



UTI ASSET MANAGEMENT COMPANY LIMITED

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

(Updated upto 28th October, 2021)

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:

Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated 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 ("Companies Act") and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended ("SEBI 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 SEBI Listing Regulations require 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 ("Board") and shareholders as and when applicable.

3. DEFINITIONS:

- i. "**Committee**" means the audit committee constituted by the Board of Directors in accordance with applicable law, including the SEBI 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 "**KMPs**" means Key Managerial Personnel as defined under the Act and includes:
 - (i) managing director, or chief executive officer or manager;
 - (ii) the whole time director;
 - (iii) company secretary;
 - (iv) 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 Related Party Transaction”** in relation to the Company means a Related Party Transaction which individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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 individually or taken together with previous transactions 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.

- v. **“Transaction”** shall be construed to include single transaction or a group of transactions in a contract.
- vi. **“Unforeseen Related Party Transaction”** means a related party transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.
- vii. **“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 under applicable accounting standards.
- viii. **“Related Party Transaction”** means a transfer of resources, services or obligations between a Company 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, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Act or the SEBI Listing Regulations or the applicable accounting standards or any other related law, regulation or standard.
- ix. **“Relative”** means any person as per sub-section (77) of Section 2 of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the SEBI Listing Regulations as amended from time to time, 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
 - (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 SEBI 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 Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit 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 Key Managerial Personnel (KMP)

- Each Director and KMPs is responsible for providing notice to the Board, disclosing 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 at the first meeting of the Board or Audit Committee, every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, within a period of thirty days of his/her appointment:

Provided that 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.

- Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this Policy.

Corporate level identification: Identification of Associates, subsidiaries, fellow subsidiaries, joint ventures (in case of listed companies) and other related parties by virtue of holdings/ investments made by the Company in other Companies, Body Corporates and any other entities; or holdings/ Investments made by other Companies, Body Corporates and any other entities in our Company (UTI) with the consultation of Management of the Company.

5.2 Identification of Transaction with Related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Company or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.

Any change in the list of Relatives shall be intimated by the Directors and KMPs by

way of a fresh declaration to the Company.

5.3 Process for Dealing with Related Party Transactions

The List of related party as per the said provisions and in consideration with clause no. 5.1 of this policy, shall be given to all the relevant departments of the Company (as identified by the committee). Therefore it will be the responsibility of every concerned department to check the following:

- A) Whether any contract or arrangement entered is with the Related Party as per the list of Related party;
- B) The contract/arrangement with related party shall not be entered in to without the necessary approval from the Audit Committee/Board/shareholders, as the case may be, as per the said provisions and this policy, if not than such prior approval has to be obtained before entering into the transaction.

Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

As per the said provisions, transactions entered into between the 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 are exempted from obtaining prior approval of Audit Committee/ Board for Related Party Transaction.

In such cases where any contract or arrangement is entered into by related party (as specified in clause 5.1) without obtaining the consent of the Audit committee/ Board or approval shareholders as applicable, the same has to be ratified by the Board or shareholders as the case may be, within 3 (three) months from the date on which such contract or arrangement was entered into, as per the provision and Act and Regulation otherwise such contract or arrangement shall become voidable at the option of the Board/ shareholder, as the case may be.

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

6.1 Ordinary course of business

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 regular 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. common commercial practice; or
 - iv. meets any other parameters/criteria as decided by the Board/Audit Committee, from time to time.

Further, courts have laid down the following principles for determining whether a contract/activity falls within the ordinary course of business:

- a) the objects of the company permit such activity;
- b) it is a historical practice and there is a pattern of frequency (and not an isolated transaction);
- c) it has a connection with the normal business carried on by the company;
- d) 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'; and
- e) it is a common commercial practice.

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 Arms 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 / Audit 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. All Related Party Transactions to be carried out only at Arm's length price

justifiable by any one of the following methods:

- market analysis, research report, industry trends, business strategies, financial forecasts, etc.
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - comparative analysis, if any, of other such transaction entered into by the Company;
 - Establishing comparable prices/terms using reputed data base or indices;
 - Cost Plus Method;
 - 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 Arms-Length price, the Company will check whether transaction value is within the Material threshold limits prescribed in the Act, and SEBI regulations and decide whether transaction needs approval from Audit Committee/Board/Shareholders, as per the following guidelines/definitions.

7. APPROVAL OF RELATED PARTY TRANSACTIONS:

7.1 Audit Committee

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review. Any member of the Committee or the Directors of the Board who has potential interest in any Related Party Transaction in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

All the related party transactions require prior approval of the Audit Committee. However the Company may obtain omnibus approval from the Audit Committee for such transaction, subject to terms and conditions as stipulated under the Act and SEBI Listing Regulations.

