

Policy on Materiality of Related Party Transactions and on dealing with Related party transactions

1. Objective

- A. The Board of LT Foods Limited has adopted this Policy and associated procedures with regards to Related Party Transactions, in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (together referred to as “the applicable laws”), after considering the recommendation of the Audit Committee.
- B. The objective of this Policy is to regulate transactions between the Company and its Subsidiaries and their Related Parties respectively, based on the laws and regulations applicable to the Company in this regard and to ensure proper approval, reporting and disclosure of transactions between the Company and its Related Parties.
- C. The Policy would be subject to revision/amendment in accordance with the applicable Laws. The Board of Directors of the Company (“Board”) on recommendation of the Audit Committee of the Company (“Audit Committee”) shall review the Policy once in three years and may amend the same from time to time.
- D. This policy is approved by the Board and further revised on 31st January, 2022.

2. Definitions

All capitalized terms used in this Policy document but not defined herein shall have the meaning ascribed to such term in the Applicable Laws, as amended from time to time.

- A. “Act” means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- B. “Arm’s Length basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm’s Length basis, guidance may be taken from the transfer pricing provisions under the Income-tax Act, 1961.
- C. “Audit Committee” means committee of Board of Directors of the Company.
- D. “Board of Directors” or “Board” means the Board of Directors of the Company.
- E. “Company” means LT Foods Limited.
- F. “Key Managerial Personnel” means the Key Managerial Personnel of the Company in terms of the Act.
- G. “Listing Regulations” means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- H. “Material Related Party Transactions” means
 - i. A Transaction which individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.
 - ii. 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.
 - iii. Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting

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of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.

- I. "Policy" means the current Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions, including amendments, if any, from time to time.
- J. "Related Party" means a related party as defined under the Act read with Regulation 2(za) of the Listing Regulations.
- K. "Related Party Transaction" means a Transaction as defined under the Act read with Regulation 2(zc) of the Listing Regulations.
- L. "Transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.
- M. "Transactions in the ordinary course of business" mean transactions/activities that are connected to or necessary for the business of the Company and satisfy the following principles:
 - a) The transaction/activity is permitted under the Memorandum and the Articles of Association of the Company;
 - b) The transaction/activity is carried on a frequent or regular basis or is as per the industry practice and
 - c) The terms of the transaction/activity are similar to those which would be otherwise applicable to transactions with unrelated parties.
- N. "Material modification" in relation to any approved Related Party Transaction shall mean an increase in the value of the contract/arrangement/transaction/on the overall structure of the transaction by 20% of the original approved amount.

3. Identification of Related Party Transactions:

- A. All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.
- B. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through the Company Secretary.
- C. As regards transactions with Related Parties that require prior approval of the Board/Audit Committee, the Group Financial Controller or Head of Finance shall be responsible to notify the Board/ Audit Committee of any such potential Related Party Transactions.
- D. Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of the Company of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. 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.
- E. Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

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4. Review and Approval for Related Party Transactions

The Company shall not enter into any Related Party Transaction except as stated hereinafter.

Transactions requiring Prior approval of Audit Committee;

- A. All the transactions which are identified as Related Party Transactions and the subsequent material modifications shall require prior approval of the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval. However, a related Party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee if the value of such transactions whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover as per the last audited financial statements of the company and w.e.f. 1st April, 2023, if the value ten percent of the Annual Standalone Turnover, as per the Last Audited Financial Statements of the Subsidiary.
- B. While seeking the approval of the Audit Committee, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the applicable Laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee.
- C. The Audit Committee may grant Omnibus Approval for Related Party Transactions considering the repetitive nature of the transactions and that they are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of conditions contained in the applicable laws.
- D. The Audit Committee shall after obtaining approval of the Board of Directors, specify the criteria in line with this policy, for granting omnibus approvals to the Related Party Transactions proposed to be entered into by the Company in the manner and to the extent prescribed under the applicable Laws. Such omnibus approvals shall be valid for one financial year and shall require fresh approval after the expiry of one year. The Audit Committee shall, while granting such omnibus approvals, satisfy itself about the adherence to the criteria so specified by it.
- E. In case of Unforeseen Related Party Transactions, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rs.1 crore per transaction in a financial year.
The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.
- F. Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered. Only those members of the audit committee, who are Independent directors and did not have a potential conflict of interest, shall only approve the related party transactions.
- G. The Audit Committee shall review, on a quarterly basis, the details of all Related Party

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Transactions entered into by the Company pursuant to each of the omnibus approval given.

- H. On a quarterly basis, the company shall submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions.
- I. Approval of the Audit Committee is not required pursuant to the transactions, other than transactions referred to in Section 188 of the Companies Act, 2013, between a holding company and its wholly owned subsidiary company.

Transactions requiring prior approval of the Board:

The instances which requires the prior approval of Board of Directors as per the provisions of Section 188 of the Act,

- i) Related Party Transactions which are not in the ordinary course of business or not at arm's length basis and
- ii) Material Related Party Transactions.

Any Member of the Board who has a potential interest in such Related Party Transaction will recuse himself/herself and abstain from voting on the approval of such Related Party Transaction. Such Member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Transactions requiring prior approval of Shareholders of the Company:

- A. All Material Related Party Transactions and subsequent material modification, shall require prior approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.
- B. All Related Party Transactions which are not in the ordinary course of business or not at Arm's Length and which are in excess of the threshold limits prescribed under the Act requiring the approval of shareholders, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

5. Related Party Transactions not approved under this policy

- a. In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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.
- b. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

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- c. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. Deemed Approval

- A. The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under separate approvals/procedures from relevant committee shall be deemed to be approved for the purpose of this Policy. Such transactions are enumerated below:
- a) Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
 - b) Payment of remuneration, fees, commission, etc. to directors pursuant to approval of the Nomination and Remuneration Committee;
 - c) Payments made to/received from Directors or Key Managerial Personnel pursuant to share based incentive plans as approved by shareholders.
 - d) Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board Committee.
 - e) Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

7. Exemptions:

Exemptions as per SEBI Listing Regulations 2015, from getting the approval from the Audit Committee/Board or shareholders of the company if :

- A. transactions entered into between a 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.
- B. transactions entered into between 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.

8. Reporting requirements:

Details of all Related Parties Transactions on a consolidated basis shall be disclosed, on a half yearly basis, as per the statutory timelines provided under Regulation 23 (9) of the SEBI Listing Regulations, to the Stock Exchanges.

The Company shall disclose the Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions on its website and provide weblink in the Annual Report. In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

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9. General

- A. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- B. The power to interpret and administer the Policy shall rest with the Chairman of the Audit Committee whose decision shall be final and binding. The Chairman is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or tabled before the Audit Committee, from time to time, to ensure the Committee's oversight on these issues.
