

SPECTRUM FOODS LIMITED

Policy for Consideration and Approval of Related Party Transactions

PREAMBLE

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

Considering the same the Board of Directors (the "Board") of Spectrum Foods Limited (the "Company") has adopted this Policy based on the recommendation of Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy has been revised to incorporate the amendments in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

DEFINITIONS

"Arm's Length Transaction ('ALT')" means, a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

A transaction with a related party will be considered to be on arm's length basis if the key terms, including pricing of the transaction, taken as a whole, are comparable with those of similar transactions if they would have been undertaken with unrelated parties.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013 and Regulation 23. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of SEBI LODR and Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined in sub section (51) of section 2 of the Companies Act, 2013.

“Material Related Party Transaction” as per Regulation 23 means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during the financial year, exceeds rupees one thousand crore or 10 % of the annual consolidated turnover of the listed Company as per the last audited financial statements of the listed Company, whichever is lower.

Transaction(s) 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 5% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

“Ordinary course of business” includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. The ordinary course of business covers the usual transactions, customs and practices related to the business.

The following factors are indicative of a transaction being in the ordinary course of business:

- i. The transaction is normal or otherwise unremarkable for the business.
- ii. The transaction is frequent/regular
- iii. The transaction is a source of income for the business
- iv. Transactions that are part of the standard industry practice, even though the Company may not have done it in the past.

These are not exhaustive criteria and the company will have to assess each transaction considering its specific nature and circumstances.

“Related Party” a means related party as defined under the sub-section (76) of Section 2 of Companies Act, 2013 read with Regulation 2(1) (zb) of SEBI LODR and as amended from time to time.

“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.”

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

- 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
- b) 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.

“Relative” means a relative as defined under sub-section (77) of Section 2 of the Companies Act, 2013 and the rules prescribed there under.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

“Materiality Threshold” means limits for related party transactions beyond which the shareholders' approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto.

Any word or expression used but not defined herein shall have the same meaning as assigned to it in the Companies Act, 2013 or rules made there under, or SEBI LODR.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Companies Act, 2013 read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI LODR.

b) Identification of related party transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Companies Act, 2013 and Regulation 2(1)(zc) of the SEBI LODR. 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 may seek external professional opinion, if necessary.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

A. Audit Committee

1. All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity;
- c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;
- d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

2. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-
 - i. The audit committee shall lay down the criteria for granting the omnibus approval in consonance with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - ii. The audit committee shall satisfy it regarding the need for such omnibus approval and that such approval is in the interest of the Company.
 - iii. The omnibus approval shall specify:
 - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - the indicative base price / current contracted price and the formula for variation in the price if any; and
 - such other conditions as the audit committee may deem fit:

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.

- such other conditions as may be specified by the law from time to time
- iv. 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 approvals given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

B. Board of Directors

As per the provisions of Section 188 of the Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not 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:

- i. 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;
- ii. 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;
- iii. 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;
- iv. Transactions meeting the materiality thresholds, which are required to be placed before the shareholders for approval.

Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

Overall Threshold Limit

Transactions value over and above such threshold limit shall require prior approval of Board.

C. Shareholders

- If a related party transaction is material and subsequent material modifications as defined by the audit committee under sub-regulation (2) shall require prior shareholder's approval through resolution and no related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

- If a related party transactions is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a resolution. In such a case, any member who is a related party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving related party transaction.

Regulation 23(5)(b) and 23(5)(c) of the SEBI LODR and Section 188(1) of the Companies Act, 2013 provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies or transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

D. Reporting of related party transactions

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, SEBI LODR and Companies Act, 2013, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Further, every material related party transaction, which is required to be disclosed to stock exchange, shall be disclosed by the Company as promptly as practicable.

The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

The details of related party transactions on a consolidated basis would be submitted, to the stock exchanges and published on the Company's website:

Provided further that the listed entity would make disclosures in every six months within fifteen

days from the date of publication of its standalone and consolidated financial results.

Provided further that the listed entity would make such disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results in the format as specified by the SEBI from time to time and publish the same on its website.”

The transactions with any person or entity belonging to the promoter/promoter group of the company and having shareholding of 10% or more in the company would be disclosed in the annual results.

Related Party Transactions not previously approved under this policy

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 Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting 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 action as the Committee deems appropriate under the circumstances.

LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or SEBI LODR or any other statutory enactments, rules, the provisions of such Act or SEBI LODR or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Companies Act, 2013 and/or applicable laws in this regard shall automatically apply to this Policy.

POLICY REVIEW

The Audit Committee may review this policy from time to time and recommend any changes to the board for approval.