

# Related Party Transactions & Disclosure Policy

Beaufond Plc



## Preface:

Beaufond Plc (the Company), given the size and scale of its operations and global presence, and the fact that it proposes to have other diverse businesses and interests, in the normal course of its business, has occasions to engage in Related Party Transactions (RPTs).

Related parties are relationships in which one party has the ability to control or significantly influence the economic and operating decisions of another. Transactions with related parties are a common feature of business. Typical related party relationships include the following:

- Enterprises controlled or controlling one another, such as subsidiaries and joint ventures
- Individuals having an interest in the enterprise that gives them significant influence over the enterprise, such as majority owners
- Key management personnel responsible for planning, directing and controlling the activities of the reporting enterprise, including close members of families of these individuals

As a part of the Company's philosophy of adhering to highest ethical standards, transparency and accountability in conduct of its business and in the interest of maintaining and adhering to an appropriate governance framework, the Company has historically mandated and ensured that such Related Party Transactions should be undertaken only in the ordinary and normal course of business and at arm's length such that relationship with the Related Party does not influence, in any manner whatsoever, the pricing and other terms and conditions of such transactions by the Company with Related Parties. This has, over time, been internalized by management personnel dealing with such decisions and has become a normal way of working within Beaufond Plc.

With the aforesaid intent, following Regulatory changes have been carried out in recent past

- Some Regulatory and company's Act require that such Related Party Transactions shall require approval of the Audit Committee.
- Stock exchanges also prescribes that each listed company to formulate a Policy to govern such Related Party Transactions, apart from stipulation of Audit Committee. To provide operational flexibility, subject to certain conditions, Omnibus Approval by Audit Committee instead of pre-approval of each and every transaction.
- Also certain kinds of Related Party Transactions to be pre-approved by shareholders. These are:
  - (1) When the RPT is not in the ordinary course of business even though at arm's length;
  - (2) When the RPT though in the ordinary course of business is not at arm's length;
  - (3) When the RPT is both in the ordinary course of business and at arm's length but crosses the materiality threshold of value at 10% of consolidated turnover of the corporate.

In the light of the above developments and regulatory changes, the Company has decided to formally document and articulate its Policy for entering into Related Party Transactions, by way of a formal document, which is essentially a reiteration of what the Company has historically practiced as a part of its governance framework, suitably adapted to meet specific Regulatory requirements.

Dated: 24.04.2019

DIRECTOR & CEO



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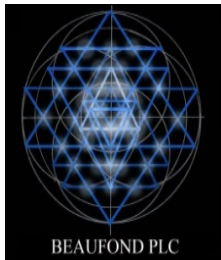
**I. Purpose and Objective of the Policy:**

- (a) The primary objective of the Policy is to ensure highest standard of Corporate Governance, transparency, probity and ethical standards in all dealings of the Company with Related Parties.
- (b) The 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 Listing Agreement and any other laws and regulations as may be applicable to the Company.
- (c) To ensure compliance with legislative, regulatory and stock exchange applicable provisions governing RPTs, both in letter and spirit.

**II. Policy on Related Party Transactions:**

- A. The Company, its directors, promoters, Key Management Personnel and operating management shall ensure that –
  - (1) All RPTs are at arm's length and are undertaken in the ordinary course of business i.e. the relationship with the transacting party should not confer on the Company or the transacting party any undue benefit / advantage or undue disadvantage / onerous obligations, that will be unacceptable if such transacting party was not a related party and / or the Company will not enter into a transaction which it will ordinarily not undertake.
  - (2) There is no "conflict of interest" while negotiating and arriving at terms of such Related Party Transactions.
- b. The Company believes that a fair and transparent mechanism to govern and regulate such RPTs is important and is an integral part of its overall governance framework and should never ever be compromised. The principles underlying this framework should be simple to understand / comprehend and easy to operationalize the Company's operating decisions. Apart from being a compliance requirement, this will also ensure adherence to the Company's values of transparency, honesty, integrity, ethical conduct, which have been the foundation of the Company's reputation and the trust and confidence that it enjoys in the society.
- c. Bearing in mind the provisions of the Companies Act, and the obligations cast by the Listing Agreement in respect of RPTs, the Company proposes to follow the policy of adhering to stricter of the two or more onerous requirements prescribed by the legislation or the Listing Agreement, from time to time.

