

**NIT Technologies Limited  
RELATED PARTY TRANSACTION POLICY**

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| <b>Effective date</b> | <b>01/10/2014</b> |
| <b>Version</b>        | <b>1.0</b>        |

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**1. Preamble:**

The Board of Directors (the “Board”) of NIIT Technologies Limited (the “Company” or “NIIT”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

**2. Background and context**

The Companies Bill 2012 received the assent of the President of India on 29 August 2013, thus making it a law, the Companies Act, 2013 (“the 2013 Act”). The Securities and Exchange Board of India (“SEBI”) with the objective to align its provisions to the 2013 Act has revised clause 49 (“RC 49”) of the Listing Agreement which is effective from 1 October 2014. The above regulations have widened the definition of related parties and also increased the compliance requirements with respect to approvals, disclosures, etc. of related party relationships and transactions. RC 49 requires that a Company should prepare and disclose a policy on dealing with related party transactions on the website and a web link thereto shall be provided in the Annual Report.

This policy aims to comply with the amended provisions of the 2013 Act and rules framed thereunder and revised RC 49 of the Listing Agreement with the Stock Exchanges (including amendments thereto upto 30/09/2014).

**3. Definitions:**

- **“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.
- **“Board of Directors” or “Board”** means the Board of Directors of NIIT, as constituted from time to time.
- **“Key Managerial Personnel” or “Key Management Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder which include (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) the whole-time director; and (iv) the Chief Financial Officer
- **“Material Related Party Transaction”** means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeding *ten percent\** of the annual consolidated turnover of the company as per its last audited financial statements.
- **“Policy”** means Related Party Transaction Policy.

- **“Related Party”** means an entity which
  - a) is a related party under Section 2(76) of the Companies Act, 2013; or
  - b) is 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) 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;

**\* 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**

- 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) *Director, other than an independent director, or Key Managerial Personnel of the holding company or his relative shall be deemed to be related party.\**

**“Relatives”:** “Relative”, with reference to any person, means anyone who is related to another, if—

- they are members of a Hindu Undivided Family;
- they are husband and wife; or
- one person is related to the other in such manner as may be prescribed, which is as follows:
  - 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)

**AS 18 “Related Party Disclosures” defines related parties as:-**

- i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii. associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- iii. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv. key management personnel and relatives of such personnel; and
- v. enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

**\* As per Companies (Specification of definitions details) Rule, 2014**

**“Relatives”:** “Relative”, with reference to any person, means anyone who is related to another, if—

- Father
  - Mother
  - Son
  - Daughter
  - Brother
  - Sister
  - spouse
- **“Related Party Transaction”** means transaction in the nature of contract involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A **“transaction”** with a related party shall be construed to include single transaction or a group of transactions in a contract.

**4. Policy:**

All Related Party Transactions must be reported to the Audit Committee for its pre-approval in accordance with this Policy.

The Company Secretary shall maintain the list of Related Parties updated contemporaneously on the basis of Clause 49 of SEBI. The list should be circulated to CEO/COO/CFO/Business Heads, the Finance & Accounts Department, and Corporate Internal Audit Team for their review and confirmation.

**4.1 Identification of Related Parties**

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.

- 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, 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.
- Every Director shall also furnish declaration in relation to their relatives, their relatives’ partnership in firms, interest/shareholding/directorships in private companies and public companies.
- Declaration by KMPs of the Company regarding relatives and entities over which they are able to exercise significant influence etc.
- Declaration by the Board of Directors of NIIT regarding whether 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 a director or manager of the company and if yes, the particulars of such body (bodies) corporate.
- Declaration by the Board of Directors and manager of NIIT 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 particular of such persons(s).
- Declaration by the Company Secretary/CFO regarding whether any company is
  - (a) a holding, subsidiary or an associate company (including a joint venture company) of the company; or
  - (b) a subsidiary of the company’s holding company
  - (c) investor in respect of which the company is an associate or a joint ventureIf yes, particulars of relevant companies to be provided.
- Declaration by Company Secretary regarding any individual owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives such individual control or significant influence over the enterprise, and relatives of any such individual and an enterprise over which such individual exercise significant influence

The Company strongly prefers to receive such declarations/ 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 collated and maintained by the Company Secretary. Further, the declarations so collated shall be revisited on a quarterly basis to add, remove and modify the name of the identified related party.

