

FLORENCE INVESTECH LIMITED

Related Party Transaction Policy Adopted on 4th August 2014

1 Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognize 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 of the Company, has adopted this policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent amendments thereto (the “Act”) and Listing Agreement with the Stock Exchange, in order to ensure the transparency and procedural fairness of such transactions.

2 Objective

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its directors, officers or certain entities or persons related to them, 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. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board/Audit Committee of Directors may amend this policy from time to time as may be required.

The Audit Committee of Directors (“Audit Committee”), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions as applicable.

3 Applicability

This Policy shall come into force with effect from 4th August 2014 i.e. the date of adoption of the Policy by the Board of Directors of the Company and shall be applicable to the Related Parties, as defined hereinafter.

4 Transactions Covered By This Policy

Transactions covered by this Policy include any contract or arrangement with a related party with respect to:-

- (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) such related party's 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 resources, services or obligations between the Company and a related party (hereinafter referred to as "Specific Transactions"), regardless of whether a price is charged.
- (i) Others, if any, as covered by AS – 18.

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm's length basis shall not require any approval of the Audit Committee/ Board of Directors of the Company.

Provided further that, any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm's length basis, except Material Specific Transactions for which proper procedure shall be followed as provided under this Policy, shall be quarterly submitted to the Audit Committee for review.

5 Definitions

Unless the context otherwise requires, the words, terms and expressions used in this Policy shall have the meanings given in Section 2 of the Companies Act 2013.

- (a) **"Board"** means the Board of Directors of the Company.
- (b) **"Compliance Officer"** means the Officer appointed by the Board or under this Policy from time to time.
- (c) **"Officer"** includes any Director, Manager or Key Managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.
- (d) **"Key Managerial Personnel" includes**
 - (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary;

- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer.

(e) “Related Party” with reference to the Company means :

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is-

- (1). a holding, subsidiary or an associate company of the Company; or
- (2). a subsidiary of a holding company to which it is also a subsidiary;
- (ix) a director, other than an Independent Director or key managerial personnel of the holding Company or his relative,
- (x) Parties shall be considered related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions as per AS – 18.

(f) “Relative” with reference to any person, means anyone who is related to another, if-

- (1). they are members of a Hindu Undivided Family
- (2). they are husband and wife
- (3). Father : Provided that the term “Father” includes step-father
- (4). Mother : Provided that the term “Mother” includes step-mother
- (5). Son : Provided that the term “Son” includes step-son
- (6). Son’s wife

- (7). Daughter
- (8). Daughter's husband
- (9). Brother : Provided that the term "Brother" includes step-brother
- (10). Sister : Provided that the term "Sister" includes step-sister

(g) "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;
- (h) "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.
- (i) "Associate Company"**, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- (j) "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;

Explanation.—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

(k) "Material Specific Transaction (s)":

A Specific 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

All such transactions shall require approval of the shareholders through Special Resolution.

6 Compliance Officer

- 6.1** For purposes of this Policy, the Chief Financial Officer of the Company shall be the Compliance Officer. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Compliance Officer(s).
- 6.2** The Compliance Officer shall ensure proper implementation of the Policy as approved by the Board/Committee of Directors and may lay down monitoring mechanism for its compliance.
- 6.3** The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

7 Review Mechanism/Approval/Ratification

- 7.1** All Related Party Transactions, except which are in Ordinary Course of Business and on arm's length and all Material Specific Transactions shall be approved by the Audit Committee and/or Board of Directors at a meeting or through a Resolution passed by Circulation in the case of urgent requirements, in the interest of the Company subject to ratification at their next following Board Meeting.
- 7.2** In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Company and Related Parties.
- 7.3** As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions, except which are entered in Ordinary Course of business and on arm's length and all Material Specific Transactions shall be referred to the Audit Committee of Directors for its approval/ ratification. The Committee will consider interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits accruing to the Company. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.
- 7.4** The Audit Committee may grant omnibus approval for Related Party Transactions of respective nature, proposed to be entered into by the company, subject to the following conditions:
- (i) 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.
 - (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
 - (iii) 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;

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.

- (iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

8 Prior Shareholders Approval by way of Special Resolution in General Meeting for certain Related Party Transactions

8.1 All Related Party Transactions which are not in the ordinary course of business and not on arm's length basis and all Material Specific Transactions shall require prior approval of the shareholders by way of Special Resolution.

8.2 The Related Party concerned or interested in any contract or arrangement to be entered into by the Company with such Related Party shall not vote on such Special Resolution requiring approval of the Shareholders, subject to the applicable provisions as may be prescribed from time to time.

8.3 In the case of a wholly owned subsidiary, the Special Resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between such wholly owned subsidiary and the Company, within the limits approved by the Shareholders.

9 Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions

9.1 Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length may be quarterly disclosed to the Audit Committee/Board, as may be required by them.

9.2 Transactions being entered into with the Related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Compliance Officer to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

10. Related Party Transactions not Previously Approved

10.1 Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required 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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

- 10.2** The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

11. Disclosure

- 11.1** Particulars of contracts or arrangements with related parties covered under this Policy not at arm's length basis and details of material Related Party Transactions which are at arm's length basis, shall be appropriately referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement pursuant to Section 134 of the Companies Act, 2013.
- 11.2** The Company shall place before the Board Register of Contracts or Arrangements containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies for perusal/ signatures of the Directors.
- 11.3** 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 as may be required under the Act and the Listing Agreement.

12. Amendment of Policy

The Audit Committee may carry out any amendment/changes in this Policy as may be required from time to time.