

DE NORA INDIA LIMITED

CIN: L31200GA1993PLC001335

POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS

[Pursuant to Companies Act, 2013 and Rules made thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

Policy approved by the Board on: November 01, 2014

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Registered Office:

Plot Nos. 184, 185 & 189, Kundaim Industrial Estate,
Kundaim, Goa – 403115

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

1. Introduction and Background:

The Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') prescribe comprehensive regulatory framework governing the Related Party Transactions. The Act and the Listing Regulations also require the Companies to adopt a comprehensive policy on dealing with Related Parties.

In the context of above, in compliance with the provisions of the Act and Listing Regulations, on recommendations of the Audit Committee, the Board of Directors of De Nora India Limited has adopted this Policy on Materiality and Dealing with Related Party Transactions ('the Policy').

The policy intends to regulate transactions between the Company and its Related Parties based on the compliance requirements of the Act and Listing Regulations as applicable to the Company in order to ensure the proper reporting, approval and disclosure procedures are in place for all such transactions in the best interest of the Company.

2. Important Definitions:

- 2.1 'Arm's length transaction'** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 2.2 'Annual Consolidated Turnover'** is the gross amount of revenue recognized in the statement of profit and loss from the sale, supply or distribution of goods or on account of services rendered or both, during a financial year as per the latest consolidated financial statement of the Company.
- 2.3 'Key Managerial Personnel'** means key managerial personnel as defined in Section 2(51) of the Companies Act, 2013.
- 2.4 'Material Related Party Transaction'** means a transaction with a Related Party, where the transaction(s) to be entered into individually or taken together with previous transactions with a Related Party 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 to be entered into individually or taken together with previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

2.5 'Material modifications' means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change the complete nature of the transaction and in case of monetary thresholds which is in excess of 20% of the originally approved transaction.

2.6 'Related Party' means a person or an entity defined as related party under Section 2(76) of the Act, Regulation 2(zb) of the Listing Regulations or under the applicable accounting standards including any amendments thereof.

2.7 'Related Party Transaction' means

- i) Transaction(s) covered under Regulation 2(1)(zc) of Listing Regulations
- ii) Any transaction(s) covered under sub-section 1 of Section 188 of the Act and the Rules framed thereunder.

2.8 'Relative' means relative as defined under Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder including any amendments thereof.

2.9 'Ordinary course of business' if transactions satisfy any of the following criteria, such transactions will be generally in the ordinary course of business:

- The Memorandum of Association of the Company should cover such transaction;
- There are previous instances of the Company having carried out such transaction;
- These transactions are frequent over a period of time;
- The transaction should be in furtherance of the business objectives of the Company;
- The transactions, if not frequent, are important to the business objectives of the Company;
- The transactions are incidental to the industry/part of standard industry practice or but for which the business would be adversely affected;

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances. Since interpretation of whether an activity would fall within the definition of "Ordinary Course of Business" is a question of judgment, in case of any difficulty, matters will be referred to the Board for ultimate consideration/decision.

Explanation: Any words used in the Policy but not defined herein shall have the same meaning ascribed to it in the Act or Rules made thereunder, Listing Regulations, Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

3. Interpretation

Wherever, the terms of the Policy differ from any existing or enacted Law(s), Rule(s), Regulation(s) governing the Company, then such Law(s), Rule(s) or Regulation(s) shall prevail over this Policy.

This Policy shall supplement the Company's other policies and any other laws, rules and regulations in force that may be applicable to or involve transactions with related persons.

In case of any dispute or difference upon the meaning/interpretation of any provision in the 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 any of the officers of the Company or an outside expert as it deems fit.

4. Identification of Related Parties and the Related Party Transactions

Every Director and Key Managerial Personnel (KMPs) shall be responsible for providing a declaration to the Board of Directors of their interest whether directly or indirectly in other Companies, firms or concerns, at the time of appointment, at the beginning of every financial year and whenever there is any change in the information already submitted during the year, immediately on occurrence. In addition, all Directors and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transaction involving them or their Relatives so that it can be placed before the Audit Committee for its review.

On the basis of the above referred information received and on the basis of the Act and Listing Regulations a list of related parties shall be prepared and maintained by the Company at all times. The Related Party List shall be updated whenever necessary by the Company Secretary.

The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with details as per the relevant clauses of this Policy for requisite prior approval.