If in doubt, management shall seek advice on both these aspects - "arm's length" ('a transaction between two related parties that is conducted as if they were unrelated and that there is no conflict of interest') and "ordinary course of business" - from Executive management of the Company and / or the Audit Committee, as appropriate. Audit Committee's decision on these aspects shall be final. Audit Committee, could seek external advice to assist in decision making on these aspects or for that matter in dealing with any issues connected with RPTs.

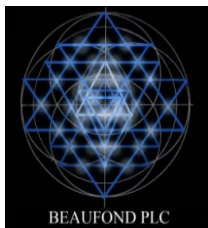


### **III. Materiality Thresholds':**

Any of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of the Listing Agreement

### **IV. The term 'Related', Control', 'Influence & Transactions:**

- Parties are considered **related** when one of the parties has control over the other or is able to exert considerable influence over the other party in terms of financial or business decisions.
- An enterprise is considered to have the ability to **control** another enterprise if either of the two conditions is met: (1) it owns, directly or indirectly, through subsidiaries, more than one half of the voting power of the other enterprise; or (2) it owns a substantial interest in the voting power along with the power to direct, by statute or agreement, the financial and operating policies of the management of that other enterprise.
- **Significant influence** means the opportunity to participate in or influence formulation of financial and business company policy, but at a lower level than the ability to control policy. Considerable influence can be exerted in several ways such as representation on the Board of Directors or participation in formulation of production, financial and personnel policies. Considerable influence can be achieved through ownership of equity shares or in accordance with rights granted by the company bylaws. When shares are owned, it is commonly understood that significant influence is exercised if the ownership percentage is less than 50%.
- Transactions between related parties mean a transfer of assets or liabilities, irrespective of whether a price is charged for the transactions. A transaction with a related party shall be construed to include single transaction or a group of transactions.



## **V. Disclosures regarding Related Parties:**

**As per the Accounting Standards, the following disclosures required with regards to Related Parties:**

- (a) Identification of related parties
- (b) Nature of the relationship
- (c) Description of transactions
- (d) Indication of volume of transactions
- (e) Pricing policies

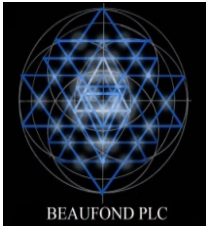
### **(a) Identifying Related Parties:**

The following is a list of related party relationships:

- Enterprises that directly or indirectly (through intermediaries) control, are controlled or are under joint control with the reporting enterprise. This includes holding companies, subsidiaries and partner subsidiaries.
- Persons, directly or indirectly owning equity share of the reporting enterprise that gives them the opportunity to exercise significant influence over that enterprise.
- Close family members of the enterprise's key management personnel
- Persons are with considerable influence on close members of the family. Close members of the family are people that influence that person or can find themselves under an influence of that person in their transactions with the enterprise.
- Senior management, people has with authority and people responsible for planning, management and control of the reporting enterprise, including directors, managers of enterprises and close members of their families.
- Enterprises in which a substantial interest, directly or indirectly, belongs to any of the persons mentioned above or enterprises this person can considerably influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises with the same senior management as the reporting enterprise.

BEAUFOND Plc has formulated guidelines for identification and updating the list of related parties as prescribed with the Rules framed under of the Listing Agreement.

