

Related Party Transaction

Policy on Materiality of related party transactions and dealing with Related Party Transactions

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1. BACKGROUND

The Companies Act, 2013 was enacted on August 30, 2013 which provides major overhaul in the Corporate Governance norms for all Companies. The set of rules under Companies Act, 2013 pertaining to Corporate Governance were notified on March 27, 2014 (herein after referred to as “the Rules”). The Companies Act, 2013 and the Rules would be applicable for such company or a class of companies (both listed and unlisted) as may be provided therein. The listed Companies, in addition to the Companies Act, 2013 are required to comply with the provisions of the SEBI Equity Listing Agreement (“SEBI ELA”).

Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 provides the detailed mechanism for dealing with Related Parties Transactions of the Company. Further, it provides for certain compliance requirements such as Audit Committee approval, Board approval and Shareholder’s approval in specific circumstances.

SEBI has amended the Clause 49 of the Listing Agreement (“Revised Clause 49”) which is effective from October 1, 2014. The Revised Clause 49 in addition to the approvals required for Related Party Transactions also provides that the company shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions. Keeping in view the above mentioned compliance requirements provided in Companies Act, 2013 read with related rules issued thereon and Revised Clause 49 of the Equity listing Agreement including any amendment thereof, the Board of Directors of Ricoh India Limited (“Ricoh” or “the Company”), acting upon the recommendations of the Audit Committee of the Company, has approved and adopted this policy and procedure with regard to materiality of Related Parties transactions and dealing with Related Party Transactions of the Company (herein after referred to as “Policy”). The Audit Committee will review and may amend this policy as may be required from time to time in accordance with the provisions of the Companies Act, 2013, Rules, SEBI ELA and any further amendments and notifications as may be made effective in this regard.

All Related Party Transactions of Ricoh as defined in this Policy shall be subject to review in accordance with the procedures set forth below.

2. PURPOSE

This Policy is intended to ensure the approval mechanism and reporting of transactions between the Company and its related parties as defined in the Policy in accordance with the Companies Act 2013 and SEBI ELA. It may be modified pursuant to the amendment in the Companies Act, 2013, Rules or SEBI ELA.

3. DEFINITIONS

1. **Government Company-** In accordance with Section 2 (45) of the Companies Act, 2013 read with related rules issued thereon, Government Company means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company
2. **Related Party-** In accordance with Section 2 (76) of the Companies Act, 2013 read with Rules and Revised Clause 49 including any statutory modification, amendment thereof as may issue from time to time, an entity shall be considered as related party to the Company if:
 - (i) Such entity is a related party under Section 2(76) of the Companies Act,2013; or
 - (ii) Such entity is a related party under the applicable Accounting Standards*.

(*Rule 7 of Companies (Accounts) Rules 2014 provides that the standards of accounting as specified under the Companies Act, 1956 (1 of 1956) shall be deemed to be the accounting standards until accounting standards are specified by the Central Government under section 133 of the Companies Act 2103. Accordingly, AS 18 is the Accounting Standard applicable for Related Party Transactions)

As per Section 2(76) of the Companies Act, 2013, Related Party means:

- (i) a director or his relative;
- (ii) a key managerial personnel 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 or manager or relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (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) A Director (other than Independent Director) or Key Managerial Personnel of the holding company of such company or his relative.

The Accounting Standard 18 defines related party as –“parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions.”

The Accounting Standard 18 deals only with related party relationships described below:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;

- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

In the context of this Accounting Standard, the following are deemed not to be related parties:

- (a) two companies simply because they have a director in common notwithstanding paragraph 2 (d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);
- (b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and (c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
 - (i) Providers of finance;
 - (ii) Trade unions;
 - (iii) Public utilities;
 - (iv) Government departments and government agencies including government sponsored bodies

No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such enterprises. State-controlled enterprise means an enterprise which is under the control of the Central Government and/or any State Government(s).

3. Related Party Transactions: In accordance with Revised Clause 49, related party transaction is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged or not.

Explanation: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

In accordance with Companies Act, 2013, Related Party Transaction includes the following transactions between the related parties:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- Underwriting the subscription of any securities or derivatives thereof, of the company.

4. Material Related Party Transactions –In accordance with Revised Clause 49, in case any related party transaction / transactions, 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.

