

ICRA LTD.

Policy on Related Party Transactions

Reviewer	Audit Committee
Approver	Board of Directors

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1 Introduction

- 1.1 ICRA Limited (hereinafter referred as ‘the Company’ or ‘ICRA’), its holding company, its Subsidiary companies (Indian and foreign) and its Associate companies (“the Group”) would, in course of business may enter into transactions with a related party or parties as defined under the Companies Act, 2013.
- 1.2 The objective of this policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Regulations and any other laws and regulations as may be applicable to the Company.

2 Applicability

- 2.1 This policy shall apply to all transactions entered by the Company with the Related Parties including material related party transactions.
- 2.2 Transaction with a Related Party can be undertaken only if it is in compliance with the law.
- 2.3 Disclosure of Interest by the Directors

All the **directors are required to declare and disclose** their concerns or interests in any company or companies, bodies corporate (including shareholding interest), firms or other association of individuals, at the first Board meeting in which he participates as a director and thereafter at the first Board meeting in every financial year or whenever there is any change in the disclosures already made, at the first Board meeting held after such change.

(Refer **Appendix A** for the form prescribed for notice of interest by the director)

3 Identification of Related Party Transactions

- 3.1 Based on notice of interest made by directors in Form MBP-1, the concerned employees should submit to the Compliance Officer, the details of proposed transaction falling within the purview of the Related Party Transactions with details/period/indicative price/supporting documents justifying that the transactions are on arms’ length basis and in the Ordinary Course of Business at prevailing market rate. Based on the same, the Compliance Officer will take it up for necessary prior approvals from the Audit Committee/ Board. In case of Material Related Party Transactions except for the transactions entered into between ICRA and its wholly owned subsidiaries whose accounts are consolidated with ICRA and placed before the shareholders at the general meeting for approval, approval of the shareholders by an Ordinary Resolution would also be obtained and the Related Parties shall abstain from voting on such resolution whether the entity is a Related Party to the particular transaction or not.

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3.2 For the purpose of implementing this Policy, the Board and the Audit Committee of the Company should receive timely, complete information about the Related Party Transactions.

4 Review and Approval of Related Party Transaction by Audit Committee and Board

4.1 All Related Party Transactions would require prior approval of Audit Committee except for the Related Party Transactions entered into between ICRA and its wholly owned subsidiaries whose accounts are consolidated with ICRA and placed before the shareholders at the general meeting for approval.

4.2 No member of the Audit Committee or Board should participate in the review, consideration or approval of any Related-Party Transaction with respect to which such member or any of his or her Relatives is a Related Party.

4.3 Approval of Transactions by the Audit Committee

The Audit Committee will review and approve (if appropriate), the transactions of the Company with Related Parties, at first meeting of the Audit Committee in every financial year. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, all relevant information in respect of the Related Party Transaction would be provided by the Compliance Officer to the Audit Committee such as:

- a) the name of the Related Party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- g) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

The Audit Committee will consider the following factors, for approving a Related Party Transaction:

- a) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party. The Compliance Officer should ensure that requisite evidence and documentation are made available to the Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

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- b) Whether the Related Party Transaction is in the Ordinary Course of Business of the Company.

4.4 Omnibus Approvals by Audit Committee

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, subject to the following conditions:

- a) The transactions, which are repetitive in nature and in the interest of the Company, can be approved by granting omnibus approval by Audit Committee based on the criteria laid down by the Audit Committee which shall be in line with this Policy.
- b) The omnibus approval shall contain or indicate the following:
 - (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) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for Related Party Transaction cannot be foreseen and above mentioned details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- c) The Audit Committee would review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- d) Such omnibus approvals would be valid for a period not exceeding one financial year from the grant of such approval and shall require fresh approvals after the expiry of such financial year.
- e) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- f) Any other conditions as the Audit Committee may deem fit.

4.5 Approval of Transactions by the Board of Directors

If the transactions are below the prescribed limit and are not in Ordinary Course of Business and/or are not at an arm's length basis, then the Related Party Transaction would be approved by the Board of Directors. In determining, whether a Related Party Transaction should be approved or not, the Board of Directors will take into account, recommendations of the Audit Committee.

