



SQS India BFSI Limited

Policy on Materiality of Related Party Transactions

1. Introduction:

SQS India BFSI Limited (hereinafter referred to as SQS BFSI or the company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and also provides for materiality of related party transactions.

This policy is framed based on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

2. Definitions

- 2.1) **"Act"** means the Companies Act, 2013.
- 2.2) **"Regulation 23"** means the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2.3) **"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.
- 2.4) **"Ordinary course of business"** means the transaction which is
 - a. Carried out in the normal course of business envisaged in accordance with the Memorandum of Association (MOA) of the Company as amended from time to time; or
 - b. Historical practice with a pattern of frequency; or
 - c. Common commercial practice; or
 - d. Meets any other parameters / criteria as decided by the Board / Audit Committee.
- 2.5) **"Material Related Party"** will have the same meaning as defined in Regulation 23. A transaction with a related party shall be considered material 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 of the company as per the last audited financial statements of the company.



- 2.6) **“Relative”** will have the same meaning as defined under Section 2(77) of the Act 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 step-father);
 - d. Mother (including step-mother);
 - e. Son (including step-son);
 - f. Son’s wife;
 - g. Daughter;
 - h. Daughter’s husband;
 - i. Brother (including step-brother); or
 - j. Sister (including step-sister).

- 2.7) **“Related Party”** shall have the same meaning as defined under Section 2(76) of the Act and/or Regulation 23.

Related Party under Section 2(76) of the Companies Act, 2013, and the rules made thereunder are as follows:

- (i) A Director or his relative
 - (ii) A key managerial personnel or his relative
 - (iii) A firm, in which a director, a 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 percent 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.
 - (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) Director or a Key Managerial Personnel of the holding Company or his relative; or
 - (x) Such other person as may be prescribed by Central Government.
- 2.8) **“Related Party Transaction”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –
- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract Regulation Act or any other applicable regulation.

3. Policy

3.1. Audit Committee

Subject to provisions of Regulation 23, all Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy. However, the Audit Committee may in accordance with the provisions of law may grant omnibus approval for any related party transaction as it deems fit, which are repetitive in nature and are in the ordinary course of business and satisfy the Arm’s Length basis, subject to the compliance of conditions contained in the Regulation 23.

a. Identification of Potential Related Party Transactions

To review the related party transactions, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and / or prescribed under the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

b. Review and Approval of Related Party Transactions

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such related party transaction and shall not be counted in determining the presence of quorum when such transaction is considered.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and the related party, whether such transaction



includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction and any other relevant matters.

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.

3.2. Board of Directors:

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory for any law to approve the Related Party Transaction, then the Board shall consider and approve the related party transactions and the considerations aforesaid shall apply to the review and approval of the matter by the Board of Directors, with such modifications, as may be necessary and appropriate under the circumstances.

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, after considering the materials placed before them, 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 whether the transaction is in the ordinary course of business or at arm’s length basis or not. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

3.3. Transactions requiring Shareholders Approval:

All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

All the transactions other than the Material Related Party Transactions, with the related parties which are not in the ordinary course of business or at arm’s length basis shall require the approval of the shareholders through appropriate resolution, (special resolution or ordinary resolution, as may be required under any law, in force from time to time) and the related parties with whom the transaction is to be entered into shall abstain from voting on such resolution.

4. Related Party Transactions not covered under this policy

In the event the Company becomes aware of a Transaction with a Related Party, which is regulated under Regulation 23 or which is not on Arm’s length basis or not in the ordinary course of business, that has not been approved or is not in accordance with the delegation approved under this Policy, the matter shall be reviewed by the Audit 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 Audit 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.

5. Transactions covered under this policy

The related party transactions which are not covered by the provisions of the Companies Act, 2013 and/or Regulation 23, if any, will not be governed by this Policy.

6. Policy Severable

This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

7. Disclosures

Details of any material related party transactions shall be disclosed to the stock exchange quarterly, along with the compliance report on corporate governance.

The Company shall disclose the policy on its website and web-link shall be provided in the annual report.

8. Amendment in Law

Any subsequent amendment/modification in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or applicable laws in this regard shall automatically apply to this policy.

∞∞∞∞∞∞∞∞∞