

SMPP

PROTECTING THOSE WHO PROTECT US

SMPP LIMITED

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

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1. BACKGROUND

SMPP Limited (the “Company”) is governed, amongst others, by the rules and regulations framed by Securities and Exchange Board of India (“SEBI”). The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“SEBI Listing Regulations”) mandate every listed company to formulate a policy on materiality of Related Party Transactions (“RPT”) (as defined below) and also on dealing with Related Party Transactions.

- a. Accordingly, the Company has formulated this policy (“Policy”) on materiality of Related Party Transactions and on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties (defined below).
- b. The Board of Directors of the Company (“Board”) on recommendation of the Audit Committee of the Company (“Audit Committee”) shall review the Policy once in three years and may amend the same from time to time.

2. OBJECTIVE

- a. Related Party Transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the companies to have enhanced transparency and due process for approval of the Related Party Transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board.
- b. Accordingly, the Board of Directors of the Company has adopted this Policy with regard to Related Party Transactions. The Audit Committee of the Company will review this Policy once in every three years and propose any modifications to the Board for approval.

3. APPLICABILITY

This Policy applies to SMPP Limited (formerly known as SMPP Private Limited) (the “Company”).

4. DEFINITIONS

- a. “**Act**” means the Companies Act, 2013 and the rules thereunder and includes any amendments thereto.
- b. “**RPT**” means Related Party Transactions.
- c. “**SEBI LODR Regulations**” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- d. “**Board**” means Board of Directors of the Company.
- e. “**Policy**” means Policy on Materiality of Related Party Transactions & Dealing with Related Party

Transactions.

- f. “**Applicable Law**” means the Act, SEBI LODR Regulations and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- g. “**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 as defined in explanation (b) to Section 188 (1) of the Act.
- h. “**Associate**” means a company as defined under sub-section (6) of Section 2 of the Act, or under applicable accounting standard”.
- i. “**Audit Committee**” means the Audit Committee of the Board constituted pursuant to Section 177 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the SEBI LODR Regulations.
- j. “**Body Corporate**” means a body corporate as defined under sub-section (11) of Section 2 of the Act.
- k. “**Control**” means control as defined under sub-section (27) of Section 2 of the Act.
- l. “**Compliance Officer**” means Company Secretary of the Company.
- m. “**Holding Company**” means a holding company as defined under sub-section 46 of Section 2 of the Act.
- n. “**Director**” means a person as defined in sub-section (34) of Section 2 of the Act.
- o. “**Key Managerial Personnel**” mean the officers of the Company as defined in sub-section (51) of Section 2 of the Act.
- p. “**Employees**” mean the employees and office-bearers of the Company, including but not limited to Whole-Time Directors.
- q. “**Material Related Party Transactions**” means a transaction with a Related Party entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company, as per its latest audited financial statements.

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 or such sum as may be prescribed under the Act or SEBI LODR Regulations, as amended from time to time.

- r. “**Material Modification**” to a related party transaction shall mean any modification to an existing related party transaction having variance of 20% of the existing limit as approved by Audit Committee or Board of Directors or Shareholders of the Company.
- s. “**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.
- t. “**Ordinary Course of Business**” means all such acts and transactions which/wherein:

- i is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“**MoA**”) of the Company as amended from time to time; or
 - ii is as per historical practice with a pattern of frequency; or
 - iii is in connection with the normal business carried on by the Company; or
 - iv the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity; or
 - v is common commercial practice; or
 - vi meets any other parameters/ criteria as decided by the Board / Audit Committee.
- u. “**Relative**” shall have the meaning assigned to it in Section 2(77) of the Act and the Rules prescribed thereunder and as per Regulation 2(1) (zd) of the Regulations as amended from time to time, means anyone who is related to another, if:
- v. They are members of a Hindu Undivided Family; or They are husband or wife; or
 - w. One person is related to the another in the following manner, namely:
 - i Father, includes stepfather
 - ii Mother, includes stepmother
 - iii Son includes stepson
 - iv Son's wife
 - v Daughter
 - vi Daughter's husband
 - vii Brother includes stepbrother
 - viii Sister includes stepsister and SEBI LODR Regulations.
- x. “**Related Party**” means related party as defined under sub-section (76) of section 2 of the Act, and Regulation 2(1) (zb) of the SEBI LODR Regulations; or under the applicable Accounting Standards.
- y. Provided that: (a) any person or entity forming a part of the promoter or promoter group of the Company; or (b) any person or any entity, holding equity shares: (i) of twenty per cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time, during the immediate preceding financial year; shall be deemed to be a related party:
- z. “**Related Party Transactions**” means such transactions directly or indirectly involving any Related Party as specified under Section 2(76) read with Section 188 of the Act, or Rules prescribed thereunder and Regulation 2(1)(zc) of the SEBI LODR Regulations including any amendment or modification thereof, as may be applicable

- aa. “**Senior Management**” means officers/personnel of the Company who are members of its core management team excluding Board of Director normally this shall comprise all members of management one level below the chief executive officer/Managing Director/Whole Time Director/manager (including chief executive officer/manager, in case they are not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer.
- bb. “**Subsidiary**” means a company as defined in Section 2(87) of the Act read with relevant Rules prescribed thereunder.
- cc. *Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI LODR Regulations, Securities Contracts (Regulation) Act, 1956 or any other Applicable Law or Regulation in force.*

5. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS

- a. Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiary shall,
 - i at the time of appointment;
 - ii periodically – as required by the Company
 - iii whenever there is any change in the information already submitted,
- b. provide requisite information about his / her Relatives and all firms, entities, body corporates, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.

