



## **FORTIS HEALTHCARE LIMITED**

### **Related Party Transactions**

### **Framework / Policy Document**

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# Related Party Transactions

## 1. BACKGROUND

Related-party transactions (RPTs) refer to transactions between a company and its related entities such as subsidiaries, associates, joint ventures, substantial shareholders, directors, Key Managerial Personnel and their relatives, or entities owned or controlled by them.

The Companies Act, 2013 which replaces the Companies Act, 1956, puts more responsibility and accountability for the Board of Directors, Key Management Personnel (KMPs) to revamp and / or put systems and processes in place for compliance of legal requirements with regard to execution and approval of RPTs, on a continuous basis. The Securities and Exchange Board of India (SEBI) has also issued vide Notification dated September 2, 2015, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which have replaced Equity Listing Agreement. The said Regulations also specify certain obligations towards dealing with Related Party Transactions. These Regulations are effective from December 1, 2015.

Accordingly, to ensure transparency and fairness throughout the entire process of undertaking related party transactions, with a view to safeguard the Company's interests, Fortis has adopted the RPT SOP for the Fortis Group.

## 2. OBJECTIVE

This document contains the Policy on Dealing with Related Party Transactions and the Policy on Materiality of Related Party Transactions. It has been framed in order to establish an agreed protocol for identifying, assessing, approving and reporting Related Party Transactions and that the Related Party Transactions are carried out at arms' length basis after obtaining necessary approvals and are reported in accordance with the disclosure requirements and best corporate governance practices. This Document is supported by necessary templates and an SOP.

## 3. LEGAL FRAMEWORK:

- The Companies Act, 2013
- Indian Accounting Standard 24, issued by MCA
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- The Income Tax Act, 1961

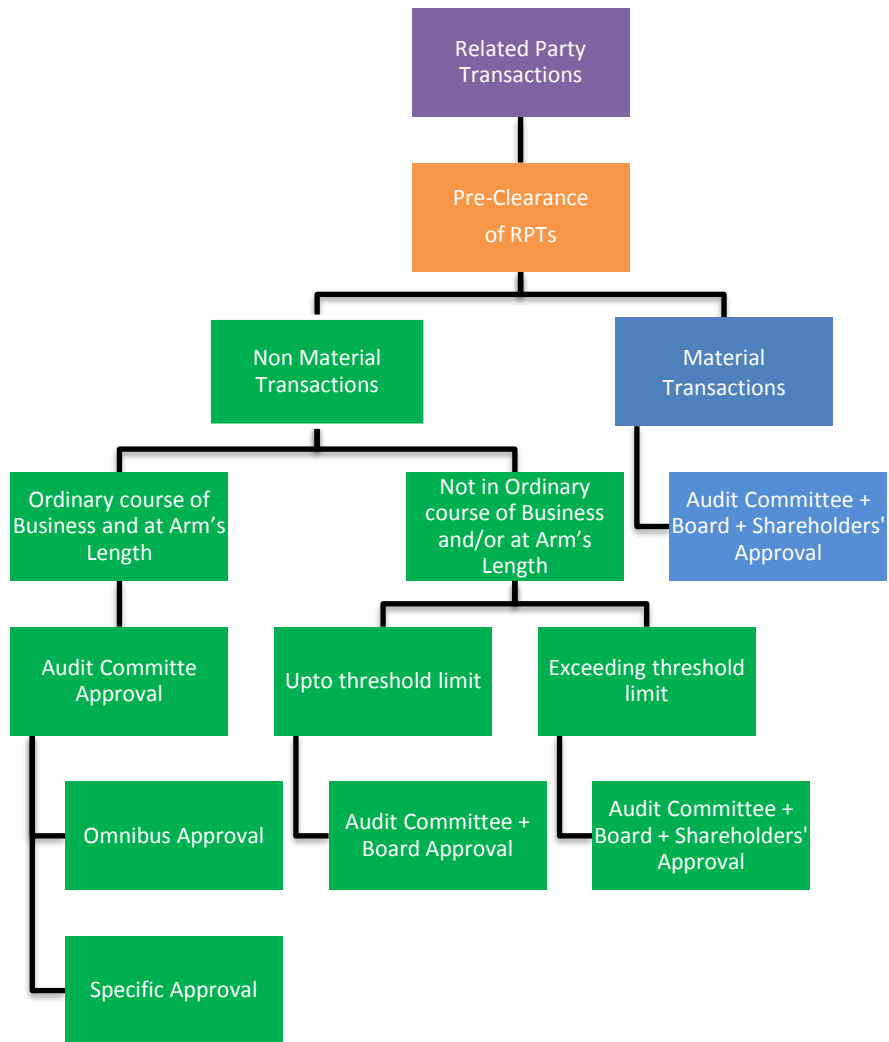
#### **4. POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

Fortis Healthcare Limited (“FHL”) has adopted a system of “Pre-clearance” under a pre-decided Approval Matrix for all proposed Transactions with such Related Parties as listed under the statutory provisions or under FHL’s extended List of SMPs. Subsequent thereto necessary statutory approvals – Audit & Risk Management Committee / Board of Directors / Shareholders, is sought, as the case may be.