5. Approval of the Related Party Transactions

Approval of the Audit Committee

All Related Party Transactions and subsequent material modification shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation, provided that only those members of the Audit Committee who are Independent Directors, shall approve related party transactions. However, the Audit Committee may grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, if the transactions meet the following criteria:

- I. Such related party transactions are routine and repetitive in nature.
- II. Such related party transactions are permissible under the provisions of the applicable laws.
- III. Such related party transactions are in the ordinary course of business of the Company.
- IV. Such related party transactions are in the best interest of the Company.
- V. The terms of such related party transactions are fair and on arm's length basis.
- VI. Such related party transactions do not have an improper conflict of interest for any director or Key Managerial Personnel of the Company / extent of the Director or KMP's interest in such contract or arrangement.

While assessing any proposal for omnibus approval, the Audit Committee may review the documents/seek information from Management or get clarification or opinion from third party.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval granted by the Audit Committee earlier.

The omnibus approval shall specify (a) the name/s of the related party and nature of relationship, (b) nature of transaction, (c) duration/period of transaction, (d) maximum amount of transaction that can be entered into, (e) the indicative base price / current contracted price and the formula for variation in the price, if any and (f) such other conditions as the Audit Committee may deem fit;

Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

In case the Committee does not approve any transaction, then it shall make its recommendations to the Board.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such Related Party Transaction.

Approval of the Board of Directors

The following Related Party Transactions shall be subject to prior approval of Board of Directors:

- All kinds of transactions with the Related Parties which are not in the ordinary course of business or not executed at an arm's length shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.
- Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration / determination by the Board, may be recommended to the Board for its approval.
- Where it is mandatory under any law for the Board to approve the Related Party Transactions.

In order to procure approval of the Board, the Management shall submit a comprehensive proposal for approval of the Related Party Transactions containing the following information:

- Name of the related party and nature of relationship;
- Nature, duration of the contract and particulars of the contract or arrangement;
- Material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- Manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- Any other information relevant or important for the Board to take a decision on the proposed transaction

Where any director is concerned, or interested in any potential Related Party Transaction, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such Related Party Transaction.

Approval of the Shareholders of the Company

The following Related Party Transactions shall be subject to prior approval of shareholders of the company by way of a resolution:

- I. All Material Related Party Transactions;

II. Related Party Transactions, which are not in the ordinary course of business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Companies Act, 2013 and the Rules made thereunder. Presently the threshold limits as per the Act are under:

- a) for contracts or arrangements with respect transactions mentioned in section 188, the threshold limits would be as follows-
- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% 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 10% or more of net worth of the Company;
 - (iii) leasing of property any kind amounting to 10% or more of the net worth of the Company or 10% or more of turnover of the company;
 - (iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% 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.

- b) for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding 2.5 lakh rupees;
- c) for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth;

Explanation -

- (1) The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.
- (2) The expression 'office or place of profit referred in the above sub-rule (b) shall be as defined under Section 188(1) of the Act.

All entities/individuals falling under the definition of "Related Parties" shall not vote to approve the relevant transaction irrespective of whether such entities/individuals are party to the particular transaction or not.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

Ratification of Related Party Transactions

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 in terms of the provisions of sub-regulation (1) of regulation 23 of Listing Regulations;

- (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 sub-regulation (9) of regulation 23 of Listing Regulations;
- (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.

The Audit committee may examine internal controls and the reasons for failure in reporting/prior approval of such Related Party Transaction and suggest directives to strengthen the internal controls. In connection with any review/ratification of any particular Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

Transactions with Related party that shall not require Approval

Following Transactions with Related Party shall not require any separate approval under this Policy:

- a. 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 sub-regulation (1) of regulation 23 of Listing Regulations.
- b. Reimbursement of expenses for attending board and other meetings including the reasonable business and travel expenses incurred in the ordinary course of business to the Directors;
- c. Transactions which are uniformly applicable/offered to all shareholders in proportion to their shareholding such as Payment of dividend, subdivision or consolidation of securities, issuance of securities by way of rights issue or a bonus issue and buyback of securities and transactions involving corporate restructuring, such as capital reduction, merger, demerger, hive-off etc. which are carried out in accordance with specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- d. such other transactions as may be specified under the Act / Listing Regulations.

6. Disclosures

This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.

The details of Related Party Transactions shall be disclosed in the Annual Report of the Company, to the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Act, Listing Regulations or any other applicable laws and regulations.

7. Review and amendments

The Board of Directors reserves the power to review and amend this policy from time to time based on the recommendations of the Audit Committee and establish further rules or procedures, periodically and as required under the Act or Listing Regulations, to give effect to this Policy.

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