

**CCL PRODUCTS (INDIA) LIMITED POLICY ON THE  
MATERIALITY OF RELATED PARTY TRANSACTIONS  
AND  
ON DEALING WITH RELATED PARTY  
TRANSACTIONS**

## 1. PREFACE

CCL PRODUCTS (INDIA) LIMITED (*the Company*) recognizes the fact that Related Party Transactions, while being driven by the business requirements of an organization and being an essential part of any business ecosystem, also possess inherent potential of conflict-of-interest vis a vis the persons in control of the organization, thus deserving extra care, caution and transparency in their conduct and reporting. It needs to be ensured that the Related Party Transactions are carried out without any discrimination, in order to avoid undue favour or advantage to any related party, whether directly or indirectly. It also needs to be ensured that Related Party Transactions are conducted with requisite approvals, which may be in the form of Audit Committee approval, Board approval or members approval, depending upon the nature and value of such transaction, as contemplated under the Companies Act, SEBI Listing Regulations, Accounting Standards or under any other applicable law. Further, it needs to be reported and disseminated in a true, fair, timely and prescribed manner.

In this backdrop, the Board has framed a Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions as contemplated under Regulation 23 of SEBI (LODR) Regulations, 2015, containing the thresholds, the approval and disclosure mechanisms etc.

## 2. PURPOSE

2.1 The policy is intended to:

- provide guidance to the Officers and Directors of the Company to help them recognize and deal with actual or apparent conflicts of interest.
- avoid undue enrichment to any person dealing with the Company.
- instill transparency in dealings with related parties.
- set guidelines as regards disclosures of transactions with related parties.

## 3. DEFINITIONS

3.1 **“Applicable Law”** includes (a) the Companies Act and rules made thereunder, as amended from time to time; (b) the SEBI LODR Regulations, as amended from time to time; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India from time to time) relating to Related Party Transactions as may be applicable to the Company.

3.2 **“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.

3.3 **“Related party”** means “Related Party” shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1) (zb) of the SEBI Listing Regulations. Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”.

3.4 **“Related party transaction”** means related party transaction as defined under regulation 2 (1) (zc) of SEBI (LODR) Regulations, 2015.

### 3.5 "Material related party transaction"

Contracts / arrangements with a related party shall be considered as material related party contracts / arrangements if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year under such contracts / arrangements exceed rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company whichever is lower.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statement of the Company

### Material Modifications

Material modifications in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant related party transaction / contract / arrangement by 10% or 1 crore, whichever is higher.

### 3.6 Subsidiary

"Subsidiary" means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013 ('Act').

### 3.7 "Key Managerial Personnel" 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;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed;

### 3.8 "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) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son's wife
- (vii) Daughter
- (viii) Daughter's husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

**3.9 "Turnover"** turnover means the gross amount of revenue recognized in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;

**3.10 "Net worth"** means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

**Explanation:** *The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.*

All other terms and references used but not defined herein shall have the same meaning as is assigned to them under the Act, the Listing Regulations and rules, regulations, notifications and circulars issued thereunder.

#### **4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

##### **4.1 Approval of the Audit Committee:**

4.1.1 All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.

4.1.2 A related party transaction to which the subsidiary of the company is a party but the company is not a party, shall require prior approval of the audit committee of the company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

4.1.3. The Audit Committee may grant omnibus approval for the RPTs of the Company or its subsidiary, which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act or the Listing regulations.

4.1.4. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

4.1.5 Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

4.1.6 Such omnibus approval shall be based on the criteria specified in clause 5.1 of this Policy.

4.1.7 Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval, before the expiry of the approval period.

4.1.8. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company or its subsidiary pursuant to each of the omnibus approval given;

4.1.9 Only Independent Directors, who are members of the Audit Committee shall approve the RPTs. In case such Independent Director is interested in any potential RPT, then he/she shall abstain from voting when such transaction is being considered.

4.1.10. In case the Audit Committee does not approve any transaction, it shall make its recommendations on such RPTs to the Board.

