

## **GREENPANEL INDUSTRIES LIMITED**

### **POLICY ON RELATED PARTY TRANSACTIONS**

The Companies Act, 2013 (the “Act”), the Rules framed thereunder as well as Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI LODR”) and any amendments made, contain detailed provisions on Related Party Transactions. The Board of Directors (the “Board”) of Greenpanel Industries Limited (the “Company”) recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof.

Therefore, the Board in its meeting held on 14.08.2019 adopts this Policy on Related Party Transactions (“the Policy”), as required in terms of the Act and SEBI LODR to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions. The Board or the Audit Committee of the Board (“Audit Committee”), subject to confirmation by Board, may review and amend this policy from time to time.

#### **CLARIFICATIONS, AMENDMENTS AND UPDATES**

This Policy shall be implemented as per the provisions of the Applicable Laws. Any amendments in the Applicable 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.

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.

#### **DEFINITIONS**

All words and expressions not defined in this Policy, but defined in the SEBI Act, 1992, Companies Act, 2013, the Securities Contracts (Regulations) Act, 1956 , the Depositories Act, 1996, Indian Accounting Standards (as issued by the Institute of Chartered Accountants of India) and or the Rules and Regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or Rules or Regulations or any statutory modifications or re-enactment thereto, as the case maybe.

1. “Applicable Laws” means the Companies Act, 2013 and the Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), Indian Accounting Standards (as issued by the Institute of Chartered Accountants of India) and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
2. “Material Related Party Transactions” means such Related Party Transactions to be entered into with a related party, value whereof individually or taken together with previous Related Party Transaction during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial

statements of the Company or such other threshold as may be laid down from time to time by Applicable Law.

3. “Ordinary Course of Business” shall include any transaction where any of the following conditions are met:
- usual transactions, customs and practices undertaken by the Company to conduct its business operations and includes all such activities which the company can undertake as per Memorandum & Articles of Association; or
  - The transaction is in the nature of reimbursements, received or provided, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner.

Para 9 of INDAS -24 provides that the Standard deals only with related party relationships described below:

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In terms of AS 24, the following are deemed not to be related parties:

- a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity;
- b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

c) the parties listed below, in the course of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process):

- (i) providers of finance;
- (ii) trade unions;
- (iii) public utilities;
- (iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity sponsored bodies.

In view of the above definition, AS 24 further defines the terms ‘control’ and ‘significant influence’ as follows -

***Control –***

*a) is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.*

***Significant Influence –***

*is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement. .*

4. “Related Party Transaction” means any transaction with a Related Party involving a transfer of resources, services or obligations that is subject to the provisions of Applicable Law and shall include the following:
- (i) purchases or sales of goods (finished or unfinished);
  - (ii) purchases or sales of property and other assets;
  - (iii) rendering or receiving of services;
  - (iv) leasing of property of any kind or hire purchase arrangements;
  - (v) such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company
  - (vi) transfers of Intellectual Property Rights;
  - (vii) transfers under license agreements;
  - (viii) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
  - (ix) provision of guarantees or collateral;
  - (x) agency arrangements, management contacts including for deputation of employees; and
  - (xi) settlement of liabilities on behalf of the entity or by the entity on behalf of another party.
5. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions for the purpose of this Policy:
- (i) Any transaction that involves providing of compensation to a director or Key Managerial Personnel at the time of his/her appointment, in accordance with the provisions of Companies Act, 2013, 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) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
  - (iii) 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, or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.
  - (iv) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require approval in advance by the Audit Committee.

### **POLICY STATEMENT**

1. Subject to the following provisions, all the Related Party Transactions proposed to be entered into by the Company shall require the prior approval of the Audit Committee.
2. All the contracts/ arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, which are not in the ordinary course of business of the Company or on an arm's length basis shall, in addition to the prior approval of the Audit Committee, also require prior approval of the Board of Directors of the Company.

All the Material Related Party Transactions or transactions exceeding the threshold limits whether or not in the ordinary course of business of the Company or on an arm's length basis shall require prior approval of the Audit Committee, the Board and the shareholders of the Company by way of an Ordinary Resolution and the related parties shall abstain from voting in such resolution, irrespective of whether the entity is a related party to such transaction or not.

3. Further, the aforementioned conditions shall not apply if the transaction is entered into with wholly owned subsidiaries whose accounts are consolidated with the Company except the transactions covered under Section 188 for which prior approval of the Board of Directors shall be required.
4. However, it is clarified that all Such Related Party Transactions, as are specified, and exceeding the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are in the ordinary course of business and/ on an arm's length basis, will only require the prior approval of the Audit Committee, provided that such Related Party Transactions do not exceed the materiality threshold as provided under Regulation 23 of the SEBI LODR.