##### **OMNIBUS APPROVAL BY AUDIT & RISK MANAGEMENT COMMITTEE**

- a)** In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit & Risk Management Committee (“Audit Committee”) may grant omnibus approval on the following criteria:
  - i) The transaction are / shall be frequent / regular / repetitive in nature.
  - ii) The transaction are / shall be in ordinary course of business and at arm’s length.
  - iii) Such other criteria as may be laid down by the Audit & Risk Management Committee.
- b)** While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company.
- c)** The omnibus approval shall specify the following:
  - i) Name of the related party
  - ii) Nature of the transaction
  - iii) Period of the transaction
  - iv) Maximum amount of the transactions that can be entered into
  - v) Indicative base price / current contracted price and formula for variation in price, if any
  - vi) Such other conditions as the Audit Committee may deem fit.
- d)** Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied /amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.
- e)** Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, the Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only).
- f)** The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.
- g)** Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with the approval so granted.
- h)** The omnibus approval shall be valid for a period not exceeding one financial year and fresh approval shall be obtained after expiry of such financial year.

## PROCESS OF DEALING WITH RELATED PARTY TRANSACTIONS



**Notes:**

- ✓ All approval referred above are prior approvals;
- ✓ *ARM's Length Transaction* - a transaction between two RPs, conducted as if they were unrelated, so there is no conflict of interest; and
- ✓ Material Transactions means the transaction as defined policy on materiality of related party transactions

## 5. POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

Fortis Healthcare Limited recognizes that Related Parties Transactions can present an actual, potential or perceived conflict of interest and may run the risk of lack of adequate diligence to protect interest of the Company and/or its shareholders.

To safeguard the interests of the Company and /or its shareholders, Fortis Healthcare Limited defines the “Material Related Party *transaction / transactions*” *to be entered into individually or taken together with previous transactions during a financial year:*

**as the value of which exceeds 10% of Annual Consolidated Turnover of the Company**

All the “Material” Related Party Transactions shall be placed before the Shareholders.

## 6. IDENTIFICATION OF RELATED PARTIES

### (I) Under the Companies Act, 2013

**Related Party**<sup>1</sup> includes:

- (i) A 'Director' or his 'Relative',
- (ii) 'Key Managerial Personnel' (KMP) 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 / Manager or his relative is a Member or Director
- (v) A Public Company in which a Director / Manager is a Director **and holds, alongwith<sup>2</sup> his Relatives**, more than 2% of its **paid-up share capital<sup>3</sup>**,
- (vi) Any Body Corporate whose Board of Directors, Managing Director or Manager is **accustomed to act<sup>4</sup>** in accordance with the advice, directions or instructions (except given in professional capacity) of a Director or Manager;
- (vii) Any person on whose advice, directions or instruction (except given in professional capacity) a Director or Manager is accustomed to act,
- (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:
  - A director (other than an independent director) or key managerial personnel of the Holding Company or his relative with reference to a Company.<sup>5</sup>

**The template for identification of Related Parties in line with the provisions of Companies Act, 2013, is attached as Annexure A.**



### Definitions under the Companies Act, 2013

#### ➤ **Relative**<sup>6</sup>

With reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed<sup>7</sup>:
  - Father (includes step-father);
  - Mother (includes step-mother);
  - Son (includes step-son);
  - Son's wife;
  - Daughter;

<sup>1</sup> Section 2(76) of the Companies Act, 2013

<sup>2</sup> **Note: "and holds, alongwith his relatives" signifies that the Director may not hold shares but if his relative holds shares above the threshold limit, that will also be covered.**

<sup>3</sup> **Note: Paid up share capital constitutes Equity Share Capital and Convertible Preference Share Capital**

<sup>4</sup> Note: For establishing that a person is "accustomed to act" in accordance with the advice of other, there should be series of events or a documentary evidence. A single isolated incidence or by virtue of a Holding-sub subsidiary relationship doesn't prove that one person is accustomed to act to the advice/instructions of other.

<sup>5</sup> Rule 3 of Companies (Specification of definitions details) Rules, 2014

<sup>6</sup> Section 2 (77) of the Companies Act, 2013

<sup>7</sup> Rule 4 of Companies (Specification of definitions details) Rules, 2014

- Daughter's husband;
- Brother (includes step-brother) and
- Sister (includes step sister).

➤ **Key Managerial Personnel**<sup>8</sup>

In relation to a Company, means—

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed

➤ **Holding Company**<sup>9</sup>

Holding Company, in relation to one or more other companies, means a company of which such companies are subsidiary companies;

➤ **Subsidiary Company**<sup>10</sup>

“Subsidiary company” or “Subsidiary”, in relation to any other company (that is to say the Holding Company), means a company in which the holding company –

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than ½ (one half) of the “total<sup>11</sup> share capital either at its own or together with one or more of its subsidiary companies;

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: for the purpose of this clause,--

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes any, body-corporate;
- (d) “layer” in relation to a holding company means its subsidiary or subsidiaries.

