



CENTURY ENKA LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

DOCUMENT CONTROL

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1	31 st December 2014	Ref: WD/LC/04 was considered as version 1.0	Company Secretary	Audit Committee	Board of Directors
2	11.05.2022	1.1	Company Secretary	Audit Committee	Board of Directors

Issuing Authority

This policy document is approved by the Board of the Company.

Author and Responsible Official

This policy document is to be maintained and updated by way of additions, deletions and modifications, only by the Legal and Secretarial Department subject to review of Managing Director and presented before the Audit Committee for review & recommendation to the Board for further review and approval.

Every time the policy document is edited, the version increases by one unit and the version is to be mentioned in the Document Control section.

Applicability and Usage

This policy document applies to **Century Enka Limited**.

PREFACE

The prominent objective of this policy is to maintain transparency and fairness in dealings with persons who are considered as related to the Company so that interest of stakeholders such as shareholders, investors, customers, suppliers, government etc. is protected and meet the desired objectives of good corporate governance practices.

As per Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the listed entity is required to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

To achieve this objective, a policy is formulated to dealing with related parties, which not only ensure compliances with the provisions of the Act, listing regulations and other applicable laws but also ensure high standard of corporate governance.

DEFINITIONS

- i. **'Act'** means Companies Act, 2013 and includes notifications, circulars & clarifications as issued/amended by the Ministry of Corporate Affairs, from time to time.
- ii. **'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.
- iii. **'Audit Committee'** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act read with Regulation 18 of Listing Regulations.
- iv. **'Board'** means the Board of Directors of Century Enka Limited.
- v. **'Company'** means Century Enka Limited unless the context otherwise provides.
- vi. **'Key Managerial Personnel'** means:
As per Section 2(51) read with Rule 2 of the Companies (Specification of definitions details) Rules, 2014:
 - a) the Chief Executive Officer or the Managing Director or the Manager;
 - b) the Company Secretary;

- c) the Whole-time Director;
- d) the Chief Financial Officer;
- e) 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
- f) any other person appointed by the Board of Directors as Key Managerial Personnel.

As per Indian Accounting Standard-24 or INDAS-24:

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

- vii. 'Listing Regulations'** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 includes Standard Operating Procedures (SOPs), notifications, circulars & clarifications as issued/amended by the Securities and Exchange Board of India, from time to time.
- viii. 'Material Modifications'** means a change or variation of Twenty percent (20%), in value, of approved transactions.
- ix. 'Material Transactions' means:**
 - (a) Transactions to be entered with related parties either individually or taken together with previous transactions during the financial year exceed rupees one thousand crore (INR 1000 crore) or ten percent (10%) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.
 - (b) transactions to be entered with related parties with respect to brand usage or royalty if it exceeds five percent of the annual consolidated turnover of the Company as per its last audited financial statements.
- x. 'Policy' or 'this policy'** means 'Policy on Related Party Transactions'.
- xi. 'Related Party'** means related party as defined in Section 2(76) of the Act and rules prescribed thereunder; Regulation 2(1)(zb) of the Listing Regulations; applicable accounting standard(s) and defined under any other laws applicable to the Company. The recapitulated definitions of related party under the said applicable laws have been provided in **Annexure-I**.

- xii. 'Related Party Transaction'** means a transaction as defined under Regulation 2(1)(zc) of the listing regulations; transaction specified in Section 188(1) of the Act or covered under the applicable accounting standard on related party. The recapitulated definitions of related party transactions pursuant to said applicable laws have been provided in **Annexure-II**.
- xiii. 'Relative'** means relative as defined in Section 2(77) of the Act and rules prescribed thereunder or any other applicable laws. The recapitulated definition of relatives has been provided in **Annexure-III**.
- xiv. 'SEBI'** means the Securities and Exchange Board of India.
- xv. 'Transaction in Ordinary Course'** means the transactions which the Company deals regularly, frequently or incidentally to the business of the Company.
- xvi. Omnibus:** refers to the collective approval of the transaction instead of the piecemeal / individual approval.

IDENTIFICATION OF RELATED PARTIES

The identification of related parties shall be based on definitions of related party as provided in Annexure-I.

DISCLOSURE OF INTEREST

Pursuant to section 184 of the Act, every Director is required to disclose his concern or interest in any company or companies, bodies corporate, firms or other association of individuals along with their shareholding and the names of their relatives in the prescribed format (MBP-1) at the beginning of every financial year and whenever there is any change in such interest during the year.

The declaration, in the said format and in the manner stated above, shall also be required from Key Managerial Personnel for identification of related parties.

In addition to above, all Directors and Key Managerial Personnel are also required to disclose any potential transactions in which they are interested, directly or indirectly.

APPROVALS FOR RELATED PARTY TRANSACTIONS

Pursuant to the provision of the Act, Listing Regulations and Ind AS, all related parties transactions require prior approval of Audit Committee and/or Board and/or Shareholders as provided hereunder:

a) Approval of Audit Committee

All the related party transactions and subsequent material modifications shall require prior approval of Audit Committee. Pursuant to listing regulations, only independent directors who are member of the Audit Committee shall approve such transactions.

The Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions:

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following: -
 - (a) maximum value of the transactions, in aggregate, in a year;
 - (b) the maximum value per transaction;
 - (c) extent and manner of disclosures at the time of seeking omnibus approval;
 - (d) review related party transactions entered into by the company pursuant to omnibus approval;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, : -
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval;
 - (c) such approval is in the interest of the company.
- (3) The omnibus approval placed before the Audit Committee shall contain the following: -
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;

- (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction or such limit as may be prescribed in Listing Regulations/Act from time to time.

- (4) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (5) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (6) Review the details of related party transactions on a quarterly basis including transactions pursuant to omnibus approval.
- (7) review the status of long-term (more than one year) or recurring related party transactions on an annual basis
- (8) Any other conditions as the Audit Committee may deem fit.

b) Approval of Board of Directors

The transactions that require approval of Board of Directors are:

- a) the transactions as set out in section 188 of the Act (referred in Annexure-II) require approval of Board of Directors by means of passing of resolution at the meeting of the Board, if the said transactions are not in ordinary course of business or not at arm's length basis.
- b) Transactions in respect of which audit committee is unable to determine whether or not a transaction is in the ordinary course of business and/or at arm's length basis and decide to refer the said transaction to the Board for approval.
- c) Transactions, which is in the ordinary course of business or at arm's length basis, but in view of audit committee requires approval of the Board.
- d) Material Transactions and/or transactions exceeding the thresholds as prescribed under Rule 15 of the Companies (Meeting of Board and its Power) Rules, 2014 (referred in Annexure-IV), which are intended to be placed before the shareholders for approval.

c) Approval of the shareholders of the Company

The following Related Party Transactions and subsequent material modifications thereof shall require prior approval of shareholders of the Company through resolution:

- a) All material transactions with related parties (Refer definition of Material transactions). No related party, irrespective of whether the entity is a party to a particular transaction or not, shall vote to approve such resolutions.
- b) Transactions which are not in the ordinary course of business or not at arm's length basis and exceeding the thresholds as prescribed under Rule 15 of the Companies (Meeting of Board and its Power) Rules, 2014 (Refer Annexure-IV for transactions and respective threshold). No related party to the particular transaction shall vote to approve such resolutions.

**MINIMUM INFORMATION TO BE PLACED FOR REVIEW
AND APPROVAL**

Audit Committee:

The Audit Committee shall be provided with the information as mentioned in **Annexure-V** for approval of Related Party Transactions

Board of Directors:

The Board of Directors shall be provided with the information as mentioned in **Annexure-VI** for approval of Related Party Transactions.

Shareholders:

The shareholders of the Company shall be provided with the information as mentioned in **Annexure-VII** for approval of Related Party Transactions.

DEALING WITH RELATED PARTIES TRANSACTION

The Company has formulated guidelines to determine, whether the transaction is in the ordinary course of business and/or at arm's length basis (Refer Annexure-VIII). If necessary, the Company may seek external professional advice for determination of the ordinary course and/or arm length basis.

OPERATING GUIDELINES

The operating guidelines while dealing with related parties are as under:

1. A list of Related Parties will be review on a quaterly basis or whenever a changes is noticed.
2. The Copy of Policy along with list of identified related parties shall be circulated to Marketing Head, Commercial Head, HR Head and Finance and Accounts Department.
3. All related party transactions require prior approval of the Audit Committee and in certain circumstances approval of the Board of Directors and/or Shareholders.
4. Extreme cautions should be taken while entering any transactions with related parties and guidelines prescribed in Annexure-VIII shall be followed.
5. All transactions with related parties shall be in ordinary course of business and on arm's length only.
6. Identification of prospective transaction with related parties should be at the stage of proposal / purchase requisition / contract discussion and immediately communicated to the Company Secretary.
7. Any communication for transaction with related parties shall have details as prescribed in Annexure-V/VI/VII as the case may be.

REVIEW, DISCLOSURE AND REPORTING

- a) This policy will be reviewed by the Board once in every three years.
- b) The Company shall disclose to the stock exchanges, where the securities of the Company are listed, all related party transactions as required to be disclosed pursuant to Listing Regulations or any circulars issued by SEBI from time to time, in the format and manner as prescribed.

- c) The Company shall disclose the details of related party transactions in its annual financial results / annual report pursuant to the Act, Listing Regulations, applicable accounting standards or any circulars or notifications issued by any statutory authority applicable to the Company.
- d) This policy and any amendment thereto shall be promptly hosted on website of the Company.

INTERPRETATION AND MODIFICATION OF POLICY

The Board of the Company on recommendation of the Audit Committee shall have authority to amend or modify this policy to align with any amendments made to the Act and rules made thereunder or listing Regulations or applicable Accounting Standards or such other circulars, SOP, guidelines or regulations issued by SEBI, Stock Exchanges(s) or any other statutory authority. In the event of inconsistency of this policy with any statutory provisions issued by the relevant authorities, then the relevant provisions of such applicable law shall prevail upon the provisions of this Policy.

