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## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**

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Under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

**Approved by**

Audit Committee and Board of Directors

Dated 11<sup>th</sup> March, 2022

**SENCO GOLD LIMITED**

**CIN:** L36911WB1994PLC064637

**Registered & Corporate Office:**

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Unit no. 1001, Kolkata-700017, West Bengal, India

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### **1. Introduction:**

1.1 Related party transactions ( RPT) can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders.

1.2 Provisions regarding Related Party Transaction are encapsulated under 188 of the Companies Act, 2013 (“the Act”) read with rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 which provides, inter alia, that a company cannot enter into any contract or arrangement with a related party except with the prior approval of Audit Committee or Board or Shareholders as the case may be.

1.3 Further, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires every Listed Company to formulate a Policy on a) materiality of related party transactions and also b) on dealing with related party transactions including clear threshold limits duly approved by the Board.

1.4 Wherever required, to ensure compliance of the provisions of the Companies Act, 2013 and the Listing Regulations, the RPTs shall also be subject to Board’s approval in case of material transactions or transactions not meeting Arms Length pricing Criteria

1.5 Accordingly, The Board of Directors (“the Board”) of Senco Gold Limited (“the Company”) has adopted the following policy based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

1.6 Where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule, regulation or standard. In case of any subsequent amendments to the Regulations which makes any of the provisions in the Policy inconsistent, the provisions of the Regulations shall prevail.

### **2. Objectives of the Policy**

The objective of this Policy is to set out

- (a) Guidelines for Identification of the Related Parties
- (b) The materiality threshold for related party transactions
- (c) The manner of dealing with the transaction between the Company and its related parties
- (d) The various stages and limits of approval by Audit Committee, Board of Directors and Shareholders.
- (e) Criteria for approval of Omnibus Transactions and the exclusions thereto.
- (f) Details and documents to be provided while seeking OmniBus approval.

### **3. Definitions:**

- i. **"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.
- ii. **"Audit Committee"** means the audit committee of the board of directors of the Company.
- iii. **"Board"** means the Board of directors of the Company.
- iv. **"Company"** means Senco Gold Limited.
- v. **"Key Managerial Personnel" or "KMPs"** means Key Managerial Personnel as defined under the Act and includes:
  - (i) Managing Director, or Chief Executive Officer;
  - (ii) the Whole Time Director;
  - (iii) Company Secretary; and
  - (iv) Chief Financial Officer;
- vi. **"Material Related Party Transaction"** means a transaction/contracts 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 last audited financial statements of the Company
- vii. **"Materiality Threshold"** means limits for related party transactions beyond which approval of the shareholders' as specified in Companies Act, 2013 and rules thereof and amendments thereto will be required.
- viii. **"Ordinary Course of Business"** with reference to a transaction with a related party means a transaction which is:
  - a) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
  - b) historical practice with a pattern of frequency;
  - c) common commercial practice; or (iv) meets any other parameters / criteria as decided by the Board/Audit Committee, from time to time.
- ix. **"Policy"** means this policy, as amended from time to time.
- x. **"Related Party"** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or under applicable accounting standards.
- xi. **"Related Party Transaction"** means a transfer of resources, services or obligations between a 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 transactions in a contract, and includes transactions as defined as a "related party transaction" under the relevant provisions of the Companies Act, 2013.
- xii. **"Relative"** means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Regulations as amended from time to time, means anyone who is related to another, if
  - (i) They are members of a Hindu Undivided Family; or They are husband or wife; or
  - (ii) One person is related to the another in the following manner, namely:
    - (A) Father, includes stepfather
    - (B) Mother, includes stepmother
    - (C) Son includes stepson
    - (D) Son's wife

- (E) Daughter
- (F) Daughter's husband
- (G) Brother includes stepbrother
- (H) Sister includes stepsister

Any other term not defined herein 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 or any other applicable law or regulation and as amended from time to time

#### **4. POLICY**

All Related Party Transactions ( RPT or RPTs ) should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one financial year and shall require fresh approval for the next financial year. The transactions may need further approval of Board of Directors and/ or Shareholders as per this policy or statutory provisions.

4.1 Directors should disclose annually by a Written Notice ( Form MBP-1) regarding the Concerns in which they have Interest. The Details of such disclosures shall be maintained in Form MBP-4

4.2 All RPTs must be in compliance of this Policy and subject to all applicable regulatory requirements. .

4.3 Every Related Party Transaction (RPT) shall have the approval of the Audit Committee whether at a meeting or by resolution by way of circulation. The Audit Committee may also consider to grant omnibus approval for RPTs, which are repetitive in nature based on criteria approved in advance.

4.4 Wherever required, to ensure compliance of the provisions of the Companies Act, 2013 and the Listing Regulations, the RPTs shall also be subject to Board's approval in case of material transactions or transactions not meeting Arms Length pricing Criteria

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4.6 None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT). Related Parties that are parties to the proposed contract shall abstain from voting during discussion at Audit Committee and/ or Board Meeting.

4.7 Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

4.8 Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. Senco Gold has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment(s) to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

4.9 Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years (Next Due Date will be February, 2025) and updated accordingly.