Further, there are certain related party transactions as mentioned in clause no. 8 which does not require approval under this policy.

The Audit Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:

- i. name of party and details explaining nature of relationship;
- ii. duration of the contract and particulars of the contract and arrangement;
- iii. nature of transaction and material terms thereof including the value, if any;
- iv. manner of determining the pricing to ascertain whether the same is on Arm's Length Basis;
- v. business rationale for entering into such transaction; and
- vi. 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 Committee 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 fair and on Arm's Length Basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. The Audit Committee may review the necessary documents / seek information from the management like nature of the transaction i.e. details of the goods or property to be acquired / transferred or services to be rendered / availed including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- iii. Whether there are any compelling business reasons / rationale 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 an independent Director;
- v. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

- vi. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- vii. Whether the Related Party Transaction would present an improper conflict of interest for any director or key managerial personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, key managerial personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant;
- viii. If the Audit Committee determines that a RPT 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 RPT, 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.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such 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:

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 transactions subject to their value not exceeding Rs.1 crore per transaction.

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

7.2 Board of Directors

In case of Related Party Transaction 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.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- 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, SEBI regulations and this policy or as may be determined by the Board from time to time shall require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit 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;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- Transactions which are meeting the materiality thresholds as laid down in the act, SEBI listing regulations and this policy also, and which are intended to be placed before the shareholders for mandatory approval, shall require approval and recommendation of the Board.

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 approval

All Material Related Party Transactions shall require prior approval of the shareholder through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of 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.

If a Related Party Transaction is not in the Ordinary Course of Business, or not at Arm's Length Basis and exceeds certain thresholds as prescribed under Section 188 of the Act, it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.

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. For this purpose, no related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

In case of Related Party Transactions which are not in Ordinary Course of Business or not at an Arm's Length Basis and which exceed the prescribed criteria under Section 188 of the Act and in case of Material Related Party Transactions, the following information shall be given in the explanatory statement forwarded to shareholders after the approval of the Board:

- (a) name of the Related Party;
- (b) name of the director or KMP who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or

arrangement; and

- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

7.4 Competent Authority for Approval:

Whether the transaction is to be taken for omnibus/single transaction approval from Audit Committee or approval from Board or Shareholders approval, as per the threshold limits, based on the following table:

Nature of Transaction	Audit Committee	Board	Shareholders
All related party transactions, in ordinary course of business and at arm's length	Act: Approval or Omnibus approval SEBI LODR: 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 as per SEBI LODR	Prior approval	Prior approval	Prior approval
As per Cos. Act if the amount of transaction entered by way of Contract or arrangement with related parties exceeds the limits as defined under Section 188 (1) read with rule 15,	Prior approval	Prior approval	Prior approval

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

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders, as the case may be:

- Any transaction that involves the 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;
- 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;
- 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;
- Payment of Dividend;
- 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 SEBI LODR;
- Contribution to Corporate Social Responsibility (CSR) obligations, subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

9. REPORTING OF RELATED PARTY TRANSACTIONS:

As per Act, 2013	As per SEBI LODR
<p>1. The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2 along with the justification for entering into such contract or arrangement.</p> <p>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:— (a) name of the related party ; (b) name of the director or key managerial personnel who is related, if any; (c) nature of relationship; (d) nature, material terms, monetary value and particulars of the contract or arrangement; (e) any other information relevant or important for the members to take a decision on the proposed resolution.</p> <p>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.</p>	<p>1. In terms of Regulation details of all material transactions with related parties shall be disclosed on quarterly basis along with the compliance report on corporate governance.</p> <p>2. Audit 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.</p> <p>3. The listed entity shall submit within 30 days from the date 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.</p> <p>4. In terms of Schedule V of SEBI LODR, companies shall make the required disclosure in their Annual Reports, in compliance with the applicable Accounting Standards on related party disclosure.</p>

10. MONITORING AND ASSURANCE:

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

- a. Periodic validation by the Management;
- b. 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 Audit Committee. 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;
- 11.2 The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate;
- 11.3 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 Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be voidable at the option of the Audit 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.

The Audit Committee, as it may think appropriate, can direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Company etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of the Policy.

12. REVIEW:

- 12.1 The Audit Committee may monitor and review the Policy at least once in a year and recommend the necessary changes to the Board for its approval.
- 12.2 On the basis of recommendation of Audit Committee, the Board shall also review the Policy at least once in a year.

13. CONFLICT:

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 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:

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:

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

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

Number of times, policy amended	Board Meeting Date
1 st Amendment	28 th October, 2020
2 nd Amendment	28 th October, 2021
