

## **DNIL Policy on Related Party Transactions**

### **Introduction**

The Board of Directors (the “Board”) of De Nora India Limited (the “Company” or “DNIL”), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of the Listing Agreement (as amended from time to time) with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

### **Short title and applicability**

This policy, which encompasses the company’s philosophy for delineating its responsibility as a corporate citizen, lays down the guidelines and mechanism for undertaking related party transactions, is titled as ‘DNIL Policy on Related Party Transactions.

This policy will be applicable to the Company.

This policy aims to regulate transactions between the Company and its Related Parties based on the compliance requirements of the Listing Agreement as applicable to the Company.

### **Objectives of the Policy**

Security Exchange Board of India (SEBI), vide Circular Dated 17 April 2014, has amended the clause 49 of Listing Agreement entered into by the company with the Stock Exchanges. The amended Clause 49 requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with above requirement.

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

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. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

### **Definitions**

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

“**Audit Committee**” means the Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu Undivided Family
- ii. They are husband and wife
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

**“Related Party”** means related party as defined in Clause 49 of the Listing Agreement which is as follows:

An entity is related to the Company if any of the conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013
- b. The entity is a related party under the applicable accounting standards.

*As per Section 2(76) of the Companies Act, 2013*

Related Party with reference to a company means

- a) a director or his relative ;
- b) a key managerial personnel or his relative ;
- c) a firm, in which a director, manager or his relative is a partner ;
- d) a private company in which a director or manager or his relative is a member or director ;
- e) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- f) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act :  
Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- h) any company which is –
  - a. a holding, subsidiary or an associate company of such company ; or
  - b. a subsidiary of a holding company to which it is also a subsidiary ;
- i) Director or Key Managerial Personnel of the holding company or his relative

*As per Accounting Standard 18 of ICAI (AS 18)*

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions and includes the following related party relationships:

- a. Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries)
- b. Associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or joint venture
- c. Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual
- d. Key Management Personnel and relatives of such personnel and
- e. Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

However the following would not be deemed to be related parties:

- a. two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);
- b. a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- c. the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
  - (i) providers of finance;
  - (ii) trade unions;
  - (iii) public utilities;
  - (iv) government departments and government agencies including government sponsored bodies.

“**Control**” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

“**Related Party Transactions**” is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

*Explanation:* A ‘transaction’ with a related party shall be construed to include single transaction or a group of transactions in a contract.

“**Associate Company**”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

*Explanation.*—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

“**Material Related Party Transaction**” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions 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.

### **Effective date**

The Policy shall be effective from 1<sup>st</sup> November 2014

### **Policy**

All Related Party Transactions shall require prior approval of the Audit Committee in accordance with this policy.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

### **Dealing with Related Party Transactions**

#### **Identification of transactions with related parties:**

The Company shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st January every year.

The company shall collate the information, coordinate and send the Related Party List to the concerned employees which may include CEO, Functional Heads, the Finance & Accounts Department and Statutory Auditors and who it believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

#### **Disclosure by Directors and Key Managerial Personnel**

Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding and shall also provide the list of his/her relatives which are regarded as related party as per this policy.

Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

(a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be,

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting

Provided that where any Director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

A contract or arrangement entered into by the company without disclosure or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

#### Review and approval of Related Party Transactions

##### *Audit Committee approval*

All Related Party Transactions shall require prior approval of the Audit Committee.

Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders in carrying out the transactions and on the benefits.

The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

However, the Audit Committee may grant omnibus approval for Related Party transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (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;

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 Rs.1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

##### *Criteria for granting omnibus approval for related party transactions*

- ❖ Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

- ❖ The commercial reasonableness of the terms of the Related Party Transaction;
- ❖ The materiality of the Related Party Transaction;
- ❖ Whether the terms of the Related Party Transaction are fair and on the same basis as would apply if the transaction did not involve a Related Party;
- ❖ The extent of the Related Party's interest in the Related Party Transaction;
- ❖ The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- ❖ Whether the Related Party Transaction would affect the independence of an Independent Director;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

*Related Party Transactions not approved under this Policy*

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

*Shareholder's Approval*

1. All Material Related Party transactions shall require approval of the shareholders through special resolution.

All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

*Related party transactions not requiring approval*

However, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i. Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business unless the same is considered as a material related party transaction under the provisions of this policy.
- ii. Transactions available to all employees generally
- iii. Transactions entered into between two government companies
- iv. 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

Explanation: Government Company shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013

#### Disclosure

- i. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance; and
- ii. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- iii. Particulars of Contracts and arrangements with Related Party requiring Board or shareholder's approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **Materiality of the Related Party Transactions**

Disclaimer: This policy has been framed in accordance with requirement of Clause 49 (VII) (C) of the Listing Agreement. This may not cover transactions which are required to be dealt as per the provisions contained in the Companies Act, 2013, rules made thereunder and Accounting Standard - 18.