In accordance with Section 188 of the Companies Act, 2013 read with Rules including any statutory modification, amendment thereof as may issue from time to time the specified transactions as mentioned below:

Transactions covered	Transaction value
Sale, purchase or supply of any goods or materials directly or through appointment of	> 10% of Turnover [#] or Rs. 100

agents *	Creore, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	> 10% of Net Worth [#] or Rs. 100 Creore, whichever is lower.
Leasing of property of any kind*	> 10% of Turnover [#] or Net Worth [#] or Rs. 100 Creore, whichever is lower.
Availing or rendering of any services directly or through appointment of agents *	> 10% of Turnover [#] or Rs. 50 Creore, whichever is lower.
Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration > Rs. 2.5 Lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	> 1% of Net Worth [#]

* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

[#]The Turnover or Net Worth referred shall be on the basis of the Audited Financial Statement of the preceding financial year.

5. Relatives: In accordance with Section 2 (77) of the Companies Act, 2013 read with Rules thereon including any statutory modification, amendment thereof as may issue from time to time, relative 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) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
 - (a) Father: Provided that the term "Father" includes step-father.
 - (b) Mother: Provided that the term "Mother" includes the step-mother.
 - (c) Son: Provided that the term "Son" includes the step-son.
 - (d) Son's wife.
 - (e) Daughter.
 - (f) Daughter's husband.
 - (g) Brother: Provided that the term "Brother" includes the step-brother;
 - (h) Sister: Provided that the term "Sister" includes the step-sister;

6. Key Managerial Personnel's(KMPs)– 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 under Companies Act, 2013

7. Subsidiary Company - The terms Subsidiary Company shall have the same meaning as specified under Companies Act, 2013 read with related rules issued thereon including any statutory modification and amendment thereof as may be issued from time to time

4. PROCEDURE AND POLICY

1. AUDIT COMMITTEE APPROVAL AND MECHANISM

The Audit Committee of the Company constituted in accordance with the provisions of the Companies Act, 2013 shall review and ratify all Related Party Transactions existing on the date of this Policy. As per Revised Clause 49 of the listing Agreement and Section 177 of the Companies Act, 2013, Audit Committee shall accord prior approval to all proposed Related Party Transactions, subject to the following:

A. Omnibus Audit Committee approval for foreseen/projected transactions—In terms of Revised Clause 49, Audit Committee may grant omnibus approval for Related Party Transactions, provided it is satisfied that there is a need to grant such approval is in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- (i) Transactions are repetitive in nature;
- (ii) Transactions are conducted at Arm's length basis;
- (iii) Transactions are in the ordinary course of business
- (iv) Transactions are frequent in nature;
- (v) Sufficient disclosure shall be made to the Audit Committee, including the following:
 - a) name/s of the related party,
 - b) nature of transaction
 - c) period of transaction
 - d) maximum amount of transaction that can be entered into
 - e) the indicative base price / current contracted price and the formula for variation in the price if any and
 - f) such other conditions as the Audit Committee may deem fit.
- (vi) Board shall take note of the minutes of the Audit Committee.
- (vii) In case any of such transaction considered to be material transaction, audit committee shall immediately report to the Board of Directors and in case necessary recommend to the Board for necessary approvals from Shareholders of the Company ;

B. Limited Omnibus Audit Committee approval for unforeseen transactions - In case, the above details mentioned in Para A are not available or need for Related Party Transaction cannot be foreseen, Audit Committee may consider to grant omnibus approval for any transaction or transactions, subject to the maximum limited value of Rs.1 crore per transaction.

In case such transaction exceed the threshold limit of Rs. 1 crore and Company propose to continue the omnibus approval of the Audit Committee for said transaction, in such scenario to continue the said transaction, the Company is required to give the necessary disclosures/ information as mentioned in Para A before the Audit Committee and Audit Committee shall evaluate such transaction in light of the such criteria's for Omnibus approval of Audit Committee.

In terms of Revised Clause 49, 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 under Part A or B as above. Further, such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

C. Exemptions from Audit Committee approval - In terms of Revised Clause 49, following transactions are exempted from the requirement of obtaining the Audit Committee approval. However, approval of Audit Committee will be required as per

Section 177 of the Companies Act, 2013:

- i) Transactions entered into with other government companies;
- ii) Transactions entered into between Atishay and its wholly owned subsidiary whose accounts are consolidated with Atishay

In accordance with Revised Clause 49 and Section 2 (45) of Companies Act, 2013, Government company means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company.

