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POLICY ON RELATED PARTY TRANSACTIONS

SMC GLOBAL SECURITIES LIMITED

Version 1.0 approved by the Board of Directors in 2015

Version 2.0 approved by the Board of Directors on 7th June, 2021

Version 3.0 approved by the Board of Directors on 31st January, 2022

The Board of Directors (“the Board”) of SMC Global Securities Limited (“the Company”) had originally adopted this Policy on Related Party Transactions (“Policy”) as required under the Companies Act, 2013, the Rules framed thereunder (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Considering the recent amendments in the provision of law, the Board of Directors have adopted the amended the policy on 7th June, 2021. Considering the amendments introduced by SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, the policy was amended by the Board of Directors on 31st January, 2022

Scope and Purpose

This Policy has been framed as per the requirements of the Act and the Listing Regulations and is intended to ensure proper approval and reporting of transactions between the Company and its related parties. The Board recognizes that certain transactions with related parties may heighten the risk of conflict of interest, hence it is necessary to regulate such transactions.

The Policy contains the procedures governing identification of related parties, approval and review mechanism at various levels, determination of materiality and reporting of related party transactions.

Interpretation

All the words and expressions used in the Policy, unless defined herein, shall have the same meaning as respectively assigned to them in the Act and the Listing Regulations including amendments thereof. Likewise, reference in this Policy to Accounting Standards shall be deemed to refer to the contemporaneous Accounting Standards as applicable to the Company at the relevant time.

“**Audit Committee**” means the committee of Board of Directors of the Company constituted under the provisions of section 177 of the Act read with Regulation 18 of the Listing Regulations.

“**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.

“**Key Managerial Personnel (KMP)**” means such personnel as defined under the Companies Act, 2013 viz:

- a) Managing Director or Chief Executive Officer or Manager;
- b) Company Secretary;
- c) Whole Time Director;
- d) 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;
- f) Such other officers as may be prescribed

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and shall include any person or entity belonging to the promoter or promoter group of the listed entity or any person or entity holding equity shares of 20% [10% w.e.f. 1st April, 2023] in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013 at any time during the immediately preceding financial year shall be deemed to be related party.

“Related Party Transaction” means a transfer of resources, services or obligations between

- i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- ii) a listed entity 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 listed entity 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.

“Relative” is any person who is related to another, if:

- They are members of a Hindu Undivided Family
- They are husband and wife; or
- One person is related to other in following manner, namely: -
 - o Father (includes step father)
 - o Mother (includes step mother)
 - o Son (includes step son)
 - o Son’s wife
 - o Daughter
 - o Daughter’s husband
 - o Brother (includes step brother)
 - o Sister (includes step sister)

“Material Related Party Transaction” shall refer to following:

- a) A transaction with a related party either individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- b) A transaction with a related party with respect to payments for brand usage or

royalty, if the transaction entered into individually or taken together with previous transactions during a financial year exceeds 5% of annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- c) Transactions exceeding such limits as is prescribed under Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014

[The elaborated materiality schedule applicable on the Company is annexed to this Policy as Annexure 1]

“Subsequent Material Modification” shall refer to any modification in the existing related party transaction either individually or taken together with previous transactions during a financial year exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company.

“Ordinary course of business” includes but not limited to mean such transaction that fulfils any or all the criteria:

1. The transaction has been entered in the normal course of business i.e. usual every day transaction for conduct of its business activities
2. Transaction is normal and incidental to business objectives and is as per standard industry practice.
3. Transaction is as per customary practice related to business

These are not exhaustive criteria and the Audit Committee shall have to assess each transaction and determine basis every transaction’s specific nature and circumstances.

“Office or place of profit” means any office or place:

- i) Where such office or place is held by a director, if director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as a director, by way of salary, fee, commission, perquisites any rent free accommodation, or otherwise.
- ii) Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation or otherwise.

Identification of Related Parties and Related Party Transaction

The Company identifies and records the list of related parties as per the definition prescribed in the Act and the Listing Regulations to track transactions of the Company with such persons/entities. The Audit Committee at regular intervals review the list of related parties, so as to ensure there are no inevitable omission.

All the directors and key managerial personnel are responsible for informing the Company their interest (including interest of their relatives) in other companies, firms, associations and such entities and any changes therein, during the year.

Every department of the Company which are responsible for frequently entering into transactions on behalf of, and for, the Company are notified and familiarized with the concept of related party transactions ('RPTs') and are restricted from entering into any such transactions without intimating the Company. Further, all such intimations are directed to be given well in advance, so that the Company Secretary has adequate time to obtain and review the information and refer it to Audit Committee for approval.

The Chief Financial Officer of the Company collates the list of all reportable related party transactions from all units and operations for the reporting quarter to be placed before the Audit Committee. The Committee then reviews the transaction to ensure elimination of any conflict of interest in dealings of the Company.

