



THE PHOENIX MILLS LIMITED

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

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Title

This Policy shall be called 'Policy on materiality of and dealing with Related Party Transactions.

Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors has adopted this Policy upon recommendation of the Audit Committee. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions ("the Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. ("Listing Regulations"). Amendments, from time to time, to the Policy, if any, shall be considered by the Board of Directors based on the recommendations of the Audit Committee.

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company. The Audit Committee of the Board has been entrusted with the responsibility to review and recommend amendments to this policy to the Board. The Board on the recommendations of the Audit Committee may amend this policy from time-to-time.

This Policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

Objective

The primary objective of this policy is to ensure due compliance by the Company with all applicable regulations contained in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") as amended from time to time, applicable Accounting Standards issued by the Institute

of Chartered Accountants of India and Secretarial Standards in the course of its business transactions.

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

Definitions

"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 or Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.

"Board" means Board of Directors of the Company.

"Control" includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of the Company shall not be considered to be in control over such company, merely by virtue of holding such position.

"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 Rs. 1,000 Crore or ten percent of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company, whichever is lower.

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.

“Material Modification” means -

- any modification to an approved related party transaction that results in transaction no longer being at an arms’ length transaction.
- in case of contract or arrangement for purchase, supply or sale of goods or rendering or availing of services, leasing of property of any kind, an upward or downward 10 per cent revision to the original contract/arrangement value, or in the pricing criteria or such other parameters as may be determined by the Audit Committee from time to time.
- in the case of Inter Corporate Deposits (ICD) or loans, any change in the rate of interest at which the ICD or loan was given or any other similar material change in the term at which it was provided, on case-to-case basis or such other parameters as may be determined by the Audit Committee from time to time.

"Related Party" means a related party as defined under the Act and the Rules made thereunder and the Listing Regulations, as amended from time to time.

"Related Party Transaction" shall mean such transactions as specified under the Act and the Rules made thereunder and Regulation 2(1)(zc) of the Listing Regulations, including any amendment or modification thereof, as may be applicable. Provided that the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board; and

d) such other transactions as may be specified by Securities and Exchange Board of India or any other statutory / regulatory body from time to time.

"Relative" means a relative as defined under Section 2(77) of the Act and the Rules made thereunder and Regulation 2(1)(zd) of the Listing Regulations.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

Policy

All Related Party Transactions must be reported to the Committee and referred for approval by the Committee in accordance with this Policy.

Identification of Potential Related Party Transactions

Every Director will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or a Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained in professional capacity); and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company ("KMP") will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;

Every Director, KMP, or senior officer authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Besides the above, the Company will also identify other Related Parties as required under the Act and the Listing Regulations.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

Review and Approval Process for Related Party Transactions

All Related Party Transactions and subsequent material modification thereof shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

With effect from April 1, 2022, prior approval of the Audit Committee of the Company shall be obtained for all Related Party Transactions to which subsidiary of Company is a party to but Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the Company.

With effect from April 1, 2023, prior approval of the Audit Committee of the Company shall be obtained for all Related Party Transactions to which subsidiary of Company is a party to but Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Any member of the Committee who has a potential interest in any Related Party Transaction shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction. Before approving such transactions, the Committee shall look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits.

To review a Related Party Transaction, the Committee shall be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, Management's justification and any other relevant matters as may be required by the Committee. In determining whether to approve a Related Party Transaction, the Committee will consider inter-alia the following factors, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction or subsequent material modification are fair and on arms length basis and in the ordinary course of business 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 or to make a material modification thereto 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 Committee may accordingly approve or modify and if required ratify such transactions, in accordance with this policy and/or recommend the same to the Board for approval. If the Committee determines that a Related Party Transaction should be brought before 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.

The Board would approve such Related Party Transactions as are required to be approved under the Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

Only those members of the Audit Committee, who are Independent Directors, shall approve the Related Party Transactions. Where any Director is interested in any transaction with a Related Party, such Director shall not be present at the meeting (whether of the Audit Committee or of the Board of Directors) during discussions on the subject matter of the resolution relating to such transaction.

Material Related Party Transactions and others transactions not in ordinary course and not at arms' length basis

The Independent Directors shall ensure that adequate deliberations are held before approving all Material Related Party Transactions and transactions which are not in Ordinary Course of Business and not on arm's length basis. They shall satisfy themselves that the same are in the interest of the Company and its shareholders and record the reasons/justifications for approving the same.

All Material Related Party Transactions and subsequent Material Modifications thereto shall require prior approval of shareholders of the Company through ordinary resolution (unless it is exempted pursuant to the provisions of Listing Regulations).

All Related Party Transactions pursuant to Section 188 of the Act which are not in the ordinary course of business and / or not on an Arms' length basis and which crosses the threshold limits prescribed under the Act shall also require the approval of shareholders of the Company through resolution.

The voting rights of the interested and non-interested Related Parties shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable law, from time to time.

"Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

The transactions entered into between: (i) the Company and its wholly owned subsidiary or (ii) two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the members at the general meeting for approval, are exempt from the Audit Committee approvals for all Related Party Transactions and shareholder approvals.

Related Party Transactions that are frequent and regular in nature

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Committee may grant omnibus approval for such Transactions. Further, it may periodically review and assess such approval and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

The Audit Committee shall lay down the criteria for granting omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (in past or in future). The Committee shall also satisfy itself on the need for granting such approval and such approval should be in the interest of the Company. Such omnibus approval shall *inter alia* specify the following:

- (i) the name/s of the related party;
- (ii) nature of transaction;
- (iii) period of transaction;
- (iv) maximum amount of transaction that can be entered into;
- (v) the indicative base price / current contracted price and the formula for variation in the price if any;
- (vi) such other conditions as the Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

The omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The 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.

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 under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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. 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 Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee 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 in accordance with law and applicable provisions.

Disclosures

Every Related Party Transaction / contracts or arrangements that are:- i. material or ii. not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Act.

Company shall submit to the stock exchanges on a half yearly basis, within the timeliness as prescribed by the Securities and Exchange Board of India from time to time, the disclosures relating to Related Party Transactions in the format as specified by Securities and Exchange Board of India from time to time and publish the same on its website.

AMENDMENTS

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy.

The Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.

Further, the Board will review this Policy from time to time as prescribed under the Act or Listing Regulations.

DISSEMINATION OF POLICY

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link thereto would be disclosed in the Annual Report of the Company.

The above policy will be in force with effect from April 1, 2022 and shall apply to the Company.
