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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 Clause 49 of the Equity Listing Agreement with the Stock Exchange.

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

The revised Clause 49 of the Listing Agreement 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 Clause 49 of the Listing Agreement, 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) “**Audit Committee or Committee**” means Committee of Board of Directors of the Company.
- (ii) “**Board**” means Board of Directors of the Company.
- (iii) “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- (iv) “**Key Managerial Personnel**” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- (v) “**Material Related Party Transaction**” means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.



- (vi) “**Policy**” means Related Party Transaction Policy of the Company.
- (vii) “**Related Party**” means a person or entity:
 - (i) which is a related party under Section 2(76) of the Companies Act, 2013; or
 - (ii) which is a related party under the applicable Accounting Standards.
- (viii) “**Related Party Transaction**” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

Explanation: A “transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract
- (ix) “**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.
- (x) “**Relative**” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- (xi) “**Ordinary Course of Business**” is not defined by any of the three regulations viz. under Companies Act 2013, Clause 49 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.

IV] POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee 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.

Board / Audit Committee / the Company 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 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:

For Related Party Transactions entered between April 1, 2014 and October 1, 2014, the Company may place all such transactions for Audit committee ratification.

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.



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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;

Any Member of the Committee who has a potential conflict of interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party 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 the Listing Agreement with the Stock Exchanges.

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.

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.

Shareholders:

All Material Related Party Transactions shall require approval of the Shareholders through Special Resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

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 shall also require the approval of the Shareholders through Special Resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.



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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] AMENDMENT IN LAW:

Any subsequent amendment / modification in the Listing Agreement and / or applicable laws in this regard shall automatically apply to this Policy.