Approval and Review of Related Party Transactions

All the RPTs in the Company go through the approval process as prescribed under section 177 and 188 of the Companies Act, 2013 and Rules made thereunder and as provided under Regulation 23 of the Listing Regulations. Annexure 2 of this Policy provides a flow chart on Company's related party transaction approval matrix.

Audit Committee

a) Transaction which require prior Approval

All transactions which are identified as related party transactions and transactions which are not of repetitive nature, including any subsequent material modification is required to obtain prior approval of audit committee before execution. In this regard, only Independent Directors in the Audit Committee shall vote to approve the transactions. The committee shall consider all relevant factors while evaluating a transaction for approval. In determining whether or not to approve any related party transaction, the Audit Committee shall consider all factors it deems necessary, including the fact that the terms of the transaction with the related party should not be less favourable than terms generally available to an unrelated third party under same or similar circumstances. Upon evaluation of parameters, the Audit Committee may grant approval for the transaction and recommend the same to the Board of Directors for approval. The approval of Board of Directors shall be required for all such transactions which the Audit Committee determines to be not in ordinary course of business or on arm's length basis. In furtherance to the above, if any transaction exceeds the thresholds of materiality as is prescribed in the law including any subsequent material modifications as defined by the Audit Committee, shall require prior approval of the shareholders of the Company.

Further, 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 Company if the value of such transaction individually or taken together with previous transactions during the financial year exceeds 10% of the annual consolidated turnover as per last audited financial statements of the Company and w.e.f. 1st April, 2023 the audited financial statements of subsidiary.

While approving related party transaction, any member of the Audit Committee who has or

may have any potential interest in the transaction shall abstain himself/herself from the discussion and voting process on the said transaction. For any transaction, if the Audit Committee resolves to not approve any transaction it shall make recommendations to the Board.

In this regard, a transaction between holding and wholly owned subsidiary and transactions between two wholly owned subsidiaries, though not required to be specifically approved by Audit Committee, may be periodically reviewed and noted by committee.

b) Transactions for which omnibus Approval can be granted

The Audit Committee may grant omnibus approval for related party transactions if the same fulfils the criteria developed by the committee for granting omnibus approval and as approved by the Board of Directors of the Company. Some of the factors which shall be considered by the committee for granting omnibus approval shall be as follows:

- The transactions are repetitive in nature;
- The approval shall be in best interest of the Company;
- The transactions are in ordinary course of business and on arm's length basis
- The approval tenure for such transaction is only one year
- The committee is satisfied with the need of having an omnibus approval for such transactions

The Committee shall on quarterly basis review the details of related party transactions entered into by the Company pursuant to the omnibus approval. Herein, the limit of granting omnibus approval for foreseen and unforeseen transaction is different. In case where the committee is granting omnibus approval for foreseen transactions, the approval shall be granted for the exact expected amount of transaction without any limit. However, where the committee is granting approval for unforeseen transactions, the approval amount of transaction should not exceed Rs. 1 crore per transaction.

In this regard, the committee shall not grant omnibus approval for any transaction relating to selling or disposing of any undertaking of the Company.

c) Transaction which are subject to ratification

All the related party transactions should either be prior approved or should have been approved/reviewed under the omnibus approval granted by the Audit Committee. However, if any related party transaction is entered by any personnel of the Company unintentionally without bringing the same to the notice of Audit Committee or obtaining approval was not feasible, the same shall be ratified by the Committee in accordance with the provisions of law.

Board of Directors

If the Audit Committee determines that a related party transaction is material and should be brought before the Board, the same shall be required to be reviewed and approved by the Board.

All related party transactions that are not in ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has or have potential interest in such transaction will abstain himself/herself from discussion or voting process on the said transaction.

Further, where the Board determines that the transaction exceeds the limits of materiality prescribed in the law, the same shall be recommended to the shareholders of the Company for their approval.

Shareholders

All material related party transactions and subsequent material modifications shall require prior approval of the shareholders of the Company by way of an ordinary resolution and all related parties, whether or not related to the transaction, shall not vote to approve such transactions. The materiality of transaction is specified in Annexure 1 of this Policy.

The requirement of seeking shareholders approval shall not be applicable to transactions between the Company and its wholly owned subsidiary (ies) and transactions between two wholly owned subsidiaries whose accounts are consolidated with the Company and are placed before shareholders for approval.

Ratification of transactions

In case where any related party transaction is entered by any personnel of the Company unintentionally without bringing the same to the notice of Audit Committee or the Board of Directors, the same should be ratified by the Audit Committee and the Board of Directors or as the case may be, by the shareholders of the Company, within such time, as prescribed by law. If the transactions are not ratified by the appropriate authority, such transaction/contract/arrangement shall be voidable at the option of the Board or shareholders.