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To review a Related Party Transaction, all relevant information in respect of the Related Party Transaction would be provided by the Compliance Officer to the Board such as:

- (a) the name of the Related Party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4.6 Subsequent Modification in the approved Related Party Transactions

If any material information with respect to a Related Party Transactions is changed subsequent to the Audit Committee's/ Board's review of such Related Party Transaction(s), management would provide updated information at a subsequent meeting and should get the changes approved afresh by the Audit Committee/ Board, as the case may be.

4.7 If any additional Related Party Transactions are proposed to be entered into, subsequent to the Audit Committee's first meeting in the financial year, management should present such transactions to the Audit Committee for approval before entering into such transaction (which can be taken by calling a meeting or by resolution passed through circulation).

4.8 Where any contract or arrangement (below the prescribed limit and is not in Ordinary Course of Business and/or not at arm's length basis) is entered into by a director or any other employee, without obtaining the consent of the Board of Directors and if it is not ratified within three months from the date on which such contract or arrangement was entered into, such contract or arrangement should be voidable at the option of the Board of Directors. If the contract or arrangement is with a Related Party to any director, or is authorized by any other director, the directors concerned would indemnify the Company against any loss incurred by it.

5 Approval of the Shareholders

5.1 Related Party Transactions where the transaction amount exceeds the following prescribed limits and which are not in Ordinary Course of Business of ICRA and/or are not at the arm's length would be entered into only with the prior approval of the Company by an Ordinary Resolution.

Category of Transactions	Value of Related Party Transactions for the purpose of first proviso to section 188(1) of Act
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Sale, purchase or supply of any goods or materials	10% of turnover or Rs. 100 crore, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind;	10% of net worth or Rs. 100 crore, whichever is lower
Leasing of property of any kind;	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
Availing or rendering of any services;	10% of turnover or Rs. 50 crore, whichever is lower
Such Related Party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company	At a monthly remuneration exceeding Rs 2.5 lakhs
Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth

Where any contract or arrangement (above the prescribed limit and is not in Ordinary Course of Business and/or not at arm's length basis) is entered into by a director or any other employee, without obtaining the approval by an Ordinary Resolution in the general meeting and if it is not ratified by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement should be voidable at the option of the Board of Directors. If the contract or arrangement is with a Related Party to any director, or is authorized by any other director, the directors concerned should indemnify the Company against any loss incurred by it.

- 5.2 To seek approval of the shareholders, the following particulars shall be made part of the explanatory statement to be annexed to the notice of the general meeting:
- (a) Name of the Related Party;
 - (b) Name of the director or Key Managerial Personnel who is related, if any;
 - (c) Nature of relationship;
 - (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) Any other information relevant or important for the members to take a decision on the proposed resolution.
- 5.3 If the amount of transaction (even though at arm's length and in the Ordinary Course of Business) **exceeds the limits prescribed for Material Related Party Transactions** (Refer **Appendix B** for **Definition**), then the Audit Committee would bring the same to the notice of the Board of Directors and these transactions would be approved by the shareholders by an Ordinary Resolution.
- 5.4 All entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

It is hereby clarified that this Section 5 shall not be applicable on the transactions entered between ICRA and its wholly owned Subsidiaries whose accounts are consolidated with ICRA and placed before the shareholders at the general meeting for approval.

6 Disclosure

Disclosures of the Related Party Transactions of the Company would be made in ICRA's Annual Report as part of Directors' Report. This Policy would also be uploaded on the website of ICRA and a web link thereto shall be provided in the Annual Report.

The Company would also disclose the details of all material transactions with Related Parties on a quarterly basis alongwith the compliance report on corporate governance filed with the Stock Exchange under Regulation 27 of the Listing Regulations.

7 Policy Review

This Policy is framed based on the provisions of the Act, and rules thereunder and the requirements of the Regulation 23 of the Listing Regulations.

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

This Policy would 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 the Listing Regulations or as and when required by the Audit Committee. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for approval of the Board of Directors.

