



**Policy on
Materiality and Dealing with
Related Party Transactions**

[Regulation 23 of SEBI Listing Regulations, 2015 & Section 188 of the Companies Act, 2013]

1. TITLE

This policy shall be called 'RPT Policy on materiality and dealing with related party transactions'.

2. OBJECTIVE

This policy is formulated in line with the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (known as listing regulations) read with Section 188 of the Companies Act, 2013. The code of conduct for independent directors as stipulated in Schedule IV of the Companies Act, 2013 provides that it is one of the duties of the Independent Directors to pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company. Further, regulation 34(3) of the listing regulations requires disclosure in annual report on materially significant related party transactions that may have potential conflict with the interests of listed entity at large.

In order to prevent abuse in related party transactions, one of the key functions of the Board of directors is to monitor and manage potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions¹. Further, according to Section 164(1) (h) of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company, if he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years.

3. DEFINITIONS

3.1 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.

3.2 Audit committee means the audit committee of the Board of directors of GHCL Limited.

¹ Regulation 4(2)(f)(iii)(6) of Listing Regulations, 2015



- 3.3 **Board** means the Board of directors of GHCL Limited
- 3.4 **Company** means GHCL Limited
- 3.5 **Material related party transaction:** The expression “material related party transaction” in relation to the company means a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, *exceeds ten percent (10%) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the company or any other limit as may be prescribed from time to time by amending listing regulations and Section 188 of Companies Act, 2013 and related rules thereon.*
- 3.6 **Policy** means this policy, as amended from time-to-time.
- 3.7 **Related Party** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013² and Regulation 2(1)(zb) of Listing Regulations³.
- 3.8 **Related party transaction** in relation to the Company means a transaction which is:
- a) a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged and a “transaction” with a related party shall be

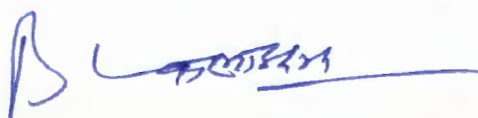
² “related party”, with reference to a company, means—

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: **Provided that** nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
- (A) a holding, subsidiary or an associate company of such company; or
- (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed. In terms of Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, for the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director other than independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

³ Regulation 2(1)(zb) of Listing Regulations, 2015: Related party means a related party as defined

- (i) under Section 2(76) of the Companies Act, 2013, or
- (ii) under the applicable accounting standards.

However, this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange.




construed to include a single transaction or a group of transactions in a contract⁴;

- b) [a contract or arrangement with a related party with respect to –
- (i) sale, purchase or supply of any goods or materials ;
 - (ii) selling or otherwise disposing of, or buying, property of any kind ;
 - (iii) leasing of property of any kind ;
 - (iv) availing or rendering of any services ;
 - (v) appointment of any agent for purchase or sale of goods, materials, services or property ;
 - (vi) such related party's appointment to any office or place of profit in the Company , its subsidiary company or associate company ; and
 - (vii) underwriting the subscription of any securities or derivatives thereof, of the Company]⁵ ;
- c) defined as a “related party transaction” under the relevant provisions of the Companies Act, 2013 or the Listing Regulations or any other related law, regulation, standard etc.

4. APPLICABILITY

This policy shall be applicable to all the related party transactions entered in to by the Company with the related party as defined in the policy.

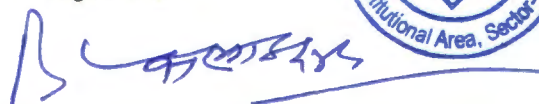
5. APPROVAL OF RELATED PARTY TRANSACTIONS

- (a) **⁶Prior approval of audit committee is mandatory in all related party transactions irrespective of any quantum or time period:** All related party transactions shall require prior approval of the audit committee. The approval of the audit committee may be granted by way of circular resolution. However, the Audit Committee may grant omnibus approval

⁴ Regulation 2(1) (zc) of Listing Regulations, 2015.

⁵ Section 188(1) of the Companies Act, 2013.

⁶ Regulation 23 of the Listing Regulations.




for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- (i) **Repetitive nature of transactions:** 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.
- (ii) **Need based and beneficial to the Company.** The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) Such omnibus approval shall specify
 - ❖ the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - ❖ the indicative base price / current contracted price and the formula for variation in the price if any and
 - ❖ 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.

- (iv) **Quarterly review by the Audit Committee.** Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
 - (v) **Omnibus approval validity up to one year.** Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year”
- (b) **Approval of Shareholders by passing Ordinary Resolution:** All material related party transaction shall require approval of shareholders through Ordinary Resolution as per Companies Act, 2013 and the related parties shall abstain from voting on such resolutions whether the entity is related party to the particular transaction or not. However, *no approval of*



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audit committee and shareholders would be required for the transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding Company and placed before the shareholders at general meeting for approval.