In this regard, if the Audit Committee determines not to ratify a Related Party Transactions that been entered into without approval, then the Audit Committee, as felt appropriate, may direct additional actions including, but not limited to discontinuation of the transactions or seeking approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

Further, in aforementioned case where such contract or arrangement is entered with a related party to any director, the director shall be liable to indemnify the Company against the loss incurred by it.

Determination of ordinary course of business and arm's length basis

The Audit Committee and the Board of Directors shall consider relevant details of proposed transaction to ascertain the arm's length nature of contracts/arrangements and whether a transaction can be called as to be in ordinary course of business of the Company or not. The term "arm length basis" has been defined under section 188 of the Act, however, the term ordinary course of business has not been defined anywhere in law. Accordingly, the committee or Board of Directors may have to rely on industry practice, representation

made by counter party, or confirmation by the Chief Financial Officer of the Company or through a certificate from internal auditor or by availing any professional advise/opinion for determination of arm's length basis and ordinary nature of any transaction.

For the purpose of determination of arm's length nature of contracts/arrangements, the committee shall not limit itself to the transaction value only but shall also review other terms and conditions of a transaction which may include discounts/premiums/credit period/interest/default terms and/or such similar terms. This shall also include comparison of the proposed transaction with similar transactions of the Company with unrelated parties.

For determination of ordinary course of business, the Audit Committee shall analyse the exceptionality of the transaction i.e. the frequency and course of transaction. A transaction shall be regarded as ordinary course only when the transaction is undertaken in order to conduct the routine or usual transactions of a Company.

Notwithstanding any mentioned above, in each case, the decision on whether a particular transaction is on arm's length basis or not or/and in ordinary course of business, shall be of the Audit Committee and Board of Directors of the Company.

Exceptions- Related Party Transactions that shall not require approval

Following transactions shall not require separate approval under this Policy:

1. Any benefits, interest arising to related party solely from ownership of Company shares at par with other holders, for example dividends, right issues, stock split or bonus issue approved by the Nomination and Remuneration committee.
2. Reimbursement made of expenses incurred by related party for business purpose of the Company, or reimbursement received for expenses incurred by the Company on behalf of a related party.
3. Transactions involving corporate restructuring, such as buyback of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with specific provisions of the Companies Act, 2013 and Listing Regulations.
4. Recurring/consequential transactions flowing out of a principal transaction or arrangement for which the Audit Committee has granted its omnibus approval.
5. Issue of shares/securities to related party.
6. Facilities entered or transactions entered into by the Company with all employees in general.
7. Contribution towards corporate social responsibility to eligible entity pursuant to approval of Corporate Social Responsibility Committee and Board of Directors.

8. Appointment and remuneration of relatives of directors/KMP at office or place of profit.

Disclosures

Following disclosures shall be ensured by the Company:

1. The policy on dealing with related party transactions shall be published on the website of the Company and a web link thereto shall be provided in the Annual Report.
2. The contracts and arrangements entered into by the Company as per the provisions of section 188 of the Companies Act, 2013 shall be disclosed in the Board's Report along with the justification for entering into such contract or arrangement.
3. Details of consolidated related party transactions of the Company shall be disclosed to stock exchanges and website on half yearly basis within such time as prescribed in law.
4. Any related party transaction with person or entity belonging to promoter/promoter group of the Company and having shareholding of 10% or more in the Company will be disclosed in the annual report
5. Such other disclosures as may be required pursuant to the applicable law relating to related party transactions.

Amendment

Any amendments in the law, including any clarification/ circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous applicable Law at the time of its implementation.

Review

The policy will be modified to be in line with the amendments in the applicable law. The policy shall be reviewed by the Audit Committee and the Board of Directors from time to time.

Annexure 1: Materiality Schedule

| Sl. No. | Transaction | Materiality Limits |
|----------------|--|---|
| 1. | Sale, purchase or supply of good or material, directly or through appointment of agent. | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year. |
| 2. | Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent. | 10% or more of net worth of the Company, individually or taken together with previous transactions during the financial year. |
| 3. | Leasing of property of any kind | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year. |
| 4. | Availing or rendering of any services, directly or through appointment of agent. | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year. |
| 5. | Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company | At a monthly remuneration exceeding Rs. 2,50,000 |
| 6. | Remuneration for underwriting the subscription of any securities or derivatives | Exceeds 1% of net worth of the Company |
| 7. | Payments for brand usage or royalty (either individually or taken together with previous transactions during the financial year) | Exceeds 5% of annual consolidated turnover of the Company as per last audited financial statements. |
| 8. | Other transactions with related parties, other than those covered above, | Exceeds Rs. 1000 crore or 10% of annual consolidated turnover of the |

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| resulting in transfer of resources, obligations or services (either individually or taken together with previous transactions during the financial year). | Company as per last audited financial statements. |
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** Shall be read along with any amendments/modifications in the said limits, as may be applicable.*

Annexure 2: Related Party Transaction Approval Matrix

