



**VA TECH WABAG LIMITED**

**POLICY ON RELATED PARTY TRANSACTION & MATERIALITY OF  
RELATED PARTY TRANSACTIONS  
(REVISED W.E.F July 31, 2020)**



## **1. Preamble**

VA Tech Wabag Ltd (the “Company” or “Wabag”) recognizes that Related Party Transactions as defined below can present a risk of actual or conflict of interest and to uphold the highest standards of Corporate Governance has adopted the following policy and procedures with regard to Related Party Transactions.

Therefore, the Board of Directors (“the Board”) of the Company has adopted the following Policy and procedures with regard to the Related Party Transactions. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations as may be applicable on the Company. The Audit Committee (“the Committee”)/ the Board would review and amend the policy from time to time as may be applicable.

The original Policy was approved by the Board on November 8, 2014 and adopted/ effective from Oct 1, 2014

## **2. Purpose**

This policy is framed as per requirement of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI LODR 2015”) (and read with the provisions of Companies Act, 2013 and Accounting Standard issued by ICAI) as amended from time to time and intended to ensure that proper approval and reporting of transactions between the Company and its Related Parties are in place. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties and also to disseminate the Related Party Transactions in the prescribed format in line with accounting standards to the Stock Exchanges every half yearly subject to the applicability.

The policy on materiality of related party transactions and on dealing with related party transactions approved by the board of directors shall be reviewed by the board of directors at least once in every three years w.e.f.1<sup>st</sup> April 2019 and updated accordingly.

## **3. Definitions**

**1) “Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under Regulations of SEBI LODR 2015 and Companies Act, 2013.

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

**3) “Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and includes



- a. Ownership, directly or indirectly, or more than one half of the voting power of an enterprise or
- b. Control of composition of 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 enterprises.

**4) “Key Managerial Personnel (KMP)”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) the Managing Director, or Chief Executive Officer or manager;
- (ii) the whole-time director;
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer and
- (v) such other Officer as may be prescribed under the Companies Act, 2013.

**5) “Material Related Party Transaction”** means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, amounting to ten percent or more of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity or such limits as may be prescribed either in the Companies Act 2013 or SEBI LODR 2015 or by the Audit Committee or by the Board from time to time.

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

**6) “Policy”** means Policy on Related Party Transaction & Materiality of Related Party Transactions

**7) “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.

**8) “Related Party”** is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, direct or indirectly, in making financial and/or operating decision and includes the following

- (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 2% 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 except advice, direction or instruction 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) 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) A director or KMP of holding company or his/her relative with reference to a company.

(x) Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company.

(xi) Associates and Joint Ventures of the Company and the investing party or venture in respect of which the Company is an associate or a Joint Venture.

(xii) Individuals owning directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company and relatives of such individual.

(xiii) Enterprises over which any person described in (ii) or (xii) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company and enterprises that have a member of Key management in common with the Company.

(xiv) Any person or entity belonging to the promoter or promoter group of the listed co. and holding 20% or more of shareholding in the listed Company shall be deemed to be a related party.

(xv) Senior management personnel as prescribed by SEBI LODR 2015 from time to time and as prescribed by Management.

**9) 'Relative'** means as defined in the Companies Act 2013 with reference to any person means anyone who is related to another if:

a. they are members of a Hindu Undivided family.

b. they are husband and wife or

c. one person is related to the other in such manner, as prescribed below:

1. Father (including step-father)

2. Mother (including step-mother)

3. Son (including step-son)

4. Son's wife

5. Daughter

6. Daughter's husband

7. Brother (including Step-brother)

8. Sister (including step-sister)



**10) “Associate Company”** in relation to another company means a company in which the other company has a significant influence but which is not a subsidiary company having such influence and includes a joint venture company.

**Explanation:** “Significant influence” means control of at least twenty percent of total share capital or of business decisions under an agreement.

Total Share capital means the aggregate of the Paid up Equity share capital and Convertible Preference Share capital.

**11) “Related Party Transaction”** means 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 a single transaction or a group of transactions in a contract as defined under SEBI LODR 2015 and as may be amended from time to time.

#### **4. Approval Process**

The requirements concerning the Related Party Transactions are covered both under the Companies Act and SEBI LODR 2015 and amendments issued from time to time. The Company is required to comply with the requirements of both the Statutes and its requirements.

All Related party transactions shall be subject to pre-approval of Audit Committee except for transactions which required Omnibus approval which is described below.

