

## **Related Party Transaction Policy**

### **1.Preamble**

The Board of Directors (the “Board”) of PHIL CORPORATION LIMITED (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.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and all its Related Parties based on the applicable laws and regulations applicable to the Company.

### **2.Purpose**

This policy is framed as per the new amendments to Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and is intended to ensure for proper approval and reporting of transactions between the Company and its Related Parties. The amended Clause 49 shall become effective from 1st October, 2014. The transactions with related parties shall be entered into only if they are in the best interest of the Company and its shareholders. The Companies Act, 2013 requires that Report of the Board of Directors of the Company shall contain all the particulars of the contracts or arrangements with related parties. Clause 49 (VIII) of the Listing Agreement requires the Company to disclose the policy on dealing with Related Party Transactions on the website of the Company and a weblink to be provided in the Annual Report.

### **3.Definitions**

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company

“**Board**” means Board of Directors of the Company

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes

(i) Managing Director, or Executive Director or or manager and in their absence, a whole- time director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

“**Material Related Party Transaction**” means a transaction with a related party 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.

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” means related party as defined in Clause 49 of the Listing Agreement which is as follows:

1. A person or a close member of that person’s family is related to a company if that person:
  - a. is a related party under Section 2(76) of the Companies Act, 2013 which includes
    - (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 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 under 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 –
- (A) a holding, subsidiary or an associate company of such company ; or
- (B) a subsidiary of a holding company to which it is also a subsidiary ;
- (ix) Director or key managerial personnel of the holding company or his relative with reference to a Company

(b) such entity is a related party under the applicable Accounting standards

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party and includes transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

- i. They are members of a Hindu undivided family
- ii. They are husband and wife ; or
- iii. . Father (including step-father)
- iv. Mother ( including step-mother)
- v. Son ( including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother ( including step-brother)
- ix. Sister (including step-sister)

#### **4. Policy**

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

All Related Party Transactions shall be placed before the Board for information. The approval of the Board and shareholders will be taken for all related party transactions, wherever required, under the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement as amended from time to time.

#### **4.1 Identification of Potential Related Party Transactions :**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee 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 Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Finance Department shall ensure that no related party transactions are processed without the approval of the Audit Committee and it shall be duty of the Finance Department to communicate all

related party transactions in advance to the Company Secretary to enable to take requisite approvals.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

#### **4.2 Prohibitions related to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. The 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.

d. Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval 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.

f. The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and /or listing agreement and /or transactions referred to it by the Audit Committee.

g. All Material Related Party Transactions shall require approval of shareholders of the Company through special resolution (unless it is exempted pursuant to the provisions of listing agreement) and the Related Parties shall abstain from voting on such resolution(s).

h. All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company through special resolution and the Related Parties shall abstain from voting on such resolution(s).

i. The approval mechanism for Related Party Transactions shall be as stipulated in the provisions

of listing agreement and/or Companies Act, 2013 and as amended from time to time.

#### **4.3 Review and Approval of Related Party Transactions**

The Related Party Transactions under omnibus approval granted by audit Committee will be referred to the next regularly scheduled meeting of Audit Committee for review and approval.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the terms of the Contract, 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 arms length basis to the Company and the terms would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any 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 an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and 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, Managing Director/Wholetime Director 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business .
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii. Any transaction that involves reimbursement of expenses between the related parties through debit note/credit note at actuals without any markup except for taxes that may be levied as per statutory requirements.
- iv. Transactions entered into between a holding company and its wholly owned subsidiary

company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company

**Amendments:**

The Audit committee will review the Policy from time to time based on the related party transactions and make suitable modifications, as may be necessary. The Audit Committee shall have the sole powers and take necess