#### ***A. Identification of Related Parties and Related Party Transactions***

The Compliance Officer shall identify and keep an updated record of the list of all the identified related parties of the Company along with their transaction threshold limits and

disseminate the same to all concerned employees. Reporting of all related party transactions entered to be made to the Compliance Officer on a periodical basis.

All *the* Senior Management Personnel shall, through the Compliance Officer, disclose to the Audit Committee any personal interest that they may have resulting in a potential conflict with the interest of the listed entity at large.

***B. Procedures for review and approval of Related Party Transactions***

- (a) Subject to Clause (C), all transactions with Related Parties for which no omnibus approval has been accorded as above, shall require prior approval of Audit Committee.
- (b) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit Committee. Where such transactions fall under Section 188 (1), the Audit Committee shall recommend the transaction for approval of the Board.
- (c) Related Party Transactions that are not on arm's length basis, irrespective whether the transactions are covered under Section 188 or not, shall not be approved by Audit Committee and shall be recommended to the Board for appropriate action.
- (d) The Audit Committee shall mandatorily review the statement of all related party transactions submitted by management and if such review indicates that the Related Party Transaction would require the approval of the Board, the Audit Committee will report the Related Party Transaction, to the Board for its approval.
- (e) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Law or as mentioned in Point 3 (a) & (b) above, the Board shall ensure that the same be put up for approval by the shareholders of the Company.
- (f) If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee after reasoned explanation for the same is placed before it and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.
- (g) In any case where either the Audit Committee /Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.
- (h) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favourable than terms

generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

- (i) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

***C. Omnibus Approval by the Audit Committee***

For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to the following transactions, subject to clause (a) above, at the last meeting every preceding financial year and such approvals shall be valid till the conclusion of the immediately following financial year only. This shall not be applicable to transactions for which omnibus approval of either the Board or shareholders has already been sought. Omnibus approvals shall be granted based on the following:

- i. Management forecast on the frequency of the transactions;
- ii. Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, per related party, shall not exceed the lower of the following –
  - I. the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, in case the Related Party Transactions falls under transactions specified under Section 188 (1) of Companies Act, 2013; or
  - II. 10% of annual consolidated turnover of the Company.
- iii. Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making:
  - I. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought.
  - II. Contractual terms offered by third parties for similar transactions
  - III. Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.
- iv. Such omnibus approval shall specify the following:
  - a. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - b. the indicative base price or current contracted price and the formula for variation in the price, if any;
  - c. The maximum transaction values; and

- d. such other conditions as the Audit Committee may deem fit;

Provided that where the need/purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature of transaction, maximum amount of transaction, indicative base price / current contracted price and the formula for variation in the price and such other parameters as may be laid down by the Audit Committee, are not available at the time of taking such approval, the omnibus approval for such transactions shall be granted subject to their value not exceeding Rs.1 crore per transaction.

- v. Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:
  - a. Transactions which are not in ordinary course of business or not on arm's length basis;
  - b. Transactions in respect of selling or disposing of the undertaking of the Company;
  - c. inter-corporate loans given / taken by the Company to / from related parties;
  - d. Such other transactions specified under Applicable Law from time to time.
  - e. Where the Audit Committee has granted omnibus approval for certain transactions, the transactions will be put for review before the Audit Committee quarterly in every financial year.
  - f. Exceptions allowed under Applicable Laws to Related Party Transactions shall be exempted from the scope of this policy unless the Audit Committee decides otherwise.

#### ***D. Standards for Review***

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall, inter alia, review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) contractual terms for the Related Party transactions and whether the same are comparative with the market standards and whether beneficial to the company;
- (d) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (e) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (f) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;



- (g) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (h) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- (i) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant.
- (j) required public disclosure, if any; and
- (k) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / Shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee / Board will review on quarterly basis, all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

***E. Determination of Arms' length nature of the Related Party Transaction***

The Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Corporation with related parties, or any modification, variation, extension or termination thereof whether the contracts/ arrangements, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.

Further, in order to determine the optimum arm's length price, the Corporation may also apply the most appropriate method from any of the following methods as prescribed under Section 92C (1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962 –

- a. Comparable Uncontrolled Price method (CUP method)
- b. Resale Price Method
- c. Cost Plus Method
- d. Profit Split Method
- e. Transactional Net Margin Method
- f. Other Method as prescribed by the Central Board of Direct Taxes



***F. Disclosures***

As required under the Applicable laws, the Company shall make all requisite statutory disclosures/reporting to the:

- (i) Stock Exchanges
- (ii) Members through Annual report
- (iii) Register of Contracts
- (iv) Website

on a such periodical basis (quarterly/annual) as may be notified from time to time.

This Policy would be reviewed every three years.

**By Order of the Board  
For Greenpanel Industries Limited**

**Shiv Prakash Mittal  
Executive Chairman**

Place: Gurgaon  
Date: 14-08-2019