

SHIVA CEMENT LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AS ALSO DEALING WITH RELATED PARTY TRANSACTIONS

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PREFACE:

TITLE	POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AS ALSO DEALING WITH RELATED PARTY TRANSACTIONS
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Background:

This paper, inter-alia, sets out the Company's policy on dealing with Related Party Transactions which is intended to ensure proper approval and reporting of transactions between the Company and any of its related parties. This Policy shall apply to all transactions entered into by the Company with its related parties as per the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy sets forth the nature of related party transactions, approvals and disclosure requirements.

The Board of Directors of the Company may amend this Policy from time to time.

Definitions

“**Act**” means the Companies Act 2013 and rules prescribed thereunder, as amended from time to time.

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

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

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“Company” means Shiva Cement Limited.

“Control” means control as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and Indian Accounting Standards, as amended from time to time.

“Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

“Material Modification” means any of the following modifications to an existing Related Party Transaction:

- (a) Modification in the value of the contract / transaction by more than 10% of the total value of such contract/ transaction, as last approved;
- (b) Modification in the arm’s length pricing methodology;
- (c) Modification that causes a change in the valuation of the transaction causing it to exceed Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company.”

“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 rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Ordinary Course of Business” means a usual transaction entered into in relation to provision of goods or services in which the Company regularly deals.

“Policy” means this Policy on materiality of related party transactions as also dealing with related party transactions.

“Related Party” means related party as defined under the Act and the Listing Regulations.

“Related Party Transaction” means a transaction involving transfer of resources, services or obligations between:

- i. the Company and any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

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- ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries
regardless of whether a price is charged and includes:
- (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 and a "transaction" with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

“**Relative**” means relative as defined under the Act.

Dealing with Related Party Transactions:

A. Approval by Audit Committee:

1. The Audit Committee is required to approve related party transactions or any subsequent modification thereof.

Provided that:

- (a) only those members of the Audit Committee, who are independent directors, shall approve related party transactions;
- (b) a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- (c) effective April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

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The Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- (a) Type, material terms and particulars of the proposed transaction;
- (b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (c) Tenure of the proposed transaction (particular tenure shall be specified);
- (d) Value of the proposed transaction;
- (e) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- (f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - (i) details of the source of funds in connection with the proposed transaction;
 - (ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (g) Justification as to why the RPT is in the interest of the Company;
- (h) A copy of the valuation or other external party report, if any such report has been relied upon;
- (i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- (j) Any other information that may be relevant.

2. *The aforesaid requirement would not apply to a transaction, other than a transaction referred to in section 188 of the Act, between the Company and its wholly owned subsidiary company.*

3. *Further, in case of transaction, other than transactions referred to in section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.*

4. *Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, (excluding promoters/promoter group), is*

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exempt from the requirement of prior approval of audit committee in case the transaction is not material.

5. *The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:*
- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - ii. the transaction is not material;
 - iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - iv. the details of ratification shall be disclosed along with the disclosures of related party transactions;
 - v. any other condition as specified by the audit committee:

Failing which such transaction would be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

6. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to compliance with following conditions:
- a. The Audit Committee, after obtaining approval of the Board, shall lay down the criteria for granting 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.
 - b. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. Such omnibus approval shall specify the details as required under the Act and Listing Regulations.
 - d. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. One crore per transaction.
 - e. Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

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- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- g. Transactions in respect of selling or disposing of the undertaking of the Company, transactions in respect of which powers can be exercised only by the Board as also such transactions which are / may be expressly prohibited by the Board cannot be undertaken through omnibus approval.

B. Approval by Board:

Related Party Transactions which are in ordinary course of business and on an arm's length basis are exempt from prior approval of the Board. However, transactions specified under Section 188 of the Companies Act, 2013, which are not in the ordinary course of business or not as per arm's length pricing or both shall require prior approval of the Board.

C. Approval by Shareholders:

Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the Shareholders.

Threshold limits for dealing with Related Parties:

The following Related Party Transactions which are not in ordinary course of business and / or arm's length basis or both, if exceeding the following threshold limits current specified under Section 188 of the Companies Act, 2013 and as may be amended from time to time, require not only prior approval of the Board but also of the Shareholders of the Company:

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the Company;
- (iii) leasing of property any kind amounting to ten per cent or more of turnover of the Company;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;

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

- (v) appointment to any office or place of profit in the Company, its subsidiary company or

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associate company at a monthly remuneration exceeding two and a half lakh rupees:

- (vi) payment of remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth.

Explanation- (1) The turnover or net worth referred to above shall be computed on the basis of the audited financial statement of the preceding financial year.

Shareholders' resolution as referred above would not be required for transactions entered into between:

- (a) the Company and its wholly owned subsidiary; or
(b) two wholly owned subsidiaries of the Company,*

provided that accounts of such wholly owned subsidiaries referred in (a) and (b) above are consolidated with the Company and placed before the Shareholders at the general meeting for approval.

Information to be provided to shareholders for consideration of RPTs

The notice to be sent to the shareholders seeking approval for any proposed RPT shall include the following information as a part of the explanatory statement:

- (a) A summary of the information provided by the management of the Company to the audit committee as specified in Para A(1) hereinabove;
- (b) Justification for why the proposed transaction is in the interest of the Company;
- (c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under Para A(1)(f) above;
- (d) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- (e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- (f) Any information required to be provided to the shareholders as per the requirements of the Companies Act, 2013,
- (g) Any other information that may be relevant.

Voting

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the Related Party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

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If any director of the Company is interested in any contract or arrangement with a Related Party, such director cannot be present at the Board / Audit Committee meeting of the Company during discussions in the matter.

Members of the Company who are Related Parties shall not vote to approve the resolution in respect of approval or Material Modification of Material Related Party Transactions irrespective of whether the Member is a party to the particular transaction or not.

Related Party Transactions should be at Arm's Length Price (ALP):

- All Related Party Transactions should be adequately supported by contracts or purchase orders / work order / sales order and documentations to justify ALP.
- If ALP cannot be justified for any transaction, then approval should be taken from Audit Committee, Board and shareholders, as applicable.

Reporting and disclosure of Related Party Transactions:

- Board's report shall contain details of Related Party Transactions as required under the Companies Act, 2013.
- The Company shall submit to the stock exchanges on the date of publication of its standalone and consolidated financial results for the half year, disclosures of Related Party Transactions, in the format specified by the Securities and Exchange Board of India ("SEBI") from time to time and publish the same on its website.
- The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis, details of all Material Related Party Transactions.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide a web link in the Annual Report.
- The Company shall disclose transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) ten percent or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results in the Annual Report.
- This Policy will be communicated to all operational employees and other concerned personnel of the Company.

Review of The Policy

This Policy shall be reviewed by the Board at least once every three years and updated accordingly.

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