



**UTI ASSET MANAGEMENT COMPANY LIMITED**

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**  
**AND DEALING WITH RELATED PARTY TRANSACTIONS**

(Updated upto 20<sup>th</sup> October, 2022)

## 1. TITLE:

- 1.1 This policy shall be called the ‘Policy on materiality of related party transactions and dealing with related party transactions’ (Policy).

## 2. OBJECTIVE:

- 2.1 Related party transactions have been one of the major areas of focus for corporate governance reforms in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (the Act) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the Listing Regulations) require companies to have enhanced transparency and due process for approval of the related party transactions. Section 188 of the Act and Regulation 23 of the Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors (the Board) and its shareholders as and when applicable.

## 3. DEFINITIONS:

- i. “**Committee**” means the Audit Committee of the Board constituted in accordance with applicable law, including the Listing Regulations and the Act, as amended from time to time.
- ii. “**Financial Year**” shall have the same meaning ascribed to it under the Act.
- iii. “**Key Managerial Personnel**” or “**KMP**” means Key Managerial Personnel as defined under the Act 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;
  - V. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - VI. such other officer as may be prescribed.

- iv. “**Material Modification**” means any modification in a related party transaction or total amount of transaction for all related party transactions, approved by the competent authority, which individually or taken together with the previous modification(s) during a financial year, exceeds ten percent of the approved amount of transaction.
- v. “**Material Related Party Transaction**” in relation to the Company means a transaction with related party which individually or taken together with previous transaction(s) during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 transaction(s) during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- vi. “**Related Party**” in relation to the Company, means a party related with the Company in any of the ways as laid down in Section 2(76) of the Act or the Listing Regulations, as amended from time to time, or as specified under applicable accounting standards.

Any person or entity belonging to the promoter or promoter group of the Company; or any person or entity holding equity shares of the Company of ten per cent or more, either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year, shall be deemed to be a related party.

- vii. “**Related Party Transaction**” means a transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand, 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, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Act or the Listing Regulations as amended from time to time or the applicable accounting standards or any other related law, regulation or standard.

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

- I. they are members of a Hindu undivided family; or
- II. they are husband or wife; or
- III. one person is related to the another in the following manner, namely:
  - a. father, includes step-father;
  - b. mother, includes step-mother;
  - c. son includes step-son;
  - d. son’s wife;
  - e. daughter;
  - f. daughter’s husband;
  - g. brother includes step-brother; or
  - h. sister includes step-sister.

#### 4. INTERPRETATION:

- 4.1 Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the Listing Regulations, the applicable accounting standards or any other relevant legislation / law applicable to the Company.
- 4.2 The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.
- 4.3 In case of any dispute or difference upon the meaning / interpretation of any word or provision in this Policy, the same shall be referred to the Committee and the decision of the Committee shall be final. In interpreting such term / provision, the Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

#### 5. PROCEDURE:

##### 5.1 **Initial Identification of Related Parties:**

##### **Disclosure by Directors and KMP:**

- i. Each Director and KMP is responsible to disclose his / her and his / her relative's concern or interest in any company or companies or bodies corporate, firms, or other association of individuals along with the shareholding on quarterly basis or whenever there is any change in the disclosures already made, then the change shall be intimated within a period of thirty days of such change.
- ii. Any change in the list of Relatives shall be intimated by the Directors and KMP by way of a fresh declaration to the Company.
- iii. Each Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:
  - I. with a body corporate in which such director or such director in association with any other director, holds more than two percent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
  - II. with a firm or other entity in which, such director is a partner, owner or member, as the case may be,shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.
- iv. Where any Director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
- v. Directors are also required to disclose the information regarding their engagement with any other entity during the financial year which may be regarded as Related Party according to this Policy.

**Corporate level identification:**

- i. The Company shall identify the list of associates, subsidiaries, fellow subsidiaries, joint ventures and other related parties by virtue of its holdings / investments in other companies, body corporates or any other entities; or holdings / investments made by other companies, body corporates or any other entities in the Company on quarterly basis and any change in the list shall be updated on immediate basis.
- ii. The subsidiary of the Company shall forward the following details to the Company on quarterly basis:
  - I. Related Party of the subsidiary; and
  - II. Transaction(s) entered into or proposed to be entered into with its related party during the reporting period.
- iii. Any change in aforesaid details shall be intimated to the Company on immediate basis.