4.1.11. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs of the company or its subsidiary, on an annual basis

4.1.12. Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key Managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of regulation 23 (1) of listing regulations.

#### **4.1.13 Ratification of Related party transactions:**

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the clause 3.5 of this policy;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it."

## **4.2 Approval of the Board of Directors**

4.2.1 Subject to Clause 4.4, the following RPTs shall require additional, prior approval of Board of Directors:

- i. All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business or not proposed to be executed as an Arm's length transaction.
- ii. Transactions which are not approved by the Audit Committee, or in the opinion of the Audit Committee, need special consideration / determination by the Board.
- iii. Where it is mandatory under any law for Board to approve such transactions, or where the Board, Suo-moto chooses to review such RPTs.
- iv. RPTs in which the promoters, promoter group, directors, and KMPs of the Company are concerned or interested

4.2.2. Where any director is concerned or interested in any potential RPT, such director shall abstain from discussion and voting when such transaction is being considered.

## **4.3 Approval of the Shareholders of the Company**

4.3.1 Subject to Clause 4.4, the following RPTs and subsequent Material Modifications thereto, shall be subject to prior approval of shareholders of the Company, by way of a resolution

- i. All Material Related Party Transactions; and
- ii. RPTs which require approval of the shareholders, as per provisions of the Act and the rules made thereunder.

4.3.2. No Related Party shall vote to approve such a resolution, irrespective of whether the entity is a Related Party to the particular transaction or not.

4.3.4. The Audit Committee and the Board shall approve and recommend all Material Related Party Transactions, before submitting the same for approval of the shareholders of the Company.

#### **4.4 Exception:**

1. Transactions entered into between two public sector companies
2. 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.
3. Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
4. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
5. Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand

#### **5. PROCEDURE AND CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS**

**5.1** The criteria for granting omnibus approval for the RPTs is as follows:

5.1.1. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year shall not exceed the value prescribed as per the Act or Rules thereunder;

5.1.2 The maximum value per transaction which can be allowed for RPTs under omnibus route, will be upto 1 crore;

5.1.3 While assessing any proposal, the Audit Committee may review the documents / seek information from Management of the Company, or get clarification or opinion as per clause 5.2 of this Policy;

5.1.4 The transactions undertaken pursuant to omnibus approval, shall be reviewed by the Audit Committee on a quarterly basis;

5.1.5 The following transactions will not be eligible for the omnibus approval and shall be approved by the Approving Authority, on case-to-case basis:

- i. Transactions which are not repetitive in nature
- ii. Transactions involving sale or disposal of an undertaking of the Company
- iii. Transactions involving sale or disposal or assignment of any significant or critical asset of the Company
- iv. Transactions which require shareholder approval, under Clause 4.3 of this Policy; and
- v. Transactions which require specific approval of the Board, under the terms of this Policy, the Act and rules made thereunder.

5.2 For the purpose of procuring approval of the Audit Committee or the Board (as the case may be), the Company Secretary shall submit a proposal for approval of the RPTs, containing the following information;

5.2.1 Name of the Related Party and nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);

5.2.2 Nature, tenure of the transaction and details of the transaction;

5.2.3 Material terms of the transaction including the value;

5.2.4 The percentage of the Company's annual consolidated turnover for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);

5.2.5 If the transaction relates to any loan, inter-corporate deposit, advances or investment, made or given by the Company or its subsidiary:

i. details of the source of funds in connection with the proposed transaction

ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:

- nature of indebtedness
- cost of funds; and
- tenure

iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured (if secured, the nature of security); and

iv. the purpose for which the funds will be utilized;

5.2.6 Justification as to why the transaction is in the interest of the Company;

5.2.7 A copy of the valuation or other external party report, if any such report has been relied upon;

5.2.8 Percentage of the counter-party's annual consolidated turnover, that is represented by the value of the proposed transaction (to be provided on a voluntary basis)

5.2.9 Confirmation /opinion as per clause 5.4 of this Policy; and

5.2.10 Any other information which is relevant or important, or as may be required by the Board/Audit Committee to take decision on the proposed transaction

5.3 In determining whether to approve an RPT, the Committee shall inter-alia consider the following factors, to the extent relevant to the matter:

5.3.1 Whether the proposed transaction is in the best interest of the Company.

5.3.2 Whether the terms of the proposed transaction are fair and it is an Arm's length transaction.

5.3.3 Whether the proposed RPT is permissible under the provisions of Applicable Laws

5.3.4 Whether such contract or arrangement is proposed to be entered into on terms no less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances;

5.3.5 Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any.

