

SIL INVESTMENTS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors (the “Board”) of SIL Investments Limited (the “Company” or “SIL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee of the Board of Directors will review the policy from time to time and recommend such changes therein as deemed necessary after appropriate deliberation. The Board may amend this policy suo motu, or on recommendations of the Audit Committee from time to time. This policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy is framed in compliance with the requirements of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Policy also endeavours compliance with the provisions of Companies Act, 2013, and the applicable Accounting Standard in relation to transactions with Related parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

“**Act**” means Companies Act, 2013

“**Accounting Standard**” means the Accounting Standard 18, as notified by the ICAI, as applicable on date including any amendment / modification thereto from time to time and /or any other Standard notified by ICAI or any other Authority including MCA, as may be applicable.

“**Arm’s length price**”, would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.

“**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.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Control**” means Control as defined under the Companies Act 2013 and SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and as amended thereto and shall include the right to appoint majority of directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their

shareholding or management rights or shareholders agreement or voting agreements or in any other manner.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer
- (iv) Such other officer as may be prescribed or as may be defined and included from time to time.

“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.

“Ordinary course of business” would have the meaning as defined by the Companies Act 2013, and rules made there under and judicial and other pronouncements, as applicable from time to time and shall mean & include the habit system and continuity of an act required to satisfy the test of regular or ordinary course of business.

“Policy” means Related Party Transaction Policy.

“Related Party” means related party as defined in Clause 49 of the Listing Agreement, which interalia provides that an entity shall be considered as related to the company if:

- a. such entity is a related party u/s 2(76) of the Companies Act, 2013 Or
- b. such entity is a related party under the applicable accounting standards.

1. Where section 2(76) defines related party with reference to a company, means:

- (i) a director or his relative ;
- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager is a member or director ;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- (vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity ;
- (viii) any company which is a holding, subsidiary or an associate company of such company ; OR a subsidiary of a holding company to which it is also a subsidiary ;
- (ix) such other person as may be prescribed.

2. The applicable accounting standard 18 applies only to related party relationships described as:

- (i) enterprise that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise including holding companies, subsidiaries and fellow subsidiaries;

- (ii) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- (iii) individuals owing, directly or indirectly, an interest in voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (iv) key managerial personnel and relatives of such personnel; and
- (v) enterprise over which any person described in (iii) or (iv) supra above is able to exercise significant influence, including enterprises owned by directors or major shareholders of the reporting enterprise and enterprise that have a member of key management in common with the reporting enterprise.

However, in the context of the standard, the following are not deemed to be related parties:

- i. two companies simply because they have a director in common unless the director is able to affect the policies of both the companies in their mutual dealings;
- ii. 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
- iii. the parties being (a) providers of finance, (b) trade unions, (c) public utilities, and (d) government department and government agencies including government sponsored bodies, in the course of their normal dealings with an enterprise by virtue of only those dealings.

3. A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- A. A person or a close member of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. has control or joint control or significant influence over the company; or
 - c. is a key management personnel of the company or of a parent of the company; or
- B. An entity is related to a company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - c. 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); or
 - d. Both entities are joint ventures of the same third party; or
 - e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g. The entity is controlled or jointly controlled by a person identified in (A).
 - h. A person identified in (A)(b) has significant influence over the entity (or of a parent of the entity).

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and shall construed to include single transaction or a group

of transactions in a contract and shall also mean any contract or arrangement with a related party with respect to:

- a) Sale, purchase or supply of any goods or materials
- b) Selling or otherwise disposing of, or buying, property of any kind
- c) Leasing of property of any kind
- d) Availing or rendering of any services
- e) Appointment of any agent for purchase or sale of goods, materials, services or property
- f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) Underwriting the subscription of any securities or derivatives thereof, of the company

“Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- a) They are members of a Hindu undivided family ;
- b) They are husband and wife ; or
- c) Father (including step-father)
- d) Mother (including step-mother)
- e) Son (including step-son)
- f) Son’s wife
- g) Daughter
- h) Daughter’s husband
- i) Brother (including step-brother)
- j) Sister (including step-sister)

“Significant influence” as defined by Accounting Standard 18 means participation in the financial and/or operating policy decision of an enterprise, but not control of those policies.

