

## ACTIVE CLOTHING CO. LTD.

### POLICY ON RELATED PARTY TRANSCATIONS

#### INTRODUCTION

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Approval of related party transactions is prescribed under the Companies Act, 2013 (“Act”) read with the Companies (Meetings of Boards and its Powers Rules) Rules.

In light of the above, **Active Clothing Co. Ltd.** (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

#### OBJECTIVES

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act 2013, Regulation 23 of the SEBI Listing Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

#### DEFINITIONS

- **“Related Party”** means a person or an entity:
  - a. which is a related party under section 2(76) of the Companies Act, 2013; or
  - b. Which is a related party under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
  - c. applicable accounting standards
- **“Related Party Transaction” (RPT)** means –
  - for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;

- for the purpose Regulation, means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:
- **“Arm’s length transaction (‘ALP’)”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
  - A **"transaction"** with a related party shall be construed to include single transaction or a group of transactions in a contract.
  - **“Audit Committee”** or **“Committee”** means the “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of the Act and the Listing Regulations, 2015.
  - **Board of Directors”** or **“Board”** means the Board of Directors of the Company
  - **Key Managerial Personnel”** means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

### **Identification of Related Parties**

Each Director and Key Managerial Personnel shall disclose to the Company, its Related Parties. The Board shall record the disclosure of Interest. Each director and Key Managerial Personnel has the responsibility of providing notice to the Board or Audit Committee of any potential Related Party Transaction involving such Director or KMP or his or her Relative.

### **Identification of Related Party Transaction**

The Company shall review and determine whether any transaction with any party(s) will, constitute a Related Party Transaction, requiring compliance with this RPT Policy.

### **MATERIAL RELATED PARTY TRANSACTIONS:**

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, or such sum or limit as may be prescribed under the Listing Regulations.

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction 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 statement of the Company.

Material modifications means any modification made in any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 10% of the annual consolidated turnover of the Company as per the last audited financial statements or Rs. 15 crores, whichever is higher or such other parameter as may be determined by the Audit Committee from time to time.

### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

All transactions with Related Parties shall be in the ordinary course of business and at arm's length and shall be subject to the prior approval of the Audit Committee. If any transaction with Related Party(s) is not in the ordinary course of business and/or not at arm's length, then:

- a. All such transactions will require prior approval of the Audit Committee;
- b. Will require prior approval of the Board; and
- c. Will require prior approval of the shareholders of the Company by resolution if they exceed the threshold limits mentioned u/s 188 of the Act read with Rules.

Further, any Material Transaction proposed to be entered into with a related party shall also be approved by the Board of Directors of the Company after they have been approved by the Audit Committee.

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

### **PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

#### **Approval of the Audit Committee.**

All Related Party Transactions and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee as provided under the Listing Regulations, 2015. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.

However, in case where the need for related party transaction cannot be foreseen and where the required details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Details of the Related Party Transactions entered into pursuant to omnibus approval, shall be reviewed by Audit Committee on at least a quarterly basis.

#### **APPROVAL OF THE BOARD:**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the Company – Related Party Transactions Policy said Section and which are not in the ordinary course of business or not at arm's length basis, shall be placed before the Board for its approval. Any Director(s) who is interested in any Related Party Transaction shall abstain himself from participating in the discussion and voting for

such RPT under consideration by the Board. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides 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 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.

#### **APPROVAL OF THE SHAREHOLDERS:**

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders 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. All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or not at Arm's Length basis shall also require the approval of the shareholders through resolution if so, required under any law and the Related Parties shall abstain from voting on such resolution.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval.

#### **Omnibus approval.**

The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, 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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

- i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

### **Review of approvals**

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

### **Assessment for approval**

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review such documents and seek such information as it deems necessary from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not.

## **DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

## **REVIEW**

The Audit Committee will review the Policy annually, which will include an assessment of the effectiveness of the Policy. The Audit Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

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