## **5. DISCLOSURE BY DIRECTORS**

5.1. Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

5.2. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

## **6. APPROVAL TO RELATED PARTY TRANSACTIONS:**

The approval of Related Party Transaction is a 3 step process depending on nature, volume, materiality and threshold limits.

### **6.1 Approval of Audit Committee**

The Audit Committee shall be provided with the relevant information of RPTs in accordance with the requirements of Regulation 23 of the Listing Regulations or under Rule 15(1) of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time, or as requested by the Audit Committee.

The Compliance Officer shall – (i) identify the related parties along with their details, (ii) furnish these details to the concerned departments, which are responsible for entering into contracts / arrangements or agreements, for and on behalf of the Company, at regular intervals, (iii) ascertain that whether RPTs are on Arm's Length basis or in the ordinary course of business, and (iv) ensure to have the approval from Audit Committee for all RPTs and wherever required from Board of Directors or shareholders of the Company.

In determining whether to approve a RPT, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party.

### 6.1.1 Advance Approval

All Related party transactions will require prior approval of Audit Committee, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall consider the following factors while deliberating on the related party transactions for its approval:

- ❖ Name of party and details explaining nature of relationship
- ❖ Duration of the contract and particulars of the contract and arrangement
- ❖ Nature of transaction and material terms thereof including the value, if any.
- ❖ Manner of determining the pricing to ascertain whether the same is on arm's length
- ❖ Business rationale for entering into such transaction and
- ❖ Any other information relevant or important for the Board to take a decision on the proposed transaction

In determining whether to approve a Related Party Transaction, the Audit Committee will consider following factors, among others, to the extent relevant to Related Party Transaction:

- ✓ 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 / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- ✓ 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 because 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.
- ✓ 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.

### **6.1.2 Advance Omnibus Approval to be obtained annually to avoid event wise approval.**

The Audit Committee may also grant omnibus approval every year at the beginning for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- 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.
- Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- Transaction of following nature will not be granted omnibus approval of the Audit Committee:
  - 1. Transactions which are not at arm's length or not in the ordinary course of business
  - 2. Transactions which are not repetitive in nature
  - 3. Transactions exceeding materiality thresholds as laid down in this Policy
  - 4. Transactions in respect of selling or disposing of the undertaking of the company
  - 5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
  - 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

### **6.1.3 Related Party Transactions needing Post Facto Approval**

- In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee.
- In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is informed to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- The Audit Committee shall consider all relevant facts and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT.

## 6.2 Approval of Board of Directors

The following related party transactions shall require further approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction, if not in ordinary course of business or on arm's length basis.

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company

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

## 6.3 Approval of Shareholders

**6.3.1. Material Related Party Transactions :** All material related party transactions shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

**6.3.2 Related Party Transactions Not on Arm's Length or exceeding threshold limits:** All Related Party Transactions as per Section 188 of the Companies Act, 2013, If such related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds the thresholds limits as prescribed in the rules thereof (**as set out in Annexure I**), shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.



6.3.3 However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **7. REPORTING & DISCLOSURE**

7.1 Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

7.2 The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

7.3 The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

7.4 The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

## **8. COMPLIANCE RESPONSIBILITY**

Compliance of this Policy shall be the responsibility of the Chief Financial Officer of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

## **9. AMENDMENTS**

The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

## **10. Effective Date**

This Policy shall be effective immediately from the date of Listing of Equity Shares of the Company.

## Annexure 1

### Limits as specified under Regulation 15 of Companies ( Meeting of Board and its Powers) Rule, 2014 for Transactions needing approval of shareholders by Special Resolution.

S No.	Transaction Category	Companies Act, 2013
( a )	Transactions u/s 188 ( a ) to ( e)	
i	Sale, purchase or supply of any goods or materials directly or through agents	Exceeding 10% of the annual turnover of the company or Rs 100 Crore whichever is Lower
ii	Selling or otherwise disposing off, or buying, property of any kind directly or through agents	Exceeding 10% of the net worth of the company* or Rs 100 Crore whichever is Lower
iii	Leasing of property of any kind	Exceeding 10% or more of the annual turnover of the company * or Rs 100 Crore whichever is Lower
iv	Availing of or rendering any services directly or by appointing agents	Exceeding 10% or more of the annual turnover of the company * or Rs 50 Crore whichever is Lower
v	Related party's appointment to any office or place of profit in the Company or its subsidiary company or associate company	Monthly remuneration exceeding INR 2,50,000 pm ( Rupees Two lacs fifty thousand)
vi	Underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% or more of the net worth of the company*

\* The Turnover or Net worth referred above shall be computed based on the Audited Financial Statements of the preceding financial year

Note: Limit Specified above shall apply to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

## **Annexure 2**

### **Criteria for Granting Omnibus Approval**

In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 30% of the annual consolidated turnover of the company as per last its audited financial statements.
- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in this Policy

## **Annexure 3**

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ii Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
- iii Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- iv Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- v Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
  3. management assessment of pricing terms and business justification for the proposed transaction;
  4. comparative analysis, if any, of other such transaction entered into by the company