

McLEOD RUSSEL INDIA LIMITED

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

1. PREAMBLE

As required approval of related party transactions as prescribed under the Companies Act, 2013 ('the Act') read with Rules framed thereunder and Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), The Company has formulated guidelines for identification of related parties and proper conduct and documentation of all related party transactions. Also, as per Regulation 23 of Listing Regulations formulated a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved and reviewed by the Board of Directors. The said policy was amended by the Board of Directors of the Company from time to time in accordance with the Law.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 effective from 1st April 2025 the said policy is hereby amended accordingly. The Board of Directors of the Company at its meeting held on 13th February 2025 reviewed and approved the same. The said policy shall be made available on the website of the Company.

The Audit Committee of the Board will review the Policy and if it is felt necessary, may amend it from time to time. This Policy has been framed to regulate transactions between the Company and its Related Parties based on the applicable laws and the provisions contained in the Listing Regulations. The objective of the Policy is to ensure proper approval and reporting of the Related Party Transactions.

2. DEFINITIONS

"Audit Committee" means the Committee of the Board of Directors of the Company, constituted in terms of requirements of the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges.

"Key Managerial Person" means Key Managerial Personnel as defined in Section 2 (51) of the Companies Act, 2013.

"Material Related Party Transactions" means a transaction with a related Party, if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds Rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company, whichever is lower.

"Related Party" means Related Party as defined in Section 2 (76) of the Companies Act, 2013 and Regulation 2(zb) of Listing Regulations or such entity which is considered to be a Related Party in terms of the applicable Accounting Standards.

"Related Party Transaction" as per Regulation 2(zc) means

a transaction involving a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (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, with effect from April 1, 2023;

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:

Provided that the following shall not be a related party transaction:

- (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.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);"

Further, a related party transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188-

- 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:

Further related party transaction shall mean such other transaction(s) as may be notified from time to time under the Act and or the Regulations.

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 in section 2 (77) of the Companies Act, 2013.

"Material Modification(s)" means in relation to any Related Party Transaction shall mean such changes to the price, rate or total amount approved earlier which exceeds the same by 10% in a financial year if undertaken and such modification is not inconsistent with this Policy, the Act or the Regulations.

3. APPROVAL OF RELATED PARTY TRANSACTIONS

All transactions identified as Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company. If the Audit Committee approves any transaction it shall forward the same to the Board for its approval. The Board shall consider the transaction in terms of this policy and grant approval if the same is in the best interest of the Company.

Provided that only those members of Audit Committee, who are independent directors, shall approve related party transactions.

Provided further that:

- (a) the audit committee of the Company shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with 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 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 consolidated turnover, as per the last audited financial statements of the Company;
- (c) with effect from April 1, 2023, 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 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

- (d) prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

- (e) Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23(1).
- (f) 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 ten crore;
 - ii. The transaction is not material in terms of the provisions of sub-regulation 23(1);
 - 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 in terms of the provisions of Regulation 23(9);
 - v. Any other condition as specified by the audit committee.

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing Notice to the Board and the Audit Committee of any potential Related Party Transaction involving him or her or his/her relative, with additional information about the transaction that the Board/Audit Committee may require. The Board/Audit Committee will determine whether the transaction as reported constitute a Related Party Transaction requiring compliance with this Policy.

It is desirable, that the Notice of any potential Related Party Transaction be given well in advance to enable the Audit Committee/Board to have adequate time to obtain and review details in respect of the proposed transaction.

Further, RPTs with value of Rs. 1,000 Crore or more in a FY, or 10% of the consolidated turnover of the Company, whichever is lower will be treated as material RPT requiring prior approval of the shareholders.

5. MATERIALITY THRESHOLD

Regulation 23 of Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. Presently, the Board of Directors have approved its materiality threshold at Rs. 1,000 Crore or more in a FY, or 10% of the consolidated turnover of the Company, whichever is lower as per last audited financial statements of the company.

However, 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 listed entity as per the last audited financial statements of the listed entity.

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

6. AUTHORITY TO APPROVE RELATED PARTY TRANSACTIONS

All material related party transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of the Shareholders through resolution and no related party shall vote to approve such resolutions whether entity is a related party to the particular transaction or not;

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

7. OMNIBUS APPROVAL

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary subject to the following conditions, namely-

- a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- c) the omnibus approval shall specify:
 - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity or its subsidiary pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year :

8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

To review a Related Party Transaction, the Audit Committee and the Board will be provided with all relevant material information in respect of the transaction. The Committee and the Board will also be provided with the objective of the transaction and the benefits that the Company may derive out of the transaction.

In determining whether a Related Party Transaction is ought to be approved, the Audit Committee and Board will consider inter alia the following factors:

- I. Whether there are any compelling business reasons for the Company to enter into the transaction.
- II. Whether the terms of the Related Party transaction are fair and on arm's length basis to the Company
- III. Whether the Company was notified about the transaction before its commencement and if not, why prior approval was not sought and whether ratification would be detrimental to the Company.
- IV. Whether the Related Party Transaction would affect Independence of an Independent Director.
- V. Whether the Related Party Transaction would invoke conflict of interest for any Director or Key Managerial Personnel.

All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

The provisions of 6, 7 and 8 shall not be applicable for:

- (a) Transactions entered into between two public sector companies;
- (b) 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 the general meeting for approval;
- (c) 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;
- (d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand;
- (e) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand

9. RELATED PARTY TRANSACTIONS NOT REQUIRING ANY APPROVAL

The following Related Party Transactions shall not require approval of Audit Committee or Shareholders.

- I. Transactions involving payment of compensation/remuneration to a Director for the duties performed by him or her in terms of his/her terms of appointment including reimbursement of reasonable business and travel expenses incurred in the ordinary course of business if the same is already approved by the Board.
- II. Any transaction in which the Related Party's interest arises solely from ownership of Securities issued by the Company and all holders of such securities received the same benefits pro rata as the Related Party.

10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY.

The Audit Committee and the Board will not approve a proposed Related Party Transaction if it considers that the transaction is not in the best interest of the Company.

A related party transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/Director of the Company becomes aware of such transaction.

Where in terms of Section 188(3) of the Companies Act, 2013, the Board decides not to ratify a related Party Transaction which has already commenced without prior approval, the Committee and the Board may direct immediate discontinuation or rescission of the transaction. The Committee may also ask for modification of the Terms in the best interest of the Company.

In addition to the Directors and Key Managerial personnel, this Policy will be communicated to all Operational Heads and the Senior Executives of the Company for overall awareness to facilitate statutory compliances.

11. DISCLOSURE

- i. The Company shall also disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.
- ii. The Company shall submit to the Stock Exchanges disclosures of related party transactions in the format as specified by the Board from time to time every six months on the date of publication of its standalone and consolidated financial results and publish the same on the website.

Provided that a 'high value debt Company shall submit such disclosures alongwith its standalone financial results for the half year.

Provided further that the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under 23(9) provided that the same is not material in terms of the provisions of Regulation 23(1).

- iii. The Company shall disclose in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results effective from April 01, 2019 as per Regulation 2A of Schedule V to the Annual report of SEBI (LODR) Regulations, 2015,.

12. AMENDMENTS

The Policy formulated by the Board may be amended, substituted or modified by the Audit Committee subject to approval of Board. In case of any amendment to the provisions relating to related parties in the Act and the Rules made thereunder or the Listing Regulations, this Policy shall stand amended/modified accordingly. However the policy has to be reviewed at least once in every three years.

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