

Policy on Related Party Transactions

(As approved by Board of Directors on 7th July, 2017)

1. SCOPE & PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interests of the Company and/or its shareholders. Considering the requirements of approval of related party transactions as required under the Companies Act, 2013 (**the “Act”**) read with the rules framed thereunder and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), 2015 (**“LODR”**), (as amended from time to time), Crest Ventures Limited (**“CVL” or “the Company”**) has formulated guidelines for identification of related parties and proper reporting, approval and disclosure of all related party transactions.

Also, sub-regulation (1) of Regulation 23 of LODR requires a company to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In light of the above, CVL has framed this Policy on Related Party Transactions (**“Policy”**). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. OBJECTIVE OF THE POLICY

The objectives of this Policy are:

- i. To set out materiality threshold of related party transactions;
- ii. To set out the manner of dealing with the transactions between the Company and its related parties.
- iii. To set out reporting requirements of related party transactions as per the Act, Rules made thereunder and Regulation 23 of LODR.

3. DEFINITIONS

“Arm’s Length Transaction” means a transaction between the two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Ordinary Course of Business” means a transaction which is –

- Carried out in the normal course of business as envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time; or
- Which is undertaken frequently; or
- Which is undertaken according to the common or customary commercial practices; or
- Which is typically undertaken uniformly, routinely with an element of continuity and is essential to the conduct the business;
- Meets any other parameter or criteria as decided by the Board or Audit Committee of the Company.

“Relative” in relation to a related party shall have the same meaning as assigned in Section 2(77) of the Act.

“Related Party” shall mean a related party as defined under Sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards. .

“Related Party Transaction” means a transfer of resources, services or obligations between a listed entity 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.

“Key Managerial Personnel” means:

- a. the Managing Director or the Chief Executive Office or the Manager or in their absence the Whole-time-Director
- b. the Company Secretary
- c. the Chief Financial Officer and
- d. any other person appointed as KMP by the Board of Directors of the Company.

“Board of Directors or Board” means the collective body of Directors of the Company.

“Audit Committee” the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 and Regulation 18 of the LODR.

“Chief Executive Officer” means an officer of the Company as defined in Section 2(18) of the Act.

“Chief Financial Officer” means an officer of the Company as defined in Section 2(19) of the Act.

“Company Secretary” means a Company Secretary as defined in Section 2(24) of the Act.

“Managing Director” means Managing Director as defined in Section 2(54) of the Act;

“Omnibus approval” shall mean a collective approval for entering into related party transactions by the Company during a period not exceeding one year at a time.

“Whole-time Director” means Whole-time Director as defined Section 2(94) of the Act;

4. MATERIALITY THRESHOLDS:

As per Regulation 23 of LODR, a transaction is considered to be material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

a) Identification of related parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 23 of LODR and applicable Accounting Standards.

b) Identification of related party transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 23 of LODR and applicable Accounting Standards. . The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.

c) Procedure for approval of related party transactions

- Approval of the Audit Committee:

All related party transactions require prior approval of the Audit Committee.

However, the Company may obtain omnibus approval of the Audit Committee for such transactions subject to compliances with the following conditions:

- ❖ The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria for granting the omnibus approvals in line with the policy, which shall include the following:
 - i. Maximum value of transactions in aggregate which can be allowed under the omnibus route in a year
 - ii. The maximum value per transaction which can be allowed
 - iii. Extent and number of disclosures to be made to the Audit Committee at the time of seeking omnibus approval
 - iv. Review, at such intervals at the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approvals made
 - v. Transactions which cannot be subjected to omnibus approvals by the Audit Committee
- ❖ The omnibus approvals shall be applicable in respect of transactions of repetitive nature;
- ❖ The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- ❖ The omnibus approval shall provide the details of (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 or current contracted price and formula for variation in the price, if any and (iii) such other conditions as the Audit Committee may deem fit, However, in case of related party transaction which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval, provided the value does not exceed 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 approval given;

- ❖ Omnibus approvals shall be valid for a period of 1 year only and at the expiry of such period, fresh approval needs to be obtained.
- ❖ Omnibus approvals shall not be made in respect of selling or disposing of the undertakings of the Company.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee or Board may review the following documents / seek inter alia the following information from the management in order to determine if the transaction is in the ordinary course of business and at an arm's length or not:

- Nature of transactions i.e. details of goods/property to be acquired / transferred or services to be rendered or availed – including functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including the value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- Special terms covered /to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as –
 - Market analysis, research report, industry trends, business strategies, financial forecast, etc.;
 - Third party comparables, valuation report, price publications including stock exchange and commodity market quotation;
 - Management assessment of pricing terms and business justification for the proposed transaction;
 - Comparative analysis, if any, of other such transaction entered into by the Company with other unrelated party.

Approval of the Board of Directors 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 or not at arm's length basis should be placed before the Board for its approval.

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

- Transactions which may be in the ordinary course of business and also at an 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's approval in addition to Audit Committee approval;
- Transactions in respect of which 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 in respect of which Audit Committee is unable to determine whether or not they are in the ordinary course of business and / or at arm's length basis but in the Audit Committee's view requires Board's approval;
- Transactions meeting materiality thresholds laid down in Clause 5 of the Policy which are intended to be placed before the Shareholders for approval.

Approval of the shareholders of the Company

All the transactions with related parties meeting materiality threshold as specified in Clause 5 of the Policy should be placed before the shareholders for approval.

For this purpose, all the entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Regulation 23 of LODR provides that the requirement of seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at a general meeting for approval

In addition to the above, all kinds of transactions specified in Section 188 of the Act, which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceeds the threshold limits laid down in the Company's (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for their approval.

6. DISCLOSURES AND REGISTER:

The Company shall disclose, in Board's report, transactions prescribed in Section 188(1) of the Act with related parties which are not in the ordinary course of business or not on arm's length basis alongwith justification for entering into such transactions. Also, the Company shall, in Board's Report, disclose material transactions which were entered into arm's length basis.

The Company shall enter the details of related party transactions in the Register of Contracts maintained under Section 189 of the Act.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on quarterly basis to Stock Exchanges on which the securities of the Company are listed.

7. 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 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 related party transaction and shall evaluate all the options available to the Company including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to failure of reporting of such transaction to the Audit Committee under the Policy and failure of internal control system and shall take any such action as it deems appropriate.

In case, if the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee may direct additional actions including but not limited to discontinuation of the transaction or seeking approval of the shareholders, payment of compensation by the related party for the loss suffered by the Company etc. In connection with any review /approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.