The Approval process to be followed by the Company is listed below:

- a. Identification of Related Party Transactions.
- b. Review and approval of Related Party Transactions by the Audit Committee.
- c. Board approval of Related Party Transactions wherever applicable.
- d. Material Related party transactions and its approval.
- e. Approval for other than Material Related party transaction.
- f. Omnibus approval.

#### **a. Identification of Potential Related Party Transactions:**

The Company shall at all times identify and maintain a List of all potential Related Party Transactions. The information shall also specifically disclose the following:

1. The name of the related party and nature of relationship.
2. The nature, duration of the contract and particulars of the contract or arrangement.
3. The material terms of the contract or arrangement include the value if any.
4. Whether all factors relevant to the contract have been considered including the manner of determining the pricing and other commercial terms if not the details of factors not considered with the rationale for not doing so.



5. Any other information relevant or important for the Audit Committee or Board to take a decision on the proposed transaction.

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

The Audit Committee would review the related party transactions as identified by the Company after considering the disclosure made based on the identified transactions.

In order to approve the related party transaction, the Committee may also consider the following factors among others to the extent relevant to the Related party transaction.

1. Whether the related party transaction is fair and on arm's length basis. In reviewing the same, the Committee would also consider the following points:
  - a) Compare the existing contracts/agreements and its terms with one or more identical or similar transactions.
  - b) Compare the market terms known for such similar transactions. The Committee would also consider the review done by any external consultants/audit firms to base the opinion.
2. Whether there are any alternatives available and the business exigency compelling the Company to enter into such related party transaction.
3. Whether such transactions would affect the independency of KMP/Directors.
4. Whether the proposed related party transaction can be ratified by any law and is sought for the Committee, the reason for not obtaining the prior approval and the relevance of business urgency and whether such ratification is detrimental to the law in force if any.

**If the Committee, after the review, considers fit it may approve the transaction.**

Audit Committee shall mandatorily review the statement of significant related party transaction submitted by the management. Significant related party transaction shall have the same meaning of material related party transaction.

#### **c. Board approval of Related Party Transaction**

If the Audit Committee after review of the Related party transaction, decides that specific transaction needs to be brought to the Board's attention or if it is mandatory as per law for the Board to approve such Related Party Transaction, then the Board shall approve the Related Party Transaction at a meeting set forth after considering all the Identification and Review process as mentioned above with modifications if any as may be relevant and appropriate under the given circumstances, may approve the Related Party Transaction.

#### **d. Material Related Party Transaction**

All the Material Related Party Transaction as defined in this Policy shall require approval of the Shareholders through Ordinary Resolution.



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

All the transactions (except for the transactions entered into ordinary course of business and are arms' length basis or material transactions) exceeds the threshold limits as mentioned in the Table below shall be entered into with the prior approval of the members of the Company by an Ordinary Resolution

Sl No	Criteria	Monetary Threshold Limits for passing Ordinary Resolution
1	Sale, Purchase or supply of any goods or materials.(Directly or through Agent)	Amounting to or Exceeding 10% of Turnover.
2	Selling or otherwise disposing of ,or buying, property of any kind.(Directly or through Agent)	Amounting to or Exceeding 10% of Turnover.
3	Leasing of any property of any kind	Amounting to or Exceeding 10% of Turnover.
4	Availing or rendering of any services(Directly or through Agent)	Amounting to or Exceeding 10% of Turnover.
5	Appointment of any office or place of profit in the Company , its subsidiary company or associate Company	Remuneration exceeds INR 2,50,000 per month.
6	Underwriting the subscription of any securities or derivatives thereof of the Company	exceeds 1% of Net worth.

Provided, further that no member shall vote on such resolution to approve the Contract or arrangement which may be entered into by the Company if such member is a related party irrespective of whether the person/entity is a party to the particular transaction or not.

The above conditions shall not apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties.

The Turnover or Net worth referred in the above table shall be Computed on the basis of Audited Financial Statement of the preceding Financial Year.

#### **e. Approval for Other than Material Related party transaction**

In case of transactions other than Material Related Party Transaction and which meets the criteria of (i) Transaction which are entered into ordinary course of business and (ii) transactions which are at arms' length, neither Board approval nor the Ordinary Resolution of disinterested shareholders would be required.

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

- a. A Transaction entered into with the wholly owned subsidiary of the Company whose accounts are Consolidated with the Company and placed before the Shareholders at the General meeting for approval.
- b. Any transaction that involves the providing of compensation to a Director, Key Management Personnel or Senior Management Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates including any



reimbursement in the form of reasonable business and travel expenses incurred in the ordinary course of business.