5.3.6 Whether the proposed transaction includes any potential reputational risk issues.

5.3.7 Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, or a subsidiary of the Company, to extent of the director or KMP's interest in such contract or arrangement.

5.4 Audit Committee and /or the Board can rely on following:

For approval of a RPT or ratification or any Material Modification in the approved terms of a RPT, the following opinions from an external consultant, or such other officer as may be approved by the Audit Committee, shall be submitted to the Audit Committee or the Board (as the case may be), along with the proposal:

- i. Whether the transaction is in the Ordinary Course of Business;
- ii. Whether the transaction is an Arm's length transaction,

Provided that the person submitting the above referred opinion or certificate should not be interested in the proposed transaction either directly or indirectly.

## **6. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

Without prejudice to clause 4.1.13, the following procedure ought to be followed in case prior approval for a RPT is not obtained from the applicable authority:

6.1 In the event, the Company becomes aware of a RPT that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee, or the Board, or the Shareholders ('Approving Authority' for the purpose of this Policy) as may be required in accordance with this Policy, for review and ratification.

6.2 The Approving Authority shall, consider all relevant facts and circumstances relating to such transaction and decide such action as it may consider appropriate, including ratification, revision or termination of the Related Party Transaction. The decision of the Approving Authority shall be binding under all circumstances.

6.3 Audit Committee may, at its discretion, examine the internal controls and the reasons for failure in reporting/ obtaining prior approval of such RPT and direct the management to strengthen the internal controls for dealing with RPTs.

## **7. APPROVAL FOR SPECIFIC RPTs**

7.1 The following transactions or arrangements, which are specifically dealt with under separate provisions of the Act or the SEBI LODR and executed under separate approvals/procedures of the competent authority of the Company (i.e. shareholders, Board, or a Board Committee), shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:

7.1.1 Payment of remuneration to KMPs and other employees

7.1.2 Payment of remuneration, fees, commission, etc. to directors

7.1.3 Share-based incentive plans including Stock Options and ESARs to the directors, KMPs, and other employees

7.1.4 Any benefits, interest arising to Related Party solely from the ownership of Company shares, which is at par with other shareholders, including dividends, subdivision, consolidation, issuance of securities by way of rights or bonus issue, and buyback of securities

7.1.5 Issue of specified securities on a preferential basis, subject to the compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.



7.1.6 Financial assistance in the form of investment or loan or guarantee or creating security

7.1.7 Spends towards Corporate Social Responsibility.

## **8. DISCLOSURE AND REPORTING REQUIREMENTS:**

8.1 All the prospective contracts/arrangements with related parties shall be disclosed to the Company Secretary/CFO in advance.

8.2 A summary statement of RPTs as approved by the Audit Committee shall be submitted to the Audit Committee on quarterly basis for information, review and noting

8.3 Details of all material transactions with related parties shall be disclosed every six months on the date of publication of its standalone and consolidated financial results.

Provided that disclosure on remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this Policy subject to the same is not material in terms of the provisions of clause 3.5 of this policy

8.4 The Policy shall also be disclosed on the website of the Company and shall disclose the weblink of the policy in the Annual Report of the Company.

## **9. AMENDMENT**

Any subsequent amendment / modification in the Listing Regulations or the Act or any other governing Act / Rules / Regulations or re-enactment, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy.

## **10. REVIEW**

This Policy will be reviewed as and when required but atleast once in three years.