

POLICY STATEMENT ON MATERIALITY

AND

DEALINGS WITH RELATED PARTIES

1. Preamble

The Board of Directors (“the Board”) of **Diana Tea Co. Ltd.** (“the Company”) had framed this Policy related to Related Party Transactions (“RPTs”) pursuant to Sections 177, 188 and other applicable provisions of the Companies Act, 2013 (“the Act”) and Rules framed thereunder and the Regulation 23 of the **Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** (the SEBI LODR) as amended from time to time. The Board has considered the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“RPT”).

In view of the notification issued by the Securities Exchange Board of India, the amendment to this Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee and shall be effective from April 1, 2024.

The Board has determined that the Audit Committee of the Company (the “Audit Committee”) is best suited to review all Related Party Transactions.

2. Purpose

The policy is not only in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 and the Listing Regulations. Pursuant to Regulation 23 of the Listing Regulations, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions. This Policy is framed to ensure the proper identification, approval, monitoring and reporting of transactions between the Company and its Related Parties.

3. Objectives 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 transactions between the Company and its related parties based on the Act, Regulation 23 of the LODR and any other laws and regulations as may be applicable to the Company.

4. Definitions

“**Act**” means Companies Act, 2013

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Act.

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

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

- (i) Managing Director/Whole Time Director
- (ii) Company Secretary and
- (iii) Chief Financial Officer

“LODR/Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

“Materiality of Transaction” A transaction with a related party shall be considered material if the transaction/transactions 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.

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.

“Material Modification” Any modification(s), alteration(s) and/or change(s) to the terms and conditions governing a transaction

- a) 10% of the financial consideration; or
- b) Changes to the payment terms resulting in deferment of payment of consideration for more than 3 months; or
- c) having financial implication of more than Rs.50 Crores shall be considered as material modification; or
- d) Any change in the material terms as placed before the Audit Committee of the pre-approved related party transactions.

“Ordinary course of business” would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

(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 listed entity 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) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

“Related Party” in relation to the Company means a party related with the Company in any of the ways as laid down in section 2(76) of the Companies Act or under applicable accounting standards and clause zb of SEBI Listing Regulations. Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:

- (i) of twenty per cent or more; or
- (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the LODR or any other applicable law or regulation.

5. Applicability

This Policy shall be applicable to all Related Party Transactions (as defined above) entered by the Company. All Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to the Company and all transactions with its related parties.

However, the provisions given under LODR / SEBI circulars, as mentioned in this policy shall be applicable only to the Company.

6. Procedure

a) Identification of Related Parties –

Each director and Key Managerial Personnel shall, at the beginning of a 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. Based on above and where applicable, based on other information, the management shall prepare and present before the Audit Committee a list of Related Parties. This list will be updated on an ongoing basis to reflect changes, if any.

The Company prefers to receive such notice of any potential related party transaction well in advance so that Audit Committee has adequate time to obtain and review information about the proposed transaction.

b) Approval of Related Party Transactions by Audit Committee –

- All transactions (including proposed transactions) with Related Parties and the subsequent material modifications shall be identified by the management and presented to the Committee. The Committee shall evaluate and in consultation with the management and, where necessary with outside counsel, determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- The Committee shall be provided with the material facts of all new, existing or proposed Related Party Transactions along with the material modifications.
- In assessing a Related Party Transaction or a proposed Related Party Transactions or the material modification therein, the Committee shall consider all relevant factors as it deems appropriate and may approve or authorize any subsequent modification of the transaction of the Company with the Related Party.
- Only those members of the audit committee, who are independent directors, shall approve related party transactions.
- A related party transaction to which the subsidiary of the Company is a party but the listed entity is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company. (Applicable w.e.f. 1st April, 2022)
- A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary. (Applicable w.e.f. 1st April, 2023)
- Prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party
- The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

c) Omnibus Approval of Related Party Transactions by Audit Committee-

- The Audit Committee may, in the interest of smooth conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature, subject to the following conditions:
 - 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.
- The Audit Committee may also, in the interest of smooth conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction.
- The Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.
- Budgetary approval(s) will be obtained for proposed related transactions from the Audit Committee/Board/Shareholders, as the case may be, showing the name of related parties, nature of transactions, maximum amount of transaction in a year, indicative base price /current contracted price and the formula for variation in the price, if any and amount for full year as per Annual Business plan for the year, and where the transaction exceeds the budgetary approval, supplementary approval shall be taken from the respective authority(s) before entering into the transaction. (Format for approval given in **Annexure-I**)