**5.2 Process for Dealing with Related Party Transactions:**

- i. The list of related parties, as per the said provisions and in consideration with clause no. 5.1 of this Policy, shall be given to all the departments and subsidiary of the Company. Therefore, it will be the responsibility of every concerned department and subsidiary to check whether any contract or arrangement entered into or proposed to be entered is with the related party as per the list of related parties.
- ii. Compliance to this condition is strictly be adhered to by the concerned department and subsidiary proposing the underlying contract or arrangement.

**5.3 Identification of Transaction with Related Parties:**

- i. Each Director and KMP is responsible to disclose to the Company any potential Related Party Transaction and any subsequent material modifications as defined by the Committee, involving him or her or his or her Relative, including any additional information about the transaction that the Board / Committee may reasonably request.

## 6. DETERMINATION OF ORDINARY COURSE OF BUSINESS AND ARM'S LENGTH PRICING:

### 6.1 Ordinary course of business:

- i. The phrase 'ordinary course of business' is not defined under the Act or the rules made thereunder. A contract/ arrangements may be considered to be in the 'ordinary course of business' in following cases:
  - I. if the transaction forms part of the normal business activity of the Company or carried out in the normal course of business envisaged in accordance with the memorandum of association of the Company as amended from time to time;
  - II. historical practice with a pattern of frequency (not an isolated transaction);
  - III. the income, if any, earned from such activity / transaction is assessed as business income in the company's books of accounts and hence, is a 'business activity';
  - IV. common commercial practice; or
  - V. meets any other parameters/criteria as decided by the Board / Committee, from time to time.

### 6.2 Arm's Length transaction:

- i. As per the definition mentioned in Act, '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.
- ii. While the Act alludes to the concept of arm's length transaction, the methodologies and approaches for determining Arm's Length Price (ALP) have not been prescribed in the Act or the Rules.
- iii. Guidance may be sought from the arm's length principle and the transfer pricing methodologies prescribed under the Income-tax Act, 1961 ("IT Act") as well as principles emerging from international laws in relation to determination of ALP in the context of transfer pricing regulations.

- iv. The Board / the Committee will have to make a decision as to whether a transaction is at an arm's length or not by taking into consideration several factors such as benefits/consideration for each of the parties to enter into the agreement, the prevalent market / industry practice, economic circumstances, the specific contractual understanding and / or terms between the parties, similar contracts executed between other unrelated parties etc.
- v. A transaction with related party shall be considered on arm's length basis if it justified by any one of the following methods:
  - I. market analysis, research report, industry trends, business strategies, financial forecasts, etc.
  - II. third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - III. management assessment of pricing terms and business justification for the proposed transaction;
  - IV. comparative analysis, if any, of other such transaction entered into by the Company;
  - V. establishing comparable prices/terms using reputed data base or indices;
  - VI. cost plus method; or
  - VII. transfer pricing as per Income Tax Act.
- vi. After evaluating whether the transaction identified with the Related Party is carried out in the Ordinary Course of Business and at Arm's Length price, the Company shall check whether transaction value is within the Material threshold limits prescribed in the Act and the Listing Regulations and decide whether transaction needs approval from the Committee / Board / Shareholders, as per the following guidelines/definitions.

## **7. APPROVAL OF RELATED PARTY TRANSACTIONS:**

- i. No contract / arrangement shall be entered in to with related party, including any subsequent material modification(s), unless the prior approval has been obtained from the Committee / Board / Shareholders of the Company, as the case may be, before entering into such transaction.



**7.1 Committee's Approval:**

- i. All the related party transactions and subsequent material modification(s) shall require prior approval of the Committee.
- ii. Only those members of the Committee, who are Independent Directors, shall approve Related Party Transactions. Where any member of the Committee is interested in any contract or arrangement with a related party, such member shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- iii. The Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transaction(s) which are repetitive in nature.
- iv. The Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- v. Such omnibus approval shall specify (a) the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (b) the indicative base price / current contracted price and the formula for variation in the price if any; and (c) such other conditions as the Committee may deem fit.

