

TRIBHOVANDAS BHIMJI ZAVERI LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

I. INTRODUCTION

Tribhovandas Bhimji Zaveri Limited (the “Company” or “TBZ”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflict of interest and may raise questions about whether such transactions are in the best interest of the Company and the stakeholders.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with strict legal and accounting requirements to which the Company is subject.

Therefore, this policy regarding the review and approval of Related Party Transactions, has been approved and adopted by the Company’s Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The Equity Listing Agreement with Stock Exchanges mandates formulation of a policy on materiality of Related Party Transactions and manner of dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the ‘Board’) of Tribhovandas Bhimji Zaveri Limited has approved and adopted the following policy on materiality of Related Party Transactions and manner of dealing with Related Party Transactions and also intended to ensure the governance and reporting of transactions between the Company and its Related Parties

II. APPLICABILITY AND EFFECTIVE DATE

This Policy will be applicable to the Company with effect from 1st October, 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

III. PURPOSE / SCOPE OF THE POLICY

This Policy is framed based on requirements of the provisions of Clause 49 (VII) & (VIII - A) and all other applicable provisions of the Listing Agreement entered by the Company with the Stock Exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and Rules framed thereunder. This Policy deals with materiality of Related Party Transactions and manner of dealing with Related Party Transactions and also intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

IV. DEFINITIONS

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications amendments, clarifications, circulars or re-enactment thereof.

“**Audit Committee**” means the Audit Committee of Board of Directors of the Company.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company.

“**Company**” means Tribhovandas Bhimji Zaveri Limited or “TBZ”.

“**Key Managerial Personnel**” or “**(KMP)**” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules framed thereunder.

“**Policy**” means Related Party Transaction Policy of the Company.

“**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. For determination of Arm’s Length basis, guidance may be taken from provision of Transfer Pricing under Income Tax Act, 1961.

“**Related Party**” means a person or an 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.

Related party under Section 2(76) of the Companies Act, 2013 and Rules made thereunder are as follows:

- (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 is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body 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) Director or Key Managerial Personnel of the holding company or his relative; or
- (x) such other person as may be prescribed.

“Related Party Transactions” means transaction in a nature of contract involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- 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.

Relatives:

As per the Provisions of Section 2(77) of the Companies Act, 2013 “Relative” means—

- (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 under Companies (Specification of definitions details) Rules, 2014;

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 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 (including step-father)
- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Sister (including step-sister).

Holding company:

As per the Provisions of Section 2(46) of the Companies Act, 2013 "Holding Company", means a company of which such companies are subsidiary companies.

Subsidiary company:

As per the Provisions of Section 2(87) of the Companies Act, 2013 "**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 one-half of the total 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 purposes 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:

As per the Provisions of 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 influence and includes a joint venture company.

Explanation: For the purpose of this clause Significant influence means control of at least twenty per cent (20%) of total share capital, or of business decisions under an agreement.

“Material Related Party Transactions” as defined under the Listing Agreement:

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

V. PROCEDURES / POLICY

All Related Party Transactions must be reported to the Audit Committee for review and approval in accordance with this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy.

1. Identification of Related Party / Related Party Transactions and Disclosure by Directors and Key Managerial Personnel (KMP)

- Every Director and Key Managerial Personnel (KMP) shall at the time of appointment and at the beginning of every financial year in first meeting of the Board and as and when there is changes in the disclosure already made, then in the first meeting held after such change, disclose his/ her interest to the Company as follows (‘the disclosure’):

- Name/ details of his/ her relatives.
 - Details of firms in which either he/she or any of his/her relatives is partner.
 - Details of private company in which he/she or any of his/her relatives is member or director.
 - Details of public company in which he/she is a director and holds either himself/herself or together with his/her relatives more than two per cent of the paid up capital of the company.
 - Details of body corporate whose board of directors or managing director or manager is accustomed to act in accordance with his advice, direction or instruction (other than advice, direction or instruction given in a professional capacity).
 - Details of any person on whose directions, instructions or advice he is accustomed to act (other than advice, direction or instruction given in a professional capacity).
 - Details of entities/ body corporates of which he is owner or promoter of KMP or has control over such entity.
 - Details of body corporates in which he holds either himself/ herself or together with other directors of such body corporate holds more than two per cent of the paid up capital of such company.
- Each Director or Key Managerial Personnel (KMP) is requested to provide notice to the Company Secretary of any potential Related Party Transaction involving him/ her or his or her relative, including any additional information about the transaction that the Board / Audit Committee may request, for being placed before the Audit Committee and the Board.
 - Provided that where any Director or Key Managerial Personnel (KMP) who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
 - The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance from Director or Key Managerial Personnel of the Company so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
 - TBZ Group Companies means all the companies in TBZ group will be considered as Related Parties.
 - The Chief Financial Officer of the Company shall identify the Related Party Transactions with Directors or Key Managerial Personnel of the Company or their relatives.

