



TOUCHWOOD ENTERTAINMENT LIMITED

POLICY FOR DETERMINATION OF MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

Note: Revised by the Board of Directors at its meeting held on 2nd March, 2020

BACKGROUND

Touchwood Entertainment Limited (hereinafter referred as the 'Company') believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour and complete compliance of laws.

Genesis of Related Party Transactions

The established legal position is that the directors of a company hold the position of trust and are its agents and, as such, transactions of the Company with them need to be regulated. The requirement arises from the fact that company's transactions with the parties related to it, notably those with its directors, their relatives and entities or persons related to them, should be at an arm's length to be in the best interest of a company. This will ensure proper commercial dealings and no conflict of interest.

Code of Conduct

As per the Code of Conduct for Directors {Including Independent Directors} and Senior Management, they are mandated to be scrupulous in avoiding 'conflicts of interest' with the Company. The guiding norm is that any activity or situation involving conflict or potential conflict of interest whether directly or indirectly must be disclosed to the Audit Committee and the Board for appropriate action.

OBJECTIVE

This Policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties along with materiality of such transactions. Such Related Party Transactions {RPTs} are appropriate only if they are in the best interest of the Company and its shareholders and in terms of the applicable legal provisions.

The Board of Directors (the "Board") of the Company acting upon the recommendation of its Audit Committee (the "Committee"), has adopted the following Policy and procedures with regard to Related Party Transactions. The Committee may review and amend this Policy from time to time subject to the approval of the Board.

DEFINITIONS

A. "Act" shall mean the Companies Act, 2013 and includes any amendment thereof.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time.

COMPANIES ACT, 2013

- The terms Related Party Transactions and arm's length transactions {section 188}, Related Party {section 2 (76)} and Relative {section 2 (77)} have been defined under Companies Act 2013. The relevant Rule is - The Companies (Meetings of Board and its Powers) Rules 2014.
- **Omnibus approval for related party transactions**

The Audit Committee may grant omnibus approval for related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.

1. The Audit Committee shall grant omnibus approval as per following criteria:

- i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
 - ii. The omnibus approval shall provide:
 - a. the name/s of the related party, nature of transaction, period of transaction;
 - b. maximum amount of transaction that can be entered into;
 - c. basis for arriving at the contracted price as per the Company's standard operating procedure;
 - d. Specific reason for entering into contract with the related party (e.g. proximity to the plant, preference of the OEM, quality of service/ product delivered);
 - e. Any other information relevant or important for the Audit Committee to take decision.
 - iii. 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 Rs. 1 crore per transaction.
2. Audit Committee shall review, at least on a quarterly basis, details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.
 3. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 - Omnibus approval shall not be granted in respect of selling and disposing of the undertaking of the Company.
 - Consent of Board of Directors is required before entering into specified Related Party Transactions with related parties / relatives.
 - Disclosure of Interest by a Director is required pursuant to Section 184 of the Companies Act, 2013.
 - Interested Director shall not be present in the Board meeting.
 - Where a company having paid up share capital of not less than specified amount or where transactions exceeding specified sum are to be entered into, prior approval by way of ordinary resolution of the shareholders is required. Moreover, where a shareholder who is a related party in the specific transaction, he/she/it is not permitted to vote on such resolution.
 - Exception is where the transaction is in the ordinary course of business and at an arm's length basis {which has been defined}.
 - Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section 188 (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
 - In case such ratification is not obtained, such transactions will be voidable at the option of the Board.
 - There is also provision for indemnification by the concerned director and recovery of loss by a company.
 - Disclosures shall have to be made in Board's Report.

SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015

- "Related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.
- [Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.]
- 'Related Party Transaction' is defined to cover 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.

- “Material Related Party Transaction” means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:
 - In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% (five percent) of the annual consolidated turnover of the Company as per its last audited financial statements;
 - In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements;
- All Related Party Transactions, except those with any wholly owned subsidiary whose accounts are consolidated with that of the Company and are placed before the shareholders at the general meeting for approval, shall require prior approval of the Audit Committee.
- All material Related Party Transactions shall require approval of the shareholders through Ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

[Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved]

- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- The company shall disclose the Policy on dealing with Related Party Transactions on its website and also in the Annual Report

RELEVANT CONCEPTS

Identify Related Parties

- It shall be the responsibility of all directors and key managerial personnel and senior management to bring to the attention of the Audit Committee/ Board, as the case may be, any related party transaction/ potential related party transaction
- Identification of Related Parties should be done keeping in view the relevant provisions Companies Act 2013, its Rules, SEBI (LODR), 2015, Accounting Standard-18 and other applicable provisions, if any. The Related parties with which/ whom earlier transactions of the Company have been consummated shall also be considered in this respect.
- The intimation that a transaction is, or may be regarded as a related party transaction, should be sent as early as is practicable to ensure that the same is placed before the Audit Committee/ Board, as the case may be, at the earliest possible meeting

Factors to be considered by the Board/Audit Committee in approving a Related Party Transactions

While considering any related party transaction, the Board/Audit Committee will take into account all relevant facts and circumstances:

- Identify Related Party Transactions. The earlier related party transactions of the Company shall also be considered in this respect.
- Whether the terms of the Related Party Transaction are in the ordinary course of the Company’s business and are on an arm’s length basis;
- Whether the terms of the Related Party Transactions are fair to the Company and would apply on the same basis if the transactions did not involve a Related Party?

- Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any?
- Whether the Related Party Transactions would impair the independence of an otherwise independent director?
- Whether the Related Party Transaction would present an improper conflict of interest for any director or other related party, taking into account the size of the transaction, the overall financial position of the Company, and any other factor/s?
- Whether the Related Party Transactions are material in terms of applicable provisions of law, more particularly the applicable provisions of the Companies Act 2013, SEBI (LODR), 2015, AS 18 & Income Tax Act, as applicable?

