Companies Act, 2013

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 is a member or director;*
- (v) 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;*
- (vi) 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;*
- (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 venture of the company*
- (ix) such other person as may be prescribed;*

For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

Definition of relative - Section 2(77) of the Companies Act, 2013

“Relative”, with reference to any person, means any one who is related to another, if:

- (i) they are members of a Hindu Undivided Family;*
- (ii) they are husband and wife; or*
- (iii) one person is related to the other in such manner as may be prescribed.*

Definition of Subsidiary - Company Section 2(87) of the Companies Act, 2013

“Subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or*
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.*

Definition of Member - Section 2(55) of the Companies Act, 2013

“Member”, in relation to a company, means:

- (i) the subscriber to the memorandum of the company who shall be deemed to have agreed to become member of the company, and on its registration, shall be entered as member in its register of members;
- (ii) every other person who agrees in writing to become a member of the company and whose name is entered in the register of members of the company;
- (iii) every person holding shares of the company and whose name is entered as a beneficial owner in the records of a depository.

Definition of Key Managerial Person - Section 2(51) of the Companies Act, 2013

“Key managerial personnel”, in relation to a company, 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;
- (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.

Definition of Holding Company - Section 2(46) of the Companies Act, 2013

“Holding company”, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

‘Explanation.—For the purposes of this clause, the expression “company” includes any body corporate

Definition of Body Corporate - Section 2(11) of the Companies Act, 2013

“Body corporate” or “Corporation” includes a company incorporated outside India, but does not include”

- (i) a co-operative society registered under any law relating to co-operative societies; and
- (ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

2. Related party as per Ind AS 24

As per Para 9 of Ind AS 24

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:

- (iv) 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).

- (v) *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).*
- (vi) *Both entities are joint ventures of the same third party.*
- (vii) *One entity is a joint venture of a third entity and the other entity is an associate of the third entity.*
- (viii) *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.*
- (ix) *The entity is controlled or jointly controlled by a person identified in (a).*
- (x) *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).*
- (xi) *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.*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (a) that person's children, spouse or domestic partner, brother, sister, father and mother;*
- (b) children of that person's spouse or domestic partner; and*
- (c) dependants of that person or that person's spouse or domestic partner.*

3. SEBI LODR Regulations, 2015- Definition of Related Party

Chapter 1, Section 2(ZB)

"Related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

Provided [further] that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

Transactions defined under Section 188 of the Act.

- 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.*