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Appendix A

<p>FORM MBP – 1 Notice of interest by director [Pursuant to section 184 (1) and rule 9(1)]</p>
<p>To The Board of Directors ICRA Limited</p>
<p>Dear Sir(s)</p>
<p>I,, son/daughter/spouse of, resident of, being a director in the Company hereby give notice of my interest or concern in the following company or companies, bodies corporate, firms or other association of individuals:-</p>

S.no.	Name of the Companies/ bodies corporate/ firms/ association of individuals	Nature of interest or concern / Change in interest or concern	Shareholding	Date on which interest or concern arose /changed

Signature:
MD/Director/Secretary/Whole time

Place:

Date:

Appendix B – Definitions

- a. “**Act**” means the Companies Act, 2013 including any amendment or modification thereof.
- b. “**Associate Company**” – As per Section 2(6) of the Companies Act, 2013, “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;

Associate Company also means company as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

- c. “**Audit Committee or Committee**” means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013 and read with Regulation 18 of the Listing Regulations.
- d. “**Board**” means Board of Directors of the Company.
- e. “**Compliance Officer**” is an officer of the Company assigned and designated by the Audit Committee specifically to ensure the compliances as stated in this policy.
- f. “**Key Managerial Personnel**” (KMP) – As per 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. the General Counsel; and
 - vi. such other officer as may be prescribed
- g. “**Listing Regulations**” means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- h. “**Material Related-Party Transaction**” means transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company, as per the explanation provided under Regulation 23 (1) of the Listing Regulations
- i. “**Ordinary Course of Business**” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.
- j. “**Ordinary Resolution**” means an ordinary resolution as defined in Section 114 of the Act.

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- k. “**Related Party**” – As per Regulation 2 (1) (zb) of the Listing Regulations;
- (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.

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

As per Section 2(76) of the Companies Act, 2013 read with Companies (Specification of definitions details) Rules, 2014, “related party”, with reference to a company, means—

- i. A director or his relative;
- ii. A Key Managerial Personnel or his relative;
- iii. A firm, in which a director, manager or his relative is a partner ;
- iv. A private company in which a director or manager or his relative is a member or director;
- v. A public company in which a director or manager is a director 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;
- ix. Such other person as may be prescribed.

As per above mentioned rules, for the purposes of section 2(76)(ix) 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.

As per Accounting Standard (AS) -18 “Related Party Disclosures”, Related Party / 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.

Further, AS -18 defines:

Control –

- (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. And,

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Significant influence – participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

1. **“Related-Party Transaction”** –As per Regulation 2 (1) (zc) of the Listing Regulations.

A Related Party Transaction is a transfer of resources, services or obligations between a listed entity and a Related Party, regardless of whether a price is charged and a “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per Section 188(1) Companies Act, 2013, following shall be covered under “Related-Party Transaction”

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party’s appointment to any office or place of profit in the company, its Subsidiary company or Associate company; and
- vii. underwriting the subscription of any securities or derivatives thereof, of the Company.

Explanation–In this sub-section,

(a) The expression **“office or place of profit”** means any office or place –

- i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression **“arm’s length transaction”** or **“arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

- m. **“Relative”**- As per Section 2(77) of the Companies Act, 2013 read with Companies (Specification of definitions details) Rules, 2014, “Relative”, with reference to any person, means anyone 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 prescribed below.

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As per above mentioned rules, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- i. Father:
Provided that the term “Father” includes step-father.
 - ii. Mother:
Provided that the term “Mother” includes step-mother.
 - iii. Son:
Provided that the term “Son” includes step-son.
 - iv. Son’s wife.
 - v. Daughter.
 - vi. Daughter’s husband.
 - vii. Brother:
Provided that the term “Brother” includes step-brother;
 - viii. Sister
Provided that the term “Sister” includes step-sister.
- a. **“Stock Exchange”** means a Stock Exchange as defined in Section 2 of the Securities Contracts (Regulation) Act, 1956.
- b. **“Subsidiary”** means a company as defined in Section 2(87) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contract Regulation Act or any other applicable law or regulation.
