

GREENLAM INDUSTRIES LIMITED

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

The Board of Directors (the “Board”) of Greenlam Industries Limited (the “Company”) had originally adopted this Policy on Related Party Transactions (“the Policy”), as required in terms of Clause 49 of the erstwhile Listing Agreement in its meeting held on 11.11.2014. However, pursuant to the enactment of the Section 14 of Companies (Amendment) Act, 2015, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) and in light of its impact on the compliance and disclosures pertaining to Related Party Transactions, this Policy was amended by the Board of Directors of the Company at its meeting held on 22.01.2016. Further, owing to the amendments brought in by Companies (Amendment) Act, 2017, the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulation, 2018, and the implementation of Indian Accounting Standards, the Policy was again amended on February 13, 2019. Furthermore, pursuant to Regulation 23(1) of the SEBI LODR the Board reviewed the Policy in light of the amendments in the applicable provisions so as to align it with the same and policy was further amended on May 27, 2021.

Now, in view of the SEBI LODR (Sixth Amendment) Regulations, 2021, this Policy has been further amended on March 31, 2022.

The Board or the Audit Committee of the Board (“Audit Committee”), subject to confirmation by Board, may review and amend this policy from time to time.

EFFECTIVE DATE

This revised Policy was recommended by the Audit Committee and is approved by the Board of Directors on March 31, 2022.

The revised Policy shall become effective from April 01, 2022.

SCOPE AND PURPOSE

The Companies Act, 2013 (“the Act”), the Rules framed thereunder as well as Regulation 23 of SEBI LODR, contain detailed provisions on Related Party Transactions.

This Policy has been framed and adopted to ensure proper approval and reporting of the transactions between the Company and its Related Parties.

The Board recognizes that certain transactions with related parties of the Company present a heightened risk of conflicts of interest or the perception thereof. Therefore, the Board has adopted this Policy to ensure that all the transactions with Related Parties shall be subject to this Policy and approval or ratification in accordance with the Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.

CLARIFICATIONS, AMENDMENTS AND UPDATES

This Policy shall be implemented as per the provisions of the Applicable Law. Any amendments in the Applicable Law, including any clarification/circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous application of Applicable Law at the time of its implementation. Further, the Policy shall be reviewed by the Board at least once in every three years and updated accordingly.

Likewise, reference in this Policy to accounting standards shall be deemed to refer to the contemporaneous Accounting Standards as applicable to the Company at the relevant time.

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them, in the Applicable Law under reference.

DEFINITIONS

1. “Applicable Law” means the Act and the rules made thereunder, the SEBI LODR and any further amendments therein which includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, applicable on the Company.
2. “Associate Company” means as defined under the Act, SEBI LODR and applicable Accounting Standards:
3. “Compliance Officer” for the purpose of this Policy shall mean the Chief Financial Officer of the Company.
4. “Key Managerial Personnel” means
 - i) Chief Executive Officer or the Managing Director or the Manager;
 - ii) Whole-Time Director;
 - iii) Chief Financial Officer;
 - iv) Company Secretary;
 - v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - vi) such other officer as may be prescribed.
5. “Material modification” shall mean any modification made in the terms and conditions of any Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, as the case may be, which, individually or taken together with previous modification(s) during a financial year, results in variation in the value, tenure, exposure of the Related Party Transaction, by at least 10%.

Provided that a modification shall be material, if by such modification, the terms of the contract cease to be at arms’ length.

Provided further that the following shall not be considered as material modification -

- a. modifications which may be mandated pursuant to change in law.
- b. modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with mutual consent of parties, as the case may be.
- c. modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.) approved by appropriate authority.
- d. modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties.
- e. modifications uniformly affected for similar transactions with unrelated parties.

Any change in nature of RPTs would always require fresh approval of the Audit Committee.

6. “Material Related Party Transaction”

A. Under the SEBI LODR:

- a. means a transaction entered with a related party, value whereof individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crores or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other threshold as may be laid down from time to time under Applicable Laws.
- b. a transaction involving payments made to a related party with respect to brand usage or royalty shall also be considered as a material related party transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

B. Under the Act:

means transactions as defined under Section 188(1) of the Act read with Rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014.

7. “Relative(s)” shall have the same meaning as assigned to it under Section 2 (77) of the Act and the Rules made thereunder and Regulation 2 (1) (zd) of SEBI LODR.
8. “Related Party” shall have the same meaning as assigned to it in the Act, SEBI LODR and applicable Accounting Standards.
9. “Related Party Transaction” shall have the same meaning as assigned to it in the Act, SEBI LODR and applicable Accounting Standards:

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions for the purpose of this Policy:

Statutory exemption:

- a The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities

Others:

- c Any transaction that involves the providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of the Act, 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.
- d Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
- e Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require approval in advance by the Audit Committee.