➤ **Associate Company**<sup>12</sup>

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<sup>8</sup> Section 2(51) of the Companies Act, 2013

<sup>9</sup> Section 2 (46) of the Companies Act, 2013

<sup>10</sup> Section 2 (87) of the Companies Act, 2013

<sup>11</sup> Note: “Total Share Capital” means: Equity + Convertible Preference Share Capital

<sup>12</sup> Section 2 (6) of the Companies Act, 2013



“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 significant influence and includes a joint venture company.<sup>13</sup>  
Explanation: For the purpose of this clause, “Significant Influence” means control of at least 20% of the total share capital or of business decisions under an agreement.

➤ **Control**<sup>14</sup>

Control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholding agreements or voting agreements or in any other manner;

## (II) Under Indian Accounting Standard 24 issued by MCA

A **related party transaction** is a transfer of resources, services or obligations between a Reporting Entity (‘RE’) and a ‘Related Party’, regardless of whether a price is charged.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘Reporting Entity’ or ‘RE’).

**(A) A person or a close member of that person’s family<sup>15</sup> is related to RE, if that person:**

**(a) has control<sup>16</sup> or joint control<sup>17</sup> of the reporting entity**

- (i) Individuals having power (contractual or otherwise) to direct RE’s relevant activities to affect its variable returns
- (ii) Individuals holding (directly) more than 50% of voting rights in RE
- (iii) Individuals holding (jointly with any other person *under contractual agreement*) more than 50% of voting rights in RE
- (iv) Close members of family of above individuals:
  - that person’s children, spouse or domestic partner, brother, sister, father and mother;
  - children of that person’s spouse or domestic partner; and
  - dependents of that person or that person’s spouse or domestic partner.

**(b) has significant influence<sup>18</sup> over the reporting entity**

- (i) Individuals holding (directly) 20% or more of voting rights in RE
- (ii) Individuals holding (indirectly) through one or more entities controlled by them, 20% or more of voting rights in RE
- (iii) Individuals holding 20% or more of voting rights in RE in combination of (i) or (ii) above
- (iv) Close members of family of above individuals:
  - that person’s children, spouse or domestic partner, brother, sister, father and mother;

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<sup>13</sup> Note: A combined reading of definition of Associate as well as Significant Influence suggest that all such Companies in which there is “direct / indirect holding” of more than 20% will be the Associate.

<sup>14</sup> Section 2(27) of the Companies Act, 2013

<sup>15</sup> Please refer Definition # 2 in Definitions Section

<sup>16</sup> Please refer Definition # 3 in Definitions Section

<sup>17</sup> Please refer Definition # 7 in Definitions Section

<sup>18</sup> Please refer Definition # 8 in Definitions Section

- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

**(c) is a member of Key Management Personnel<sup>19</sup> of RE or of a parent of RE**

- (i) Chief Executive Officer, Chief Financial Officer, Company Secretary, Manager of RE
- (ii) Board of Directors (Executive / Non-Executive) of RE
- (iii) Any person in accordance with whose directions or instructions the Board of Directors of RE is accustomed to act
- (iv) Chief Executive Officer, Chief Financial Officer, Company Secretary, Manager of Parent of RE
- (v) Board of Directors (Executive / Non-Executive) of Parent of RE
- (vi) Any person in accordance with whose directions or instructions the Board of Directors of Parent of RE is accustomed to act
- (vii) Close members of family of above individuals:
  - that person's children, spouse or domestic partner, brother, sister, father and mother;
  - children of that person's spouse or domestic partner; and
  - dependants of that person or that person's spouse or domestic partner.

**(B) An entity is related to a reporting entity if any of the following conditions applies:-**

**(a) The entity and the reporting entity are members of the same group<sup>20</sup>**

- (i) Holding Company (immediate, Intermediate and Ultimate)<sup>21</sup> of RE
- (ii) Subsidiaries (including step subsidiaries) of RE
- (iii) Other Subsidiaries of Holding Company (including step subsidiaries) of RE

**(b) One entity is an associate<sup>22</sup> or joint venture<sup>23</sup> of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).**

- (i) Entities in which RE (directly) holds 20% or more of the Voting Power
- (ii) Entities which (directly) hold 20% or more of Voting Power in RE
- (iii) Joint Ventures of RE
- (iv) Joint Venturers of RE (if RE itself is a Joint Venture Entity)
- (v) Entities in which Parent Entity of RE (directly) holds 20% or more of the Voting Power
- (vi) Entities in which Subsidiaries of RE (directly) holds 20% or more of the Voting Power
- (vii) Entities in which subsidiaries of Parent Entity of RE (directly) holds 20% or more of the Voting Power
- (viii) Entities which (directly) hold 20% or more of Voting Power in Parent Entity of RE

<sup>19</sup> Please refer Definition # 5 in Definitions Section.