Annexure-I

Definition of Related Party

- **As per Section 2(76) of the Act read with Rule 3 of Companies (Specification of Definitions Details) Rules, 2014**

“Related Party”, with reference to a company, 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 his 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 percent 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;
- 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;
 - c. an investing company or the venturer of the company;

Explanation:

- Directions or instructions given in a professional capacity shall not attract Points No-(vi) & (vii).
 - For point (viii) (c), “the investing company or the venturer of the company” means a body corporate whose investment in a company, would result in the Company becoming an associate company of the body corporate.
- **As per Regulation 2(1)(zb) of the Listing Regulations**

Related Party means a related party as defined under section 2(76) of the Act or under the applicable accounting standards.

In addition to that, following are also deemed to be a Related Party:

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

b) any person or any entity, holding below mentioned percentage of equity shares in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year:

- (i) twenty per cent or more with effect from April 1, 2022;
- (ii) ten per cent or more, with effect from April 1, 2023.

- **As per INDAS-24**

A related party is a person or entity that is related to the Company that is preparing its financial statements in the following manner:

a) A person or a close member of that person's family is related to the Company if that person:

- (i) has control or joint control of the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Explanations:

- The terms 'Control', 'Joint Control' and 'Significant Influence' are defined in Ind AS 110, Ind AS 111 and Ind AS 28 respectively.

Annexure-II

Related Party Transactions

- **As per Section 188 of the Act**

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

- **As per Regulation 2(1)(zc) of the Listing Regulations**

“Related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

However, following shall not be considered as related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.

c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchanges, in the format as specified by the Board.

- **As per INDAS-24**

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Annexure-III

Definition of Relatives

- **As per Section 2(77) of the Act read with Rule 4 of Companies (Specification of Definitions Details) Rules, 2014**

“Relative”, with reference to any person, means any one who is related to another, if—

- (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 the following manner:
 - i. Father (includes stepfather)
 - ii. Mother (includes stepmother)
 - iii. Son (includes stepson)
 - iv. Son’s wife
 - v. Daughter
 - vi. Daughter’s husband
 - vii. Brother (includes stepbrother)
 - viii. Sister (includes stepsister)

Annexure-IV

Thresholds for the transactions falling under Section 188

(Pursuant to section 188 of the Act read with Rule-15 of the Companies (Meeting of Board and its Power) Rules, 2014)

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company.
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company.
- (iii) leasing of property any kind amounting to ten percent or more of the turnover of the company.
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company.
- (v) for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees.
- (vi) for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth.

Explanation:

- The limits specified in points (i) to (iv) shall apply for 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 above shall be computed on the basis of the audited financial statement of the preceding financial year.

Annexure-V

Information to be placed before the Audit Committee

The listed entity shall provide the following information, for review of the audit committee for approval of a proposed Related Party Transactions:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Value of the proposed transaction;
- e) 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;
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:
 - 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 by the ultimate beneficiary of such funds pursuant to the related party transaction.
- g) Justification as to why the related party transaction is in the interest of the listed entity;
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed related party transaction on a voluntary basis;
- j) Any other information that may be relevant and are require by the Act, Rules made under the Act, Listing regulations or other laws.

Annexure-VI

Information to be placed before the Board of Directors

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

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

Annexure-VII

Information forming part of Explanatory Statement to be annexed to the notice of General Meeting

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars:

As per Rule 15 of the Companies (Meeting of Board and its power) Rules, 2014

- a) name of the related party;
- b) name of the director or key managerial personnel who is related, if any;
- c) nature of relationship;
- d) nature, material terms, monetary value and particulars of the contract or arrangements;
- e) any other information relevant or important for the members to take a decision on the proposed resolution.

As per SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021

- a) A summary of the information provided by the management of the Company to the audit committee as specified in Annexure-IV annexed herewith;
- b) Justification for why the proposed transaction is in the interest of the Company;
- c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company, the details specified to be placed before the Audit Committee in this regards as specified in Annexure-IV annexed herewith;
- d) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed related party transaction, on a voluntary basis;
- f) Any other information that may be relevant and are require by the Act, Rules made under the Act, Listing Regulations or other laws.

Annexure-VIII

GUIDELINES FOR MANAGEMENT FOR TRANSACTION WITH RELATED PARTY

- (i) Ensure that terms and conditions of the transaction with Related Party are reasonably at par with other parties for similar products.
- (ii) If comparable transaction with other parties is not available, examine whether the Company would have entered into such transaction with other party on the same terms and conditions.
- (iii) If the transaction with Related Party is in conflict of interest with Directors or Key Managerial Personnel, ensure that prior approval of the Audit Committee as well as the Board is taken.
- (iv) If transaction with Related Party is not of repetitive nature, call quotations from at least three parties to determine the fair price of the transaction and after due diligence enter into the transaction with Related Party. Ensure that it will not have any adverse impact on the Company.
- (v) If nature of the transaction is not of a regular product of the Company, ensure that an opinion from a consultant who is expert in the field is obtained before entering into the transaction.
- (vi) Transaction which appears may fall in ordinary course of business, ensure that matter is referred to Chief Financial Officer (CFO) for guidance before entering into the transaction.