

Policy on Related Party Transactions and Materiality of Related Party Transactions

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INTRODUCTION:

As per the requirements of Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) the Company has formulated a policy on materiality of related party transactions (hereinafter referred as “**RPTs**”) and on dealing with Related Parties (*as defined below*) including clear threshold limits for such RPTs that have been duly approved by the Board of Directors (“**Board**”) of the Company (“**Policy**”).

The Policy has been framed in accordance with Section 188 of the Companies Act, read with Companies (Meeting of Board and its Powers) Rules, 2014 (collectively, “**Act**”) and the Listing Regulations. The Policy seeks to set out guidelines for identification of Related Parties and the proper conduct and documentation of all RPTs.

PURPOSE:

The objective of this policy is to determine materiality of RPTs and ensure proper approval, disclosure and reporting of such transactions as applicable under the law/regulations, between the company and any of its related parties in the best interest of the company and its stakeholders.

APPLICABILITY:

The Policy will be applicable to the Company with respect to all RPTs covered within the scope of Section 188 of the Act and the Listing Regulations.

The provisions of the Listing Regulations shall be applicable to all prospective transactions. Existing contracts entered into by the Company (after making necessary compliances under section 297 of the Companies Act, 1956 and Listing Agreement) which already came into effect before the commencement of Section 188 of the Companies Act, 2013 or the Listing Regulations, will not require fresh approvals under the said section 188 or the Listing Regulations (from the Board or members, as the case may be) till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after the date of commencement of above section 188 or Listing Regulations, the requirements under those provisions will have to be complied with.

The Policy shall be governed by the Act, as may be in force for the time being, as well as Regulation 23 of the Listing Regulations or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which there are re-enactments (whether with or without modification).

DEFINITIONS:

1. **“Arm’s Length Basis”** means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.
2. **“Associate Company”**, means a Company as defined under Section 2(6) of the Companies Act, 2013 and as defined by Indian Accounting Standard (**“Ind.AS”**) 28 (*Investments in Associates and Joint Ventures*) and Ind.AS 110 (*Consolidated Financial Statements*).
3. **“Audit Committee”** means committee of Board constituted under provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.
4. **“Board of Directors”** or **“Board”** in relation to a Company means the board of directors of the Company.
5. **“Material Modifications”** means any modification made in the value/exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 25% or more or by which the transaction ceases to be in ordinary course and/or on Arm’s Length Basis or such other parameter as may be determined by the Audit Committee from time to time.
6. **“Material RPTs”** A transaction with a Related Party shall be considered material if:
 - (a) the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees one thousand crore or ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company, whichever is lower,
 - (b) Notwithstanding the above, a transaction 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
7. **“Ordinary Course of Business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.
8. **“Related Party(ies)”** with reference to a company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of the Listing Regulations; or an entity that is a Related Party under the applicable accounting standards.

9. **“RPT”** shall have meaning as defined in regulation 2(zc) of SEBI (LODR) Regulations, 2015 or as applicable under the relevant accounting standards.
10. **“Relatives”**, with reference to any person(s), means anyone who is related to another, if:
- a) they are members of a Hindu Undivided Family.
 - b) they are husband and wife; or
 - c) one person is related to the other in such manner as may be prescribed, which is as follows:
 1. Father (including stepfather).
 2. Mother (including stepmother).
 3. Son (including stepson).
 4. Son’s wife.
 5. Daughter.
 6. Daughter’s husband.
 7. Brother (including stepbrother).
 8. Sister (including stepsister).

PROCEDURE FOR THE APPROVAL OF RPTS:

All RPTs shall be reported to the Audit Committee for its prior approval in accordance with this Policy. The Audit Committee shall be given adequate time to obtain and review the necessary information about the proposed transaction.

MATERIAL RPTS:

The Materiality Threshold for the purposes of approval of RPTs and subsequent Material Modifications of RPTs has been fixed in accordance with the explanation that has been provided under Regulation 23 of the Listing Regulations. The same has been provided under the definitions of Material RPTs and Material modifications under the definition clause of this Policy.

A transaction with a Related Party shall be considered ‘material’ if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Act and as defined under the definition 6 of the policy.

Notwithstanding the foregoing, the following RPTs shall not require approval of Audit Committee or shareholders:

1. Any transaction that involves the providing of compensation to a Director or KMP 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 during business.

2. 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.

IDENTIFICATION OF POTENTIAL RPTS:

Each Director and KMP is responsible for providing advance notice to the Board or Audit Committee of any potential RPT involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of interest; and the Audit Committee will determine whether the transaction does, in fact, constitute an RPT requiring compliance with this Policy.

The Compliance Officer (or any other person authorized in this regards) shall, always, maintain a database of Company's Related Parties, identified based on the definition set forth in the Key Definition section above, along with their personal/company /entity details including any revisions therein.

REVIEW AND APPROVAL OF RPTS:

a) Prior approval of the Audit Committee:

All RPTs of the Company (other than those transactions that have been exempted) and their subsequent modifications, as prescribed under the Act and Regulation 23 of the Listing Regulations, shall require prior approval of Audit Committee.