Ordinary Course of Business

The phrase “ordinary course of business” is not defined under the Companies Act 2013 or rules made there under or any other provisions. It would be the ordinary course of business that will cover the usual transactions, customs and practices of the business of the Company.

In its guidance to Auditors, the Institute of Chartered Accountants of India {ICAI} has included following few examples of transactions that are considered outside the entity’s normal (or ordinary) course of business:-

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns. Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

The assessment of whether transaction is in the ordinary course of business being subjective, judgmental and liable to vary on case-to-case basis giving consideration to nature of business and objects of the Company. The purpose of making such assessment is to determine whether the transaction is usual or customary to the company and/ or its line of business. Variety of factors like size and volume of transactions, arms-length, frequency, purpose etc. should be considered to make this assessment.

Arms’ Length Transactions

Arm’s length transaction as defined in section 188 of the Companies Act 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Company has to consider various qualitative and quantitative assessments to determine arms-length transactions.

Materiality of Related Party Transactions

The concept of materiality would be considered in terms of Companies Act 2013, SEBI (LODR), 2015, AS 18 and Income tax Act, as applicable. The same shall apply in terms of this Policy.

GUIDING PRINCIPLES

1. All the applicable provisions of laws, as amended from time to time, are to be complied in letter and spirit in implementing this Policy.
2. Related Parties would be identified as one-time exercise which data would be updated regularly.
3. Related Party Transactions would be identified and also their materiality.

4. Materiality would be based on definitions provided in law and understood commercially in respect of business of the Company.
5. Integrate identification with the ERP system of the Company to enable identification and tracking of transactions with related parties.
6. Related Party Transactions are to be formalized through contractual arrangements and to be properly documented.
7. The prior approvals of the Audit Committee, Board / shareholders {Ordinary Resolution} would be taken, before entering into Related Party Transactions.
8. It would be the endeavour that transactions proposed to be entered by the Company with the related parties would be in the ordinary course of business of the Company, on arm's length basis and which are not material in nature. However, the prior approvals of the Audit Committee and the Board would be taken.
9. To ensure that there is no conflict of interest; materials/services shall be obtained after due benchmark and multiple quotes to be obtained as much as is feasible.
10. To ensure that there is no conflict of interest; valuation would be done in respect of the properties involved in the transactions so that proper transaction prices would be arrived at. Appropriate valuation would also be done where other than properties are involved.
11. Such valuation would be done by Registered Valuer in terms of the Companies Act 2013 and in absence of related notification of these provisions, by an independent merchant banker registered with SEBI, or by an independent chartered accountant in practice with minimum 10 years experience or as may be permitted by the Central Government. Quotes from the property brokers who deal with the properties in the areas where the proposed transactions would be done will also be obtained indicating the market value of the properties in consideration. The transaction price would be based on such valuations and should not be to the detriment of the interest of the Company.
12. Regular Internal audit would be conducted for all routine and non-routine Related Party Transactions. Statutory Auditors would also examine the compliance of law/s for the Transactions.
13. Required disclosures would be made as stipulated in the applicable law/s.
14. Necessary entries would be made in the statutory registers maintained by the Company pursuant to the Companies Act 2013 and rules made there under.
15. This Policy would be disclosed in the Annual Report and the web site of the Company.

OVERVIEW OF APPROVALS REQUIRED

- All Related Party Transactions shall require approval of the Audit Committee.
- Except for transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval ("WOS"), all Related Party Transactions shall require a prior approval of the Audit Committee.
- Prior approval of the Audit Committee and the Board is required where Related Party Transaction is not at arm's length, not in the ordinary course of business and not material and the amount of the transaction does not exceed the prescribed limits provided in the Companies Act, 2013 and its Rules.

Prior approval of the Audit Committee, the Board and the shareholders {Ordinary resolution} are required where Related Party Transaction is not at arm's length, not in the ordinary course of business and where the transaction is also material or the amount of the transaction exceed the prescribed limits provided in the Companies Act, 2013 and its Rules (Clear Threshold limits specified in Annexure A). No shareholder of the Company is permitted to vote on the ordinary resolution to approve such related party transaction if he/she/it is a related party.

AMENDMENTS:

The Board may amend or modify this Policy in whole or in part, from time to time

In case of any conflict between the provisions of this Policy and of Statutory Provisions shall prevail over this Policy. Any subsequent amendment/ modification in the Statutory Provisions shall automatically apply to this Policy and the Company Secretary of the Company is authorised to make necessary changes in accordance with the change in statutory provisions applicable to the Company.

ANNEXURE A

THRESHOLD LIMITS FOR DETERMINING MATERIAL RELATED PARTY TRANSACTIONS

Nature of Transactions	Materiality threshold as per Companies Act, 2013	Materiality threshold as per Listing Regulations
Sale, purchase or supply of any goods or materials directly or through appointment of agent	Amounting to 10% or more of Turnover	Transactions to be entered individually or taken together with previous transactions during a financial year with Related Party exceeds ten percent of the annual consolidated turnover of the Company as per the last financial statements of the Company
Buying, Selling or otherwise disposing of property of any kind directly or through appointment of agent	Amounting to 10% or more of Net worth	
Leasing of property of any kind	Amounting to 10% or more of Turnover	
Availing or rendering of any services directly or through appointment of agent	Amounting to 10% of Turnover	
Appointment of related party to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 250,000	
Underwriting the subscription of any securities in or derivatives thereof of the Company	Exceeding 1% of net worth	
Transfer of resources, services or obligations between the Company 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.	Not Applicable	
a transaction involving payments made to a related party with respect to brand usage or royalty	Not Applicable	
		If the transaction(s) to be entered into individually taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company