*The definition of Key Managerial Personnel has been extended to cover KMPs defined under the provisions of Companies Act, 2013*

<sup>20</sup> Please refer Definition # 4 in Definitions Section [Group means Parent, Subsidiary(ies) and Fellow Subsidiary(ies)]

<sup>21</sup> As per Clause 13 of Ind AS 24, an entity shall disclose the name of its parent and, if different, the ultimate controlling party

<sup>22</sup> Please refer Definition # 1 in Definitions Section

<sup>23</sup> Please refer Definition # 7 in Definitions Section

- (ix) Entities which (directly) hold 20% or more of Voting Power in Subsidiaries of RE
- (x) Entities which (directly) hold 20% or more of Voting Power in Subsidiaries of Parent Entity of RE
- (xi) Joint Ventures of Parent Entity of RE
- (xii) Joint Ventures of Subsidiaries of RE
- (xiii) Joint Ventures of Subsidiaries of Parent Entity of RE
- (xiv) Joint Venturers of Parent Entity of RE
- (xv) Joint Venturers of Subsidiaries of RE
- (xvi) Joint Venturers of Subsidiaries of Parent Entity of RE

Note<sup>24</sup>: Associate includes subsidiaries of the associate and a Joint Venture includes subsidiaries of the joint venture.

- (c) Both entities are joint ventures of the same third party.**
  - (i) In case RE itself is a Joint Venture Entity, then all other Joint Venture Entities of its Joint Venturers
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.**
  - (i) In case RE itself is a Joint Venture Entity, then all Associates of its Joint Venturer(s)
  - (ii) In case RE itself is an Associate of an Entity, then all Joint Ventures of such Entity
- (e) The entity is a post-employment benefit<sup>25</sup> plan<sup>26</sup> for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.**
  - (i) Any Provident / Pension / Superannuation / Insurance / Medical Care Fund Trust for the benefit of employees of RE or for the employees of any other related entity of RE
  - (ii) If RE itself is such a Plan – then Sponsoring Employer
- (f) The entity is controlled or jointly controlled by a person identified in (A) above\* [**\*Identified Individuals**]**
  - (i) Entities in which Identified Individuals having power (contractual or otherwise) to direct their relevant activities to affect its variable returns
  - (ii) Entities in which Identified Individuals hold (directly) more than 50% of voting rights
  - (iii) Entities in which Identified Individuals hold (jointly with any other person under contractual agreement) more than 50% of voting rights
- (g) A person identified in [(A)(a)] has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)\*\*.** [**\*\*Distinguished Individuals**]
  - (i) Entities in which Distinguished Individuals hold (directly) 20% or more of voting rights
  - (ii) Entities in which Distinguished Individuals hold (through one or more entities controlled by them) 20% or more of voting rights

<sup>24</sup> Clause 12 of Ind AS 24

<sup>25</sup> Please refer Definition # 11 of Definitions Section

<sup>26</sup> Please refer Definition # 10 of Definitions Section

- (iii) Entities in which Distinguished Individuals hold 20% or more of voting rights in combination of (i) or (ii) above
- (iv) Entities in which Distinguished Individuals hold the position of Key Management Personnel
- (v) Subsidiaries of Entities in (iv) above

**(h) The entity, or any member of a group of which it is a part, provides key management personnel services<sup>27</sup> to the reporting entity or to the parent of the reporting entity.**

- (i) Entity which provide Key Management Personnel Services to RE
- (ii) Entity which provide Key Management Personnel Services to the parent of RE
- (iii) Parent Entity of Entity identified at (i) and (ii) above)
- (iv) Subsidiaries of Entity identified at (i) and (ii) above)
- (v) Subsidiaries of Parent Entity of Entity identified at (i) and (ii) above)

**A template for identification of Related Parties in line with the provisions of IndAS 24, is attached as Annexure B.**



**Exceptions**

In the context of this Standard, the following are not related parties:

- (i) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- (ii) two joint venturers simply because they share joint control of a joint venture.
- (iii) providers of finance, trade unions, public utilities and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision making process).
- (iv) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

**DEFINITIONS**

1. An **associate** is an entity over which the investor has significant influence.
2. **Close members of the family of a person**<sup>28</sup> are those family members who may be expected to influence, or be influenced by, that person, in their dealings with the entity, including:
  - (a) that person's children, spouse or domestic partner, brother, sister, father and mother;
  - (b) children of that person's spouse or domestic partner; and
  - (c) dependents of that person or that person's spouse or domestic partner.
3. **Control**<sup>29</sup>

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

<sup>27</sup> Such Companies are called Management Companies

<sup>28</sup> As per Ind AS24

<sup>29</sup> As per Ind AS110

Thus, an investor controls an investee **if and only if** the investor has **all the following**:

- (a) power over the investee;
  - (i) *Power to direct the relevant activities, i.e., the activities that significantly affect the investor's returns.*
  - (ii) *Power from voting rights or from any contractual arrangements*
  - (iii) *Ability to direct relevant activities signifies existence of Power over investee, even if power to direct is not being exercised*
  - (iv) *In case of more than one investor – the one which can most significantly affect the returns of the investee, is said to have power over the investee*
  - (v) *'Power to direct' supersedes 'significant influence', if any, exercised by any other entity*
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

4. **Group**<sup>30</sup> - A parent and its subsidiaries.

5. **Key management personnel**<sup>31</sup> are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

6. **Parent**<sup>32</sup> - An entity that controls one or more entities. A parent is an entity that has one or more subsidiaries.

7. **Joint Arrangement, Joint Control, Joint Operation, Joint Venture, Joint Venturer)**<sup>33</sup>

(a) **Joint arrangement** is an arrangement of which two or more parties have joint control.

