

# **POLICY ON RELATED PARTY TRANSACTION**

## **THE SANDUR MANGANESE & IRON ORES LIMITED**

*(Approved by Board of Directors on 9 February 2022)*

### **1. PREAMBLE**

**The Sandur Manganese & Iron Ores Limited** (the “Company” or “SMIORE”) recognizes that related party transactions can present potential or actual conflict of interest. Engaging in such transactions may raise concerns at the potential effect of the relationship on the financial position and further poses a question as to whether such transactions were undertaken in the best interest of the Company and its stakeholders.

The Company first formulated the Policy on Related Party Transaction as per the requirement of erstwhile clause 49 of the Listing Agreement and the present Policy has been revised from time to time to align with the existing provisions of Regulation 23 and other applicable provisions, if any, of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Section 188 and other applicable rules, provisions, if any, of the Companies Act, 2013 (“the Act”), the Companies (Meetings of Board and its Powers) Rules, 2014 and Indian Accounting Standard (Ind AS) 24 as amended from time to time.

The Policy includes materiality thresholds for related party transactions.

### **2. APPLICABILITY**

This amended Policy shall be effective from 1 April 2022 for regulating transactions between the Company and its related parties based on the applicable laws and regulations.

### **3. DEFINITIONS**

- 3.1.** “Act” means the Companies Act, 2013, Rules framed thereunder and any amendments thereto.
- 3.2.** “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.
- 3.3.** “Associate Company” or “Associate” means an associate company as defined under Section 2(6) of the Companies Act, 2013 or under the applicable accounting standards.
- 3.4.** “Audit Committee” or “Committee” means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the SEBI (LODR) Regulations, 2015.
- 3.5.** “Board” or “Board of Directors” of the Company means the collective body of the directors of the company.
- 3.6.** “Body Corporate” or Corporation includes a Company incorporated outside India as per sub-section (11) of Section 2 of the Act but does not include;
  - a) a co-operative Society registered under any law relating to Co-operative Societies; and
  - b) any other Body Corporate (not being a Company as defined in this Act), which the Central Government may, by notification, specify in this behalf.
- 3.7.** “Close members of the family of a person” are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:
  - a) that person’s children, spouse or domestic partner, brother, sister, father & mother;
  - b) children of that person’s spouse or domestic partner; and

- c) dependents of that person or that person's spouse or domestic partner
- 3.8. **“Control”** shall mean control as defined under Section 2(27) of the Companies Act, 2013, Listing Regulations and Applicable Accounting Standards.
- 3.9. **“Compliance Officer”** means Company Secretary of the Company.
- 3.10. **“Holding Company** shall mean a Holding Company as defined under Section 2(46) of the Companies Act, 2013.
- 3.11. **“Key Managerial Personnel”** shall mean key managerial personnel as defined under Section 2(51) the Companies Act, 2013 and under applicable accounting standards.
- 3.12. **“Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3.13. **“Material Modification”** means any modification to the material Related Party Transaction which were approved by the Audit Committee / shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 10% of the originally approved transaction in case of exigencies only.
- 3.14. **“Material Related Party Transaction”** means transaction(s) with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1000 (one thousand) crore or 10 (ten) per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity, whichever is lower, as defined under Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the contracts or arrangements prescribed under Companies Act, 2013 and as amended from time to time.

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(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5 (five) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- 3.15. **“Materiality Threshold”** means limits for Related Party Transactions beyond which the Shareholders approval will be required as specified in the act, rules, listing regulation and amendments thereto.
- 3.16. **“Office or place of profit”** means any office or place;
- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
  - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- 3.17. **“Ordinary Course of Business”** means the usual transactions and practices undertaken by the Company to conduct its business operations and activities and as determined by Audit Committee from time to time. However, indicative factors for determining term ordinary course of business includes activities or operation that are;
- a) normal or otherwise routine for the particular business
  - b) repetitive / regular / frequent
  - c) covered in the object clause of the Memorandum of Association
  - d) a source of income for business

e) in furtherance of the business

**3.18. “Related Party”** means a related party as defined under section 2(76) of the Companies Act, 2013, applicable accounting standards and Regulation 2(1) (zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**3.19. “Related Party Transactions”** means related party transaction as defined in sub section (1) of section 188 of the Companies Act, 2013, under applicable accounting standards and Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**3.20. “Relative”** with reference to any person, means anyone who is related to another in the following manner:

- a) they are members of a Hindu Undivided Family;
- b) Husband/wife
- c) Father (includes step-father)
- d) Mother (includes the step-mother)
- e) Son (includes the step-son)
- f) Son’s wife
- g) Daughter
- h) Daughter’s husband
- i) Brother (includes the step-brother)
- j) Sister (includes the step-sister)

**3.21. “Subsidiary Company” or “Subsidiary”** means a subsidiary company as defined under Section 2(87) of the Companies Act, 2013.

