

ADC INDIA COMMUNICATIONS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(Policy adopted by the Board of Directors at its Meeting held on March 4, 2015)

(Policy amended by the Board of Directors at its Meeting held on February 11, 2019)

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1. INTRODUCTION

The Board of Directors ("the Board") of ADC India Communications Limited ("the Company") has, at its meeting held on March 4, 2015, adopted this Policy with regard to Related Party Transactions and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 ("the Act") and the Listing Agreement. This Policy is again being amended to align with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") effective from April 1, 2019.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVES

This policy intends to ensure necessary and timely identification, approval, disclosure and reporting of transactions between the Company and its Related Parties in compliance with the applicable laws as may be amended from time to time.

3. DEFINITIONS

"Audit Committee" or **"Committee"** means the audit committee of the Board of Directors of the Company constituted in accordance with the requirements prescribed under the Act and the Listing Regulations.

"Key Managerial Personnel" shall have the meaning ascribed to it under the Act.

"Material Related Party Transaction" means any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per its last audited financial statements of the Company.

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 during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Related Party": - an entity shall be considered related to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Act; or
- (ii) Such entity is a related party under the applicable accounting standards.

An extract of the relevant definitions under Section 2(76) of the Act and Accounting Standard – 18 (which is the relevant accounting standard in this regard) is set forth in Annexure A.

"Related Party Transaction" means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

Explanation—A "transaction" with a related party shall be construed to include single transaction or group of transactions in a contract.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu Undivided Family
- b. Husband or Wife;
- c. Father (including stepfather);
- d. Mother (including stepmother);
- e. Son (including stepson);
- f. Son’s Wife
- g. Daughter
- h. Daughter’s husband
- i. Brother (including stepbrother); or
- j. Sister (including stepsister).

In the event of any inconsistency or conflict between a term as defined in this Policy and as prescribed under the Listing Regulations, the Act or AS-18 (as applicable), the definition under such relevant regulatory framework would prevail.

4. POLICY

Every director and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The list shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, subject to immediately intimating the Company of any modification/variation to the list so provided.

Further, based on the group structure of ADC India Communications Limited, and investments made by or in ADC India Communications Limited, the Audit Committee and the Board should determine whether any entity would be a Related Party.

4.1 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Subject to the omnibus approval process referred to under Regulation 23 of Listing Regulations, all Related Party Transactions shall be placed before the audit committee for prior approval.

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company’s business and are on an arm’s length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and

d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

4.2 OMNIBUS APPROVAL BY AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval/ omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

4.3 APPROVAL OF THE BOARD AND THE SHAREHOLDERS

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

All Material Related Party Transactions shall require approval of the shareholders through a resolution and the Related Parties shall not vote to approve the relevant Related Party transactions.

4.4 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

5. DISCLOSURE

The Company shall ensure strict compliance with all its disclosure obligations in relation to related party transactions as required under the Act, Listing Regulations and AS-18.

This Policy will also be uploaded on the website of the Company and the web-link to the Policy shall be provided in the Annual Report of the Company.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

6. LIMITATION AND AMENDMENT

The requirements, conditionality's, thresholds and compliance obligations under the Act and Regulation 23 of Listing Regulations are independent and separate, and each of these requirements would have to be independently evaluated, determined and fulfilled, and the Audit Committee, the Board and the Company shall have due regard to the same.

In case of any subsequent changes in the provisions of the Act or Listing Regulations, which makes any of the provisions in the Policy inconsistent with the Act or Listing Regulations, such provisions of the Act or Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

7. POLICY REVIEW

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in the Act or Listing Regulations or as may be felt appropriate by the Audit Committee/Board of Directors. However, the Board of Directors of the Company shall review the Policy at least once in every three years.

ANNEXURE A

1. Section 2(76) of the Act

1.1 A related party means:

- (i) A director or his relative;
- (ii) Key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and 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.

1.2 A director, other than an independent director, or key managerial personnel of the holding company or his relative, shall be deemed to be a related party.

1.3 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 — For the purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

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

1.5 (KMP) in relation to a company, means

- (i) The Chief Executive Officer, the Managing director or the Manager;
- (ii) The Company Secretary;
- (iii) The whole-time Director
- (iv) The Chief Financial Officer; and
- (v) Such other person as may be prescribed.

1.6 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 share capital, either at its own or together with one or more of its subsidiary companies

Explanation—

(a) A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

(b) The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(c) The expression "company" includes any body corporate.

2. AS-18

2.1 AS-18 deals only with related party relationships described in (a) to (e) below:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

(d) Key management personnel and relatives of such personnel; and

(e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

The term holding, subsidiaries, key management personnel are defined under AS-18.

2.2 Parties are considered to be related if "at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions."

2.3 Control means "(a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise."

AS-18 also clarifies the nature of control of the board (the power, without the consent or the concurrence of any other person, to appoint or remove all/majority of the governing body members as identified thereunder) and of 'substantial interest' (direct

or indirect ownership of 20% or more interest in the voting power of the other enterprise).

2.4 'significant influence' means "participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies".

Illustrations of significant influence include representation on the board, participation in policy making process, material inter-company transactions, interchange of managerial personnel or dependence on technical information (gained by share ownership, statute or agreement). In the context of share ownership, holding of 20% or more of the voting power of an enterprise results in a presumption of significant influence, while absence of such holding leads to a presumption of no significant influence, unless it can be clearly demonstrated that this is not the case.