POLICY STATEMENT

1. Subject to the following provisions, all the Related Party Transactions proposed to be entered into by the Company and subsequent material modification(s) thereto shall require the prior approval of the Audit Committee, including those transactions proposed to be entered in the ordinary course of its business and on arm's length basis.
2. All the contracts/ arrangements prescribed under Section 188(1) of the Act, which are not in the ordinary course of business of the Company and on an arm's length basis shall, in addition to the prior approval of the Audit Committee, also require prior approval of the Board of Directors of the Company.
3. All the Material Related Party Transactions, and subsequent Material Modification thereto, exceeding the threshold limits as prescribed under Regulation 23 of the SEBI LODR, shall also require prior approval of the Members of the Company by way of resolution and all the related parties shall not vote to approve the relevant transaction on such resolution, irrespective of whether the entity is a related party to such transaction or not. Further, the aforementioned conditions shall not apply if the transaction is entered into with wholly owned subsidiary(ies) and between two wholly-owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

4. However, it is clarified that all such Related Party Transactions, as are specified under Section 188 of the Act, which are in the ordinary course of business and also on an arm's length basis, will only require the prior approval of the Audit Committee, provided that such Related Party Transactions are not Material Related Party Transactions under the Act.

A. Identification of Related Parties and Related Party Transactions

The Compliance Officer shall at all times:

- a) Identify, the Related Parties of the Company, along with their personal/company details, make a list, revisit and confirm such list at frequent intervals at least once a year, as on 1st April every year;
- b) Maintain a list of Related Parties of its subsidiaries also, which may be sourced from respective subsidiaries on periodic basis or as and when needed. Adequate systems must be in place to ensure that the RPTs in which the Company is not a party, but the subsidiary is a party, shall be brought to the information of the Company in a timely manner, for necessary approvals, wherever required.
- c) The Compliance Officer shall identify such managers, departmental heads and such other employees ("**Designated Employees**") who are authorised for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and its subsidiaries and circulate the list of Related Parties to all such Designated Employees of the Company and its subsidiaries along with the approval thresholds for entering into transactions with such Related Parties;
- d) The Compliance Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees;
- e) The list of Related Parties and the Designated Employees identified for reporting the related party transactions shall be placed before the Audit Committee;
- f) With regard to Immaterial Transactions (defined below), internal systems may be created to ensure that the Designated Employees approving the transactions are not related to the contracting parties and alternative approving authorities are put in place. The *modus operandi* for internal systems shall be placed before the Audit Committee and shall be circulated amongst all Designated Employees for effective monitoring of all Related Party transactions whether Immaterial Transactions or otherwise.

B. Procedures for review and approval of Related Party Transactions

- a) Subject to the provisions of Applicable Law, all Related Party Transactions or any Material Modification must be referred for prior approval by the Audit Committee in accordance with this Policy;
- b) Prior approval of the Audit Committee of the Company shall also be required in case of a Related Party Transaction to which the 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 10% of annual consolidated turnover (w.e.f. April 1, 2023, 10% of the annual standalone turnover), as per the last audited financial statements of the Company;

However, such approval shall not be required for a related party transaction wherein Regulation 23 is applicable to such subsidiary.

- c) Approval of the Audit Committee shall not be required for any transaction which has been entered into by the Company with its wholly owned subsidiary and transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval. However, approval shall be required in case of Related Party Transaction entered into between the Company and its wholly owned subsidiary for transactions specified in section 188 of the Act.
- d) Only those members of the Audit Committee who are independent directors shall approve Related Party Transactions. The transactions for which omnibus approval (for a period not exceeding one financial year) of the Audit Committee has already been sought will not require prior approval of the Audit Committee for each transaction entered into pursuant to the same.

Where the need/purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature and duration of transaction, maximum amount of transaction, indicative base price / current contracted price and the formula for variation in the price and such other parameters as may be laid down by the Audit Committee, are not available at the time of taking such approval, the omnibus approval for such transactions shall be granted subject to their value not exceeding Rs.1 crore per transaction (Immaterial Transactions). Further, such transactions shall be reported to the Audit Committee quarterly.

Where Related Party transactions have been entered into prior to such transactions being placed before the Audit Committee reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee.

