



## **RELATED PARTY TRANSACTION POLICY ZICOM ELECTRONIC SECURITY SYSTEMS LIMITED**

### **I] PREAMBLE**

Zicom Electronic Security Systems Limited (“the Company”) has always been committed to good corporate governance practices. As a matter of practice, the Company follows arm’s length basis in transacting business with its related parties which are in the ordinary course of business.

The Board of Directors has adopted this Policy upon recommendation of the Audit Committee. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions (“the Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations).

This Policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders

### **II] PURPOSE**

SEBI LODR mandated every listed Company to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Accordingly, considering the provisions prescribed under the Companies Act 2013 read with the Rules thereunder and SEBI LODR, this policy is formulated with intend to ensure proper identification, approval process and reporting of transactions between the Company and its Related Parties.

### **III] DEFINITIONS**

- (i) “**Accounting Standards**” means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.
- (ii) “**Act**” means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force.
- (iii) “**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- (iv) “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under applicable laws.
- (v) “**Associate Company**” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.



- (vi) **“Board”** means Board of Directors of the Company.
- (vii) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (viii) **“Key Managerial Personnel”** or **“KMP”** means:
- a) The Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
  - b) The Company Secretary;
  - c) The Whole- time director; and
  - d) The Chief Financial Officer (CFO) and
  - e) 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.
- (ix) **“Material Related Party Transaction”** means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:
- a) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 2% (two percent) of the annual consolidated turnover of the Company as per its last audited financial statements;
  - b) In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements
- (x) **“Ordinary Course of Business”** is not defined by any of the three regulations viz. under Companies Act 2013, SEBI LODR and Accounting Standard 18.
- The assessment of whether a transaction is in ordinary course of business is very subjective, judgmental and can vary on case-to-case basis. Variety of factors like size and volume of transactions, arms-length, frequency, purpose, etc., should be considered to make this assessment. Hence, for the purpose of the Policy the Company adopts the perceived understanding of the legislations that ordinary course of business will cover the usual transactions, customs and practices of a business and of a company.
- (xi) **“Policy”** means Related Party Transaction Policy of the Company.
- (xii) **“Related Party”** means a person or an entity which is:
- a) a related party under Section 2(76) of the Act;
  - b) a related party under the applicable Accounting Standards;
  - c) any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company.



AWAKE ALWAYS

(xiii) “**Related Party Transaction**” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes the following transactions:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services
- 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.

Explanation: A “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

(xiv) “**Relative**”, in relation to a Related Party, means one who is related to another in any of the following manner:

- a) if they are members of a Hindu Undivided Family;
- b) if they are husband and wife;
- c) Father (including step-father);
- d) Mother (including step-mother);
- e) Son (including step-son);
- f) Son’s wife;
- g) Daughter;
- h) Daughter’s husband;
- i) Brother (including step-brother);
- j) Sister (including step-sister).

(xv) “**SEBI LODR Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any statutory modifications or re-enactments thereof for the time being in force.

#### IV] **POLICY**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee or the Board or the Shareholders in accordance with this Policy.

#### **Identification of potential Related Party Transactions:**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board 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.



The Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy (including whether the Related Person has a material interest). The Board / Audit Committee may delegate such powers to the officer(s) of the Company as it deems fit.

The following points should be taken into consideration various aspects for assessing a Related Party Transaction (RPT):

- Parameters for determining arm's length pricing in a related party transaction
- Parameters for determining ordinary course of business
- Nature of relationship with the related party
- Business reasons for entering into RPT
- Commercial reasonableness of the terms of RPT including transactions entered on a urgent or time sensitive basis
- Materiality of RPT to the Company
- Whether the terms of RPT are fair and on the same basis as would apply if the transaction did not involve a Related Party Transactions
- Conflict of interest of the Related Party participating in the RPT.

**Parameters for determining Ordinary course of business:**

- Regularity / frequency of the activity / transaction
- Uniformity and consistency of the activity
- Involvement of own resources in the activity

**Parameters for determining Arm's Length Pricing in a Related Party Transaction:**

- Nature and term of business association
- Exclusive basis
- Repetitive or a sporadic intervention
- If association is newly formed, the benefits of preferring a related party over any other third party
- Performing due diligence exercise of the capabilities of the related party
- Rating the related party like it would have been done for a third party vendor / customer
- Ordinary course of Business (as defined above)
- Comparison of contractual terms of dealings with related party and those of non-related party e.g.: pricing terms, supply terms, etc.
- Third party quotations
- Valuation report
- Documents related to negotiations
- Standard rate contracts



## **V] REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

### **Audit Committee:**

Every Related Party Transaction shall be subject to review and prior approval of the Audit Committee whether at a meeting or by resolutions by circulation.

However, in case where the need for Related Party Transaction cannot be foreseen or where the Related Party Transaction are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1 crore per transaction.

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

The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.

Any Member of the Committee or Key Managerial Personnel who has a potential conflict of interest in any Related Party Transaction shall not be present at the meeting of the Audit Committee during discussions on the subject matter of the resolution relating to such transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and / or prescribed under the Companies Act, 2013 and Rules thereunder, and SEBI LODR.

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 shall not require prior approval of the Audit Committee.

### **Board of Directors:**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval. All Material Related Party Transactions shall require prior approval of the Board.

Further, in addition to the aforesaid transaction, if the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter, then the Board shall consider and approve the Related Party Transaction and 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.

Any Director or Key Managerial Personnel who has a potential conflict of interest in any Related Party Transaction shall not be present at the meeting of the Board during discussions on the subject matter of the resolution relating to such transaction.



### **Shareholders:**

All Material Related Party Transactions shall require approval of the Shareholders by way of a resolution passed at the general meeting and no Related Party/ies shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis and which are in excess of the limits prescribed under the Act requiring the approval of shareholders, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.

### **Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:**

- (i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- (ii) 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.
- (iii) 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.

### **VI] RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, then the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such Related Party Transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction. The Committee shall examine the facts and circumstances of the transactions as the Audit Committee deems appropriate under the circumstances.



## **VII] DISCLOSURES:**

Details of any Material Related Party Transactions shall be disclosed to the Stock Exchange quarterly along with the compliance report on corporate governance.

The Company shall disclose the Policy on its website and web-link shall be provided in the Annual Report.

## **VIII] GENERAL:**

- a) The Policy would be subject to revision / amendment in accordance with the Laws. The Audit Committee shall review the Policy atleast once in three years for making suitable amendments for better implementation of the Policy.
- b) The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- c) The power to interpret and administer the Policy shall rest with the Chairman of the Audit Committee whose decision shall be final and binding. The Chairman is also empowered to make any supplementary rules / orders to ensure effective implementation of the Policy. These will, however, be reported to or tabled before the Audit Committee, from time to time, to ensure the Committee's oversight on these issues.

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(This Policy was approved by the Board of Directors at its Meeting held on February 10, 2015  
and first modification approved at its Meeting held on February 12, 2019)