

POLICY FOR DETERMINING MATERIAL RELATED PARTY TRANSACTIONS

AND

DEALING WITH RELATED PARTY TRANSACTIONS



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Policy for determining Material Related Party Transactions and Dealing with Related Party Transactions

TITLE

This policy shall be called Policy on materiality of Related Policy Transactions and dealing with related party transactions.

COMMENCEMENT

The Policy shall come in to force with effect from February 01, 2018.

OBJECTIVE

Related party transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian Legislature.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 require the companies to have enhanced transparency and due process for approval of the related party transactions.

Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 require the Company to formulate a policy on materiality of related party transactions and also on dealing with related party transactions.

DEFINITIONS

Arm's length transaction means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Audit committee means the audit committee of the Company.

Board means the Board of directors of the Company.

Company means Commitment Finance Limited

Material related party transaction in relation to the Company means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, being defined in terms of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), 2015. Additionally, in accordance with section 188 of Companies Act, 2013, read with rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, Material Related Party Transactions will include:

a) Contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below:

(i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind exceeding ten per cent of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188.

b) Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or

c) 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 subsection (1) of section 188.

Explanation- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

Ordinary Course of Business with reference to a transaction with a related party means a transaction which is:

- Carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“MOA”) of the Company as amended from time to time;
- Historical practice with a pattern of frequency;
- Common commercial practice; or
- Meets any other parameters/criteria as decided by the Board/Audit Committee from time to time.

Policy means this policy, as may be amended from time-to-time.

Related Party in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Related party transaction in relation to the Company means a transaction which is:

- a. a transfer of resources, services or obligations between the Company and a related party 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 transaction in a contract;
- b. contract or arrangement with a related party with respect to
 - i. sale, purchase or supply of any goods or materials;
 - ii. selling or otherwise disposing of, or buying, property of any kind;
 - iii. leasing of property of any kind;
 - iv. availing or rendering of any services;
 - v. appointment of any agent for purchase or sale of goods, materials, services or property;

vi. such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and

vii. underwriting the subscription of any securities or derivatives thereof, of the Company;

APPROVAL OF RELATED PARTY TRANSACTIONS

a. All related party transactions shall require prior approval of the Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the provisions of Rule 6A of Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. 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. the audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

c. All material related party transactions shall require prior approval of the shareholders through resolution.

d. In case of related party transaction which is not in the ordinary course of business or which is in the ordinary course of business but is not arm's length transaction, whether or not it is a material related party transaction, prior approval of the Board vide a resolution passed at the meeting of the Board shall be necessary.

e. Where any director is interested in any contract or arrangement with a related party, such director shall not be considered for the purpose of quorum at the Board meeting and neither will be a part of discussions on the subject matter of the resolution relating to such contract or arrangement.

f. The related parties shall abstain from voting as shareholders in case of related party transactions which require the approval of shareholders whether he/she is a party to that particular transaction or not.

g. Transactions with related parties exceeding such sums, as prescribed under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with relevant rules prescribed thereunder shall require prior approval of the shareholders.

PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS

- a. A list of all the related parties in relation to the Company received from the Directors shall be updated from time-to-time.
- b. Basis the above mentioned list of related parties, every department shall prior to entering into any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.
- c. The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/Shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

INTERPRETATION

- a. Any words used in this policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, 2013 or rules made thereunder, SEBI Act or rules and regulations made thereunder, Accounting Standards or any other relevant legislation/law applicable to the Company.
- b. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the audit committee in such a case shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

This policy is subject to amendments as may be introduced under Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or standard or as may deem fit to Board of Directors of the Company.

***This policy is subject to amendments as may be brought under Companies Act, 2013 or SEBI (LODR) Regulations, 2015 or by approval of the Board of Directors/ Audit Committee.*

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