Provided that only those members of the Audit Committee who are Independent Directors shall approve RPTs.

The Audit Committee is expected to evaluate the following factors while deliberating RPTs:

1. Name of party and details explaining nature of relationship,
2. Nature of transaction and material terms thereof including duration of transaction and the value, of transaction, if any.
3. The manner of determining the pricing to ascertain whether the same is on Arm's Length Basis,

4. Business rationale for entering into such transaction.

However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company, subject to the conditions set forth in Regulation 23 (3) of the Listing Regulations are complied with. The criterion for granting omnibus approval is provided under **Annexure I** of this Policy.

The Audit Committee shall satisfy itself that the criteria as provided under this Policy are complied with before any omnibus approval is granted. Any member of the Audit Committee who has a potential interest in any RPT will abstain from discussion and voting on the approval of the RPT.

In determining whether to approve an RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

1. Whether the terms of the RPT 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.
2. Whether there are any undue compelling business reasons for the Company to enter the RPT and the nature of alternative transactions, if any.
3. Whether the RPT would affect the independence of the Directors/KMP.
4. Whether the proposed transaction includes any potential reputational risk issues that may arise because of or in connection with the proposed transaction.
5. Where the ratification of the RPT is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
6. Whether the RPT would present an improper conflict of interest for any Director or KMP of the Company, considering the size of the transaction, the overall financial position of the Director, officers 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.

b) Prior Approval of the Board:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not on the Ordinary Course of Business or not at Arm's Length Basis, are placed before the Board for its approval.

Additionally, the following types of transactions are placed before the Board for its approval:

1. Transactions which may be in the Ordinary Course of Business and at Arm's Length

Basis, but which are as per this 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.

2. If the Audit Committee is not able to determine whether a transaction is not in the Ordinary Course of Business or on Arm's Length Basis and the Audit Committee decides to place it before the Board for its approval.
3. Transactions meeting the materiality thresholds laid down Clause VI (*Material RPTs*) of the Policy and any subsequent Material Modification to a Material Related Party Transaction, which are intended to be placed before the shareholders for approval.

c) Prior Approval of Shareholders of the Company:

1. All the transactions with Related Parties meeting the materiality thresholds laid down in this Policy, and any Material Modifications thereto, will be placed before the shareholders for their approval.
2. The notice being sent to the shareholders seeking approval for any proposed RPT shall include information as required under the Act and the SEBI Listing Regulations.
3. All kinds of transactions specified under Section 188 of the Act which (a) are not in the Ordinary Course of Business or not at Arm's Length Basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for their approval.
4. Pursuant to Regulation 23(5)(b) of the SEBI Listing Regulations and Section 188(1) of the Act the requirement for seeking shareholders' approval shall not be applicable, *inter alia*, to:
 - (a) Transactions entered 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.
 - (b) Transactions between two wholly owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
 - (c) Above prior approval of the shareholders shall not be required in cases where the subsidiary is a listed entity and Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary.
 - (d) Also, requirements for shareholders' approval shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the exchanges within one day of the resolution plan being approved.

RPTS NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of an RPT 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 RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure to report such RPT to the Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify an RPT that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board or shareholders within of compensation for the loss suffered by the Related Party etc. Further, such RPT which is commenced without obtaining prior approvals shall be ratified by the Board or shareholders within a period of three months from the date on which the transaction was entered, or else such transaction shall be voidable at the option of the Board or shareholders. In connection with any review of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

DISCLOSURE OF RPT POLICY:

This Policy shall be uploaded on the website of the Company at www.onwardgroup.com and a weblink thereto shall be provided in the Annual Report of the Company.

REVIEW OF THE POLICY:

As per Regulation 23(1) of the Listing Regulations, the Board of the Company is required to review the Policy at least once every three years and update it accordingly.

ANNEXURE I:

CRITERIA FOR GRANTING OMNIBUS APPROVAL FOR RPTS:

Audit committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions, namely-

- (a) The transactions, which are repetitive in nature, can be approved by granting omnibus approval by the Audit Committee based on the criteria laid down by the Audit Committee which shall be in line with this Policy.
- (b) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- (c) The omnibus approval shall specify the following details with respect to the RPT:
 1. Name of the Related Parties.
 2. Nature and duration of the RPTs.
 3. Maximum value of the transactions, in aggregate, which can be allowed under the omnibus approval route in a year.
 4. The maximum value per transaction which can be allowed.
 5. The indicative base price / current contracted price and the formula for variation in the price if any; and
 6. Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
 7. Review, at such intervals as the Audit Committee may deem fit, of the RPTs entered by the company pursuant to each of the omnibus approvals made.
 8. Transactions which cannot be subject to the omnibus approval by the Audit Committee.
 9. Any other conditions that the Audit Committee may deem fit for such omnibus approval. Provided that where the need for RPTs cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such RPTs subject to their value not exceeding Rupees one crore per transaction.
- (d) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 1. Repetitiveness of the transactions (in past or in future).
 2. Justification for the need of omnibus approval.

- (e) The audit committee shall review, at least on a quarterly basis, the details of RPTs entered by the Company pursuant to each of the omnibus approvals given.
- (f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
