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KNOW YOUR CUSTOMER/ BUSINESS PARTNER ('KYC') POLICY

PURPOSE

SAGE's commitment to doing business with integrity requires that it follows the highest standards in compliance. The provisions of the Anti-money laundering laws of India encourage Corporate Entities to follow customer identification procedures and conduct due diligence while undertaking transactions. The purpose of this Policy is to ensure that SAGE sets up adequate procedures in order to avoid operational, legal and reputational risks due to not knowing who we are doing business with. The objectives of KYC are as under:

- To ensure appropriate customer and Business Partner identification.
- To monitor transactions of a suspicious nature.
- To satisfy that the proposed customer is credit-worthy and not an un-discharged insolvent.
- To minimize frauds.
- To weed out undesirable and unethical business partners.

RISKS TO BE MITIGATED THROUGH THIS POLICY

Business Partner Reliability Risks	<ul style="list-style-type: none"> • Business Partner/ Customer identity • Fly-by-night operators, shell companies
Financial Stability Risks	<ul style="list-style-type: none"> • Credit-worthiness • Solvency/ Ability to pay • Ability to deliver
Legal Compliance Risks	<ul style="list-style-type: none"> • Fraud • Money Laundering • Bribery/corruption
Ethics & Integrity Risks	<ul style="list-style-type: none"> • Conflicts of Interest • Human / Labor rights violations, Environment, Health & safety

The guidelines in the KYC Policy should be read in conjunction with:

- a) the SAGE Business Partner Code of Conduct
- b) the Anti Money Laundering Policy
- c) the Anti-bribery and Anti-corruption Policy
- d) Any other relevant policies as may be implemented from time to time.

DEFINITIONS

"KYC", for the purpose of this Policy, shall have the widest possible meaning and will include the processes and programs (e.g., due diligence) designed to identify, prioritize, monitor and address customer and business partner compliance risks.

"Business Partners" means all third parties SAGE does business with including Customers, Suppliers, Service providers, Co-publishers, Universities, consultants, distributors and agents.



The term 'Customer,' for the purpose of this Policy, is deemed to include 'Business Partners' wherever appropriate.

"Identity" means a set of attributes which together uniquely identify a 'natural' or a 'legal' person. The legal status of the legal person/entity should be verified through proper and relevant documents; verify that any person acting on behalf of the legal person/entity is so authorized; understand the ownership and control structure of the legal entity and determine who are the natural person(s) who ultimately control the legal person. The identity of a legal/corporate person comprises its name and details of its registered office and business addresses.

Beneficial Owner (BO)

- a. Where the customer/ Business Partner is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the limited purpose of understanding-

"Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.

"Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

- b. Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
- c. Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- d. Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

POLICY GUIDELINES

KYC entails verification of our business partners -

- On the basis of documents provided by them
- Financial due-diligence to establish credit-worthiness
- A deeper due-diligence in appropriate cases basis risk categorization of customers/ business partners



Risk Categorization of Customers/ Business Partners:

While engaging with Customers/ Business Partners, employees shall ensure that they are assessed against predetermined requirements and selection criteria and only those business partners are engaged that are willing and able to:

- a) comply with all laws and regulations applicable to the business they conduct for SAGE.
- b) conduct their business based on the core principles of Integrity and Sustainability.
- c) apply the principles laid down in the SAGE Business Partner Code of Conduct or equivalent principles.

The designated employee should prepare the profile of the customer/business partner which should contain information relating to their identity, social/financial status, nature of business activity, information about their business and their location etc. and risk categorization shall be undertaken based on these parameters. Customers shall be categorized as low, medium and high-risk category, based on the assessment and risk perception. ¹

Customers/ Business Partners shall be assessed using the following three processes which may be applied based on the level of risk involved.

STAGE I – BUSINESS PARTNER IDENTIFICATION

In the context of KYC, identification means establishing who a person purports to be. It is critical that you understand with whom you are doing business, i.e., ascertain the legal status of the party. You must deal with a person who is responsible and who does exist in law as a recognized legal “person”. Those could be an individual, a sole proprietorship, a partnership, a limited liability partnership (LLP), a Company or an Association of persons (AOP). Always confirm the names of beneficial owners, authorized signatories or power of attorney holders of the party you are dealing with. [people behind the legal entity] This will help establish the status of dealing persons and whether they are duly authorized to deal on behalf of the concern or not.

- a. if a Sole Proprietorship – who is the Proprietor?
- b. if a Partnership Firm or LLP – who are the partners?
- c. if an incorporated Company – who are the Directors? If a person other than a Director is signing, does he have sufficient authority to do so by way of a Board Resolution or does he hold a Power of Attorney?

Depending on the type of legal entity you are dealing with, following documents should be asked from your business partner before you start doing business with them:

Particulars	Risk	Documents Required
A sole proprietorship/ Individual		
In a sole proprietorship, an individual operates an individually owned business in his own name or a name other than his own. If a business is in the actual name of	Very High	<ul style="list-style-type: none">• Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962 and other documents including in respect of financial status of the customer.

¹ The customer profile will be a confidential document and details contained therein shall not be divulged for any purpose without the express permission of the customer/ business partner.