## 4.2 Approval process

### I. *Audit Committee*

All Related Party Transactions are pre-approved by the Audit Committee. However, the Audit Committee grants *omnibus approval*\* for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval for projected transactions with related parties following the principles outlined in the policy on Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.
- The Finance/ legal 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;
- For Related Party Transactions which cannot be foreseen and for which aforesaid details are not available, the Audit Committee grants omnibus approval for such transactions subject to their value not exceeding INR 1 Crore per transaction.
- 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. Fresh approvals will be granted after the expiry of one year.
- No Audit committee approvals are required for transactions entered into between a holding company and its 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, 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.

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

## *II. Board of Directors*

- 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 at arm's length price.
- Board's approval is required for the following related party transactions that are not at arm's length and / or in the ordinary course of business and pertains to:
  - a) sale, purchase or supply of any goods or materials;

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- 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' Approval

- The Audit Committee shall report all “Material Related Party Transactions” to the Board of Directors. The Company will seek shareholders’ approval for all “material related party transactions” and transactions exceeding the undermentioned thresholds.
- Related Parties interested in the contract/arrangement shall abstain from voting on such resolution:

| S. No. | Prescribed Transaction Category  | Thresholds - Companies Act, 2013  | Thresholds - Clause 49, SEBI  |
|--------|--|---|---|
|        |  | (Lower of the two thresholds)   |   |
| 1      | Sale, purchase or supply of any goods or materials (directly or through appointment of agents)                                     | Exceeding 10% of the turnover of the company or INR 100 Crores, whichever is lower*                     | Exceeding 10% of the Annual consolidated Turnover of the company as per the last audited financial statements |
| 2      | Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)                     | Exceeding 10% of net worth of the company or INR 100 Crores, whichever is lower*                        |   |
| 3      | Leasing of property of any kind  | Exceeding 10% of the net worth or 10% of turnover of the company or INR 100 Crores, whichever is lower* |   |
| 4      | Availing or rendering of any services directly or through appointment of agents  | Exceeding 10% of the turnover of the company or INR 50 Crore, whichever is lower*                       |   |
| 5      | Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration | Exceeding INR 2.5 lakhs as mentioned  |   |



|   |  |                               |  |
|---|--|-------------------------------|--|
| 6 | Remuneration for underwriting the subscription of any securities or derivatives thereof of the company | Exceeding 1% of the net worth |  |
|---|--|-------------------------------|--|

\*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

#### 4.3 Related Party Transactions not approved under this Policy

- No related party transactions shall be undertaken unless approved by the Audit Committee/ Board / Shareholders in accordance with this policy. Related party transactions that may not have been planned or contemplated by this policy may be undertaken with specific approval from the Audit Committee. Such transactions should be approved by the relevant authority within 3 months of entering into the transaction otherwise the same shall become void.
- The Audit 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 Audit 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.

