

## MASTEK LIMITED

### RELATED PARTY TRANSACTION POLICY

Mastek Limited (the “**Company**” or “**Mastek**”), has formulated this policy on Related Party Transactions (this “**Policy**”) in line with the requirements prescribed under Section 188 of the Companies Act, 2013 (“**Companies Act**”) and Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges (“**Listing Agreement**”) including policy on materiality of Related Party Transactions. In view of revised Clause 49 requirement, the said policy is disclosed on its website and also a web link thereto would be provided in the Company’s Annual Report.

#### A 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.
- “**Audit Committee**” or “**Committee**” means the Committee of Board of Directors of the Company constituted in accordance with the requirements prescribed under Clause 49 of the Listing Agreement and Section 177 of the Companies Act.
- “**Board**” means Board of Directors of the Company.
- “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and under the provisions of the Companies Act (as amended from time to time).
- “**Key Managerial Personnel**” or “**KMP**” means the key managerial personnel of the Company as defined under the Companies Act (as amended from time to time), and includes:
  - Managing Director & Group CEO;
  - Executive Director;
  - Group CFO & Finance Director;
  - Company Secretary;
  - Such other officer as may be prescribed under the Companies Act and the corresponding rules.
- “**Associate Company**” means any company in which the Company controls at least twenty per cent of total share capital or of business decision under an agreement, but which is not a subsidiary of the Company having such influence, and includes a joint venture company.
- “**Material Related Party Transaction**” means any transaction/s to be entered into individually or taken together with previous transaction during a financial year if the value of the transaction exceeds ten percent (10%) \*of the Annual Consolidated Turnover of Mastek Limited (as per last Audited Balance Sheet).
- “**Policy**” means this Related Party Transaction Policy.

- **“Related Party” means**
  - a. a related party under Section 2(76) of the Companies Act, 2013; or
  - b. as defined under Clause 49 of the Listing Agreement, as amended from time to time.
  - c. a related party under the Accounting Standard 18 (AS 18) “ Related Party Disclosures”

**Section 2(76) of Companies Act 2013 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 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). 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;
- (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 holding, subsidiary or an associate company (includes joint venture) of such company; or a subsidiary of a holding company to which it is also a subsidiary;

- (ix). a director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be related party.

\*As amended by Circular No. CIR/CFD/POLICY CELL/7/2014 dt. 15/9/2014 issued by SEBI

\*\* As per The Companies (Removal of Difficulties) Sixth Order, 2014 dt. 24/7/2014

\*\*\*As per The Companies (Removal of Difficulties) Fifth Order, 2014 dt. 9/7/2014

As and when changes are notified, the same shall be effective from the date specified in the notification.

- **“Relatives”** as per Companies Act 2013 read with SEBI Circular dated April 17,2014 , with reference to any person, means anyone who is related to another, if—

- 1 they are members of a Hindu Undivided Family;
- 2 they are husband and wife; or
- 3 one person is related to the other in the following manner:

- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (including step-brother)

- Sister (including step-sister)

This will be subject to changes as and when notified.

- **“Related Party Transaction”** means any transaction in the nature of contract involving a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A Related Party Transaction shall be construed to include a single transaction or a group of transactions in a contract.

The Transactions referred to above include the following:

- Agreement for provision of IT and related services to/by Related Parties.
- Agreement for secondment of personnel between Related Parties.
- Reimbursement of cost incurred by Related Parties on each other’s behalf.
- Appointment of Related Party personnel
- Remuneration of Related Party personnel.
- Investment in of Related Party/Parties.
- Disinvestment in of Related Party/Parties.
- Guarantee/s, if any, to be provided to Related Party/Parties.
- Loans, if any to be provided to Related Party/Parties.
- Renting of space between Related Parties including subsidiary companies or Companies under the same management.
- Sharing of Assets or human resources.
- Sharing or licensing of Software Products, Services.
- Any other transaction which is not specifically listed above but is necessary in the course of business.

## **B POLICY**

All Related Party Transactions must be approved by the Audit Committee.