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

#### **g. Omnibus Approval**

The Audit Committee may grant an Omnibus Approval for Related party transactions proposed to be entered into by the Company subject to the following Criteria/Conditions:

- 1) The approval is being sought in respect of Related Party Transactions which are repetitive in nature.
- 2) The Committee is satisfied that such related party transactions after following through the approval procedure as mentioned above is followed and it would be in the interest of the Company to grant such Omnibus approval considering all the factors relevant from time to time.
- 3) In granting such Omnibus approval, the Committee would specify the following for such approval:
  - a) Name of the Related Party/Parties for whom approval is granted.
  - b) Nature of transaction.
  - c) Period for which transaction is approved.
  - d) Maximum amount of transaction(s) for which such approved is granted for the period.
- 4) Where the Committee cannot foresee such Related Party Transactions or which could not be identified or foreseen by the Company at the time of approval, the Committee may still grant approval subject to the condition that value of such transactions does not exceed INR 2 Crores per transaction and the details of such transactions so approved is duly placed before the Committee subsequently.
- 5) The Omnibus approval shall be valid for a period of One year from the date of such approval.
- 6) The Committee may also grant fresh approval after the expiry of One year after reviewing the transactions and if meets the criteria and as per the law in force from time to time.
- 7) The Committee would review the Related Party Transaction on a quarterly basis pursuant to the grant of Omnibus approval.

#### **5. Related Party Transactions not approved under the Policy**

In the event that the Committee becomes aware of any Related party transaction with a Related party that has not been approved under this Policy prior to its consummation, this matter shall be reviewed by the Committee and shall consider all the relevant facts, options and circumstances including ratification, revision or termination of the Related party transaction. The Committee would also consider the failure to report such transaction before taking appropriate action as may be deemed fit. In case the Committee decides not to ratify any such Related Party Transaction that has already commenced without its approval, then the Committee as may be appropriate direct for such modification in the Contract/agreement/arrangement but not limited to discontinuation or recession of the transaction.





In connection with any review of related party transaction the Committee has the authority to modify or waive any procedural requirements of this Policy and as per the law for the time being in force.

## **6. Disclosure**

All Related Party Transaction shall be disclosed in the Financial Statement as may be required as per the Companies Act, 2013, SEBI LODR 2015 and Accounting Standard as may be amended from time to time.

The Company shall within 30 days from the date of publication of its standalone and consolidated financial results for the half year, submit the 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 Company's website. Details of all material transactions with related parties shall be disclosed along with the quarterly Corporate Governance Report.

## **7. Amendments/ Policy Review**

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of SEBI LODR 2015.

In case of any conflict between the policy and the SEBI LODT 2015 / Companies Act, 2013 or any other statutory enactments and rules thereof or any subsequent changes in the provisions/ regulations and which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of SEBI LODR 2015/ Companies Act, 2013 or statutory enactments and rules thereof shall prevail over this Policy and the provisions in the policy would be modified in due course to make it consistent with law.

The Audit Committee ("the Committee")/ the Board reserves the right to review and amend the policy from time to time as and when required.