The definitions abovesaid for the observance of the Policy by the Company and its Board (including Committee/s thereof), shall be subject to exercise of the statutory powers of the Regulatory Authorities with respect to repeal or alteration or addition to their respective meaning as prescribed by or under Companies Act 2013, the SEBI Act, and any other applicable laws for the time being in force.

4. Identification of Potential Related Party Transaction

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

5. Process & guidelines for Related Party Transaction

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions irrespective whether the entity is a party to the particular transaction or not.

The Company shall enter into any contract or arrangement with a Related Party subject to the following conditions, namely:

A. The agenda of the Committee / Board meeting at which the resolution is proposed to be moved shall disclose:

- a. The name of the related party and nature of relationship
- b. The nature, duration of the contract and particulars of the contract or arrangement alongwith justification
- c. The material terms of the contract or arrangement including the value, if any
- d. Any advance paid or received for the contract or arrangement, if any
- e. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- f. 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
- g. Any other information relevant or important for the Board to take a decision on the proposed transaction

B. 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.

C. A company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into requires the prior approval of the company by a special resolution; -

- a. As contracts or arrangements w.r.t. clauses (a) to (e) of section 188(1) of the Act as also envisaged under the definition clause (a) to (e) of Related Party Transaction, with criteria, as mentioned below:
 - (i) Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 10% of the annual turnover of the company or Rs.100 crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of section 188(1) of the Act
 - (ii) Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth of the company or Rs.100 crore, whichever is lower, as mentioned in clause (b) and (e) respectively of section 188(1) of the Act
 - (iii) Leasing of property of any kind exceeding 10% of the net worth of the company or exceeding 10% of turnover of the company or Rs.100 crore, whichever is lower, as mentioned in clause (c) of section 188(1) of the Act
 - (iv) Availing or rendering of any services directly or through appointment of agents exceeding 10% of the turnover of the company or Rs.50 crore, whichever is lower, as mentioned in clause (d) and (e) of section 188(1) of the Act

However, 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 transaction during a financial year.

- b. is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2.5 Lakh as mentioned in clause (f) section 188(1) of the Act and as also envisaged under the definition clause (f) of Related Party Transaction; or

- c. is for remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) section 188(1) of the Act and as also envisaged under the definition clause (g) of Related Party Transaction.

However, the Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

D. In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the holding company

E. The explanatory statement to be annexed to the notice of a general meeting convened pursuant shall contain the following particulars namely:

- a. Name of the related party
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship
- d. Nature, material terms, monetary value and particulars of the contract or arrangement
- e. Any other information relevant or important for the members to take a decision on the proposed resolution

6. Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the each and every scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will excuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. 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 is allowed and would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, KMP or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related

Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

However, 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. It shall lay down the criteria for granting the omnibus approval in line with the instant policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii. It 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 it may deem fit;
Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, it may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- iv. It shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- 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.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, in so far as the same are not in conflict with the provisions of the Listing Agreement in force (as amended from time to time):

- a. Any transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. Any transaction entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.
- c. Any transaction arising out of compromise, arrangement and amalgamation dealt with under specific provisions of the Act.

7. Related Party Transactions not pre-approved under this Policy

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

In the event the committee decides to ratify the contract or arrangement, such contract or arrangement must be ratified within three months from the date on which the contract or arrangement has been entered into by the Board or the Shareholders as the case may be.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

8. Register

The Company shall maintain registers of related party transaction(s) in Form MBP 4 or such other Form as may be prescribed.

9. Dissemination

This Policy will be communicated to all operational employees and other concerned persons of the Company and would be disseminated on Company's website.

Approved by the Board on 29.10.2014.