The third proviso to Section 188 of the Companies Act 2013 provides that any transaction/s entered into by the Company in the **ordinary course of business** and the said **transactions being at arm’s length basis** will not require approval of the Board or approval of shareholders of the Company by Special Resolution.

This Related Party Transactions Policy envisages following steps to put into place the mechanism for Related Party Transactions between the Company and Related Parties, which are in the best interests of the Company and its shareholders’.

- 1. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**
- 2. REVIEW AND CRITERIA FOR APPROVAL**
- 3. APPROVAL**
- 4. DOCUMENTATION**

### **1. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties.

- 1 Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such

change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals, including his shareholding. He/She shall furnish Form MBP-1 "Notice of Interest by Director" pursuant to Section 184(1) and Rule 9 of the Companies (Meeting of Board and its Powers) Rules, 2014.

- 2 Every Director shall furnish declaration to the Company in relation to their relatives, their relatives' partnership in firms, interest/shareholding/directorships in private companies and public companies.
- 3 Every KMP shall furnish a declaration to the Company regarding relatives and entities over which they are able to exercise significant influence.
- 4 There will be a Declaration by the Board of Directors and Managing Director of Mastek regarding whether they are accustomed to act in accordance with the advice, directions or instruction of any person (given otherwise than in a professional capacity) and if yes particulars of such persons(s) and also if the Board of Directors, Managing Director or Manager of any other body corporate is accustomed to act in accordance with the advice, directions or instructions (given otherwise than in a professional capacity) of any of them, if yes, the particulars of such body (bodies) corporate.
- 5 There will be a Declaration by the Group CFO & Finance Director/ Company Secretary regarding whether any company is:
  - (1) a Holding, Subsidiary or an Associate Company (including a joint venture company) of the company; or
  - (2) a subsidiary of the company's holding company
  - (3) investor in respect of which the company is an associate or a Joint VentureIf yes, particulars of relevant companies to be provided.

The Company strongly prefers to receive such declaration/ notice of any potential Related Party Transaction well in advance so that the Audit Committee/ Board has adequate time to obtain and review information about the proposed transaction. The above declarations shall be informed to the Company Secretary.

## **2. REVIEW AND CRITERIA FOR APPROVAL**

In compliance with Section 188 of the Companies Act 2013, any Proposal for a transaction to be entered by the Company with a Related Party, which exceeds 10% of consolidated Annual Revenue of Mastek Limited (as per last Audited Balance Sheet), and which is in the **ordinary course of business** and not on an **arm's length basis will first require prior clearance** from the **Managing Director and Group CEO, the Audit Committee, Board and** prior approval of the shareholders of the Company by way of special resolution.

Any transaction entered by the Company with a Related Party, which falls within items of Omnibus Approval of Audit Committee under the Companies Act 2013, and is in the ordinary course of business and at arm's length basis, up to 10% of consolidated Annual Revenue of Mastek Limited (as per last Audited Balance Sheet), will first require prior clearance from the Managing Director and Group CEO. Any such transaction if entered into due to business exigencies need to be ratified by Managing Director and Group CEO within three months of the date of transaction.

### **Process for Review and Approval of Related Party Transactions**

To approve a Related Party Transactions, Audit Committee/Board/Shareholders (as the case may be), will be provided with following relevant material information of the Related Party Transaction.

- (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 Board to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the MD and Group CEO /Audit Committee/Board 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 on an arm's length basis.
- ii. Whether the transaction is in the Ordinary course of business.
- iii. Are there any business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iv. Whether the Related Party Transaction would affect the independence of the directors;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit 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 or their relatives or any other Related Party of the Company, taking into account the size of the transaction, the overall financial position of such Related Party(ies), direct or indirect nature of the director's, key managerial personnel's, relative's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship;
- vii. Loan to a director and to any other person in whom the director is interested is a prohibited related party transaction unless it is given to a Managing Director or Whole-time Director as a part of the conditions of service extended by company to its employees or pursuant to any scheme approved by the members by a special resolution.
- viii. Whether the Company Secretary was notified about the Related Party Transaction before its execution and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would it be detrimental to the Company;

Subject to the requirements set out under the Companies Act, 2013 and the Listing Agreement, the following transactions shall not require approval of Committee or Board or Shareholders:

- A. Any transaction that involves the providing of reimbursements or advances to a director or KMP to meet expenditure in the course of his or her duties as such Director or KMP of the Company or any of its subsidiaries or associates.

