

## **DE NORA INDIA LIMITED**

**CIN: L31200GA1993PLC001335**

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

*[Pursuant to Companies Act, 2013 and Rules made thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]*

Policy approved by the Board on: 1<sup>st</sup> November, 2014  
Revised Policy approved by the Board on: February 05, 2019  
Effective Date: April 01, 2019

#### **Registered Office:**

Plot Nos. 184, 185 & 189, Kundaim Industrial Estate,  
Kundaim, Goa – 403115

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### **Introduction and Background:**

The Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') prescribe comprehensive regulatory framework governing the Related Party Transactions. The Act and the LODR Regulations also require the Companies to adopt a comprehensive policy on dealing with Related Parties.

In the context of above, in compliance with the provisions of the Act and LODR Regulations, on recommendations of the Audit Committee, the Board of Directors of De Nora India Limited has adopted this revised Policy on Materiality and Dealing with Related Party Transactions ('the Policy') on February 05, 2019. The Policy shall be effective from April 1, 2019.

The policy aims to regulate transactions between the Company and its Related Parties based on the compliance requirements of the LODR Regulations as applicable to the Company in order to ensure the transparency and procedural fairness of such transactions.

### **Important Definitions:**

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

**'Annual Consolidated Turnover'** is the gross amount of revenue recognized in the statement of profit and loss from the sale, supply or distribution of goods or on account of services rendered or both, during a financial year as per the latest consolidated financial statement of the Company.

**'Key Managerial Personnel'** means key managerial personnel as defined in Section 2(51) of the Companies Act, 2013.

**'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 with a Related Party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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 to be entered into individually or taken together with previous transactions during a financial year exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**'Related Party'** means a person or an entity defined as related party under Section 2(76) of the Act, Regulation 2(zb) of the LODR Regulations or under the applicable accounting standards including any amendments thereof.

**'Related Party Transaction'** means transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

**'Relative'** means relative as defined under Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder including any amendments thereof.

**'Ordinary course of business'** if transactions satisfy any of the following criteria, such transactions will be generally in the ordinary course of business:

- The Memorandum of Association of the Company should cover such transaction;
- There are previous instances of the Company having carried out such transaction;
- These transactions are frequent over a period of time;
- The transaction should be in furtherance of the business objectives of the Company;
- The transactions, if not frequent, are important to the business objectives of the Company;
- The transactions are incidental to the industry/part of standard industry practice or but for which the business would be adversely affected;

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

Explanation: Any words used in the Policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, SEBI LODR, Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

### **Interpretation**

Wherever, the terms of the Policy differ from any existing or enacted Law(s), Rule(s), Regulation(s) governing the Company, then such Law(s), Rule(s) or Regulation(s) shall prevail over this Policy.

This Policy shall supplement the Company's other policies and any other laws, rules and regulations in force that may be applicable to or involve transactions with related persons.

In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such 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.

### **Identification of Related Parties and the Related Party Transactions**

Every Director and Key Managerial Personnel (KMP) shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information about all persons, firms, entities in which he is interested whether directly or indirectly, to the Board of Directors.

On the basis of the above referred information received and on the basis of the Act and LODR Regulations a list of related parties shall be prepared and maintained by the Company at all times. The Related Party List shall be updated whenever necessary by the Company Secretary.

The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with details as per the relevant clauses of this Policy for requisite prior approval.

## **Approval of the Related Party Transactions**

### **Approval of the Audit Committee**

All Related Party Transactions, shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation.

The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, if the transactions meet the following criteria:

- I. Such related party transactions are routine and repetitive in nature.
- II. Such related party transactions are permissible under the provisions of the applicable laws.
- III. Such related party transactions are in the ordinary course of business of the Company.
- IV. Such related party transactions are in the best interest of the Company.
- V. The terms of such related party transactions are fair and on arm's length basis.
- VI. Such related party transactions do not have an improper conflict of interest for any director or Key Managerial Personnel of the Company / extent of the Director or KMP's interest in such contract or arrangement.

While assessing any proposal for omnibus approval, the Audit Committee may review the documents/seek information from Management or get clarification or opinion from third party.