<p>a person, then you are to contract with him because he is a legally recognized person. If a fictitious name is used such as “ABC Book Sellers” you must name the Proprietor/ owner along-with the fictitious name. Under the law, this fictitious name is not a recognized “person,” and thus does not have the ability to contract and cannot be a defendant in a lawsuit. It would be as if the Company was suing someone who does not exist. Therefore, always make sure you are dealing with the owner/legal “person” and name him in the correspondence.</p> <p>Politically Connected people</p>		<ul style="list-style-type: none"> • Self-attested copy of any one of the following containing the details of identity and address (the passport, driving license, Aadhaar Card or Voter's Identity Card issued by the Election Commission of India.) • Proof of name, address and activity of the concern such as Registration Certificate, Certificate/license issued by Municipal Authorities under Shop & Establishment Act etc. • Self-attested copy of any utility bill for the limited purpose of proof of address which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill). • The complete Income tax return (not just the acknowledgement) in the name of the sole proprietor, duly authenticated/acknowledged by the Income Tax Authorities. <p>If the documents are deficient, contact point verification may have to be undertaken to establish the existence of such firm and confirm, clarify and satisfy yourself that the business activity has been verified from the address of the proprietary concern. After proper verification of the business activity and the address of the proprietary concern, a physical record of the contact point verification should be maintained along with the other KYC documents.</p>
<p>A Partnership Firm/ LLP</p> <p>Contract with any of the Partners, preferably the managing partner, if there is one. In case of a partnership firm also, the individuals behind the entity, i.e., the partners only must be sued as they are personally liable for the acts of the firm.</p> <p>In the case of an LLP, partners liability is limited by law.</p>	<p>High</p>	<p>Certified copies of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> • Registration certificate; • Partnership deed; • PAN of the partnership firm • The complete Income tax return (not just the acknowledgement) in the name of the Partnership/ LLP, duly authenticated/acknowledged by the Income Tax Authorities. • Documents specified for individuals and includes obtaining Aadhaar or any officially valid document containing the details of proof of identity and address and PAN of Partners.
<p>A duly incorporated Company</p>		
<p>A Company is a legally recognized person</p>	<p>Medium</p>	<p>Certified copies of each of the following –</p>

<p>and always has the words “Limited” or “Private Limited” attached at the end of its name. A Company is an artificial legal entity and can itself be sued in its own name [through its directors.]</p>		<ul style="list-style-type: none"> • Certificate of incorporation. • Memorandum and Articles of Association. • Permanent Account Number of the Company • A resolution from the Board of Directors (and power of attorney- if any) in favor of its managers, officers or employees to transact on its behalf
<p>Unincorporated Association or Body of Individuals/ OTHER Juridical persons</p>		
<p>Associations or other juridical persons not specifically covered in the above categories, could include Societies, Universities, Government or its departments, and Local bodies such as village panchayats.</p> <p>Similar to a sole proprietorship, an Association of persons is not a legal entity and cannot be sued in its own name.</p>	<p>Very High</p>	<p><u>Certified copies</u> of each of the following documents shall be obtained:</p> <ul style="list-style-type: none"> • Resolution of the managing body of such association or body of individuals; • Permanent account number or Form 60 • Power of attorney granted to him to transact on its behalf; • Documents specified for individuals and includes obtaining Aadhaar or any officially valid document containing the details of proof of identity and address, one recent photograph and Permanent Account Number (PAN) or Form 60 relating to the beneficial owner, managers, officers or employees as the case may be, holding an attorney to transact on its behalf. and • Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals

Periodical Update of KYC:

Customers/ Business Partners may be categories into two Broad heads 1) One time, and 2) Continuing business partners.

Periodic update of KYC of customer/ business Partners should be carried out at least once in every two years for high-risk continuing business partners/ Customers, once in every five years for medium risk and once in every ten years for low risk.

STAGE II – BUSINESS PARTNER CODE OF CONDUCT

The SAGE Business Partner Code of Conduct applies to all third parties with whom we do business. Employees must-

- Provide a copy of the Code to all Business Partners
- Obtain a signed copy from all high-risk Business Partners
- Make the Code a part of standard contracts.

STAGE III – BUSINESS PARTNER DUE DILIGENCE

In case of medium to high-risk Business Partners, wherever appropriate, proper due diligence will be conducted both from a financial and compliance point of view using screening tools wherever required. If required, the business partner may be screened for money laundering, terrorist financing, bribery and corruption and financial crime, political exposure. Employees must-

- Evaluate and document the level of risk for each party.
- Relationship assessment by the line of business
- Decision as the level of Due diligence required.
- Screen Customers for Financial credit-worthiness and/or Screen Business Partners for disbarred individuals/businesses, political exposure, ownership etc.
- Conduct deep due diligence, if necessary, wherever risk appears to be high.

If there is relevant critical information (“red flags”) about the business partner and thus a “substantial risk” exists, the result and the reasons for the result must be considered. In this case, the employee’s supervisor may decide whether to reject the business partner or bring the matter to the attention of senior management. Risk mitigating measures, such as certain contract provisions and signing of Business partner Code, must be applied. In case these are not enforceable, the management will be responsible for the final decision on whether to enter into a contract with that business partner. If the management decides that a contract should be concluded with this business partner despite the identified risk, the employee may proceed with the applicable business partner process. Each decision made by the management shall be documented and justified in writing.

POLICY RESPONSIBILITY

Finance is the custodian of the policy and holds the right to revise/review/amend the policy with Management’s prior approval.