

DIANA TEA COMPANY LIMITED

POLICY AND SOP FOR RELATED PARTY TRANSACTIONS

A. Preamble

- (i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the board of directors of every listed company to, inter alia, formulate a policy on materiality of related party transactions and on dealing with related party transactions.
- (ii) The Board of Directors of **Diana Tea Company Limited (“the Company”)** accordingly, approved a policy, namely, **“Policies on Related Party Transactions”** at its meeting held on **May 11, 2015**.
- (iii) SEBI has amended the said Regulations, including by, the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 and the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019 and accordingly, the Board of Directors of the Company at its meeting held on February 14, 2019 have substituted the existing policy with this Policy in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [as amended] (**“the Regulations”**) and this Policy is applicable from April 1, 2019.
- (iv) This Policy shall be periodically (at least once in every three years) reviewed and if needed modified, based on the recommendation of the Audit Committee, by the Board of Directors of the Company to adopt the best practices / to comply with any amendment in the Regulations and/or the Companies Act, 2013 (as amended) (**“the Act”**) and the Rules framed there under.
- (v) All existing approvals granted for related party transactions and the transactions entered / to be entered pursuant to the same shall continue to remain valid notwithstanding anything contained in this Policy.

B. Purpose

The object of this Policy is to put a robust framework and processes for approval, review and reporting of Related Party Transactions.

C. Definitions

“Audit Committee” or **“the Committee”** refers to the Audit Committee of the Board of Directors of the Company constituted under the provisions of the Act and the Rules framed there under, read with the provisions of the Regulations and as reconstituted by the Board from time to time.

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” or **“KMP”** means the Key Managerial Personnel as defined under the Act.

“Material Modification(s)” in relation to any Related Party Transaction shall mean such changes to the price, rate or total amount approved earlier which exceeds the same by 10% in a financial year if undertaken and such modification is not inconsistent with this Policy, the Act or the Regulations.

[§]Inserted at Board Meeting held on February 11, 2022. Effective April 1, 2022.

“Material Related Party Transaction” means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ^{*}the lower of Rupees One thousand crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, subject to the following:

- Transaction(s) involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- Transaction(s) as per the threshold limits approved by the Board from time to time and as appended to this Policy as **Annexure A**.

Provided that in case of any subsequent amendment in the applicable laws (including the Act and the Regulations, effecting any change in the above thresholds, the same shall deemed to be applicable for the purpose of this Policy.

“Related Party” means related party as defined under:

- i. Section 2(76) of the Act;
- ii. the applicable accounting standards.
- iii. any person or entity belonging to the promoter or promoter group of the Company [^]or holding 20% or more of shareholding in the Company. [§][Explanation 1: Shareholding in the Company can be either direct or on a beneficial interest basis during the immediate preceding financial year.]
- iv. such other person as may be notified from time to time under the Act or the Regulations.

“Related Party Transaction(s)” means:

- i. any transaction(s) involving transfer of resources, services or obligations between the Company ^Ωor any of its subsidiaries and a related party [¥]of the Company or any of its subsidiaries, regardless of whether a price is charged.
- ii. any transaction(s) covered under Section 188 of the Act and the Rules framed thereunder and at present, includes the following:
 - 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 service;
 - e. Appointment of any agent for purchase or sale of goods, materials, services or property;
 - f. Such related party’s appointment to any office or place of profit in the Company, its subsidiary company or associated company; and
 - g. Underwriting the subscription of any securities or derivatives thereof, of the Company.
- iii. [§]such other transaction(s) as may be notified from time to time under the Act or the Regulations.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neutral gender.

^{*} The words “the lower of Rupees One thousand crores or” inserted at Board Meeting held on February 11, 2022. Effective April 1, 2022.

[^] The word “and” has been substituted with “or” at the Board Meeting held on February 11, 2022. Effective April 1, 2022.

^Ω The words “or any of its subsidiaries” inserted at Board Meeting held on February 11, 2022. Effective April 1, 2022.

[¥] The words “of the Company or any of its subsidiaries” inserted at Board Meeting held on February 11, 2022. Effective April 1, 2022.

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Act, the Regulations, and the rules / regulations made thereunder, as the case may be or in any amendment thereto. This Policy shall be subject to such clarifications, informal guidance and FAQs as may be issued by MCA and SEBI from time to time.

D. Policy and SOP

All Related Party Transactions must be reported to the Audit Committee for review and referred for prior approval of the Committee, as the case may be, in accordance with this Policy.

1. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel are responsible for providing notice to the Board or the Committee of any potential Related Party Transaction(s) involving him or his Relative, including any additional information about the transaction that the Board/the Committee may reasonably request.

Further, the management of the Company will be responsible to inform about the entities/companies which are related parties to the Company, based on the group structure / corporate holdings.