d) Approval of Related Party Transactions by shareholders-

- If a Related Party Transaction is;
 - (i) a Material Related Party transaction as per Regulation 23 of the Listing Regulations; or
 - (ii) Subsequent material modifications to Related Party transactions; or
 - (iii) not in the ordinary course of business, or not at arm's length price and exceeds thresholds as defined in this policy as Significant Related Party transaction in terms of Section 188(1) read with Rules.

it requires approval of the shareholders of the Company.

- However, prior approval of the shareholders shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary.
- The requirement of shareholders' approval shall also not be applicable for transactions in respect of which such relaxations/exemptions are provided in the Act and/or the Listing Regulations.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.

e) Board of Directors -

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, and / or
- (ii) not at an arm's length price,

the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

7. Materiality of Transaction:

In relation to all material transactions, following procedure shall be followed:

- The Committee shall be responsible to verify materiality threshold (as defined in clause 2) of the Company in the meeting where annual consolidated financial statements of the Company are adopted. Such threshold would be relevant for identifying material transactions entered / proposed to be entered with a related party in next year.
- The Committee shall verify the potential Related Party Transactions that may exceed the materiality threshold for a particular financial year on a progressive basis.
- The Committee shall review the material related party transactions as per the procedure laid down in clause 3 above.
- The Committee shall place the material related party transactions before the shareholders for their approval.

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

However, the Committee or Shareholder's approval is not required for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- 1) A summary of the information provided by the management of the listed entity to the audit committee as specified in point 7.1.8 above;
- 2) Justification for why the proposed transaction is in the interest of the listed entity;
- 3) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- 4) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- 5) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- 6) Any other information that may be relevant.

8. Information to be reviewed by the Audit Committee for approval of RPTs:

The Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- 1) Type, material terms and particulars of the proposed transaction;
- 2) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- 3) Tenure of the proposed transaction (particular tenure shall be specified);
- 4) Value of the proposed transaction;
- 5) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- 6) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - a) details of the source of funds in connection with the proposed transaction;
 - b) where any financial indebtedness is incurred to make or give loans, inter corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

- 7) Justification as to why the RPT is in the interest of the listed entity; h.
- 8) A copy of the valuation or other external party report, if any such report has been relied upon;
- 9) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- 10) Any other information that may be relevant

9. Pre-approved Transactions:

The following types of transactions will be deemed to be pre-approved by the Committee; will not be reviewed by the Committee and do not require approval or ratification:

- (i) Director's Appointment and Compensation: Any employment by the Company of, or compensation paid to the directors or to the key managerial personnel;
- (ii) Continuing Related Party Transactions: All continuing Related Party Transactions which have been approved by the Committee and Shareholders shall not be placed for approval again, unless there is any modification in the terms and conditions or the pricing policy.

10. Related Party Transactions not previously approved:

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

11. Disclosures:

Details of any Material Related Party Transactions shall be disclosed to the stock exchange quarterly along with the compliance report on corporate governance.

The Company shall disclose details of Related Party transactions every six months within 15 days from the date of publication of its standalone and consolidated financial results.

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

The Company shall disclose the Policy on dealing with Related party Transactions on its website and a web-link shall be provided in the Annual Report.

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.

The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.

12. Scope Limitation:

In the event of any conflict between of this Policy and of the Listing Agreements Act, or any statutory enactments, rules, the provisions of such Listing Agreement Act, or statutory enactments, rules shall prevail over this Policy.

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Reviewed at Board Meeting held on July 29, 2024.

Annexure I

**Related Party Transaction
format**

Format for taking budgetary approval for related party transactions from Audit Committee

Sl. No	Name of the Party and relationship	Nature of Transaction	Tenure	Previous Year (Annual) (Rs.in Cr.)	Proposed Value (Annual) (Rs.in Cr.)	Remarks (Indicative base price/current contract price/formula for variation in price)