

## FAZE THREE LIMITED

### POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

#### 1. INTRODUCTION

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") requires a company to adopt a policy on Materiality of Related Party Transactions and on dealing with Related Party(s).

In view of the above requirement, the Board of Directors ("Board") of Faze Three Limited ("the Company") has adopted the policy on materiality of related party transactions and on dealing with related party ("Policy") to ensure high standards of corporate governance while dealing with Related Party(s) of the Company.

This policy shall be guided by the objective of ensuring compliance with the provisions pertaining to related party transactions in the Companies Act, 2013 and the SEBI Listing Regulations.

#### 2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

- a. Materiality of Related Party Transactions and;
- b. Manner of dealing with the transactions between the Company and its related parties in accordance to the Act and Regulation 23 of the SEBI Listing Regulations.

This Policy also inter alia lays down the process to be adopted by the Company for approval of the related party transactions including any subsequent modification thereof and reporting & disclosure requirements therefore.

#### 3. ABOUT THE COMPANY

**FAZE THREE LIMITED ('FTL')** is engaged in the manufacture and export of home furnishing products to international retail giants like Wal-Mart, ASDA, JC Penny, Marks & Spencer etc. The company has a diversified product portfolio comprising of bathmats, bed linen, blankets, floor coverings, carpets, cushions, curtains, tablemats and placemats. The company has its processing & manufacturing facilities in Dadra and Nagar Haveli and Vapi. It has Weaving unit in Dapada, (UT of D&NH), Bathmat unit in Silvassa, (UT of D&NH), Dyeing unit in Vapi, (Gujarat) and Handloom unit in Panipat (Haryana) FTL is primarily export-oriented and generates more than 95% of its revenues from export to country like USA, Canada, UK and the European Union.

#### 4. DEFINITIONS

- a) '**Act**' means the Companies Act, 2013, as amended from time to time.
- b) '**Rules**' means Companies (Meetings of Board and its Powers) Rules, 2014 including any modifications or amendments thereof).

- c) **'Arm's Length Transaction (ALP)'** means a transaction between the Company and its related party (ies) that is conducted as if they are unrelated, so that there is no conflict of interest.
- d) **'Audit Committee'** means Audit Committee of Board of Directors of the Company constituted under provisions of the Act and SEBI Listing Regulations.
- e) **'Board of Directors'** or **'Board'** means Board of Directors of the Company as constituted from time to time.
- f) **'Company'** means Faze Three Limited.
- g) **'Compliance Officer'** may be a Company Secretary of the Company or any other person as may be authorized by the board for this purpose.
- h) **'Material Modification'** with reference to the related party transactions shall mean increase by 20% of the transaction value as earlier approved by the Audit Committee or shareholder, as case may be, OR absolute change in the nature of transaction.
- i) **'Material Related Party Transaction'** means a transaction with a Related Party if 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 to the above, a transaction involving payments made to a Related Party **with respect to brand usage or royalty** shall also 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.
- j) **'Related Party'** shall have the meaning ascribed to it in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.
- k) **'Related Party Transaction or RPT'** shall have the meaning ascribed to it in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.
- l) **'Relative'** means relative as defined under sub-section (77) of section 2 of the Act and rules prescribed there under, including any amendment or modification therein.
- m) **'SEBI'** means the Securities and Exchange Board of India.
- n) **'SEBI Listing Regulations'** or **'SEBI LODR'** mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendments thereof.
- o) **'Specified Transaction'** means the transaction which has been specified under Section 188 of the Act.

## 5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

### 5.1 Audit Committee approval for Related Party Transactions:

- i. All Related Party Transaction and subsequent Material Modification shall require **PRIOR** approval of the Audit Committee provided that only those members of audit committee, who are independent directors, shall approve related party transactions.

Provided that a related party transaction to which the subsidiary, if any, of the Company is a party but 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 percent** of the annual consolidated turnover, as per the last-audited financial statements of the Company.

Provided that with effect from April 1, 2023, a related party transaction, where subsidiary of the Company is a party but the Company is not a party, 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;

Provided that 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.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the audit committee of the listed subsidiary shall suffice.

ii. **Omnibus approval of Related Party Transactions:**

In the case of repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval. While granting omnibus approval, the Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and such approval shall be in the interest of the Company.

iii. **Criteria for making the omnibus approval:**

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall inter alia include the following, namely: -

- a. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b. the maximum value per transaction which can be allowed;
- c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d. review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the Company pursuant to each of the omnibus approval made;
- e. transactions which cannot be subject to the omnibus approval by the Audit Committee.

The omnibus approval granted by the Audit Committee shall indicate the following: -

- a. name of the Related Party(ies);

- b. nature and duration of the transaction;
- c. maximum amount of transaction that can be entered into;
- d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
- e. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Where need of the Related Party Transaction cannot be foreseen and above details are not available, the Audit Committee may grant omnibus approval subject to the value per transaction shall not exceed by INR 1,00,00,000/- (Indian Rupees One Crore Only).

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.

The omnibus approval provided by the Audit Committee shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of such one year.

If the Audit Committee is of the view that the proposed Related Party transaction is not in the ordinary course of business of the Company to do so; or the value of the transaction is not at arm's length, the Audit Committee shall place the same before the Board for their approval.

## **5.2 Approval by the Board**

The Board shall approve the Related Party Transaction if:

- a. it is a Specified Transaction with such Related Party(ies) and aforesaid transaction is not in the ordinary course of business or not at Arm's Length Basis; or
- b. all Material Related Party Transaction as per Act and SEBI Listing Regulations; or
- c. the Audit Committee determines that a Related Party Transaction should be brought before the Board; or
- d. the Board in any case elects to review any Related Party Transaction Suo moto.