The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 10% of annual turnover of the Company as per the last audited financial statement.

The transactions undertaken pursuant to omnibus approval shall be reviewed by the Audit Committee and the Board on a quarterly basis.

In case there is any change in the approved limits/terms of any transactions, a separate statement shall be attached for ratification by the Audit Committee. The Audit committee also has the authority to modify previously approved Related Party Transactions.

The omnibus approval shall specify (a) the name/s of the related party and nature of relationship, (b) nature of transaction, (c) duration/period of transaction, (d) maximum amount of transaction that can be entered into, (e) the indicative base price / current contracted price and the formula for variation in the price, if any and (f) such other conditions as the Audit Committee may deem fit;

Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

In case the Committee does not approve any transaction, then it shall make its recommendations to the Board.

In case any member of the Committee is interested in any potential Related Party Transaction, such member shall abstain from voting when such transaction is being considered.

### **Approval of the Board of Directors**

The following Related Party Transactions shall be subject to prior approval of Board of Directors:

- All kinds of transactions with the Related Parties which are not in the ordinary course of business or not executed at an arm's length shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.
- Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration / determination by the Board, may be recommended to the Board for its approval.
- Where it is mandatory under any law for the Board to approve the Related Party Transactions.
- Related Party Transactions, in which the Directors or the Key Managerial Personnel, are concerned or interested.

In order to procure approval of the Board, the Management shall submit a comprehensive proposal for approval of the Related Party Transactions containing the following information:

- Name of the related party and nature of relationship;
- Nature, duration of the contract and particulars of the contract or arrangement;
- Material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- Manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- Any other information relevant or important for the Board to take a decision on the proposed transaction

Where any director is concerned, or interested in any potential Related Party Transaction, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such Related Party Transaction.

### **Approval of the Shareholders of the Company**

The following Related Party Transactions shall be subject to prior approval of shareholders of the company by way of a resolution:

I. All Material Related Party Transactions;

II. Related Party Transactions, which are not in the ordinary course of business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Companies Act 2013 and the Rules made thereunder. Presently the threshold limits as per the Act are under:

a) for contracts or arrangements with respect transactions mentioned in section 188, the threshold limits would be as follows-

- (i) 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 or rupees 100 crores, whichever is lower;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the Company or rupees 100 crores, whichever is lower;

(iii) leasing of property any kind amounting to 10% or more of the net worth of the Company or 10% or more of turnover of the company or rupees 100 crores, whichever is lower;

(iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company or rupees 50 crores, whichever is lower

Explanation - It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

b) for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding 2.5 lakh rupees;

c) for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth;

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.

(2) The expression 'office or place of profit' referred in the above sub-rule (b) shall be as defined under Section 188(1) of the Act.

All entities/individuals falling under the definition of "Related Parties" shall not vote to approve the relevant transaction irrespective of whether such entities/individuals are party to the particular transaction or not.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

### **Related Party Transactions not previously approved**

In the event the Company becomes aware of a Related Party Transaction that has not been approved 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 and if the same is not ratified within 3 months from the date of Related Party Transaction by the Committee or Board or the Shareholders as required, the said Related Party Transaction shall be voidable at the option of the Committee or Board or the Shareholders. Further, if such a Related Party Transaction 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 Committee or 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 in the terms, or termination of such transaction. The decision of Committee or Board or the Shareholders shall be binding under such circumstances.

The Audit committee may examine internal controls and the reasons for failure in reporting/prior approval of such Related Party Transaction and suggest directives to strengthen the internal controls. In connection with any review/ratification of any particular Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

### **Disclosures**

This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.

The details of Related Party Transactions shall be disclosed in the Annual Report of the Company, to the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Act, LODR Regulations or any other applicable laws and regulations.

### **Review and amendments**

The Board of Directors reserves the power to review and amend this policy from time to time based on the recommendations of the Audit Committee and establish further rules or procedures, periodically and as required under the Act or LODR Regulations, to give effect to this Policy.

Any subsequent amendment/ modification in the Act, LODR Regulations and/or applicable laws in this regard shall automatically apply to this Policy.