- B. Any transaction in which the interest of Related Party arise 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.

The Audit Committee shall review, at least on quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given by the Audit Committee.

### **3. APPROVAL**

#### **I AUDIT COMMITTEE**

All Related Party Transactions need to be pre-approved by the Audit Committee.

- Audit Committee may grant omnibus approval in respect of Related Party Transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The Omnibus approval shall specify
  - (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) such other conditions as the Audit Committee may deem fit.

Where the Related Party Transactions cannot be foreseen and the above details are not available, Audit Committee may grant omnibus approval for such transactions (i.e., containing one or more approval including many items) for related party transactions proposed to be entered into by the Company giving subject to their value not exceeding Rs. 1 Crore (Rupees One Crore) per transaction.

Audit Committee approval shall be subject to the following conditions:

- The Finance Department in consultation with the concerned department proposing to obtain omnibus approval, shall provide justification for such approval along with following details:
  - 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) such other details as the Audit Committee may deem fit;
- The Audit Committee before granting omnibus approval, shall satisfy itself on the need for such omnibus approval and ensure that such approval is in the interest of the company;
- Audit Committee reviews, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- Omnibus approvals approved by Audit committee are valid for a period not exceeding one year. Any expected overruns can be approved during the quarterly reviews by the Audit Committee.
- No Audit committee approvals are required for transactions entered into between a holding

company and its wholly owned subsidiary( holding shares directly or through its another wholly owned subsidiary) whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

- If any additional Related Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, the management shall present such transactions to the Committee for approval.
- If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.

## **II BOARD OF DIRECTORS**

All Related Party Transactions **not in the ordinary course of business** or the said **transactions not at arm's length basis** will require Approval of the Board.

- The Board shall, in respect of all the related party transactions referred to them for approval, understand the reason for the transaction not being in the ordinary course of business and not at arm's length price.
- Board's approval is required for the following related party transactions that are not at arm's length and not in the ordinary course of business and pertains to:
  - 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 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; and
  - g) underwriting the subscription of any securities or derivatives thereof, of the company

## **III SHAREHOLDERS**

All Material Related Party transaction will require prior approval of shareholders.

**A transaction with Related Party shall be considered Material Related Party Transaction if the value of the transaction individually or taken together with previous transaction during a financial year exceeds 10% of the Annual Consolidated Turnover of Mastek (as per last Audited Balance Sheet).**

Related Party interested in the concerned contract/arrangement shall abstain from voting on the relevant resolution.

The said regulations are explained below by way of a table.

<b>Particulars</b>	<b>Approving Authority</b>
All RPTs, irrespective of value	Audit Committee
All RPTs not in the ordinary course of business or not at arm's length basis, if value is less than 10% of Annual Turnover.	Audit Committee and Board
All RPTs not in the ordinary course of business or not at arm's length basis and if More than 10% of Annual turnover.	Audit Committee, Board and Shareholders
All Material Related Party transaction	Audit Committee, Board and Shareholders

#### **4. DOCUMENTATION**

Proper Documentation/ Contracts shall be entered into post approval before execution of the Related Party Transactions.

#### **Miscellaneous**

- The Company shall make relevant disclosures in its Financial Statements/Board Report/otherwise, relating to the Related Party Transactions of the Company as may be required under the provisions of the Companies Act or Listing Agreement or relevant Accounting Standards as notified/amended from time to time.
- This Policy shall be published on the website of the Company and a web-link to the same shall be provided in its Annual Report.
- This policy shall be reviewed and thereafter approved by the Audit Committee and the Board of Directors as and when any changes are to be incorporated in the policy due to changes in regulations/statute, or for any other reason deemed appropriate by the Company.