



# **THE METHONI TEA COMPANY LTD.**

## **Risk Management Policy**

### **I. PREFACE**

**The Methoni Tea Company Ltd.** ('the Company') has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

### **II. OBJECTIVE**

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

### **III. EFFECTIVE DATE**

The Policy, as approved by the Board of Directors of the Company, is deemed to be effective from April 01, 2016.

### **IV. DEFINITIONS**

**"Related Party"** - means a person or entity that is related to the Company. Parties are related if one party has the ability to control the other party or exercise significant influence over the other party directly or in directly in making the financial and/or operating decisions and includes:

1. A person or a close member of that person's family is related to a company if that person is (a) a related party under Section 2(76) of the Companies Act, 2013 which are as follows; or (b) has joint control or significant influence over the Company:
  - director or his relative;
  - a key managerial personnel or his relative;
  - a firm, in which a director, manager or his relative is a partner;
  - a private company in which a director or manager is a member or director;
  - a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
  - Anybody corporate who's Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - Any person on whose advice, directions or instructions a director or manager is accustomed to act;
  - Any company which is—
    - a holding, subsidiary or an associate company of such company; or
    - a subsidiary of a holding company to which it is also a subsidiary;
  - Such other persons as may be prescribed – Director or Key Managerial Personnel of the holding company or his relative, shall be deemed to be related party.
2. An entity is related to a company if any of the following conditions applies:
  - The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
  - Both entities are joint ventures of the same third party; or
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - The entity is for a post-employment benefit Plan, for the benefit of employees of the company or an entity related to the company. If the company is itself for such a Plan, the sponsoring Employers are also related to the company; or
  - The entity is controlled or jointly controlled by a person identified in (1). A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

Provided that nothing in the above sub-clauses shall apply to the advice, directions or instructions given in a

professional capacity;

**“Relatives”**: with reference to any person, means anyone who is related to another, if—

- They are members of a Hindu Undivided Family;
- They are husband and wife; or
- One person is related to the other in such manner as may be prescribed, Which is as follows:
  - a. Father (including step-father)
  - b. Mother (including step-mother)
  - c. Son (including step-son)
  - d. Son’s wife
  - e. Daughter
  - f. Daughter’s husband
  - g. Brother (including step-brother)
  - h. Sister (including step-sister)

Words and expressions used but not defined herein shall have the same meaning as assigned to them in the Regulations, the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 2013 and rules and regulations made thereunder or any other applicable acts/rules/regulations and or any statutory modification or re-enactment thereto, as the case may be.

**“Material Related Party Transactions”**: means a transaction with a related party, either individually or taken together with previous transactions during a financial year, which exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

## **V. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

Each director and Key Managerial Personnel is responsible for providing Notice to the compliance officer of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Audit Committee in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm’s length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm’s length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

Thereafter, every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the persons/authority approving the transaction, the terms of the transaction, the nature, duration of the contract and particulars of the contract or arrangement, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- 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;
- 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;
- Whether the Related Party Transaction would affect the independence of the Directors/KMP;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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
- 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.

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 Board shall consider and approve the Related Party Transaction at a meeting and 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.

All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

#### **Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a 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 failure of the internal control systems, 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, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

#### **VI. DISCLOSURE ON WEBSITE OF The Company**

The policy shall be disclosed on the website of the company. Further, the Company shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under the regulation, and such disclosures shall be hosted on the website of the Company for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

#### **VII. AMENDMENT**

The Board of Directors on its own and /or as per the recommendations of the Committee may amend this Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions given in this Policy and the Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

*For Methoni Tea Company Limited*  
*Sd/-*  
*Director*