6. APPROVAL OF RELATED PARTY TRANSACTIONS

a) **Audit Committee**

All Related Party Transactions or any subsequent Material Modifications therein falling under Regulation 23 (2) to 23 (4) of the Regulations as amended from time to time, shall require prior approval of the Audit Committee of the Company. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions or material modifications thereto. Any member of the Audit Committee who is not an Independent Director or has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

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

- i. The Audit Committee shall lay down the criteria as approved by the Board of the Company 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 and subject to such criteria/conditions as mentioned under Regulation 23(3) of the SEBI Listing Regulations and such other conditions as it may consider necessary in line with this Policy and

in the interest of the Company;

- ii. 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 (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.

- iv. 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; and
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- vi. A Related Party Transaction or Material Modification thereof entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.
- vii. The Audit Committee shall also pre-approve Related Party Transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value whether entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary or such other thresholds as prescribed under the SEBI Listing Regulations. Provided that the prior approval of the Audit Committee shall not be required for a Related Party Transaction to which the listed subsidiary of the Company is a party but the Company is not a party if Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such subsidiary.

b) Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- i the name of the related party and nature of relationship;
- ii the nature, duration of the contract and particulars of the contract or arrangement;
- iii the material terms of the contract or arrangement including the value, if any;
- iv any advance paid or received for the contract or arrangement, if any;

- v the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- vii any other information relevant or important for the Board to take a decision on the proposed transaction.
- viii. 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.
- ix. The Board of Directors shall review, approve and recommend to the Shareholders for their approval, all Material Related Party Transactions and such transactions as required to be approved by shareholders of the Company in terms of section 188(1) of the Act and listing regulations.

c) Shareholder approval

- i All Material Related Party Transactions and subsequent Material Modifications 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.
- ii If a Related Party Transactions is not in the ordinary course of business, or which is in the ordinary course of business but not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Act and rules made thereunder (including any amendment(s) thereto or re-enactment thereof for the time being in force), it shall require shareholders' approval by a resolution.
- iii The Related Parties which may be related in the context of the Related Party Transaction for which the resolution is being passed and all other entities falling under the definition of related parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.

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.

The explanatory statement to be annexed to the notice of the shareholders' meeting shall contain the following particulars, namely: -

1. name of the related party;
2. name of the director or key managerial personnel who is related, if any;
3. nature of relationship;
4. nature, material terms, monetary value and particulars of the contract or arrangements;

5. any other information relevant or important for the members to take a decision on the proposed resolution

d) Reporting of Related Party Transactions

- i. Every contract or arrangement, which approved by the Board or the 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.
- ii. The details of all transactions with Related Parties shall be submitted to the stock exchanges in the format specified in the SEBI Listing Regulations, half yearly on the date of publication of the Company's standalone and consolidated financial results, or as per such other manner and timelines set-out in the SEBI Listing Regulations and the same shall be published on the Company's website.

7. PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS

- a) A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.
- b) The contract/arrangement shall not be entered into without the necessary approval from the Audit Committee/Board/shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contractor arrangement.

8. DISCLOSURE OF RELATED PARTY TRANSACTIONS

- a) Every contract or arrangement which shall be entered into pursuant to section 188(1) of the Companies Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- b) 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.
- c) The Company shall submit within 15 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.
- d) The Company shall disclose the 'loans and advances (by listed entities and its subsidiaries) in the nature of loans to firms / companies in which directors are interested in the Corporate Governance Report which shall be part of the Annual Report of the Company.

9. AMENDMENT

Any change in the Policy shall be approved by the Board. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Act or the rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

10. COMPLIANCE

The Chief Financial Officer (CFO) shall be responsible for supervision of the Policy. Any queries regarding the Policy shall be referred to the Chief Financial Officer (CFO), who is in charge of administering, enforcing and updating the Policy

11. INTERPRETATION

In any circumstance where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation or standard governing the Company, the said law, rule, regulation or standard will take precedence over this Policy.

12. EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party transactions and such transactions shall not require approval of Audit Committee or shareholders:

- a. Transactions 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; and
- b. Transactions entered into between two wholly-owned Subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

13. POLICY REVIEW

The Board may, subject to applicable laws, amend, suspend or rescind this Policy at any time and in any case, the Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Related Party Policy.

In the event of any conflict between the provisions of this Policy and of the applicable law(s) dealing with the Related Party Transactions, such applicable law(s) as may be in force from time to time shall prevail over this Policy.

14. VERSION HISTORY

Version	Approval date	Revision date	Description
Version 1	October 05, 2024	-	Original Policy