A Joint Arrangement has the following characteristics:

- (i) The parties are bound by a contractual arrangement
- (ii) The contractual arrangement gives two or more of those parties, joint control of the arrangement
- (iii) A joint arrangement is either a joint operation or a joint venture

(b) **Joint control** is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

(c) **Joint operation** is a joint arrangement whereby the parties, that have joint control of the arrangement, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

(d) A **joint venture** is a joint arrangement whereby the parties, that have joint control of the arrangement, have rights to the net assets of the arrangement.

(e) A **joint venturer** is a party to a joint venture that has joint control of that joint venture.

<sup>30</sup> As per Ind AS 110

<sup>31</sup> As per Ind AS 24

<sup>32</sup> As per Ind AS 110

<sup>33</sup> As per Ind AS 111

8. **Significant influence**<sup>34</sup> is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

- (a) If an entity holds, directly or indirectly (e.g., through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.
- (b) Conversely, if the entity holds, directly or indirectly (e.g., through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.
- (c) The existence of significant influence by an entity is usually evidenced in one or more of the following ways:
- (i) representation on the board of directors or equivalent governing body of the investee;
  - (ii) participation in policy-making processes, including participation in decisions about dividends or other distributions;
  - (iii) material transactions between the entity and its investee;
  - (iv) interchange of managerial personnel; or
  - (v) provision of essential technical information.

9. **Subsidiary**<sup>35</sup> - An entity that is controlled by another entity.
10. **Post-employment benefit plans**<sup>36</sup> are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.
11. **Post-employment benefits**<sup>37</sup> are employee benefits (other than termination benefits) which are payable after the completion of employment, such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

### (III) Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

A **"Related Party Transaction"**<sup>38</sup> means a transfer of resources, services or obligations between a listed entity 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:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

**"Related Party"**<sup>39</sup> means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

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<sup>34</sup> As per Ind AS 28

<sup>35</sup> As per Ind AS 110

<sup>36</sup> As per Ind AS 19

<sup>37</sup> As per Ind AS 19

<sup>38</sup> Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

<sup>39</sup> Regulation 2(1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)

*Thus, Related Parties under SEBI Regulations are to be identified in line with provisions of Companies Act, 2013 and applicable Accounting Standards.*

## (IV) Section 40A(2)(b) of the Income Tax Act

The persons referred to in clause (a) of Section 40A(2) are the following, namely:—

- (i) where the assessee is an individual - any relative of the assessee;
- (ii) **where the assessee is a company, firm, association of persons or Hindu un-divided family - any director of the company, partner of the firm, or member of the association or family, or any relative of such director, partner or member;**
- (iii) any individual who has a substantial interest in the business or profession of the assessee, or any relative of such individual;
- (iv) **a company, firm, association of persons or Hindu undivided family having a substantial interest in the business or profession of the assessee or any director, partner or member of such company, firm, association or family, or any relative of such director, partner or member or any other company carrying on business or profession in which the first mentioned company has substantial interest;**
- (v) **a company, firm, association of persons or Hindu undivided family of which a director, partner or member, as the case may be, has a substantial interest in the business or profession of the assessee; or any director, partner or member of such company, firm, association or family or any relative of such director, partner or member;**
- (vi) any person who carries on a business or profession,—
  - where the assessee being an individual, or any relative of such assessee, has a substantial interest in the business or profession of that person; or
  - **where the assessee being a company, firm, association of persons or Hindu undivided family, or any director of such company, partner of such firm or member of the association or family, or any relative of such director, partner or member, has a substantial interest in the business or profession of that person.**

### Explanation:

For the purposes of this sub-section, a person shall be deemed to have a **substantial interest** in a business or profession, if,—

- (a) in a case where the business or profession is carried on by a company, such person is, at any time during the previous year, the beneficial owner of shares (not being shares entitled to a fixed rate of dividend whether with or without a right to participate in profits) **carrying not less than twenty per cent of the voting power;** and
- (b) in any other case, such person is, at any time during the previous year, beneficially entitled to **not less than twenty per cent of the profits of such business or profession.**

### Definitions

Section 2(41): "relative", in relation to an individual, means the husband, wife, brother or sister or any lineal ascendant or descendant of that individual

**A template for identification of Related Parties in line with the provisions of Income Tax Act, 1961, is attached as Annexure C.**



## (V) FHL EXTENDED LIST OF “SENIOR MANAGEMENT PERSONNEL” (SMPs)

Regulation 26(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides that “**Senior Management**”<sup>40</sup> shall make disclosures to the Board, relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

Explanation - For the purpose of this sub-regulation, conflict of interest relates to dealing in the shares of listed entity, commercial dealings with bodies, which have shareholding of management and their relatives etc.

**Fortis Healthcare Limited, with a view to comply with and further to have enhanced coverage, has decided to extend the List of “Senior Management Personnel” (SMPs)<sup>41</sup> to certain key positions also.**

The Company has put in place a separate Program – “**Disclosure of Conflict of Interest**” whereunder, the SMPs are required to disclose potential / likely conflict of interest in respect of themselves and their Relatives.

**Under the Disclosure, the SMPs are required to provide:**

- Notice of Declaration of conflict of Interest
- List of Relatives (Names and PAN)
- Nature of Interest in other Entities, for e.g., Names of entities on which the employee or his relative holds directorships, Partnerships, Memberships of any Association / Body, Sole Proprietorship
- Transactions undertaken with such entities.

