



## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS OF CHEVIOT COMPANY LIMITED**

### **1. Preamble**

- 1.1 This policy on materiality of related party transactions and on dealing with related party transactions of Cheviot Company Limited is formulated in accordance with the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 188 of the Companies Act, 2013 and Rules thereunder.
- 1.2 The Board of Directors of Cheviot Company Limited at their meeting held on 13th February, 2025 have reviewed, updated and approved this policy to regulate all transactions between the Company and its Related Parties based on the applicable laws and regulations and also to provide for materiality of and dealing with related party transactions.

### **2. Definitions:**

“**Act**” means the Companies Act, 2013 and Rules thereunder

“**Arm’s length Transactions**” means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“**Audit Committee**” means the Audit Committee constituted by the Board of Directors of the Company under the provisions of Section 177 of the Act read with Regulation 18 of the Listing Regulations.

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

“**Company**” means the Cheviot Company Limited.

“**Listing Regulations**” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Material modification**”, as defined by the Audit Committee, in relation to a related party transaction approved by the Audit Committee/Board or a material related party transaction approved by the Shareholders, as the case may be, means subsequent change to an existing related party transaction having an impact on the monetary limits already approved by the Audit Committee/Board or Shareholders, as the case may be, exceeding 20% (twenty per cent) of the approved limits.



**“Material Related Party Transaction”** means a transaction with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. 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 Company as per the last audited financial statements of the Company.

**“Related Party”** means persons or entities as defined under Section 2(76) of the Act or under the applicable accounting standards and shall include any person or entity forming a part of the promoter or promoter group of the Company and any person or any entity, holding ten per cent or more equity shares in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year.

**“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between the Company on one hand and a related party of the Company or any of its subsidiaries on the other hand or the Company (on one hand and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, 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.

Provided that the following shall not be a related party transaction as per Regulation 2(1)(zc) of the Listing Regulations:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) retail purchases from the Company by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

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Transaction with related party shall include any contract or arrangement with a Related Party with respect to –

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company.

except in case such transaction is entered into by the Company in its ordinary course of business on an arm's length basis and the same is not material.

### **3. Policy on dealing with Related Party Transaction:**

#### **(a) Audit Committee**

- 3.1 All related party transactions and subsequent modifications thereof shall require prior approval of the Audit Committee.
- 3.2 Every Director and Key Managerial Personnel of the Company is required to submit a list of relatives and related parties to the Company on annual basis and provide information of any potential related party transaction with the Company involving him or her or their relatives or entities in which they have interest by way of a Notice addressed to the Company Secretary. Such Notice shall be placed at the next meeting of Audit Committee for review and approval.
- 3.3 The Audit Committee shall lay down the criteria for granting the omnibus approval in respect of transactions which are repetitive in nature. The Audit Committee after satisfying itself may grant omnibus approval for related party transactions proposed to be entered by the Company where such transaction are repetitive in nature and are found to be in line with the policy and in the interest of the Company subject to their value not exceeding one crore per transaction which shall be valid for a maximum period of one financial year.
- 3.4 Remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material.



- 3.5 The following information shall be placed before the Audit Committee for omnibus approval to a related party transaction:
- (i) the name of the related parties;
  - (ii) nature and duration of transaction;
  - (iii) maximum amount of transaction that shall be entered into;
  - (iv) the indicative base price or current contracted price and the formula for variation in the price, if any
  - (v) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

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 rupees one crore per transaction.

- 3.6 The Audit Committee shall review, on a quarterly basis, the details of related party transactions and/or any material modifications thereof entered into by the Company pursuant to each of the omnibus approvals given.
- 3.7 Only those members of the Audit Committee, who are Independent Directors, shall approve related party transaction.
- 3.8 The members of the Audit Committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:
- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
  - (ii) the transaction is not material related party transaction;
  - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
  - (iv) the details of ratification shall be disclosed in the Integrated Filing (Financial) on half-yearly basis;
  - (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.



## **(b) Board**

3.9 Prior consent of the Board of Directors shall be obtained before entering into any contract or arrangement with a related party and subsequent material modifications thereto except in case of transactions entered into by the Company in its ordinary course of business on an arm's length basis.

3.10 The agenda of the Board Meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

3.11 Any member of the Committee or the Board who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the related party transaction.

## **(c) Shareholders**

3.12 All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through a resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

3.13 Other than a material related party transaction and subsequent material modifications thereof, any related party transaction that is not in the ordinary course of business on an arm's length basis, exceeding the following threshold limits shall require prior approval of the shareholders through a resolution -

- (a) for contract or arrangement with Related Party to be entered into either individually or taken together with the previous transactions during a financial year, in respect of:
  - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to ten per cent or more of the Turnover of the Company, as mentioned in clause (a) and clause (e) respectively of Section 188(1) of the Act;

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- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten per cent or more of Net Worth of the Company, as mentioned in clause (b) and clause (e) respectively of Section 188(1) of the Act;
- (iii) leasing of property of any kind amounting to ten per cent or more of the Turnover of the Company, as mentioned in clause (c) of Section 188(1) of the Act;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten per cent or more of the Turnover of the Company, as mentioned in clause (d) and clause (e) respectively of Section 188(1) of the Act.

(b) for appointment to any office or place of profit in the Company at a monthly remuneration exceeding ₹ 2,50,000/- (Two and Half Lakh Rupees) as mentioned in clause (f) of Section 188(1) of the Act; or

(c) for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one per cent of the Net Worth as mentioned in clause (g) of Section 188(1) of the Act.

3.14 The Turnover or Net Worth referred herein shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

3.15 The statement to be annexed to the notice of a general meeting convened pursuant to Section 101 of the Act shall contain the following particulars, namely: -

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

3.16 No member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.

3.17 Where any contract or arrangement is entered into by a director or any other employee, without obtaining prior consent and it is not ratified within three months by the Board or Shareholders, as the case may be, such contract or arrangement shall be voidable at the option of the Board or Shareholders, as the case may be, 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. The Board shall monitor any abuse in related party transactions.

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#### **4. Exemptions**

- 4.1 Any transaction which is excluded or exempt under the Act or Listing Regulations from time to time will not require approval of Audit/Board/Shareholders, as the case may be.
- 4.2 The Company does not have a subsidiary necessitating any such approval.

#### **5. Disclosure of Related Party Transaction**

- 5.1 This policy will be communicated to all Directors and Key Managerial Personnel of the Company.
- 5.2 This related party transaction policy shall be disclosed on the Company's website and the web link thereto shall be provided in the Corporate Governance Report section of the Annual Report.
- 5.3 Details of all material related party transaction and ratification of related party transaction shall be disclosed quarterly in the Integrated Filing (Financials) with the Stock Exchange(s).
- 5.4 The particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Act in Form AOC-2 along with the justification for entering into such contracts or arrangements shall be included in the Board Report.
- 5.5 The Annual Report shall contain disclosure of transactions of the Company with any person or entity belonging to the promoter and promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards.

#### **6. Policy Review**

- 6.1 This related party transaction policy shall be reviewed by the Board once every three years and updated accordingly.
- 6.2 In case the provisions under the Act and/or Listing Regulations, including any statutory modification or re-enactment thereof conflict with the provisions laid down in this related party transaction policy, then the provisions of the statute shall prevail and this policy shall stand amended accordingly from the date of amendment/clarification/circular/ notification, etc. in the statute.

THIS INFORMATION IS DISPLAYED ON THE WEBSITE OF THE COMPANY IN COMPLIANCE WITH REGULATION 46(2)(g) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.