



GODREJ INDUSTRIES LIMITED

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

Document Control

Document Name	Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions
Version No.	1.3
Date	February 13, 2020

Version Control

Date	Version	Description
August 9, 2014	1.0	Final
November 10, 2014	1.1	Amended Clause No.C of the Policy in terms of SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014
February 13, 2019	1.2	Amended the Policy in terms with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018
February 13, 2020	1.3	Amended the Policy in terms with the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019 dated June 27, 2019 and the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019 dated 18th November, 2019.

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

1. Preamble

The “Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions” (“Policy”) is framed in terms of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) (“Listing Regulations”) to determine the materiality of transactions with Related Parties of Godrej Industries Limited (“Company”) and to regulate the mode of dealing in such transactions. The Policy aims to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

The Board of Directors (“Board”) has on the recommendation of the Audit Committee, amended this Policy from time to time, to incorporate the changes brought in through amendments to Listing Regulations.

2. Definitions

- A. **“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.
- B. **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company under the relevant requirements of Listing Regulations and Companies Act, 2013, from time to time.
- C. **“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.

Significant Influence: - means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;

Joint venture: - means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the Net assets of the arrangement.

- D. **“Board”** means Board of Directors of the Company.
- E. **“Companies Act, 2013”** means the Companies Act, 2013 read with the Rules framed thereunder [including any modification(s) / amendment(s) / re-enactment(s) thereof].
- F. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 2011.

- G. **“Key Managerial Personnel”** means Key Managerial Personnel in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013.
- H. **“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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.
- I. **“Office or place of profit”** means any office or place:
- where such office or place is held by a Director, and the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - where such office or place is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- J. **“Related party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards. Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall also be deemed to be a related party.
- K. **“Related Party Transaction”** shall mean a transfer of resources, services or obligations between the Company and a related party, 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.

3. Policy

I. Review and approval of Related Party Transactions through the Audit Committee:

- All Related Party Transactions proposed to be entered into with by the Company shall require **prior** approval of the Audit Committee.
- Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely:
 - the Audit committee shall lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature;

- the Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

- The omnibus approval authorised by the Audit Committee shall specify the following details:
 - i. the name(s) of the related party,
 - ii. nature of the transaction,
 - iii. period of the transaction,
 - iv. maximum amount of transactions that shall be entered into,
 - v. the indicative base price / current contracted price and the formula for variation in the price if any; and
 - vi. any other conditions as the Audit Committee may deem necessary to take a decision on the proposed transaction.

- Cases wherein 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 Rs.1 Crore per transaction.

- 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 approvals given.

- Omnibus approvals shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approvals after the expiry of such financial year.

- The Audit Committee can grant approval for transactions that are entered into by the Company in its ordinary course of business and which are at an arm's length.

- If the Audit Committee is of the view that the proposed Related Party transaction is not in the ordinary course of business of the Company to do so; or the value of the transaction is not at arm's length, the Audit Committee shall place the same before the Board for their approval.

- All types of 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 require only Audit Committee approval; and not prior Audit Committee approval.

- The Audit Committee of the Board will review and, if appropriate, approve Related Party Transactions. Accordingly, all estimated Related Party Transactions expected to be entered into during any financial year shall be approved before the close of the previous financial year.

- Audit Committee may grant approval or any subsequent modification of transactions of the Company with related parties.

II. Review and approval of Related Party Transactions through the Board of Directors:

- If the Audit Committee reviews a proposed Related Party Transaction and draws the conclusion that the transaction is not being done in the ordinary course of business or the value of the transaction is not at arm's length, the Audit Committee shall refer the same to the Board and such transaction shall be approved only with the consent of the Board of Directors at their Meeting.
- In case of a transaction with a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.
- For transactions covered under Section 188 of the Companies Act, 2013 as stated below will require Board's approval if not at arm's length and not in the ordinary course of business:
 - 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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
 - g) remuneration towards underwriting the subscription of any securities or derivatives thereof.
- Any Board Member, who is concerned or interested in the transaction, shall not participate in the discussion and voting on the resolution.