**Assessment of Conflict (NIL / Likely / Potential)**

The assessment is done keeping in view the following three criteria:

- Nature of association of SMP with other entities so declared
- Business Activity and brief profile of such entity
- Value and Volume of transactions undertaken, if any, between Fortis and such entity

**Template for disclosure of Conflict of Interest by SMPs, is attached as Annexure D.**



Annexure D

<sup>40</sup> Regulations 16(1)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 "**Senior Management**" shall mean officers / personnel of the Listed Entity who are members of its core management team excluding the Board of Directors and normally this shall comprise of all members of management one level below the executive directors including all functional heads.

<sup>41</sup> Employees under Band 3 and above and include Regional Directors, Zonal Directors and Facility Heads



## 7. APPROVAL PROTOCOLS FOR RELATED PARTY TRANSACTIONS

### (A) Under Companies Act, 2013

#### ➤ Section 188 of the Companies Act, 2013:

(1) Except with the **consent<sup>42</sup> of the Board of Directors** given by a resolution at a **meeting<sup>43</sup> of the Board** and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to –

- (a) *sale, purchase or supply of any good 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 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;*

Provided that no contract or arrangement, in the case of a company having a **paid up share capital of not less than such amount**, or **transactions not exceeding such sums**, as may be prescribed, shall be entered into **except with the prior approval** of the company by way of a<sup>44</sup>**resolution**:

Provided further **that no member of the company shall vote** on such<sup>45</sup>**resolution**, to approve any contract or arrangement which may be entered into by the company, **if such member is a related party<sup>46</sup>** :

<sup>47</sup>*First and second proviso shall not apply to -*

- (a) *a Government Company in respect of contracts or arrangements entered into by it with any other Government Company;*
- (b) *a Government company, other than a listed company, in respect of contracts or arrangements other than those referred to in clause (a), in case such company obtains approval of the Ministry or Department of the Central Government which is administratively in charge of the Company, or, as the case may be, the State Government before entering into such contract or arrangement.*

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<sup>42</sup> **Note: Consent implies knowledge of necessary facts and their impact**

<sup>43</sup> **Note: Only at a physical Meeting and not through Circular Resolution**

<sup>44</sup> The word "Special" deleted in terms of Clause 16 of The Companies (Amendment Act), 2015, effective 26<sup>th</sup> May, 2015

<sup>45</sup> The word "Special" deleted in terms of Clause 16 of The Companies (Amendment Act), 2015, effective 26<sup>th</sup> May, 2015

<sup>46</sup> General Circular No. 30/2014 dated 17<sup>th</sup> July, 2014 Clause (1) – The term 'Related Party' in the in above context refers only to such related party as may be a related party in the context of the contract or arrangement for which the said resolution is being passed

<sup>47</sup> Inserted vide Notification dated 5<sup>th</sup> June, 2015

<sup>48</sup>Second proviso shall not apply to a private company.

Provided also that **nothing** in this sub-section **shall apply** to any transaction entered into by the company **in its ordinary course of business** other than transactions which are not **at arm's length basis**.<sup>49</sup>

Provided also that the requirement of passing the **resolution** under first proviso **shall not be applicable** 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.<sup>50</sup>

**Explanation-** In this sub-section,-

(a) the expression "**office or place of profit**" means any office or place-

- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisite, any rent free accommodation, or otherwise,

(b) the expression "**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.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's Report to the shareholders alongwith the justification for entering into such contract or arrangement.

(3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining consent of the Board or approval by a<sup>51</sup>resolution 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 authorised by any other director**, the directors concerned **shall indemnify** the company against **any loss** incurred by it.<sup>52</sup>

(4) 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 contact 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.

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<sup>48</sup> Inserted vide Notification dated 5<sup>th</sup> June, 2015

<sup>49</sup> General Circular No. 30/2014 dated 17<sup>th</sup> July, 2014 Clause (3) – Contracts entered into by Companies after making necessary compliances under Section 297 of the Companies Act, 1956, will not require fresh approval till the expiry of original term of such contract. Thus any modification in such contract is made on or after 1<sup>st</sup> April, 2014, the requirements under Section 188 will have to be complied with.

<sup>50</sup> Inserted in terms of Clause 16 of The Companies (Amendment Act), 2015, effective 26<sup>th</sup> May, 2015

<sup>51</sup> Deleted in terms of Clause 16 of The Companies (Amendment Act), 2015, effective 26<sup>th</sup> May, 2015

<sup>52</sup> Note: This provision signifies a situation where a post facto approval is possible

(5) Any director or any other employee of a company, who had entered into or authorised the contact or arrangement in violation of the provisions of this section shall,-

- i. in case of a **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 lakhs rupee** or **with both**; and
- ii. in case of any other company, be punishable **with fine**<sup>53</sup> which shall not be less than twenty five thousand rupee but which may extend to five lakhs rupees.