The Board/the Committee will determine whether the transaction constitutes 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 Committee/the Board has adequate time to obtain and review information about the proposed transaction(s).

2. Approvals to Related Party Transactions

¹All Related Party Transactions shall require prior approval of the Audit Committee^{1A}. [§][Explanation 2: Not applicable for transaction(s) entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the Shareholders of the Company at the general meeting(s) for approval].

²Post the approval of the Audit Committee, the proposal for approval of Related Party Transaction(s) shall be placed before the Board for approval.

³All Material Related Party Transactions shall also require prior approval of the Shareholders of the Company through ordinary resolution and the Related Parties shall not vote to approve such resolutions, irrespective of whether they are a related party to the particular transaction or not. [§][Read Explanation 2].

[§]The Notice and the Explanatory Statement sent to the shareholders seeking approval for proposed Related Party Transaction shall contain such information as may be prescribed under the Act and the Regulations.

The Committee will consider the following factors ^{1C}and information, among others, to the extent relevant to the proposed Related Party Transaction(s) while granting its approval:

¹Except transaction(s) between the Company and its wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the Shareholders of the Company for approval.

^{1A}Effective, January 1, 2022, only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions. (Inserted at Board Meeting held on November 11, 2021)

²Except transaction(s) entered into by the Company in its ordinary course of business and on an arm's length basis.

³Except transaction(s) between the Company and its wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the Shareholders of the Company for approval.

^{1C}The words "*and information*" inserted at Board Meeting held on February 11, 2022. Effective April 1, 2022.

- Whether the terms of the Related Party Transaction(s) 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(s) and the nature of alternative transactions, if any;
- Whether the Related Party Transaction(s) would affect the independence of an independent director;
- Whether the proposed transaction(s) 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(s) 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(s) 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, Key Managerial Personnel 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(s) and the ongoing nature of any proposed relationship and any other factors the Board/the Committee deem relevant.
- [§]Such other information as may be prescribed under the Act and the Regulations.

3. Omnibus Approval

- **For non-repetitive transactions** - The Audit Committee may accord omnibus approval to such Related Party Transactions, the need for which cannot be foreseen and/or the details whereof cannot be ascertained before such transaction(s) actually takes place.

However, such Related Party Transactions cannot exceed the maximum value per transaction which can be allowed or such sum as may be prescribed from time to time under the Act or Rules framed thereunder and/or under the Regulations and as applicable to the Company.

- **⁴For repetitive transactions** – In the case of frequent / regular / repetitive transactions, which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval. While granting the approval, in addition to the criteria given hereinbefore, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. [§][Read Explanation 2].

The omnibus approval shall specify the following:

- a. Name of the related party.
- b. Nature of the transaction.
- c. Period of the transaction.
- d. Maximum amount of the transactions that can be entered into.
- e. Indicative base price / current contracted price and formula for variation in price, if any.
- f. Such other conditions as the Audit Committee may deem fit.

The Audit Committee may specify the criteria for granting the omnibus approval after obtaining due approval from the Board, including the following:

⁴Except transaction(s) between the Company and its wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the Shareholders of the Company for approval.

- (a) Repetitiveness of the transactions (in past or in future)
- (b) Justification for the need of omnibus approval.
- (c) [§]Such other information as may be prescribed under the Act and the Regulations.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Committee for each specific transaction. The thresholds and limitations set forth by the Committee would have to be strictly complied with and any variation thereto including to the price, value or material terms of the contract or arrangement shall require the prior approval of the Audit Committee.

Omnibus approvals shall remain valid for a period of one financial year and shall require fresh approval after the expiry of such year.

If the Audit Committee determines that a Related Party Transaction should be referred to the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the 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 approval of the Audit Committee or the Shareholders:

- i. Any transaction that involves providing of compensation to a Director or Key Managerial Personnel in connection with his 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.

[§]3A. The provisions of this Policy pertaining to approval and review of Related Party Transaction(s) shall mutatis mutandis apply to Material Modification(s).

4. Review of Related Party Transactions

Related Party Transactions for each quarter shall be referred to the meeting of Audit Committee for review. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the review of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information pertaining to the Related Party Transaction, including terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party and any other relevant matters.

E. Related Party Transactions not approved under this Policy

In the event 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 Committee shall consider all 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 Audit Committee determines not to ratify a Related Party Transaction which has been commenced without approval, the Audit 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.

F. Disclosures

This Policy will be uploaded on the website of the Company and a reference thereto will be made in the Financial Statements and the Board's Report to the Shareholders.

Adequate disclosures shall be made in the Financial Statements as per applicable accounting standards and also to the concerned Stock Exchanges as per applicable provisions of the Regulations.

