



CREST VENTURES LIMITED

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

Document Name	Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions
Original document Date	July 07, 2017
Review Version & Date	Version 1.1 dated February 12, 2019

Crest Ventures Limited

Registered Office: 111, Maker Chambers IV I 11th Floor I Nariman Point I Mumbai – 400021 I T: +91 22 43347000 I F: +91 22 43347002
www.crest.co.in CIN – L99999MH1982PLC102697

❖ Contents ❖

- 1. Introduction and Background**
- 2. Scope & Purpose of the Policy**
- 3. Definitions**
- 4. Materiality Thresholds**
- 5. Manner of dealing with Related Party Transactions**
- 6. Review and approval of Related Party Transaction**
- 7. Disclosures**
- 8. Related Party Transactions not approved under this Policy**
- 9. Limitation and Amendment**



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

1. INTRODUCTION AND BACKGROUND

Crest Ventures Limited (the “Company” or “CVL”) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stakeholders' best interests.

2. SCOPE & PURPOSE OF THE POLICY

Related party transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian Legislature.

Considering the requirements of approval of related party transactions as required under the Companies Act, 2013 (the “Act”) read with the rules framed thereunder and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), 2015 (“LODR”), (as amended from time to time), CVL has formulated guidelines for identification of related parties and proper reporting, approval and disclosure of all related party transactions.

Also, sub-regulation (1) of Regulation 23 of LODR requires a company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors of the Company.

In light of the above, CVL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

Going forward, the Audit Committee would review and amend the Policy, as and when required but atleast once every three years and updated accordingly, subject to the approval of the Board.

3. DEFINITIONS

a) “Act” shall mean the Companies Act, 2013 and includes any amendment thereof.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the LODR, as amended from time to time.



4. MATERIALITY THRESHOLDS

Contracts / arrangements with a Related Party shall be considered as “material related party transaction” if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements or such sum as may be prescribed under LODR, as amended from time to time.

A transactions involving payments made to 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 exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

The Company identifies and regularly updates the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 23 of LODR and applicable Accounting Standards.

b) Identification of related party transactions

The Company regularly identifies related party transactions in accordance with Section 188 of the Act and Regulation 23 of LODR and applicable Accounting Standards. The Company shall determine whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

a) Approval of the Audit Committee

- i) All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ii) Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and shall not vote to approve such related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm’s length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.



- iii) The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned Regulation 23 of LODR and Rule 6A of Companies (Meetings of the Board and its Powers) Rules, 2014 and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- iv) The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria for granting the omnibus approvals in line with the policy, which shall include the following:
- the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
 - the indicative base price / current contracted price and the formula for variation in the price if any;
 - Maximum value of transactions in aggregate which can be allowed under the omnibus route in a year;
 - The maximum value per transaction which can be allowed;
 - Extent and number of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - Review, at such intervals at the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approvals made;
 - Transactions which cannot be subjected to omnibus approvals by the Audit Committee.
- v) However, in case of related party transaction which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval, provided the value does not exceed Rs.1 Crore per transaction.
- vi) 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. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.
- vii) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- viii) A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.



b) Approval of the Board of Directors

- i) As per the provisions of Section 188 of the Act, any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.
- ii) In addition to the above, the following types of transactions with related parties should also be placed before the Board for its approval:
 - Transactions which may be in the ordinary course of business and also at an arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and /or other parameters) require Board's approval in addition to Audit Committee approval;
 - Transactions in respect of which Audit Committee is unable to determine whether or not they are in the ordinary course of business and / or at arm's length basis and decides to refer the same to the Board for approval;
 - Transactions in respect of which Audit Committee is unable to determine whether or not they are in the ordinary course of business and / or at arm's length basis but in the Audit Committee's view requires Board's approval;
 - Transactions meeting materiality thresholds laid down in Clause 4 of the Policy which are intended to be placed before the Shareholders for approval.
- iii) The overall threshold limits for proposed related party transactions to be entered in to during the financial year shall be duly approved by the Board.

c) Approval of the shareholders of the Company

- i) The following types of transactions require approval of the shareholders:
 - a) If transactions with related parties exceed the materiality threshold as specified in Clause 4 of the policy;
 - b) If transactions with related parties not in the ordinary course of business and/or not on arm's length basis and exceeds the threshold limits laid down in the Companies (Meetings of Board and its Powers) Rules, 2014:



For this purpose, all the entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

- ii) Regulation 23 of LODR provides that the requirement of seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at a general meeting for approval.

7. DISCLOSURES

- The Company shall disclose, in Board's report, transactions prescribed in Section 188(1) of the Act with related parties which are not in the ordinary course of business or not on arm's length basis alongwith justification for entering into such transactions. Also, the Company shall, in Board's Report, disclose material transactions which were entered into arm's length basis.
- In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on quarterly basis to Stock Exchanges on which the securities of the Company are listed.
- This Policy shall also be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report.
- The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- The Company shall enter the details of related party transactions in the Register of Contracts maintained under Section 189 of the Act.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event, the Company becomes aware of a related party transaction with a related party that has not been approved in accordance with this Policy, prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction and shall evaluate all the options available to the Company including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to failure of reporting of such transaction to the Audit Committee under the Policy and



failure of internal control system and shall take any such action as it deems appropriate.

In case, if the Audit Committee determines not to ratify a related party transaction that has been consummated without approval, the Audit Committee may direct additional actions including but not limited to discontinuation of the transaction or seeking approval of the shareholders, payment of compensation by the related party for the loss suffered by the Company etc. In connection with any review / approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.

9. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or LODR or any other statutory enactments, rules, the provisions of such Act or LODR or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the LODR, Act and/or applicable laws in this regard shall automatically apply to this Policy.