➤ **Under Companies (Meeting of Board and its Powers) Rules, 2014**

**Rule 6A<sup>54</sup>. Omnibus approval for related party transactions on annual basis.-**

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:-

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
  - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - (b) the maximum value per transaction which can be allowed;
  - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
  - (a) repetitiveness of the transactions (in past or in future);
  - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following:-
  - (a) name of the related parties;
  - (b) nature and duration of the transaction;
  - (c) maximum amount of transaction that can be entered into;
  - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
  - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

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<sup>53</sup> No imprisonment in case of unlisted companies

<sup>54</sup> Inserted vide Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015 dated 14<sup>th</sup> December, 2015

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Any other conditions as the Audit Committee may deem fit.

#### **Rule 15. Contract or arrangement with a related party:**

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- (1) <sup>55</sup>The **agenda of the Board meeting** at which the resolution is proposed to be moved shall disclose-
  - a) the name of the related party and nature of relationship;
  - b) the nature, duration of the contract and particulars of the contract or arrangement;
  - c) the material terms of the contract or arrangement including the value, if any;
  - d) any advance paid or received for the contract or arrangement, if any;
  - e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- (2) 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-
- (3) For the purposes of **first proviso to sub-section (1) of section 188**, except with the **prior approval** of the company by a **resolution**<sup>56</sup> a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into -
  - (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below -
    - (i) **sale, purchase or supply of any goods or materials**, directly or through appointment of agent, **exceeding 10% of the turnover** of the Company or **Rs.100 Crore, whichever is lower**, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
    - (ii) **selling or otherwise disposing of, or buying, property** of any kind directly or through appointment of agent, **exceeding 10% of net worth** of the Company

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<sup>55</sup> This being one of the Disclosure requirements, is also covered under Disclosure Section of this Document

<sup>56</sup> The word "Special" deleted vide Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015 dated 14<sup>th</sup> December, 2015

- or **Rs. 100, whichever is lower**, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) **leasing of property** of any kind, **exceeding 10% of the net worth** of the Company or **10% of turnover** of the Company or **Rs.100 Crore, whichever is lower**, as mentioned in clause (c) of sub-section (1) of section 188;
  - (iv) **availing or rendering of any services**, directly or through appointment of agent, **exceeding 10% of the turnover** of the Company or **Rs.50 Crore, whichever is lower**, as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

**Explanation:** - It is hereby clarified that the limits specified in clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for **appointment** to any office or place of profit **in the company, its subsidiary company or associate** company at a **monthly remuneration exceeding Rs. 2.50 lakh** as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) is for remuneration **for underwriting** the subscription of any securities or derivatives thereof of the company exceeding **1% of the net worth** as mentioned in clause (g) of sub-section (1) of section 188.

**Explanation:-**

- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the **Audited** Financial Statement of the **preceding Financial year**.
- (2) In case of **wholly owned subsidiary**, the resolution<sup>57</sup> passed by the holding company shall be sufficient for the purpose of entering into the transactions **between wholly owned subsidiary and holding company**.
- (3) <sup>58</sup>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.

## ➤ **Approval of Audit Committee**

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include-

<sup>59</sup>“approval or any subsequent modification of transactions of the company with related parties”

<sup>57</sup> The word “Special” deleted vide Companies (Meetings of Board and its Powers) Second Amendment Rules, 2015 dated 14<sup>th</sup> December, 2015

<sup>58</sup> This being one of the Disclosure requirements, is also covered under Disclosure Section of this Document

<sup>59</sup> Section 177 (4) (iv) of the Companies Act, 2013

## **(B) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

- (1) The listed entity shall formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.<sup>60</sup>

Explanation: A transaction with a 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 10% of the annual consolidated turnover** of the company as per the last audited financial statements of the company."

- (2) **All Related Party Transactions shall require prior approval of the Audit Committee.**<sup>61 62</sup>
- (3) **The Audit Committee may grant omnibus approval for Related Party Transactions** proposed to be entered into by the listed entity subject to the following conditions, namely -
- (a) 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 transactions which are repetitive in nature.
  - (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the listed entity;
  - (c) 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.**
  - (d) Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approval given.
  - (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (4) 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.
- (5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:
- (a) transactions entered into between two government companies;
  - (b) 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.

Explanation - For the purpose of Clause (a), "Government company(ies)" means Government Company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

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<sup>60</sup> Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

<sup>61</sup> Regulation 23(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

<sup>62</sup> Note: This covers "All types of RPTs" whether in ordinary course of business or not or whether at arm's length or not

- (6) The provisions of this regulation shall be applicable to all prospective transactions.
- (7) For the purpose of this regulation, **all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.**
- (8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

**(C) Section 40A(2)(a) of the Income Tax Act, 1961**

Where the assessee incurs any expenditure in respect of which payment has been or is to be made to any person referred to in clause (b) of this sub-section, and the Assessing Officer is of opinion that such expenditure is excessive or unreasonable having regard to the fair market value of the goods, services or facilities for which the payment is made or the legitimate needs of the business or profession of the assessee or the benefit derived by or accruing to him therefrom, so much of the expenditure as is so considered by him to be excessive or unreasonable shall not be allowed as a deduction.

Provided that no disallowance, on account of any expenditure being excessive or unreasonable having regard to the fair market value, shall be made in respect of a specified domestic transaction referred to in section 92BA, if such transaction is at arm's length price as defined in clause (ii) of section 92F.

