

POLYPLEX CORPORATION LIMITED

Policy on Related Party Transactions

1. Introduction

The Objective of this Policy is to define and lay down procedures to deal with the identification, approval and disclosure of Transactions with Related Parties so that such transactions are in the best interests of the Company, in conformity with the requirements of Companies Act, 2013 and Rules made thereunder, applicable Accounting Standards and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015[referred hereinafter as "SEBI (LODR), 2015].

This Policy would be put on the website of the Company www.polyplex.com

2. Definitions

"Act" means the Companies Act, 2013.

"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" means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the SEBI (LODR), 2015

"Board of Directors" means the Board of Directors of the Company as constituted from time to time.

"Company" means Polyplex Corporation Limited.

"Director" means a person as defined in Section 2(34) of the Companies Act, 2013.

"Employees" shall mean the employees and office-bearers of the Company, including but not limited to Directors.

"Key Managerial Personnel" shall mean the officers/employees of the Company as defined in Section 2(51) of the Companies Act, 2013 and appointed as such.

"Material Related Party Transactions" a transaction with a related party shall be considered material if the transaction / transactions to be entered into, either individually or taken together with previous transactions with such related party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

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 two

percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.]

“Office or place of Profit” means any office or place – (i) where such office or place is held by a director, if 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; (ii) 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.

“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. The Board and Audit Committee may lay down principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

“Relative” with reference to a Director or KMP means the person as defined in Section 2(77) of the Act and rules prescribed thereunder.

“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.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

“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, including but not limited to 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 services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company;

- (h) transfer of Research & Development;
- (i) Licence agreements;
- (j) Finance (including loans and equity contributions in cash or in kind);
- (k) Guarantees and collaterals; and
- (l) Management Contracts including for deputation of employees.

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

Transactions entered into between the Company and its Wholly Owned Subsidiaries (WOS) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval would not be covered by this Policy.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (LODR), 2015, Securities Contract Regulation Act or any other applicable Rule/ Regulation.

3. Related Party Transactions under the Policy

Applicability

The new regime under Companies Act, 2013 and SEBI (LODR), 2015 covers in its ambit almost all the dealings and transactions with related parties.

This Policy covers all such Related Party Transactions, as defined under the Act and the SEBI (LODR), 2015 except those specifically excluded under the Act or which are specifically dealt under the separate provisions of the laws.

Exclusions

The transactions or arrangements which are specifically dealt under the separate provisions of the laws and executed under separate approvals/ procedures shall not be covered under this Policy. Examples of such transactions are as follows :

- a) Appointment and payment of remuneration, including any variation, to Key Managerial Personnel (KMP);
- b) Payment of remuneration, fee, commission etc. to any director in compliance with legal provisions;
- c) Issue of shares/ securities to related party(ies);
- d) Any benefits, interests etc. arising to related party(ies) solely from the ownership of company's shares at par with other holders e.g. dividends, rights issue, stock split, bonus shares etc.
- e) Shares based incentive plans for the benefits of directors or KMPs approved by the shareholders including ESOPs;
- f) CSR Contributions.

Approval Process - Normal

All Related Party Transactions, contracts or arrangements not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

All related party transactions shall be entered into after prior approval of Audit Committee. Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee will recommend / refer such transactions for the approval of Board of Directors and/or Shareholders, as the case may be.

The Audit Committee will have the discretion to seek external professional advice in determining whether a transaction is in the ordinary course of business or at arm's length basis or a material transactions.

Approval Process - Omnibus

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;
- d. 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 Rs.1 crore per transaction.
- e.. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval 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.

Related Party Transactions requiring approval of Members.

In following cases which are not in the ordinary course of business and on arm's length basis, company shall not enter into a transaction or transactions without obtaining approval of the Members by way of Resolution under Section 188 of the Companies Act, 2013 read with Rules made thereunder:

- a) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 10% of the turnover of the company or Rs.100 Crores, whichever is lower during the preceding financial year, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188 of the Act.
- b) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth of the company or Rs.100 Crores, whichever is lower during the preceding financial year, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188 of the Act.
- c) Leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of turnover of the company or Rs.100 Crores, whichever is lower during the preceding financial year, as mentioned in clause (c) of sub-section (1) of Section 188 of the Act.

