

## RELATED PARTY TRANSACTION POLICY

### 1. INTRODUCTION

The Board of Directors (“Board”) of **Global Finance & Securities Limited** (“Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. This policy will be effective October 1, 2014. 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 also provides for materiality of related party transactions. The audit committee shall review the same and may propose amendments to this policy from time to time.

### 2. PURPOSE

This policy is largely framed based on Listing Agreement entered into by the Company with the Stock Exchange and intended to ensure proper approval and reporting of transactions between the Company and its Related Parties as determined under the Listing Agreement, Companies Act, 2013 and rules prescribed thereunder (“Act”), and any other laws and regulations as may be applicable to the Company.

The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policy relating thereto. The Related Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

### 3. DEFINITIONS

“**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.

“**Arm Length Price**” means the price at which a willing seller and an unrelated willing buyer will freely agree to a transaction.

“**Audit Committee or Committee**” means the Committee of the Board formed under section 177 of the Act and Revised Clause 49 (RC49) of the Listing Agreement.

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

“**Key Management Personnel**” shall mean the Officers of the Company as defined in Section 2(51) of the Act.

“**Material Related Party Transaction**” means a transaction with a related party where 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 of the Company as per the last audited financial statements of the Company.

“**Net Worth**” means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per





the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;

**“Related Party”** as defined under RC 49 is as under:

- i. Such entity is related party under section 2(76) of Companies Act, 2013; or
- ii. Such entity is a related party under the applicable accounting standards.

Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party as —

- 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 and holds along with his relatives, more than two per cent. of its paid-up share capital;
- vi. Anybody 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; [Except advice, directions or instructions given in a professional capacity]
- vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act. [Except advice, directions or instructions given in a professional capacity]
- viii. Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.
- ix. A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

**“Related Party Transaction”** as defined under RC 49 means to include transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged for such transaction.

As per section 188 of the Act, Related Party Transactions shall mean contracts or arrangements with related party with respect to:

- 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.





#### **4. POLICY**

All Related Party Transactions must be reported to the Audit Committee for its approval prior to initiation of actual transaction in accordance with this Policy.

##### **a) Identification of Related Parties**

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “Related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

##### **b) Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

##### **4.1. Review of Related Party Transactions**

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

##### **4.2. Considerations for Approval of Related Party Transactions**

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. 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;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction 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; and

- vi. Whether the Related Party transaction would present an improper 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, Executive Officer or other Related Party, the direct or indirect nature of the director's, 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 Board/Committee deems relevant.

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.

If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for the management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

### **Overall framework of Approval for Related Party Transactions**

#### **Level 1 - Audit committee Approval**

All Related Party Transactions shall be referred to Audit Committee for prior approval.

#### **Level 2 - Board Approval**

All such Related Party Transactions have to be mandatorily approved by the Board.

#### **Level 3 – Shareholder's Approval**

i) All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

ii) All transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

#### **4.3. Standing Pre-Approval / 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 Audit 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. 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.

#### **4.4. Decision regarding transaction in ordinary course of business and on arm's length basis**

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis. In case the Board is also not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

#### **4.5. Material Related Party Transaction**

A transaction with a related party shall be considered to material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed the higher of:

- (a) ten percent of the consolidated annual turnover of the Company; or
- (b) twenty percent of the net worth of the company as per the last audited financial statements of the company.

### **5. EXCEPTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee:

- (a) Any transaction with wholly owned subsidiaries in the ordinary course of operations.
- (b) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment





(c) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

## **6. DEVIATIONS**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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 failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at [www.globalfinance.co.in](http://www.globalfinance.co.in).

## **7. DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(l) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction. In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges.