Any other term not defined herein and words and expressions used in this Policy shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable Accounting Standards or any other applicable law or regulation for the time being in force.

#### **4. OBJECTIVE OF POLICY**

The Objective of this Policy is to:

- 4.1. Regulate transactions between the Company vis-à-vis its related parties with a view to ensure that such transactions are executed on an arm’s length basis and in a transparent and fair manner as per the Act and Rules made there under and the SEBI (LODR) Regulations, 2015 as amended from time to time.
- 4.2. Prescribe materiality thresholds for related party transactions.
- 4.3. Seek necessary approvals from the Audit Committee/Board/Shareholders, as may be necessary, after providing necessary information in the prescribed manner.
- 4.4. Outline the procedures for identification, review, disclosure, and reporting of such transactions.

#### **5. IDENTIFICATION OF RELATED PARTIES AND POTENTIAL RELATED PARTIES**

##### **5.1. Disclosure by Directors under Section 184 of the Companies Act, 2013**

- 5.1.1. Declarations shall be procured from each Director in relation to his / her interest(s) in other company / companies, firm(s), body corporate(s), association of individuals in accordance with Section 184 of the Companies Act, 2013.

- 5.1.2. Each Director shall be responsible for providing notice to the Board, disclosing his/her concern or interest along with the shareholding, at the first meeting of the Board every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.
- 5.1.3. In addition, any concern or interest in a contract or arrangement or proposed contract or arrangement entered or proposed to be entered into, shall be disclosed at the meeting of the Board in which the contract or arrangement is discussed and such Director shall not participate in discussions on the subject matter of the resolution relating to such contract or arrangement during such meeting.
- 5.1.4. Any Director who is not concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- 5.1.5. A declaration shall be obtained from newly appointed Directors on the date of board meeting or within thirty days from the date of appointment.

**5.2. Disclosure of details by Directors and KMPs of relatives/close members of family**

- 5.2.1. Declarations shall be obtained from each Director and KMPs enlisting the names of the relatives/close members of family at the beginning of each financial year.
- 5.2.2. The aforesaid declaration shall be obtained from newly appointed Directors and KMPs within thirty days from the date of appointment.
- 5.2.3. Any additional information as may be required, be sought as the Audit Committee / Board may warrant/request.

**5.3. Corporate Level Assessment:** The Company Secretary in consultation with the Chief Financial Officer shall review the structure of the Company to identify holding, subsidiary, associates, fellow subsidiaries, group companies, joint ventures in accordance with Section 2(76)(viii) of the Companies Act, 2013.

**5.4. Database of Related Parties**

- 5.4.1. The Company Secretary and Chief Financial Officer shall be responsible for maintaining details/ data of related parties and devising a mechanism to maintain a consolidated list of related parties applicable to the Company based on the disclosures received from Directors and KMPs and review of corporate structure.
- 5.4.2. The Database will act as a single source of identifying related parties of the Company. Accordingly, the duo shall also devise a way to enable all Departments connected with purchase/sale to access the same.
- 5.4.3. The concerned officials of the department shall responsibly carry out a check against the database before entering into any transaction with a person/entity.

## **5.5. Reporting**

- 5.5.1. In case a transaction is proposed to be entered into with a person/entity identified as a related party, the same shall be brought to the attention of the Company Secretary, before execution of the same.
- 5.5.2. Each of our Directors, Key Managerial Personnel are instructed to voluntarily inform the Company Secretary by giving a written notice about any potential RPTs which may arise.
- 5.5.3. Any such potential RPTs that are brought to the attention of the Company Secretary shall be analysed in consultation with Chief Financial officer to determine whether the transaction does, in fact, constitute a RPTs requiring compliance with the procedures provided herein.

## **6. APPROVAL PROCESS FOR RELATED PARTY TRANSACTIONS (RPT)**

### **1. Audit Committee**

- All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee (Provided members of audit committee, who are independent directors, shall approve related party transactions)
- Audit Committee may grant omnibus approval subject to conditions specified in Companies Act, 2013 and Listing Regulations.