#### 4.4 Factors to be considered in approving Related Party Transactions

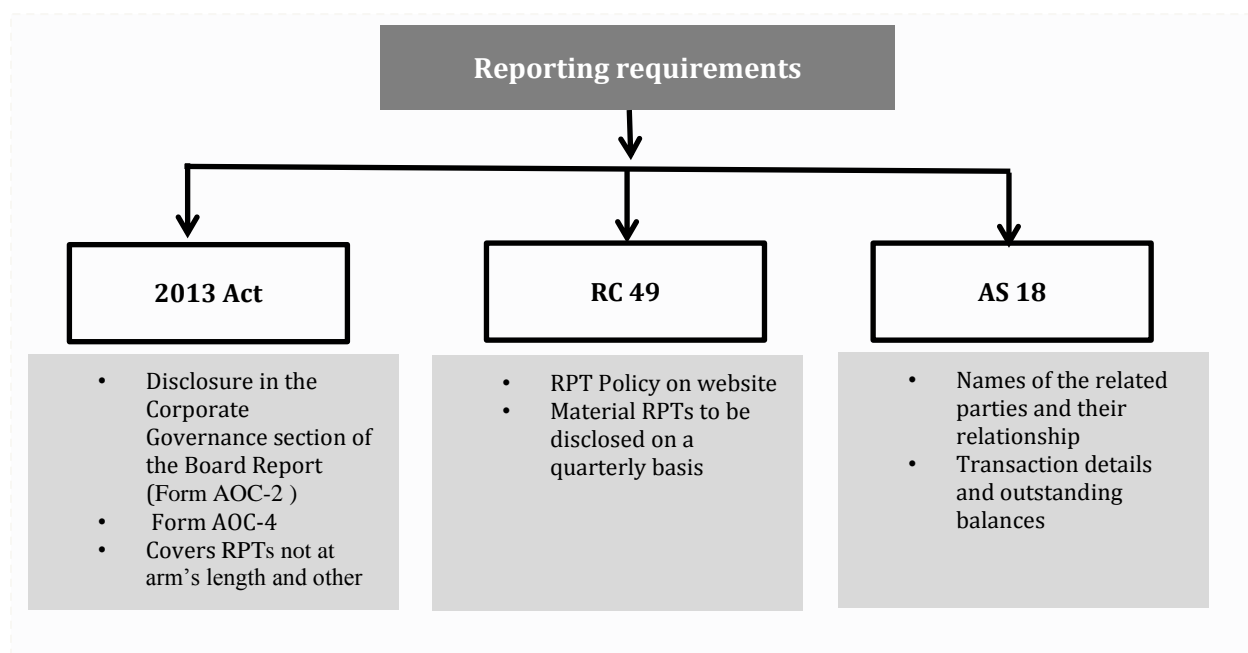
In determining whether to approve a Related Party Transaction, following factors will be considered:

- 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 undue compelling 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/KMP;
- 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 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 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.

## 5. Reporting requirements:

- The reporting requirements with respect to RPTs have increased and NIIT is required to report / disclose RPTs under the 2013 Act, RC 49 and AS 18. Different disclosure requirements are prescribed under the different frameworks and cover varied level of details.
- The diagram below summarizes the reporting requirements:



## 6. General guidelines for NIIT

- Form AOC 2 requires the disclosure of details of material contracts or arrangement or transactions at arm's length basis.
- It may be noted that what constitutes a 'material' related party transaction is neither defined under 2013 Act nor under the relevant Rules. As per Accounting Standard 1 (AS 1), financial statements should disclose all "material" items, i.e. items the knowledge of which might influence the decisions of the user of the financial statements. In the absence of any guidance, it seems that the assessment of materiality for AOC 2 could be decided keeping in view the principle of materiality in AS 1. Alternatively the term 'material' may be construed as per RC 49 only for the purpose of disclosure in the Board Report with this fact also being disclosed.

- Apart from the reporting requirements discussed above, the company may be required to disclose / report related party relationships and transactions to other stakeholders and authorities like custom authorities, disclosures on company websites, information memorandum for fund raising etc.
- There should be no inconsistency in disclosing particular party as related party across different disclosures made by the company unless otherwise required under specific laws or regulations. For example, definition of the term related party under the Custom regulations in India could be different from the definition under 2013 Act and RC 49.
- Accordingly, in such cases, where the company has adopted different disclosure by virtue of a separate legal regulation, the company should maintain adequate supporting documentation for such differences. Such documentation should be reviewed and approved by the Company Secretary.
- The company should also consider inserting appropriate disclaimers.

**7. Notice to the reader:**

- This policy is framed based on the provisions of AS 18 Related Party Disclosures, the Companies Act 2013 and rules thereunder and the requirements of the clause 49 of the Listing agreement with the stock exchanges effective as on 01/10/2014
- In case of any subsequent changes in the provisions of the Companies Act 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the 2013 Act or regulations, then the provisions of the 2013 Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- This policy shall be reviewed by the Audit Committee and the Board of Directors as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification on the policy would be approved by the Audit Committee and the Board of Directors.