

S. M. GOLD LIMITED

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

1. Introduction

The Board of Directors (“Board”) of **S. M. GOLD LIMITED** (“Company”) has adopted this Policy (“Policy”) upon the recommendation of the Audit Committee and the said Policy includes materiality threshold of Related Party Transactions and dealing with Related Party Transactions.

This Policy has been formulated in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Regulations”) read with the provisions of Section 177 and 188 of the Companies Act, 2013 (“the Act”) & relevant rules made thereunder as amended from time to time to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

2. Policy Objective

The Company recognizes that Related Party Transactions (“RPT”) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. The policy is also prepared for the identification and regulation of the RPTs keeping in view the provisions of the Act read with the rules made thereunder and SEBI Regulations.

3. Definitions

- a. **“Audit Committee”** means “Audit Committee” constituted by the Board of Directors of the Company from time to time under the provisions of the Act and SEBI Regulations.
- b. **“Board of Directors”** means the “Board of Directors” of **S. M. GOLD LIMITED**
- c. **“Company”** means **S. M. GOLD LIMITED**.
- d. **“Key Managerial Personnel”** means “Key Managerial Personnel” as defined under the Companies Act, 2013 and the rules made there under.
- e. **“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.
- f. **“Material Related Party Transaction”** means a transaction with a related party if the transaction/ transactions 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 company as per the last audited financial statements of the company.
- g. **“Policy”** means policy on materiality of Related Party Transactions and dealing with related party transactions.
- h. **Related Party** means a related party as defined under the Act or rules made there under and SEBI Regulations.
- i. **“Related Party Transaction”** means such transactions as specified under Section 188 of the Act or rules made there under and Regulation 2(zc) & 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 including any amendment or modification thereof, as may be applicable.
- j. **“Relative** means a relative as defined under the Act and SEBI Regulations.
- k. **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Regulations 2015, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

4. Policy

All RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy, whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

Disclosure by Directors and KMP's

- Every year, the Directors shall provide declaration to the Company Secretary his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals in the format prescribed under the Companies Act, 2013.
- The declarations will be updated by the Directors, in case of any change and intimated to the Company Secretary for placing before the Board of Directors.
- Any individual appointed as director or KMP shall provide declaration to the Company Secretary in the prescribed format.

Identification of Potential RPTs

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential RPT, if not given already in the first Board Meeting of the financial year, involving him/her or his/ her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee/ Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.

The Directors and KMPs will ensure that their notice of any potential RPT is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

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.

Review and Approval of RPTs

i. Audit Committee

All RPTs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the

company subject to the following conditions:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
3. Such omnibus approval shall specify the following:

Provided that where the need for RPT 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.

4. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

In determining whether to approve a RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- I. Whether the terms of the RPT are fair and on arm's length basis to the Company;
- II. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- III. Whether the RPTs are entered in the past;
- IV. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- V. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- VI. Any other factor the Audit Committee deems relevant for reviewing and approving such RPT.

ii. **Board of Directors**

The Board shall consider and approve the RPT as required to be approved under the Act or rules made thereunder and/or SEBI Regulations and/or transactions referred to it by the Audit Committee.

iii. **Shareholders' Approval**

- a. All the Material RPTs shall require approval of the shareholders (unless exempted pursuant to SEBI Regulations). All Related Parties shall abstain from voting on such resolution irrespective of whether the entity is a party to a particular transaction or not.
- b. The transactions which fall under Section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis and which crosses the threshold limits prescribed under the rules made thereunder, shall require approval of the shareholders. Only the concerned Related Parties, with whom transactions are being entered into, shall abstain from voting on such resolution.

iv. **Decision regarding transaction in the ordinary course of business and at arm/s length basis**

"Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

The Audit Committee or the Board shall, in respect of the RPTs referred to them for approval and after considering the matter placed before them, shall judge if the transaction is the ordinary course of business and at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, it may seek advice from any outside specialist(s) / professional(s) from the relevant field in helping them to arrive at a decision.

In case there is still no consensus amongst the Audit Committee Members, the matter then shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

5. RPTs not approved under this Policy

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

In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Company etc. In connection with any review of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

6. Amendment(s)

The Board of Directors may review or amend this policy, in whole or in part, from time to time, after taking into account the recommendations from the Audit Committee.

7. Disclosures

- Every material RPT or RPT which is not on Arm's Length basis shall be disclosed in the Directors Report with proper justification for entering into such transactions.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The company shall disclose the policy on dealing with RPTs on its website and a web link thereto shall be provided in the Annual Report.
- A register of RPTs shall be maintained as per the Act and placed before the next Board Meeting and signed by all the directors present at the Meeting.

8. Interpretation

In the event of any conflict between the provisions of this Policy and the Act or SEBI Regulations 2015 or any other statutory enactments/ rules, the provisions of such Act or SEBI Regulations or statutory enactments shall prevail over this Policy.