

**EXXARO TILES LIMITED**



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**COMPANY'S POLICY ON RELATED PARTY TRANSACTIONS**

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(Approved by the Board of Directors of the Company at its meeting held on  
05<sup>th</sup> January 2021)

**Exxaro Tiles Limited**  
Regd. Office: Survey No: 169 & 170,  
Vavdi Harsol Road, Mahelav, Talod,  
Sabarkantha-383305, Gujarat.

## 1. INTRODUCTION

The Board of Directors (the "**Board**") of **Exxaro Tiles Limited** (the "**Company**"), has adopted the following policy and procedures with regard to Related Party Transactions (including materiality of related party transactions and dealing with related party transactions) as defined below.

The Audit Committee will review and shall, from time to time, recommend amendments, if any, in this policy to the Board.

This policy will be applicable to the Company. This policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

## 2. PURPOSE

This policy is framed as per requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as '**Regulations**' and the provisions of Companies Act, 2013 (the "**Act**") including Rules made there under, and intends to ensure proper governance and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

## 3. DEFINITIONS:

**"Arms length transaction"** as defined under explanation (b) to section 188(1) of the Companies Act, 2013, a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**"Associate"** shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Associate under sub-section (6) of section 2 of the Companies Act, 2013:

**"Associate company"** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation - For the purpose of this clause, "significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.

An Associate as per Accounting Standard – 18:

An enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party.

**"Audit Committee"** or **"Committee"** means Audit Committee constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.

**"Board of Directors"** or **"Board"** means the Board of Directors of Exxaro Tiles Limited, as constituted from time to time.

**"Key Managerial Personnel"** (KMP) means Key Managerial Personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013.

Key Managerial Personnel as per sub-section (51) of section 2 of the Companies Act, 2013:

"Key Managerial Personnel", in relation to a company, means—

- a) the Chief Executive Officer or the Managing Director or the Manager;
- b) the Company Secretary;
- c) the Whole-time Director;
- d) the Chief Financial Officer;
- e) 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
- f) Such other officer as may be prescribed.

**"Material Related Party Transaction"** - 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 of the annual consolidated turnover of the listed entity as per the last audited financial statements of the company.

**"Policy"** means this Policy on related party transactions (including materiality of related party transactions and dealing with related party transactions).

**"Related Party"** as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable Accounting Standards.

Related Party' as per sub-section (76) of section 2 of the Companies Act, 2013:

"Related Party" with reference to a company, means:

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager, or his relative is a partner;
- d) a private company in which a director or manager or his relative is a member or director;
- e) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
- f) anybody 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;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act; Provided that nothing in sub clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- h) any company which is - (A) a holding, subsidiary or an associate of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary;
- i) an investing company or the venturer of the company;
- j) Explanation.—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate
- k) such other persons as may be prescribed;

### **As per Rule 3 of Companies (Specification of Definitions Details) Rules, 2014-**

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 related party.

**"Related Party Transaction"** means any transaction involving transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and would include a single transaction or a group of transactions.

**"Relative"** means as defined under sub-section (77) of Section 2 of the Companies Act, 2013 and includes anyone who is related to another, if

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. Father (including step father)

- iv. Mother (including step mother)
- v. Son (including step son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step brother)
- x. Sister (including step sister)

#### **4. POLICY:**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy

##### **4.1 Identification of Related Party**

Each Director and Key Managerial Personnel (KMP) is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Such Notice shall be issued to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

In addition to above, management is to identify other related parties based on control exercised by company on them and vice-versa within the meaning of Companies Act, 2013 and AS-18.

##### **4.2. Prohibitions pertaining to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- A. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- B. The Audit Committee shall satisfy itself on the need for such omnibus approval and that such approval is in the interest of the company;
- C. 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;
- D. 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.
- E. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Further, all the transactions falling within the purview of Section 188(1) of the Companies Act, 2013 shall require the consent of the Board of Directors given by way of a resolution at a duly convened Board Meeting.

### **4.3. Review and Approval of Related Party Transactions**

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and recommend the same for approval of the Board and shareholders, if required, in accordance with this policy. Any member of the Committee who has a potential interest in

any Related Party Transaction shall abstain himself/herself from discussion and voting on the approval of the Related Party Transaction.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

The approval of Audit Committee, Board or Shareholders, as may be required under this Policy is to be taken prior to entering into the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction. In determining whether to approve a Related Party Transaction, the Committee will consider inter- alia the following factors, to the extent relevant to the 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 the Company was notified about the Related Party Transaction before its commencement and any other factors as the Committee deems relevant.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders, subject to the applicable provisions of the Companies Act, 2013 and the Rules made thereunder:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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.
- 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 receive the same benefits pro rata as the Related Party.
- iii. Any transaction entered into between the Company and its wholly-owned subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval.

**5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its commencement, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as may deem fit, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy. This Policy will be communicated to all concerned employees and persons of the Company.

**6. DISCLOSURES:**

The Policy on dealing with Related Party Transactions is to be disclosed on the company's website at [www.exxarotiles.com](http://www.exxarotiles.com) and a web link thereto would be disclosed in the Annual Report of the Company.

**7. AMENDMENTS TO THE POLICY:**

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.