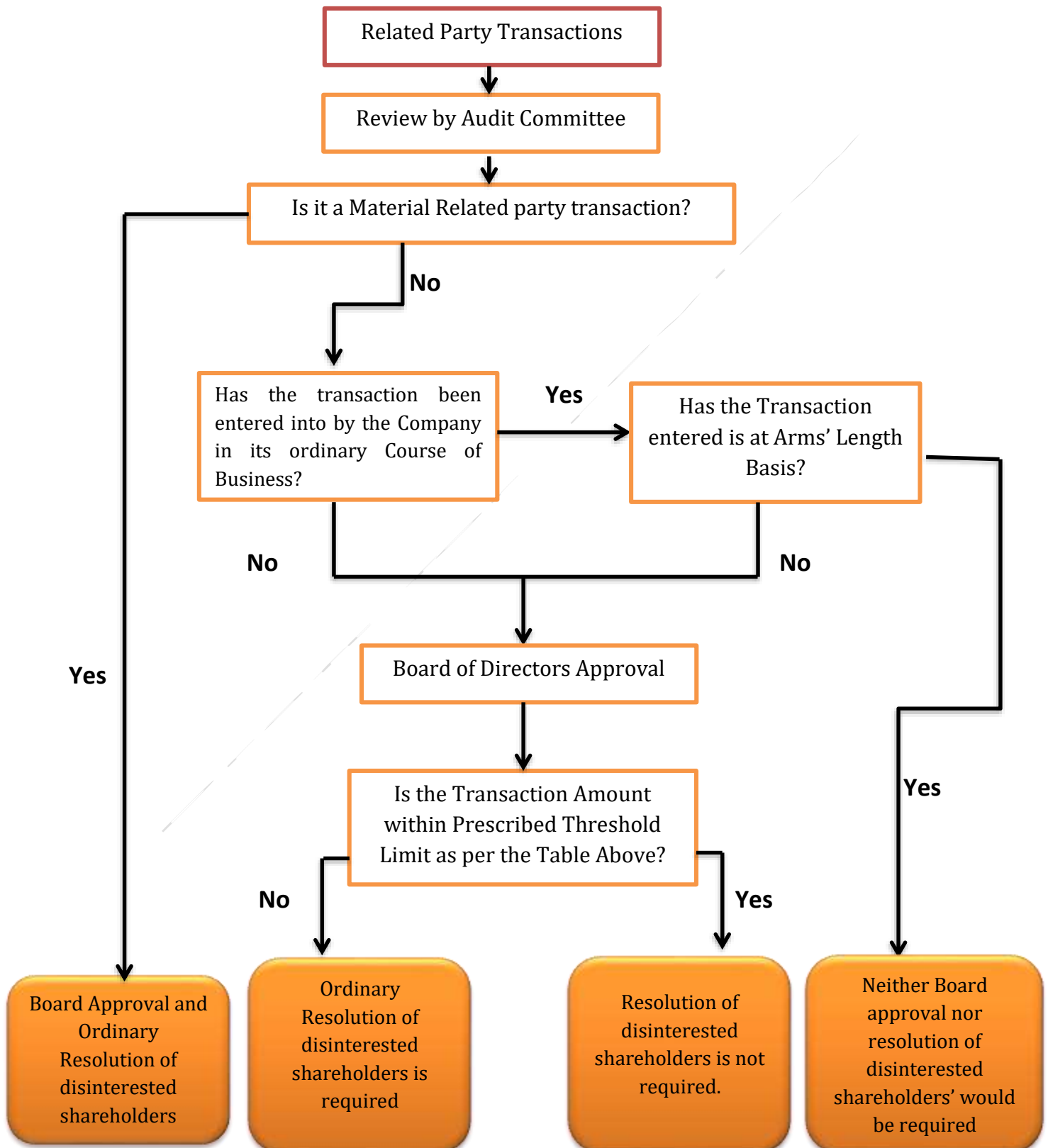
## **8. Dissemination of policy**

This policy shall be hosted on the website of the Company and a web link shall be provided in the Annual Report of the Company.



## FLOWCHART OF APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS

The approval Process is summarized by the following flowchart





### **Annexure to the Related Party Transaction Policy**

The Company would also take into the following steps/action during the Implementation and ongoing compliances “

1. Identification of Related Parties
  - a. Name of the Related Party
  - b. Nature of Relationship
2. Identification of Transactions
  - a. Nature of contracts, transactions, Arrangements.
  - b. Terms and conditions of contract
  - c. Value of Contract
  - d. Period of contract.
  - e. Justification for entering into such contracts/agreements.
3. Justifying Arm's Length Principle
  - a. Back up documents /details to justify Arm's Length Principle.
  - b. If not on Arm's length principle, Shareholders' approval details.
4. Approval of the Audit Committee/Board
  - a. Details of contracts/agreements/transactions approved by the Audit Committee /Board.
  - b. Date of approval and conditions of approval if any.
5. Agreements and back up Documentation.
  - a. Agreement copies in original duly signed by the respective parties.
  - b. Documentation for Invoices/Debit Notes etc. for the transactions made during the year/period.
6. Systems and Review Controls
  - a. Review of existing controls and effective monitoring of the related party transactions.
  - b. Provide analysis of various related party transactions with deviations if any and subsequent Board approvals/ratifications.
  - c. Recommend for any change due to change of law or statute.
7. Disclosure requirements as per SEBI and Companies Act, 2013.

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**Original Policy adopted on: 1<sup>st</sup> October 2014**

**First Revision: 6<sup>th</sup> February 2016**

**Second Revision: Revision w.e.f. 1st April 2019**

**Third Revision: Revision w.e.f. 31st July 2020**