

TEAMLEASE SERVICES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

The Companies Act, 2013 under the provisions of the Section 188 and relevant regulations made their under has mandated for the disclosure of the Transactions pertaining to related parties. All the transaction pertaining to Related parties which has been done during the previous quarter has to be placed before the Audit Committee meeting to be held in the subsequent quarter. Certain transaction with the related parties should take the approval of the Board and certain transaction requires the prior approval of shareholders. To comply with the provisions of Section 188 is found necessary to draw up the policy relating to Related Party Transactions. Section 2 (76) of the Companies Act, 2013 has defined the related party. Accordingly related party means and includes:

“related party”, with reference to a company, means—

- (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;

Comments: The effect is that 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 shall be related party.]

- (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

- (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) such other person as may be prescribed; S. 2 - Chapter I [Ss. 1 and 2]

Hence all or any of the transactions with the above said related parties prescribed under provisions of Section 188 should need the Board Approval and certain transaction which crosses the limit should have the prior approval of the shareholders of the company before the transaction is made. Following business transactions which are listed under the provisions Section 188 of the Companies Act, 2013.

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
[Property includes movable, immovable and intangible properties and hence investment related provisions i.e. sections 177, 179, 180, 186]
- (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:

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a [resolution]²⁵ in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall, —

in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

However Section 188 will not apply where the transactions with the related parties has been done in the ordinary course of business and the prices charged are at the Arms` Length Price. The term Arms` Length Price is also defined under the Act which says that Arms` Length Price is the price charged to the third party who is not relative.

The Audit Committee will review and approve all the transactions relating to the related parties and wherever it is required for the approval of the Board it will recommend the same after getting satisfied itself that there is no violation of the Companies Act and Regulations made thereunder. The Audit Committee will also review the documents before approving the related party transactions which are done in the ordinary course of business and at the Arms` Length Prices. For this Audit Committee shall be provided with the justification for arriving at the Arms` Length Prices supported by the documents such as quotations obtained from the third parties and price charged by the company or charged to the company are in line with the arms` length prices. It is mandatory that in every Audit Committee Meeting the approval of related party transaction is the standing Item in the Agenda.

Where the related party transaction requires the approval of the Board the same will be recommended by the Audit Committee and when such discussions on the same is placed before the Board the Director or KMP`s who are interested directly or indirectly should not participate in the debate and shall stay away from the meeting till the discussion are completed.

Where the certain transactions which require the approval of the members then the members who are interested in the resolution shall not vote for that item and their presence will not be considered for the purpose of Quorum of the meeting.

The Quarterly updates and decision of the Audit Committee, Board and members shall be recorded in the minutes and the same is accessible to the Auditors of the Company.

The Annual Report of the Company shall disclose the complete details of the transactions done with the related parties during the Financial Year in the notes to accounts.

AMENDMENT TO THE RELATED PARTY TRANSACTIONS AS PRESCRIBED UNDER REGULATION 23 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015 APPROVED THE BOARD OF DIRECTORS IN THEIR MEETING HELD ON 17TH JANUARY 2016.

The company proposing to list its securities consequent to Initial Public Offer has amended the policy on the related party transactions as required under Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 with the following clauses.

The company will formulate a policy on materiality of related party transaction and dealing with related party transactions. The transaction with 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 exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

All related party transaction shall require prior approval of the audit committee.

Audit Committee may grant omnibus approval for related party transaction proposed to be entered into by the listed entity subject to the following conditions, namely:-

- a. The audit committee shall lay down the criterial for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of the transactions which are repetitive in nature.
 - b. The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
 - c. The omnibus approval shall specify:
 - i. The name(s) of the related party nature of transaction, period of transaction,, maximum amount of transactions that shall 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;
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transaction subject to their value not exceeding rupees one crore per transaction.
- d. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

- e. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

The provisions contained in above paras will not be applicable in case of 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.

AMENDMENT TO THE RELATED PARTY TRANSACTIONS AS PRESCRIBED UNDER REGULATION 23 OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015 APPROVED THE BOARD OF DIRECTORS IN THEIR MEETING HELD ON 15TH JANUARY 2016.

The company proposing to list its securities consequent to Initial Public Offer has amended the policy on the related party transactions as required under Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 with the following clauses.

The company will formulate a policy on materiality of related party transaction and dealing with related party transactions. The transaction with 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 exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

All related party transaction shall require prior approval of the audit committee.

Audit Committee may grant omnibus approval for related party transaction proposed to be entered into by the listed entity subject to the following conditions, namely:-

- f. The audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of the transactions which are repetitive in nature.
 - g. The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
 - h. The omnibus approval shall specify:
 - iv. The name(s) of the related party nature of transaction, period of transaction,, maximum amount of transactions that shall be entered into,
 - v. The indicative base price/current contracted price and the formula for variation in the price if any; and
 - vi. Such other conditions as the audit committee may deem fit;
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transaction subject to their value not exceeding rupees one crore per transaction.
- i. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.
 - j. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

The provisions contained in above paras will be applicable in case of 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.