III. Review and approval of Related Party Transactions through the approval of the Shareholders of the Company:

- All Related Party Transactions that are material in nature shall require approval of the Shareholders through a resolution.
- Materiality of a transaction will be based on the definition specified above.
- No related party shall vote to approve such material Related Party Transactions, whether the entity is a related party to the particular transaction or not.
- All entities falling under the definition of related parties shall not vote to approve the material Related Party Transactions irrespective of whether the entity is a party to the particular transaction or not.

- However, the approval of the Shareholders shall not be required if the transactions being entered into are in the ordinary course of business or the value of the transaction has been derived at arm's length.

4. Thresholds

While seeking the approval for any Related Party Transaction which will be placed before the Shareholders of the Company for their approval, the Board has fixed the following threshold limits for determining the type of transaction, limits available under the relevant regulations or acts currently in force, single and cumulative transaction limits:

Sr. No.	Prescribed Transaction Category	Thresholds
1	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Amounting to or exceeding 10% of the turnover of the Company*
2	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Amounting to or exceeding 10% of net worth of the Company*
3	Leasing of property of any kind	Amounting to or exceeding 10% of turnover of the Company*
4	Availing or rendering of any services directly or through appointment of agents	Amounting to or exceeding 10% of the turnover of the Company*
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding Rs.2.5 Lakh per month
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth
7	Payment of Royalty and Brand usage to related parties	Exceeding 5% of the annual consolidated turnover
8	Any other transaction with a related party	Exceeding 10% percent of the annual consolidated turnover of the Company.

**Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year*

Note: The turnover or net worth referred to above shall be computed on the basis of the audited financial statement of the Company in the preceding financial year.

The Board of Directors shall in terms with the Listing Regulations- Amendment Regulations ensure to review the Policy, including the thresholds, at least once every 3 (three) years and shall update the website and other places where the Policy appears accordingly.

5. Transactions which do not require approval

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

(a) Any transaction involving the providing of compensation to a Director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

(b) 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.

(c) Any investment(s) made by the Company as per provisions of Section 186 of the Companies Act, 2013.

6. 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.

7. Reporting requirements

- The Company shall submit with the stock exchanges, disclosures of related party transactions that it has entered into, on a consolidated basis, (in the format that has been specified in the relevant accounting standards for annual results) within a period of 30 (thirty) days from the date of publication of its standalone and consolidated financial results for the half year, and it shall ensure that the same is published on its website in terms with Regulation 23(9) of the Listing Regulations.
- Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts / arrangements with the Related-parties as part of Directors' Report. Form AOC 2 prescribes the manner in which disclosure is to be made in the Director's Report.
- All material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance in terms with Regulation 27(2)(b) of the Listing Regulations.
- Related Party Disclosures of the Annual Report shall include Transaction with any person or entity belonging to the Promoter / Promoter Group which hold(s) 10% or more shareholding, shall be disclosed in the, in the format prescribed in relevant AS in terms of the Schedule V Part A of the Listing Regulations.

8. Amendment

- This policy is framed based on the provisions of the Companies Act, 2013 and Rules framed thereunder and the requirements of the Listing Regulations.
- In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- In case of any amendment to this Policy arising due to any regulatory amendment/revision/omission/changes in the requirements of the Companies Act, 2013, Listing Regulations or any other applicable rules or regulations as may be in force, the Management Committee of the Board of Directors and / or Mr. Adi B. Godrej, Chairman, Mr. Nadir B. Godrej, Managing Director, Ms. Tanya Dubash, Executive Director & Chief Brand Officer, or Mr. Nitin S. Nabar, Executive Director and President (Chemicals) are authorized to suitably amend this policy to make it consistent with the prevailing laws. Such amendments to the policy will be noted by the Audit Committee and the Board of Directors, as may be felt necessary.
- Any changes other than the regulatory changes requiring amendment to the policy will be reviewed and approved by the Audit Committee and the Board of Directors.
- This Policy has been last reviewed and amended by the Board of Directors to incorporate the changes brought in by the amendments to the provisions of the Companies Act, 2013 and the Rules framed thereunder read with the Listing Regulations at their Meetings held on February 13, 2020.

9. Effective date:

The effective date of this Policy (Version 1.3) is February 13, 2020

10. Communication of this Policy

This Policy shall be posted on the website of the Company www.godrejindustries.com