The term Subsidiary Company shall have the same meaning as specified in Section 2 (87) of the Companies Act, 2013.

In accordance with provisions Section 177 of the Companies Act, 2013 the Audit Committee shall also approve the subsequent modifications, if any, in all the Related Party Transactions.

D. Details to be provided to the Audit Committee - With respect to all Related Party Transactions requiring approval of the Audit Committee, following information, to the extent relevant, shall be presented to the Audit Committee:

- A general description of the transaction(s), including the material terms and conditions.
- The name of the Related Party and the basis on which such person or entity is a Related Party.
- Name of director or KMP who is related.
- Period of transaction
- Maximum amount of transaction that can be entered into
- The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
- The indicative base price / current contracted price and the formula for variation in the price if any
- Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

E. Ordinary Course of business - The Audit Committee may inter alia consider the following while determining the transaction in ordinary course of business. The transaction is:

- is normal/ necessary/ incidental to the business of Ricoh or otherwise remarkable for Ricoh's business (i.e. features in system, processes, advertising, staff training, etc.)
- is frequent
- is regular
- involves significant amounts of money
- is a source of income for business
- involves significant allocation of resources
- is involved in a service or product that is offered to customers

F. Arm's length transactions - The Audit Committee shall consider the transaction to be on arm's length if the transaction to be conducted between two related parties as if they were unrelated, so that there is no conflict of interest.

G. Each director/KMP who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Audit Committee/Board of Directors concerning such Related Party Transaction and his or her interest in such transaction.

H. The Audit Committee shall also review and approve any modification, renewal or extension of any Related Party Transaction.

I. The Audit Committee periodically review this Policy and may recommend amendments to this Policy to the Board from time to time as it deems appropriate.

J. This Policy is intended to augment and work in conjunction with other Company policies having any code of conduct, code of ethics and/or conflict of interest provisions.

2. BOARD AND SHAREHOLDERS APPROVAL AND MECHANISM

In accordance with Section 188 of the Companies Act, 2013 and Revised Clause 49, the Board of Directors and shareholders of the Company shall accord prior approval for related party transactions, subject to the following:

A. Board of Director's and Shareholders approval in terms of Companies Act, 2013 – All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors. The Board of Directors shall further recommend the same for the approval of the Shareholders by way of special resolution of the Company, in case the said transactions exceed the value of transactions as provided under Section 188 of the Companies Act, 2013.

B. Board of Director's and Shareholders approval in terms of Listing Agreement - In terms of Revised Clause 49, all material Related Party Transaction shall be recommended by the Board of Directors to the shareholders for their approval by way of special resolution.

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.

AUDIT COMMITTEE/BOARD/SHAREHOLDER APPROVAL MECHANISM FOR ENTERING INTO RELATED PARTY TRANSACTIONS

5. RATIFICATION OF THE RELATED PARTY TRANSACTIONS

Where any contract or arrangement, which is considered as a related party transaction exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, such transaction shall be 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.

In case such transaction is not ratified within the specified period, 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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Management of the company becomes aware of any Related Party Transactions that has not been approved under this policy, prior to its consummation, the matter shall be reviewed by the Audit Committee. Audit Committee may consider all of the relevant facts and circumstances regarding the Related Party Transactions and may evaluate all the options available with the Company.

Audit Committee may also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and may take any such action it deems appropriate.

7. DISCLOSURE

Every Contract or arrangement entered with Related Parties to which Sub section (1) of Section 188 of the Companies Act 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements. The Company will give necessary disclosures as required in the Companies Act, 2013 and SEBI ELA.

Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance.

The company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

8. MODIFICATIONS AND AMENDMENTS IN THE POLICY

The Audit Committee will review and may amend this policy as may be required from time to time in accordance with the provisions of the Companies Act, 2013, rules made therein, Listing Agreement and any further amendments and notifications as may be made effective in this regard. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, revised listing agreement, accounting standards and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

Further, in the event of any conflict between the provisions of this Policy and of the Listing Agreement /Companies Act, 2013 including any rules made therein and any other statutory enactments, rules etc. the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.