- e) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit Committee. Where such transactions fall under Section 188(1), the Audit Committee shall recommend the transaction for approval of the Board.
- f) Related Party Transactions that are not on arm's length basis, irrespective whether the transactions are covered under Section 188 or not, shall not be approved by Audit Committee and shall be recommended to the Board for appropriate action.
- g) The Audit Committee shall review the statement of all related party transactions submitted by management.
- h) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

- i) However, Related Party Transactions with wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the Members at the general meeting for approval are exempted from the requirements of approval of members by way of a resolution at the general meeting

C. Omnibus Approval by the Audit Committee

For the ease of carrying out transactions/ contracts/ arrangements with related parties, the Audit Committee may grant omnibus approvals to such transactions, subject to Para (B) above, preferably any time before the beginning of the financial year for which approval of the Audit Committee is sought or any time prior to entering into such transaction and such approvals shall be valid till the conclusion of the immediately following financial year or till conclusion of the financial year respectively. Omnibus approvals shall be granted based on the following:

- i. Frequency of the transactions in the last 3 years, if any;
 - ii. Justification for the omnibus approval.
 - iii. Volumes of transactions, if any, undertaken with such Related Party in the last 3 years.
 - iv. Such omnibus approval shall specify the following:
 - a) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b) the indicative base price or current contracted price and the formula for variation in the price, if any;
 - c) The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
 - d) such other conditions as the Audit Committee may deem fit;
- Provided that 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 Immaterial Transactions.
- v. Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.
 - vi. Notwithstanding the generality of foregoing, the Audit Committee shall not grant omnibus approval for following transactions:
 - a) Transactions which are not in ordinary course of business or not on arm's length basis;
 - b) Transactions in respect of selling or disposing of the undertaking of the Company;
 - c) Transactions which are not in the interest of the Company;
 - d) Such other transactions specified under Applicable Law from time to time.
 - vii. Where the Audit Committee has granted omnibus approval for related party transactions, such transactions will be put for review before the Audit Committee on a quarterly basis in every financial year.

D. Standards for Review

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) contractual terms for the Related Party transactions and whether the same are comparative with the market standards, if available, and whether beneficial to the company;
- (d) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (e) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (f) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (g) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (h) 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;
- (i) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction;
- (j) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- (k) 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 would be detrimental to the Company;
- (l) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant;
- (m) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

E. Determination of Ordinary Course of Business

(i) A transaction shall be deemed to be “in the Ordinary Course of Business” of the Company, if:

A. Any of the following conditions are met:

- a. The transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company’s business; or
- b. The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner; AND

B. The transaction is not

- a. an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;
- b. Any sale or disposal or any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of Companies Act, 2013.

(ii) In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association.

(iii) The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

These are not exhaustive criteria and the Audit Committee may assess transactions, considering its specific nature and circumstances.

F. Determination of Arms’ length nature of the Related Party Transaction

- (i) The following illustrative tests may be used by the Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof: -
- a. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
 - b. The contracts/ arrangements have been commercially negotiated.
 - c. The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated under the Act, Rules framed thereunder or Listing Regulations.
 - d. The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
 - e. Such other criteria as may be issued under Applicable Law.
- (ii) Further, in order to determine the optimum arm's length price, the Company may also apply the most appropriate method from any of the following methods as prescribed under Section 92C (1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962 –
- a. Comparable Uncontrolled Price method (CUP method)
 - b. Resale Price Method
 - c. Cost Plus Method
 - d. Profit Split Method
 - e. Transactional Net Margin Method
 - f. Other Method as prescribed by the Central Board of Direct Taxes

G. Disclosures

- (a) The Company is required to disclose Related Party Transactions covered under Section 188 of the Act, in the Company's Board's Report to shareholders of the Company at the Annual General Meeting as follows:
- i. All Material Related Party Transactions; and
 - ii. All Related Party Transactions not entered into at an arm's length basis
- (b) Details of all Material Related Party Transactions under SEBI LODR shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the SEBI LODR.

- (c) Disclosure of related party transactions on a consolidated basis, in the format specified in SEBI from time to time, to the stock exchanges and to publish the same on its website of the Company, within 15 days from the date of publication of its standalone and consolidated financial results for the half year (and on date of publication of its standalone and consolidated financial results w.e.f April 01, 2023).
- (d) Annual disclosures shall be provided in the format prescribed under the specified laws to be submitted by the Company at the end of financial year (for the whole of financial year).
- (e) The Company is also required to disclose this Policy on its website i.e., www.greenlamindustries.com and also provide web link to the same in the Annual Report of the Company.
- (f) The Company shall keep one or more registers as specified under Applicable Law giving the particulars of all contracts or arrangements with any related party.

By order of the Board
For Greenlam Industries Limited

Date: March 31, 2022
Place: New Delhi

Sd/-
Ashok Kumar Sharma
Chief Financial Officer