The following information shall be provided to the Committee for consideration of Related Party Transactions in terms of SEBI Circular dated 22<sup>nd</sup> November, 2021:

- I. Type, material terms and particulars of the proposed transaction;
- II. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- III. Tenure of the proposed transaction (particular tenure shall be specified);
- IV. Value of the proposed transaction;

- V. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
  - VI. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - a. details of the source of funds in connection with the proposed transaction;
    - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
      - A. nature of indebtedness;
      - B. cost of funds; and
      - C. tenure.
    - c. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - d. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
  - VII. Justification as to why the Related Party Transaction is in the interest of the Company;
  - VIII. A copy of the valuation or other external party report, if any such report has been relied upon;
  - IX. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis;
  - X. Any other information that may be relevant.
- vi. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- vii. The 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.
- viii. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- ix. A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the Committee shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15 (2) of the Listing Regulations are applicable to such listed subsidiary.

**Explanation:** For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, the prior approval of the Committee of the listed subsidiary shall suffice.

- x. The Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

## 7.2 Board of Directors Approval:

- i. In case of Related Party Transaction or any material modification(s) which is not in the Ordinary Course of Business and / or not at Arm's Length Basis, whether or not it is a Material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.

- ii. In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:
  - I. Transactions which may be in the ordinary course of business and at arm's length basis, but which are crossing the value threshold and / or other parameters as per the Act, the Listing Regulations and this Policy or as may be determined by the Board from time to time.
  - II. Transactions in respect of which the Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval.
  - III. Transactions which are in the ordinary course of business and at arm's length basis, but which in the Committee's view requires the Board approval;
  - IV. Transactions which are meeting the materiality thresholds as laid down in the Act, the Listing Regulations and this Policy also, and which are intended to be placed before the shareholders for mandatory approval.
- iii. Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### **7.3 Shareholder's approval:**

- i. All Material Related Party Transactions or any subsequent material modification thereto shall require prior approval of the shareholders' through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.
- ii. However, the said requirement would not be applicable in respect of:
  - I. a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the Stock Exchanges within one day of the resolution plan being approved; and
  - II. a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15 (2) of the Listing Regulations are applicable to such listed subsidiary.

**Explanation:** For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

- iii. In addition to the above, all kinds of transactions specified under the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for its approval.
- iv. In case of Related Party Transactions which exceed the prescribed criteria under Section 188 of the Act and in case of Material Related Party Transactions or material modifications thereto, the following information shall be given in the explanatory statement forwarded to shareholders after the approval of the Board:
  - I. A summary of the information provided by the management of the Company to the Committee as specified in point 7.1 above;
  - II. Justification for why the proposed transaction is in the interest of the Company;
  - III. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 7.1 v. VI. above;
  - IV. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
  - V. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
  - VI. Any other information that may be relevant.

**7.4 Competent Authority for Approval:**

- i. The competent authority to approve the related party transaction may be determined based on the following table:

<b>Nature of Transaction</b>	<b>Audit Committee</b>	<b>Board</b>	<b>Shareholder's</b>
All related party transactions, in ordinary course of business and at arm's length	<b>Act:</b> Approval or Omnibus approval <b>Listing Regulations:</b> Prior approval or Omnibus approval	-	-
If not in ordinary course of business OR not at arm's length AND within the threshold u/s 188 read with the Rules	Prior approval	Prior approval	-
If not in ordinary course of business OR not at arm's length AND exceeds the threshold u/s 188 and the Rules	Prior approval	Prior approval	Prior approval
If classified as material Transaction or material modifications thereto	Prior approval	Prior approval	Prior approval
If the amount of transaction entered by way of contract or arrangement with related parties exceeds the limits	Prior approval	Prior approval	Prior approval

**8. RELATED PARTY TRANSACTION WHICH DOES NOT REQUIRE ANY APPROVAL:**

- 8.1 Notwithstanding the aforesaid provisions, the following Related Party Transaction shall not require approval of Audit Committee, Board or Shareholders, as the case may be:

- i. Any transaction that involves providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises 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.
- iii. Any scheme of loans / benefits availed by Key Managerial Personnel, which is applicable to all the employees of certain management level, which are as per the policy of Company.
- iv. Payment of Dividend.
- v. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act, or the Listing Regulations.
- vi. Contribution to Corporate Social Responsibility (CSR) obligations, subject to approval of CSR Committee and within the overall limits approved by the Board.
- vii. Transactions entered into between the Company and its wholly owned subsidiary; or transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- viii. A related party transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary of the Company.

