



## JHS SVENDGAARD RETAIL VENTURES LIMITED

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

#### Title

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

#### Objective

As a part of the business activity, the Company deals with entities which are related parties. The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company's and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and Rules made thereunder ("the Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time.

This policy is framed to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The Board of Directors (the "Board") of **JHS Svendgaard Retail Ventures Limited** (the Company) has adopted the following policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold(s) and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of the Act and the Listing Regulations, as amended from time to time. The Audit Committee will review and may amend this policy from time to time.

#### 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 the audit committee constituted by the Board of Directors in accordance with applicable law, including the Listing Regulations and the Act as amended from time to time.
- "**Board**" means the Board of Directors of JHS Svendgaard Retail Ventures Limited.
- "**Company**" means JHS Svendgaard Retail Ventures Limited.
- "**Material Related Party Transaction**" means a transaction with a Related Party where the transaction/transactions 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**.

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.

Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014 exceeding the limits provided under the Companies Act, 2013.

- **“Material Modification”** means any change in the approved terms which has a financial implication of **25%** or more of the contract or **Rs 50 crores**, whichever is lower.
  - ✚ Any modification in significant terms and conditions of the contract with a related party such as price, alteration to the credit period, changes in scope of deliverables under a contract etc.
  - ✚ Any other modifications, which as per the directions of Audit Committee may deemed to be material on case to case basis.
- **“Policy”** means this Policy, as amended from time to time.
- **“Related Party”** means a related party as defined under the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.
  - Provided that :
    - a) any person or entity forming a part of the promoter or promoter group of the listed entity or
    - b) any person or any entity, holding equity shares :
      - i) of twenty per cent or more : or
      - ii) of ten per cent or more,
- **“Related Party Transactions”** shall mean such transactions as specified under the Act and Regulation 2(1)(zc) of the Listing Regulations including any amendment or modification thereof, as may be applicable.
- **“Relative”** means a relative as defined under Section 2(77) of the Act and Regulation 2(1)(zd) of the Listing Regulations .
- **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions. Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable law or regulation.

#### **Identification of Related Parties and the Related Party Transactions:**

Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiaries/ Joint venture shall,

- at the time of appointment;
  - periodically – as required by the Company or applicable law
  - whenever there is any change in the information already submitted,
- provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.

Every Director, KMP, officers 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.

**APPROVAL OF RELATED PARTY TRANSACTIONS:**

1. All Related Party Transactions and subsequent Modification(s) shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
2. Only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.
3. A Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the Listed Subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI (LODR) Regulation, 2015 are applicable to such Listed Subsidiary.

For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the Audit Committee of the Listed Subsidiary shall suffice.

Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it."

Further:

- In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee

does not approve the transaction, it shall make its recommendations to the Board.

- In case 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 authorized by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Where the Company and/or any of its subsidiaries enters into a contract / transactions with a Related Party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination, maximum amount of transaction , credit terms etc., prior approval once given by the Audit Committee of the Company would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any additional approval of the Audit Committee unless the Company proposes to enter into Modification of the referred contract/transaction with a Related Party or the concerned subsidiary proposes to enter into Material Modification of the referred contract/transaction with a Related Party.

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

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

a. Such omnibus approval shall specify the following:

- Name(s) of the Related Party;
- Nature of the transaction;
- Period of transaction;
- Maximum amount of transaction that can be entered into;
- The indicative base price / current contracted price and the formula for variation in the price, if any, and;
- Such other conditions as the Audit Committee may deem fit.

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees **one crore per transaction**.

Such omnibus approvals shall be valid for a period **not exceeding one year** and shall require fresh approvals after the expiry of one year. However, the Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- The Audit Committee shall also review the statement of significant related party transactions submitted

by management as per its terms of reference.

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- The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

These provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding Company and its wholly owned subsidiary Company.

A member of the Committee who has an interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.

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.

Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

**Information to be reviewed by the Board/Audit Committee for approval of Related Party Transaction(s)**

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the Related Party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. Justification as to why the Related Party Transaction is in the interest of the listed entity;
- g. A copy of the valuation or other external party report, if any such report has been relied upon;
- h. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis;
- i. Any other information that may be relevant.

The audit committee shall also review the status of long-term (more than one year) or recurring Related Party Transaction(s) on an annual basis.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors with respect to the Company and/or the subsidiary, as the case may be:

- Whether the terms of the Related Party Transaction are fair to the Company / subsidiary, as the case may be and would apply on the same basis as if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company / subsidiary, as the case may be to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company / subsidiary, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship; and
- any other factors the Board/ Audit Committee deem fit to consider.

Further, all Material Related Party Transaction(s) and its subsequent Material Modification(s) shall require prior approval of shareholders of the Company through resolution and no Related party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not (unless it is exempted pursuant to the provisions of Listing Regulations).

Provided that prior approval of the shareholders of the Company shall not be required for a Related Party Transaction to which the Listed Subsidiary is a party but the Company is not a party.

Explanation: For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the shareholders of the Listed Subsidiary shall suffice.

#### **Transactions exempted from prior approval of the Audit Committee and Shareholders**

As provided in the Listing Regulations, the transactions entered into between:

- (i) the 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;
- (ii) two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval,

shall not be required to follow the provisions related to prior approval of Audit Committee of the Company or prior approval of shareholders of the Company, as the case may be.

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.

#### **Information to be provided to shareholders for consideration of Related Party Transaction(s)**

The notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:



- A summary of the information provided by the management of the Company to the Audit Committee as specified above;
- Justification for why the proposed transaction is in the interest of the Company;
- Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified above;
- A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- 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.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

#### **DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS:**

The Company shall submit to the stock exchange(s) disclosures of Related Party Transactions in the format and timeframe(s) as specified by the SEBI, from time to time and the same will be published on website.

Every Related Party Transaction / contract or arrangement 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.

The various business heads, strategic sourcing department, department heads or any person authorized to enter into any transaction on behalf of the Company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and on an Arm’s length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO for seeking the requisite approvals.

#### **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. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

#### **SCOPE LIMITATION:**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / the Act or



any other statutory enactments, rules, the provisions of such Listing Regulations / the Act or statutory enactments, rules shall prevail over this Policy.

**DISSEMINATION OF POLICY:**

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.