- d) Availing or rendering of any services directly or through appointment of agents exceeding 10% of the turnover or Rs.50 Crores, whichever is lower during the preceding financial year as mentioned in clause (d) and (e) of sub-section (1) of Section 188 of the Act.
- e) Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000/- as mentioned in clause (f) of sub-section (1) of Section 188 of the Act.
- f) Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the networth as mentioned in clause (g) of sub-section (1) of Section 188 of the Act.
- g) Payments with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements.

Explanation.- (1) The Turnover or Net Worth referred herein above shall be on the basis of the Audited Financial Statement of the preceding Financial year.

In case of wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

All material related party transactions except material related party transactions with wholly owned subsidiary shall be placed for approval of the shareholders of the Company and all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

4. Transaction at arm's length

The Company has laid out a framework to assess whether transactions with related parties are done at an arm's length. Globally accepted practices and principles have been incorporated in the framework. Tests to determine that transactions are in "ordinary course of business" and on an "arms' length basis" are conducted on an ongoing basis.

5. Disclosures

- All Directors/KMP are required to disclose the parties/ entities in which they are deemed to be interested directly or indirectly, in prescribed form, at the time of appointment, annually and whenever there is any change in the disclosure so made.
- Further, each Director and KMP of the Company shall promptly notify the Company Secretary, of any transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.
- At the beginning of every Financial Year, Company Secretary will identify and prepare list of all Related Parties, based on disclosure of Interest received from Directors and KMPs and circulate to Chief Financial Officer, Profit Centre Head and Head Finance & Accounts.
- Based on the list of Related Parties received, CFO will prepare details of different categories of Related Party Transactions which are likely to be entered into during the year alongwith

estimated, period, rationale, pricing and commercial terms etc. Likewise, all emergency Related Party Transactions not reported earlier will also be reported.

- Details of all material transactions with related parties shall be disclosed quarterly alongwith the compliance report on Corporate Governance.
- Every related party transaction, if required under law/SEBI (LODR), 2015 shall be referred to in the Board's report along with the justification for entering into such contract or arrangement.
- Disclosure of Related Party Transactions as required by any Accounting Standard would be made in the financial statements.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web-link thereto shall be provided in the Annual Report.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

6. Whistle blower for any Related Party Transaction entered by Company in non-compliance of such policy

Any officer or employee, can approach /access the vigil mechanism or Company Secretary to report a fraudulent related party transaction.

7. Guidance Principles for approval of a Related Party Transaction by the Board/ Committee thereof

In determining whether to approve a Related Party Transaction, following factors, among others, to the extent relevant to the Related Party Transaction shall be taken into account :

- i. 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;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the

relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and

vi. 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 or other related party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other related party interest in the transaction and the ongoing nature of any proposed relationship and any other factors the board/ committee deems relevant.

8. Information to be considered while approving Related Party Transactions

For the purpose of review / approval of a Related Party Transaction, the Committee/ Board will be provided with the following information:

- (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, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-

9. Non- approval/ratification of a Related Party Transaction

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board or approval of the members by a Resolution in the General Meeting under sub-section (1) of Section 188 of the Act, and if it is not ratified by the Board or as the case may be by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

In connection with any review of a Related Party Transaction, the Board/Committee has authority to modify or waive any procedural requirements of this Policy.

The Audit Committee of the Company shall recommend to the Board, any related party transactions not approved by them, other than those specified under the Act. In case of any transaction involving any amount not exceeding one crore rupees is entered into by a director or

officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

10. Consequences of non-compliance of such policy for any Related party transaction

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the Employee(s). Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act and SEBI (LODR), 2015.

11. Registers and Records

Particulars of all contracts or arrangements covered by Section 188 would be entered in the Register of Contracts or arrangements in which directors are interested and would be placed before the Board of Directors at its meetings and would be open for inspection to the Members of the Company as provided in Section 189 of the Act.

Further, records and information required under Companies (Cost Records and Audit) Rules, 2014, shall also be maintained.

12. General

The Board of Directors of the Company may on the recommendation of the Audit Committee review at least once every three years and amend this policy accordingly.

Note:

This Policy was last amended by the Board of Directors in their meeting held on February 13, 2019.