### **2. Board of Directors**

- Related Party Transactions proposed to be entered into, not in the ordinary course of business or not at an arm's length basis, regardless of the materiality threshold specified under the Companies Act, 2013 or Listing Regulations.
- 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.
- 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.
- Transactions meeting the materiality thresholds which are intended to be placed before the shareholders for approval.

### **3. Shareholders**

- All material related party transactions and subsequent material modifications as defined by the audit committee shall be placed for the prior approval of the shareholders of the Company and no related party shall participate and vote to approve such resolutions, whether the entity is a related party to the particular transaction or not.
- All transactions specified under Section 188 of the Act which;
  - are not in the ordinary course of business or at arm's length basis; and
  - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

## MATRIX FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Statutory Provisions under <i>(Section 188(1) of Companies Act, 2013)</i>		Approval Requirement		
		Audit Committee	Board	Members
<b>Nature of Transaction</b>				
(a)*	sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to			
	≥ 10% of turnover	✓	✓	✓
	< 10% of turnover	✓	✓	X
(b)*	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to			
	≥ 10% of Net worth	✓	✓	✓
	< 10% of Net worth	✓	✓	X
(c)*	leasing of property of any kind, amounting to			
	≥ 10% of Turnover	✓	✓	✓
	< 10% of Turnover	✓	✓	X
(d)*	availing or rendering of any services, directly or through appointment of agent, amounting to			
	≥ 10% of turnover	✓	✓	✓
	< 10% of turnover	✓	✓	X
(e)*	appointment of any agent for purchase or sale of goods, materials, services or property, amounting to			
	≥ 10% of turnover	✓	✓	✓
	< 10% of turnover	✓	✓	X
(f)*	such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration of			
	> ₹2.50 lakh	✓	✓	✓
	≤ to ₹2.50 lakh	✓	✓	X
(g)*	underwriting the subscription of any securities / derivatives thereof, of the company with a remuneration of			
	> 1% of net worth	✓	✓	✓
	≤ 1% of net worth	✓	✓	X
<b>Statutory Provisions under SEBI (LODR) Regulations, 2015</b>				
transfer of resources, services or obligations regardless of whether a price is charged and a transaction with related party shall be construed to include a single transaction or a group of transactions in a contract amounting to				
> Rs. 1000 Crore or 10% of annual consolidated turnover (whichever is lower)		✓	✓	✓
≤ Rs. 1000 Crore or 10% of annual consolidated turnover (whichever is lower)		✓	✓	X
Any Subsequent Material Modifications		✓	✓	✓

*\* No approval of Board or shareholders is required for transaction referred in (a) to (g) above, if those are entered in the ordinary course of business and at arm's length price.*

**Notes:**

**1. Turnover/Net worth shall be computed on the basis of the audited financial statement of the preceding financial year.**

**7. MANAGEMENT'S RESPONSIBILITY**

- 7.1. Management shall furnish requisite information, as may be stipulated under the provisions of Companies Act, 2013, SEBI (LODR) Regulations, 2015 and applicable Accounting Standards, to the Audit Committee and Board of Directors, enabling them to duly accord approval for related party transaction(s).
- 7.2. The management shall provide the Audit Committee the details of related party transaction(s) entered into by the company pursuant to each of the omnibus approval granted for reviewed on a quarterly basis.

**8. EXEMPTIONS**

The following related party transactions will be treated as exempted transactions and not required to pass through the any approval process:

1. Transactions entered between the Holding Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Holding Company.
2. 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.

**9. RPTs NOT APPROVED UNDER THIS POLICY**

- 9.1. In the event the Company becomes aware of a transaction with a related party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. On review, the Committee shall consider and evaluate all options available to the Company including ratification, revision or termination of the related party transaction or take any such action as it deems appropriate.
- 9.2. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval of shareholders in general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- 9.3. It shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement, in contravention of the provisions of section 188 of the Companies Act, 2013, Listing Regulations and Accounting Standards for recovery of any loss sustained by it as result of such contract or arrangement.

## **10. DISCLOSURES AND REPORTING**

10.1. Appropriate disclosures as required under the Companies Act, 2013, the Listing Regulations and Accounting Standards as amended from time to time shall be made by the Company. The Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

## **11. AMENDMENTS**

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

11.2. The Audit Committee shall periodically review the Policy and may recommend suitable amendments, from time to time subject to applicable rules and regulations in this regard, for approval of the Board.