- Any potential Related Party Transactions that are brought to the attention of the Company Secretary and Chief Financial Officer shall be analysed by the Legal Department, in consultation with management and with an external consultant as appropriate. The Board shall record the disclosure of interest and the Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction required compliance with this policy.

2. Review and approval of Related party Transactions

Audit Committee:

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant standing pre-approval / omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in clause 49 of the Listing Agreement.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, subject to the following criteria:

- The transactions are repetitive in nature.
- The Audit Committee is satisfied that such omnibus approval is required in the interest of the Company.
- Such omnibus approval shall specify (i) the name/s of related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/ current contract 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 transaction subject to their value not exceeding Rs. 1 Crore per transaction).
- Details of Related Party Transactions entered into pursuant to omnibus approval, shall be reviewed by Audit Committee on quarterly basis.
- Omnibus approval shall be valid only upto one year and shall require fresh approval after expiry of one year.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

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:

If the 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 or it is mandatory under any law for Board to approve the Related Party Transaction, 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 modifications as may be necessary or appropriate under the circumstances.

Where any Director or Key Managerial Personnel is interested in any contract or arrangement with a related party, such Director or Key Managerial Personnel shall not be present at the meeting or shall abstain from discussion and voting on the subject matter of the resolution relating to such contract or arrangement.

Shareholders:

All the material Related Party Transaction 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.

3. Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions

- the name of the related party and nature of relationship;

- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- any other information relevant or important for the Board to take a decision on the proposed transaction.

4. Factors to be considered by Audit Committee and Board of Directors while approving Related Party Transactions

- There are clearly demonstrable (compelling business) reasons from the Company's business point of view, for the transaction to be entered into with a Related Party;
- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- The commercial reasonableness of the terms of the Related Party Transaction;
- The materiality of the Related Party Transaction;
- Whether the terms of the Related Party Transaction are fair and on the same basis as would apply if the transaction did not involve a Related Party;
- The extent of the Related Party's interest in the Related Party Transaction taking into account the amount involved in the transaction, the overall financial position of the related party, the direct or indirect nature of the related party's interest in the transaction and the continuous nature of the transaction;
- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk/ issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking

into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

5. Material Related Party Transactions

A transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual consolidated turnover as per the last audited financial statements of the Company.

6. Reporting of Transactions and Records

The Company Secretary shall be responsible for giving adequate disclosures of Related Party Transactions in the Board's Report to the extent it is required under the Companies Act, 2013 and Clause 49 of the Listing Agreement and also make necessary entries in the contract register maintained for this purpose. The management may put in place an internal process document to monitor compliance of the Related Party Transactions with this Policy and transactions approved by Audit Committee.

VI. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

Any violation to the provisions of the Policy that comes to the knowledge shall result in the adoption of the appropriate measures, ensuring the effectiveness of this Policy, and shall also be reported to the Audit Committee.

VII. GENERAL PRINCIPLES

- (i) It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- (ii) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- (iii) The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary.
 - To investigate any Related Party Transaction.
- (iv) The CFO of the Company is authorized to issue necessary guidelines / instructions for implementation of this policy.
- (v) The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

VIII. RELATED PARTY TRANSACTIONS NOT REQUIRING APPROVAL

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board of Directors or Shareholders:

- (i) 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.
- (ii) 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.
- (iii) Transactions available to all employees generally.

IX. DISCLOSURE

Every Related Party Transactions or contract or arrangement entered shall be disclosed in the following manner:

- (i) In the Board's Report to the shareholders along with the justification for entering into such contract or arrangement;
- (ii) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance; and
- (iii) The Company shall disclose the policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

X. AMENDMENT IN LAW

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