- (c) **Prior approval** of Audit Committee, Board and the shareholders by way of passing **Ordinary resolution** in their general meeting, would be required in following situations.
- i. In case of **non-material related party transaction** which is not in ordinary course of business or
 - ii. In case of **non-material related party transaction** which is in the ordinary course of business but is **not an arm's length transaction. (see illustration)**
- (d) **Prior approval** of Audit Committee, **prior approval** of Board and approval of shareholders (*may or may not be prior*) by way of passing **Ordinary resolution** in their general meeting, would be required in following situations.
- i. In case of **material related party transaction** which is not in ordinary course of business or;
 - ii. In case of **material related party transaction** which is in the ordinary course of business but is **not an arm's length transaction. (see illustration)**
- (e) **All related party transaction must be approved by audit committee:** In accordance with the provisions of Regulation 23(2) of Listing Regulations read with third proviso to Section 188 of the Companies Act, 2013, prior approval of only audit committee would be required for all related party transactions which is not a material related party transaction and which is in ordinary course of the business and on an arm's length basis.
- (f) **Interested director should not present in the meeting⁷:** Where any director is interested in any contract or arrangement with related party, such director shall not be present in the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

⁷ Rule 15(2) of Companies (Meeting of Board and its power) Rules, 2014



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As per Regulation 23(4) of Listing Regulations, 2015, the related parties shall abstain from voting as shareholders in case of related party transactions which require the approval of shareholders, whether the entity is a related party to the particular transaction or not.

6. PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS

- (a) A list of all the related parties in relation to the Company shall be provided by the secretarial department to all the concerned departments, and updated from time-to-time, in consultation with Chief Financial Officer/Managing Director of the Company.
- (b) Every department, prior to entering in to any contract or arrangement with a related party, shall submit the details of contract and arrangement to the secretarial department.
- (c) The secretarial department shall, within five working days of submission of details, convey to the concerned department the approvals required if any for the contract/arrangement and approximate time within which such approval can be obtained. If required, the secretarial department may ask for further information / clarification related to proposed related party transaction.
- (d) The contract/arrangement shall not be entered in to without the necessary approval from the audit committee/Board/shareholders, if such prior approvals are necessary under the policy.
- (e) The secretarial department shall arrange for the approval of the audit committee/Board/shareholders, as may be necessary and upon receipt of necessary approval convey the same to the concerned department.

7. AMENDMENTS

Any subsequent amendment / modification in the listing Regulations and / or other applicable laws in this regard shall automatically apply to this Policy.

8. INTERPRETATION

- (a) Any words used in this policy but not defined herein shall have the same meaning as prescribed to it in the Companies Act, 2013 or rules made thereunder, SEBI Act or rules and regulations made thereunder, listing regulations, Accounting Standards or any other relevant legislation/law applicable to the company.



- (b) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the audit committee and the decision of the audit committee in such case shall be final. In interpreting such term/provision, the audit committee may seek the help of the officers of the Company or an outside expert as it deems fit.

9. DISCLOSURE:

- 9.1. GHCL shall disclose details of all material transactions with related parties along with the quarterly compliance report on Corporate Governance in terms of Regulation 27 (2) of the Listing Regulations.
- 9.2. GHCL shall disclose this policy or any amendment thereof, on its website and also in the annual report.

Illustrations					
Sl. No.	Transactions	Prior approval of Audit Committee	Board	Shareholders by Ordinary Resolution (Prior approval as per Section 188)	Shareholders by Ordinary Resolution (need not be prior approval as per Listing Regulations)
1.	Non Material Related party transaction in the ordinary course of business at arm's length basis.	Yes	No.	No.	No
2.	Material Related party transaction in the ordinary course of business at arm's length basis.	Yes	No (but recommend to the shareholders)	No	Yes
3.	Non Material Related party transaction in the ordinary course of business but not at arm's length basis.	Yes.	Yes	Yes	NA
4.	Material Related party transaction in the ordinary course of business but not at arm's length basis.	Yes.	Yes	NA	Yes
5.	Non-material Related party transaction not in ordinary course of business, at arm's length basis.	Yes	Yes	Yes	NA

6.	Material Related party transaction not in ordinary course of business, at arm's length basis.	Yes.	Yes	NA	Yes
7.	Non- Material Related party transaction not in ordinary course of business, not at arm's length basis.	Yes	Yes	Yes	NA
8.	Material Related party transaction not in ordinary course of business, not at arm's length basis.	Yes	Yes	NA	Yes



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