

**POLICY ON RELATED PARTY TRANSACTIONS AND MATERIALITY OF
RELATED PARTY TRANSACTIONS**

I. Introduction:

This policy on related party transactions and materiality of Related Party Transactions is formulated in terms of Clause 49 VII and VIII of the listing agreement which provides that the Company shall formulate a policy on “materiality of related party transactions” and also on dealing with related party transactions. The policy takes in to account various provisions on related party transactions mentioned in Clause 49 of the listing agreement and also in the Companies Act, 2013 and any other laws and regulations as may be applicable to the Company.

II. OBJECTIVE AND PURPOSE OF THE POLICY

The objective of this Policy is to set out -

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

III. Meaning/Definitions:

- **Arm’s Length Transaction:**
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.
- **Audit Committee:**
Audit Committee or Committee means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- **Key Managerial Personnel (KMP):**
Key Managerial Personnel means key managerial personnel as defined under the Companies Act, 2013 and includes
 - (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
 - (ii) Company Secretary; and
 - (iii) Chief Financial Officer.
- **Policy:**
Policy means Related Party Transaction Policy

➤ **Related Party:**

“Related Party” means related party as defined in Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement

➤ **Related Party Transaction:**

“Related Party Transaction” (RPT) means –

1. for the purpose of the Companies Act, 2013 - specified transaction mentioned in Clause (a) to Clause (g) of sub-section 1 of Section 188;
2. As per Clause 49 VII of the listing agreement, a related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

A transaction with a related part shall be construed to include single transaction or a group of transactions in a contract.

➤ **Materiality Thresholds:**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII)(C) of the Listing Agreement

IV. Policy:

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

V. Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

VI. Approvals, Disclosures and related provisions:

A. Approval by Audit Committee:

- All related Party Transactions require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
 - c. Such omnibus approval shall specify:
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted 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 transactions subject to their value not exceeding Rupees One Crore per transaction.
 - d. Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transaction entered into by the company pursuant to each of the omnibus approval given.
 - e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- To **review** a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
- ✓ 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;
 - ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - ✓ 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.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

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

- i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval - Clause 49(VII) (E) of the Listing Agreement.
- ii. 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.
- iii. 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.

B. Approval of the Board of the company:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at 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 approval in addition to Audit Committee approval;
- Transactions in respect of which the 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 which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause III of the Policy, which are intended to be placed before the shareholders for approval.

The agenda item of the Board meeting 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,
- g. the details of factors not considered with the rationale for not considering those factors and
- h. any other information relevant or important for the Board to take a decision on the proposed transaction.

No Interested Director shall be present at the meeting during discussions on the subject matter of the resolution relating to related party transaction.

C. Approval of the Shareholders of the Company:

All the transactions with related parties meeting the materiality thresholds, laid down in Clause III of the Policy, are placed before the shareholders for approval.

No member of the company shall vote on such special resolution, if such member is a Related Party.

All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval by a special resolution

Clause 49(VII) (E) of the Listing Agreement provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between M/s. Commex Technology Limited and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

The explanatory statement to the notice of general meeting shall contain name of the related party, name of director or Key Managerial Personnel who is related, if any, nature of relationship, nature, material terms, monetary value and particulars of the contract or arrangement and any other information relevant or important for the members to take a decision on proposed resolution.

VII. 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 under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

VIII. Disclosures and Reporting:

1. Every contract or arrangement with Related Party entered in to by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering in to such contract or arrangement.
2. This policy on dealing with Related Party Transactions will be disclosed on the website of the Company, www.commextechnology.com, and a weblink thereto shall be provided in the Annual Report of the Company.
3. *This policy, as approved by the Board of Directors of the Company at its meeting held on 14th November, 2014.*

IX. Amendments:

This policy can be modified or repealed at any time by the Board of Directors of the Company.