G. Miscellaneous[§]

[§]This Policy has been made in consonance with the contemporary rules, regulations and laws prevailing in India. In case there is an amendment in any rules, regulations or laws, allowing or relaxing what was previously not allowed thereunder, then this Policy will deem to have been amended to the extent that it shall not be capable of restricting what has been allowed by the rule, regulation or law by virtue of any subsequent amendment thereto.

Annexure A

Category of Transactions	Limit
Sale, purchase or supply of any goods or services, directly or through appointment of agent	10% or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of an agent	10% or more of the network
Leasing of property of any kind	10% or more of the turnover
Availing or rendering of any services, directly or through appointment of an agent	10% or more of the turnover
Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of net worth
Notes: <ol style="list-style-type: none">Limits would apply to transactions entered into individually or taken together with previous transactions during a financial year.Turnover and Network shall be computed on the basis of the audited balance sheet of the preceding financial year.	

Previous Version : Valid upto 30th November, 2020

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DIANA TEA COMPANY LIMITED

POLICIES ON RELATED PARTY TRANSACTIONS

1. Preamble

In compliance with the requirements under the Companies Act, 2013 and Rules framed thereunder including any modifications and enactments thereof and also in terms of the provisions of the revised Clause 49 of the Listing Agreements with the Stock Exchanges, the Board of Directors (the “Board”) of Diana Tea Company Limited (the “Company”) has adopted the following policies and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review these Policies and Procedure from time to time and may amend the same as and when necessary and expedient, within the framework of the applicable legislations.

2. Purpose

These policies and procedures are framed to ensure proper approval and reporting of transactions between the Company and its Related Parties as defined under the Companies Act, 2013, Rules framed there under and also in the revised Clause 49 of the Listing Agreement with Stock Exchanges. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. Further, the Company is required to disclose in the Financial Statements each year pertinent details of transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

“**Audit Committee**” or “**Committee**” means the Audit Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 read with the provisions of the Listing Agreement with the Stock Exchanges and as reconstituted from time to time by the Board.

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

“**Control**” shall have the same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.

“**Key Managerial Personnel**” or “**KMPs**” means the Key Managerial Personnel as defined under the Companies Act, 2013 and Rules framed there under, which includes the following for the Company:

- (i) Managing Director (Chief Executive Officer);
- (ii) Director Finance (Chief Financial Officer);
- (iii) Company Secretary.

“**Material Related Party Transaction**” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the amount as mentioned in the Listing Agreement with the Stock Exchanges.

“Related Party” means related party is as follows:

- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. Such entity is a related party under the applicable accounting standards.

“Related Party Transaction” means the transactions, as detailed below:

- i. any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- ii. any transaction between two or more related parties which are not in the ordinary course of business and/or not at arm’s length basis, subject to the threshold limits as specified from time to time in terms of Section 188 of the Companies Act, 2013 and Rules framed there under and at present, includes the following types of transactions:
 - 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 service;
 - e. Appointment of any agent for purchase or sale of goods, materials, services or property;
 - f. Such related party’s appointment to any office or place of profit in the company, its subsidiary company or associated company; and
 - g. Underwriting the subscription of any securities or derivatives thereof, of the company:

Explanation: For the aforesaid purpose, transaction between related parties at ‘arm’s length basis’ means a Transaction which would have been made between two un-related parties in the normal course of business.

“Relative” means relative as defined under the Companies Act, 2013 and includes 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)

4. Policy

All Related Party Transactions must be reported to the Audit Committee for review and referred for prior approval of the Committee, as the case may be, in accordance with this Policy.

4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel are 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.

4.2 Approvals to Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

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 arms 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.

The Audit Committee may accord omnibus approval to such Related Party Transactions, the need for which cannot be foreseen and/or the details whereof cannot be ascertained before such transaction actually takes place. However, such Related Party Transactions cannot exceed the maximum value per transaction which can be allowed or such sum as may be prescribed under the Companies Act, 2013 or Rules framed thereunder and/or under the SEBI Listing Agreement with the Stock Exchanges as amended from time to time and as applicable to the Company. Such omnibus approval shall remain valid for a period of one year from the date of the Audit Committee Meeting, where such omnibus approval has been granted.

If the Audit Committee determines that a Related Party Transaction should be referred to 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 approval of Audit Committee or Shareholders:

- i. Any transaction that involves 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.

4.3 Review of Related Party Transactions

Related Party Transactions for each quarter shall be referred to the meeting of Audit Committee for review. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the review of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information pertaining to the Related Party Transaction, including terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party and any other relevant matters.

5. 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 Committee shall consider all 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 Audit Committee determines not to ratify a Related Party Transaction which has been commenced without approval, the Audit 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.

This Policy will be uploaded on the website of the Company and a reference thereto will be made in the Financial Statements and Board's Report to the Shareholders.
