

BRIGHT BROTHERS LIMITED

Policy on Related Party Transactions

A. PREAMBLE:

The Companies Act, 2013 and the Rules made thereunder ("Said Act") and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") contain provisions relating to Related Party Transactions and framing a policy on these transactions. In order to comply with the said Act and Regulation 23 of the Listing Regulations, the Company has formulated this 'Policy on Related Party Transactions'. The said policy includes materiality thresholds and manner of dealing with Related Party Transactions in compliance with the requirements of the Act and Regulation 23 of the Listing Regulations and amendments made thereto from time to time.

B. OBJECTIVE OF THE POLICY:

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 Act, Regulations 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

C. DEFINITIONS:

1. "**Act**" means the Companies Act, 2013 and the Rules framed thereunder including any modifications, amendments, clarifications, circulars or re-enactments thereof from time to time.
2. "**Audit Committee or Committee**" shall have the same meaning as defined under Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations.
3. "**Arms Length Transactions**" shall mean the transactions carried out between the Related Parties as if they are not related to each other avoiding the 'Conflict of Interest'. The transactions carried on between the Company and the Related Party on similar terms and conditions as of unrelated party including the price, and such price charged for the transactions to a Related Party has in no case been influenced by the relationship. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.
4. "**Board**" means Board of Directors of the Company.
5. "**Company**" means Bright Brothers Limited.
6. "**Control**" shall have the same meaning as defined under the Companies Act, 2013 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, in the context as may be mentioned.
7. "**Key Managerial Personnel**" means key managerial personnel as defined under the Companies Act, 2013.
8. "**Ordinary Course of Business**" shall mean and include the usual transactions, customs and practices carried on generally in the manufacturing Industry and also by the Company, however it shall not include the following transactions:
 - o Complex equity transactions such as corporate restructuring or acquisitions, merger demerger and amalgamation;
 - o Transactions which may have material impact on the Company &
 - o Such transactions as may be considered by the Audit Committee/Board not to be in ordinary course of business.
9. "**Policy**" means the current Policy on Related Party Transaction, including amendments, if any, from time to time.

10. **"Related Party"** means a related party as defined under the Act read with Regulation 23 of the Listing Regulations as amended from time to time.
11. **"Related Party Transaction"** means any transaction as defined under the Act, Rules made thereunder the Act, Regulation 23 of the Listing Regulations and as per Indian Accounting Standard (IND AS 24) from time to time.
12. **"Relative"** means a relative as defined under the Act.
13. **"Transaction"** with a Related Party shall be construed to include single transaction or a group of transactions in a contract.
14. **"Material modification"** means any modification made in the value/exposure of 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 25% or more or by which the transaction ceases to be in ordinary course and/or on arm's length basis or such other parameter as may be determined by the Audit Committee from time to time.

D. MATERIALITY THRESHOLDS :

As per Regulation 23 of the Listing Regulations, 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 Rs. 1,000 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, whichever is lower.

Further, as per Regulation 23(1A) of the Listing Regulations, notwithstanding the above, 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 listed entity as per the last audited financial statements of the listed entity w.e.f 1st July, 2019.

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.

E. IDENTIFICATION OF RELATED PARTIES :

Each Director and Key Managerial Personnel is responsible for providing notice to the Audit/Board 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 Board/Audit Committee will determine whether the Transaction does in fact, constitute a Related Party Transaction requiring compliance with the Policy.

Every Director, Key Managerial Personnel and connected Related Parties shall at the beginning of the financial year disclose to the Company Secretary of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable.

F. 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;
- o 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 Rs.1 crore per transaction;

- o 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;
- o 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 / Board for approval, the Audit Committee / Board 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:

- i. 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
- ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as: o market analysis, research report, industry trends, business strategies, financial forecasts, etc.
- vi. Third party comparables, valuation reports, price publications including stock exchange and commodity market quotations; management assessment of pricing terms and business justification for the proposed transaction;
- vii. comparative analysis, if any, of other such transaction entered into by the company.

□ **Approval of the Board of Directors of the Company :**

As per the provisions of Section 188 of the Act, 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 Board for its approval.

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

- o 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 Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- o 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;

- o 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.
- o Transactions meeting the materiality thresholds laid down point (D) of the Policy, which are intended to be placed before the shareholders for approval.

□ **Approval of the Shareholders of the Company :**

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

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

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 are placed before the shareholders for its approval.

G. EXEMPTIONS :

Nothing contained in this Policy shall apply to any contract or arrangements with Related Party—

- In the Ordinary Course of its business and on an Arms' length basis;
- 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 or any of its subsidiaries or associates, (as defined under the Act) including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- 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;
- Transactions available to all employees generally ;
- Service availed in a professional capacity from body corporate/person;
- The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:
 - 1. transaction(s) done in Ordinary Course of Business at arm's length;
 - 2. receipt of remuneration by way of sitting fees;
 - 3. reimbursement of expenses for attending board and other meetings;
 - 4. any profit related commission as approved by members.

H. 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.

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

The listed entity shall submit 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.

Disclosure in Annual Report: Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.

I. 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.

J. PENALTIES :

The Audit Committee /Board may proceed against the Director / Key Managerial Personnel who had entered into contract or arrangement in contravention of the provisions, for recovery of any loss sustained by result of such contract or arrangement in such manner, it may deem fit and proper.

K. CONFLICT OF PROVISIONS/ AMENDMENT IN LAW:

In the event of any conflict between the provision of this Policy and of the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013, or statutory enactments, rules shall prevail over this Policy.

This policy shall be amended in accordance with the amendments made vide notifications / circulars as may be published in Official Gazette of India from time to time.