***In the process of identifying all possible categories of related parties, it is necessary to focus on the content of the relations and not only the legal form. This is commonly known as the principal of substance over form.***



**The following enterprises are not considered related parties:**

- Two enterprises managed by one director, who has no opportunity to influence the policies of both enterprises in their mutual business relations.
- Financing companies and banks that supply funds to an enterprise under normal business terms have no related ownership or other relationship.
- Trade unions.
- State municipal services and utilities.
- Government departments and agencies in their normal business relations with the enterprise.
- Entities that the enterprise has transactions with only on the basis of normal business terms such as suppliers and customers, and has no related ownership or other relationship.

**VI. Disclosure of Transactions Between Related Parties**

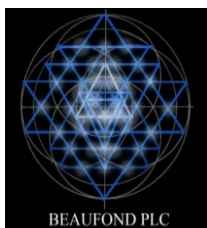
Related party transactions may be at prices that do not normally occur in transactions between unrelated parties and that are why disclosure is required. Disclosure of transactions between related parties is included in the notes to financial statements.

Situations where related-party transactions may lead to disclosures by a reporting enterprise in the reporting period include:

- Purchase or sales of goods (finished or unfinished, meaning work in progress)
- Purchase or sales of real estate and other assets.
- Supplying and receiving of services.
- Agreement for transferring the right to carry out transactions.
- Lease agreements.
- License agreements.
- Loans and share investments.
- Security and guarantees.
- Management contracts.

The above examples should not be considered an exhaustive list of situations requiring disclosure and these are only examples of situations which may lead to disclosures

Related party transactions are common in business. It is important for related party transactions to be disclosed so that financial statement users have a full understanding of the enterprise's financial statements. Since related party relationships can affect the volume or pricing of transactions between the related entities, information on these relationships and transactions is disclosed. If there were transactions between related parties, the types of transactions and their elements that are essential for understanding the enterprise's financial results must be included in the notes to the financial statements.



Beaufond Plc has formulated guidelines for identification of related party transactions in accordance the Listing Agreement. The company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

The necessary information for disclosure includes:

- Indication of the volume and amounts of related party transactions
- Amounts of outstanding items between related parties such as payables and receivables at the balance sheet date
- Pricing policy used for transactions with the related party
- For related party relationships involving control, even if no transactions between the parties occurred during the reporting period, the relationship must be identified

#### **VII. Procedure for approval of related party transactions**

- Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee.  
Omnibus approval

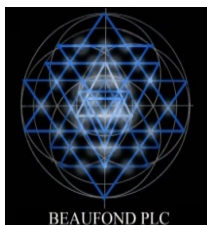
The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide -
  - (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 (for ex: +/- 5%) and
  - (iii) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed USD1 Million per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of related party entered into by the company pursuant to each of the omnibus approval given.
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.





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

-Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

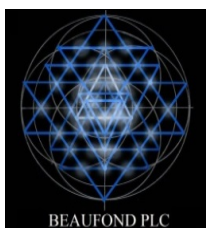
-Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

-Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

-Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

-Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

- Market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
- Third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
- Management assessment of pricing terms and business justification for the proposed transaction;
- Comparative analysis, if any, of other such transaction entered into by the company.



### **VIII. Approval of Audit Committee of the Company:**

All kinds of transactions specified under the said Section and which are not in the Ordinary course of business and at arm's length basis, are placed before the committee for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Committee for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Committee from time to time (i.e. value threshold and/or other parameters) for approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

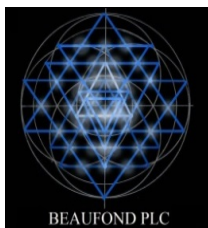
### **IX. Approval of the Shareholders of the Company**

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

The requirement for seeking shareholders' approval shall not be applicable to transactions between BEAUFOND Plc and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions 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 Rules, are placed before the shareholders for its approval.



## **X DISCLOSURES**

BEAUFOND Plc shall disclose, in the report, transactions prescribed in 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.

In addition to the above, BEAUFOND PLC shall also provide details of all related party transactions meeting the materiality threshold (laid down in the Policy above) on a quarterly basis to the stock exchanges.

## **XI. 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 in accordance with 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 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.

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 for the loss suffered by the related party 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.