## **8. DISCLOSURE OBLIGATIONS W.R.T. RELATED PARTY TRANSACTIONS**

### **(A) Under the Companies Act, 2013**

- (I) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's Report to the shareholders alongwith the justification for entering into such contract or arrangement.<sup>63</sup>
  
- (II) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose<sup>64</sup>:
  - (a) the name of the related party and nature of relationship;
  - (b) the nature, duration of the contract and particulars of the contract or arrangement;
  - (c) the material terms of the contract or arrangement including the value, if any;
  - (d) any advance paid or received for the contract or arrangement, if any;
  - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
  
- (III) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely<sup>65</sup>:-
  - (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.

### **(B) Under Indian Accounting Standard 24**

- (i) Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.
  
- (ii) To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties. This is because the existence of control relationship may prevent the reporting entity from being independent in making its financial and operating decisions. The disclosure of the name of the related party and the nature of the related party relationship where control exists may sometimes be at least as relevant in appraising an entity's

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<sup>63</sup> Section 188(2) of the Companies Act, 2013

<sup>64</sup> Rule 15(1) of Companies (Meetings of Board and its Powers) Rules, 2014

<sup>65</sup> Rule 15(3) of Companies (Meetings of Board and its Powers) Rules, 2014



prospects as are the operating results and the financial position presented in its financial statements. Such a related party may establish the entity's credit standing, determine the source and price of its raw materials, and determine to whom and at what price the product is sold.

- (iii) The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in Ind AS 27 and Ind AS 112, *Disclosure of Interests in Other Entities*.
- (iv) Paragraph (i) refers to the next most senior parent. This is the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.
- (v) An entity shall disclose key management personnel compensation in total and for each of the following categories:
  - (a) short-term employee benefits;
  - (b) post-employment benefits;
  - (c) other long-term benefits;
  - (d) termination benefits; and
  - (e) share-based payment.
- (vi) If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph (v) to the compensation paid or payable by the management entity to the management entity's employees or directors.
- (vii) If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph (v). At a minimum, disclosures shall include:
  - (a) the amount of the transactions;
  - (b) the amount of outstanding balances, including commitments, and:
    - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
    - (ii) details of any guarantees given or received;
  - (c) provisions for doubtful debts related to the amount of outstanding balances; and
  - (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- (viii) Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.
- (ix) The disclosures required by paragraph (vi) shall be made separately for each of the following categories:
  - (a) the parent;
  - (b) entities with joint control of, or significant influence over, the entity;
  - (c) subsidiaries;
  - (d) associates;
  - (e) joint ventures in which the entity is a joint venturer;

- (f) key management personnel of the entity or its parent; and
  - (g) other related parties.
- (x) The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph (ix) is an extension of the disclosure requirement in Ind AS 1, Presentation of Financial Statements, for information to be presented either in the balance sheet or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.
- (xi) The following are examples of transactions that are disclosed if they are with a related party:
- (a) purchases or sales of goods (finished or unfinished);
  - (b) purchases or sales of property and other assets;
  - (c) rendering or receiving of services;
  - (d) leases;
  - (e) transfers of research and development;
  - (f) transfers under licence agreements;
  - (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
  - (h) provision of guarantees or collateral;
  - (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts<sup>1</sup> (recognised and unrecognised);
  - (j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party; and
  - (k) management contracts including for deputation of employees.
- (xii) Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties.
- (xiii) Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.
- (xiv) Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.
- (xv) Disclosure of details of particular transactions with individual related parties would frequently be too voluminous to be easily understood. Accordingly, items of a similar nature may be disclosed in aggregate by type of related party. However, this is not done in such a way as to obscure the importance of significant transactions. Hence, purchases or sales of goods are not aggregated with purchases or sales of fixed assets. Nor a material related party transaction with an individual party is clubbed in an aggregated disclosure.

## (C) Under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

- (a) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.<sup>66</sup>
- (b) The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.<sup>67</sup>
- (c) The Annual Report of the Company shall contain following related party disclosures:
- i) Disclosures to be made in compliance with the Accounting Standard on “Related Party Disclosures”.
  - ii) The disclosure requirements shall be as follows

| Sr. No. | In the accounts of | Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.  |
|---------|--------------------|---|
| 1       | Holding Company    | <ul style="list-style-type: none"> <li>• Loans and advances in the nature of loans to subsidiaries by name and amount.</li> <li>• Loans and advances in the nature of loans to associates by name and amount.</li> <li>• Loans and advances in the nature of loans to firms/ companies in which directors are interested by name and amount.</li> </ul> |
| 2       | Subsidiary         | Same disclosures as applicable to the parent company in the accounts of subsidiary company.   |
| 3       | Holding Company    | Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.  |

For the purpose of above disclosures directors’ interest shall have the same meaning as given in Section 184 of Companies Act, 2013

- iii) Disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;
- (d) Disclosures w.r.t. Related Party Transactions in Stock Exchange intimation, post Board Meetings, in line with “Policy for Determination of Materiality of Event and Information” for e.g., Nature of Interest of Promoters, if any and whether at Arm’s Length.

<sup>66</sup> Regulation 27(2)(b)

<sup>67</sup> Regulation 46(2)(g)