**Explanation:** For related party transactions of unlisted subsidiaries of a listed subsidiary of the Company as referred in above clause, the prior approval of the Committee / Board / Shareholders of the listed subsidiary of the Company shall suffice.

**9. REPORTING OF RELATED PARTY TRANSACTIONS:**

As per the Act	As per the Listing Regulations
<ol style="list-style-type: none"> <li>1. The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in section 188 (1) of the Act in the Form AOC-2 along with the justification for entering into such contract or arrangement.</li> <li>2. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:                             <ol style="list-style-type: none"> <li>(a) name of the related party;</li> <li>(b) name of the director or key managerial personnel who is related, if any;</li> <li>(c) nature of relationship;</li> <li>(d) nature, material terms, monetary value and particulars of the contract or arrangement;</li> <li>(e) any other information relevant or important for the members to take a decision on the proposed resolution.</li> </ol> </li> <li>3. According to relevant Accounting standards, related party transaction disclosure in the Annual report and Annual filing form of the Company needs to be given in the prescribed format and within the specified time period.</li> </ol>	<ol style="list-style-type: none"> <li>1. In terms of the Listing Regulations, details of all material transactions with related parties shall be disclosed on quarterly basis along with the compliance report on corporate governance.</li> <li>2. The Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.</li> <li>3. The listed entity shall submit within 15 days from the date<sup>3</sup> of publication of its standalone and consolidated financial results for the half year, 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 its website.</li> <li>4. In terms of Schedule V of the Listing Regulations, companies shall make the required disclosure in their Annual Reports, in compliance with the applicable Accounting Standards on related party disclosure.</li> </ol>

**10. MONITORING AND ASSURANCE:**

10.1 An appropriate process for periodic monitoring of disclosures be made with respect to ‘related party’ and the process includes:



- i. Periodic validation by the Management; and
- ii. Independent validation and check by the Internal Auditor.

#### **11. RELATED PARTY TRANSACTIONS NOT APPROVED:**

- 11.1 In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the 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.
- 11.2 Further, in case any transaction (not being a specified transaction between the Company and its wholly owned subsidiary) entered into by a Director or Officer of the Company without obtaining the approval of the Committee and which is not ratified by the Committee within 3 months from the date of the transaction, such transaction will be voidable at the option of the Committee, and if the transaction is with a related party to any Director or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

#### **12. REVIEW:**

- 12.1 The Committee may monitor and review the Policy at least once in a year and recommend the necessary changes to the Board for its approval.

#### **13. CONFLICT:**

- 13.1 In the event of any conflict between this Policy and the extant regulations, the regulations shall prevail.

#### **14. AMENDMENT(S):**

- 14.1 This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Act or the Listing Regulations or as may be otherwise prescribed by the Audit Committee or Board from time to time.

14.2 Any subsequent amendments, modification or supplementation to this Policy shall be effective from the date of approval of Board, unless specified otherwise.

## 15. DISCLOSURES:

15.1 This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the annual report of the Company.

## 16. EFFECTIVE DATE:

16.1 The Policy has come into effect from the date of listing of equity shares of the Company i.e. 12<sup>th</sup> October, 2020.

16.2 The Policy has been amended, from time to time as mentioned below:

<b>Number of times, policy amended</b>	<b>Board Meeting Date</b>
1 <sup>st</sup> Amendment	28 <sup>th</sup> October, 2020
2 <sup>nd</sup> Amendment	28 <sup>th</sup> October, 2021
3 <sup>rd</sup> Amendment	20 <sup>th</sup> October, 2022

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