Provided that in case of a transaction falling under Point no. (a) and (b) above, a prior approval of the Board shall be required.

Provided that any member of the Board who has any interest in any related party transaction shall abstain himself from discussions and shall not vote to approve such related party transaction.

## **5.3 Approval by the Members**

- A. The prior approval of the shareholders by way of ordinary resolution in accordance with the procedure set out in Section 188 of the Act, shall be required in respect of Specified Transaction(s) with Related Party(ies) which are not in the ordinary course of business and/or not at arm's length and exceeds the threshold limits as set out in the Rules, as amended from time to time. For the purpose of such Transaction(s), the limits shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- B. All Material Related Party Transactions as per SEBI Listing Regulations and subsequent Material Modification thereof shall require a prior approval of the shareholders by way of an ordinary resolution.
- C. No related party shall vote to approve material related party transactions whether the entity is a related party to the particular transaction or not.

**5.4 The following prescribed the information to be placed before the Audit Committee/ Board for consideration of RPTs and shall form part of explanatory statement of the Notice, for seeking Shareholders' approval:**

The Company shall provide the following information, for review of the Audit Committee/ Board/ Shareholders, for approval of a proposed Related Party Transaction:

- a. Type, material terms and particulars of the proposed transaction;
- b. 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);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. 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 related party transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. if the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. 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;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the related party transaction.
- g. Justification as to why the related party transaction is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon. For seeking shareholders' approval, 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;

- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed related party transaction on a voluntary basis;
- j. Any other information that may be relevant.

## 5.5 THRESHOLDS

While seeking the approval for any Related Party Transaction which will be placed before the Shareholders of the Company for their approval, the Board has fixed the following threshold limits for determining the type of transaction, limits available under the relevant regulations or acts currently in force, single and cumulative transaction limits:

Sr. No.	Prescribed Transaction Category	Thresholds*
1.	Sale, purchase or supply of any goods or material, directly or through appointment of agent	Amounting to 10% or more of the turnover of the company
2.	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Amounting to 10% more of net worth of the company
3.	Leasing of property of any kind	Amounting to 10% or more of the turnover of the company
4.	Availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of the turnover of the company
5.	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding Rs.2.5 Lakhs per month
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Amounting to 1% percent or more of net worth of the company
7.	Payment of Royalty and Brand usage to related parties	Exceeding 5% of the annual consolidated turnover
8.	Any other transaction with a related party	Amounting to 10% or more of the consolidated turnover of the company

*\*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

*Note: The turnover or net worth referred to above shall be computed on the basis of the audited financial statement of the Company in the preceding financial year.*

## 5.6 Related party transactions not previously approved

In the event any Transaction has been undertaken/is being undertaken with a Related Party without obtaining requisite approval under this Policy, such transactions should be immediately reported to the Company Secretary. Such Transactions shall be reviewed by the Audit Committee in the next meeting. The Audit

Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party. Based on the information provided, the Audit Committee shall evaluate and take such necessary steps, as it may deem fit, including Ratification, Termination or Revision of any terms of the Related Party Transaction. The Audit Committee shall keep the Board apprised of any instances of such transactions entered into with any related party in contravention of this Policy and recommend to Board for its consideration and approval.

## **5.7 Administrative measures**

The Audit Committee shall be the competent authority for investigating and taking appropriate actions/steps for prevention or remedy of any breach and/ or defaults in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulations.

## **6. DISCLOSURES**

- i. As required under Section 188 of the Act read with the Rules made thereunder, all the Specified Transactions with related party(ies) as defined under the Act, which are not on arm's length basis or are material in nature, shall be disclosed in the Board's report of the Company.
- ii. The Company Secretary shall also make necessary entries in the Register of Contracts or Arrangement required to be maintained under the Act.
- iii. Details of all Material Related Party Transactions with its Related Parties shall be disclosed in the quarterly compliance report on corporate governance as per the provisions of SEBI Listing Regulations.
- iv. Related Party Disclosures of the Annual Report shall include Transaction with any person or entity belonging to the Promoter / Promoter Group which hold(s) 10% or more shareholding, shall be disclosed in the format prescribed in relevant AS in terms of the Schedule V Part A of the SEBI Listing Regulations.
- v. In addition to the above, on and after April 1, 2022, the Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the SEBI from time to time and publish the same on its website;

Provided that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results;

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 01, 2023.

## **7. EXEMPTIONS**

Notwithstanding anything contained anywhere else in this Policy, following shall be exempted from the purview of this policy:

- a. transactions entered into between two government companies;

- b. transactions entered into between a holding 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;
- c. 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.

## **8. INTERPRETATION**

The Audit Committee of the Company shall, subject to supervision of the Board, interpret and administer this Policy in line with the broad intent of this Policy read with the applicable provisions of the Act, rules made thereunder, and the SEBI Listing Regulations.

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

The decision of the Audit Committee with regard to any or all matters relating to this Policy shall be final and binding on all concerned.

## **9. REVIEW AND AMENDMENT**

This Policy shall be reviewed by the Board at least once every three years and updated accordingly. However, Board shall have the discretion to review this Policy at any point time whenever it may deem fit and necessary.

Any change in the Policy shall be reviewed and approved by Audit Committee and Board of Directors of the Company.

## **10. DISSEMINATION**

The Company shall upload this Policy on its website and a web link of the same will be provided in the Annual Report.

## **11. Effective date**

The effective date of this amended Policy is April 1, 2022.

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