

SUTLEJ TEXTILES AND INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors (the “Board”) of Sutlej Textiles and Industries Limited (the “Company” or “Sutlej”), 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 Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations, 2015”) as amended 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 Indian Accounting Standard 24, 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 Regulations, 2015 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;
- (iii) Chief Financial Officer;
- (iv) 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; and
- (v) Such other officer as may be prescribed.

“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. However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transaction(s) during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“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 Regulation 2(zb) of the Listing Regulations, 2015, which inter alia 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; or
- c. any person or entity belongs to the promoter or promoter group of the listed entity and holds 20% or more shareholding in the listed 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 be construed to include a 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;
- 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); and
- j) Sister (including step-sister).

“Senior Management Personnel” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall

comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include Company Secretary and Chief Financial Officer.

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, Key Managerial Personnel and Senior Management 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 ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved

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 an ordinary resolution in terms of Section 188 of the Companies Act, 2013.

- 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 amounting to 10% or more of the annual turnover of the Company, 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 amounting to 10% or more of net worth of the Company as mentioned in clause (b) and (e) respectively of section 188(1) of the Act.
 - iii. Leasing of property of any kind amounting to 10% or more of the turnover of the Company 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 amounting to 10% or more of the turnover of the Company 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. 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. Contract or arrangement in respect of 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. The requirement of passing the shareholder's resolution as mentioned above shall not be applicable for transaction(s) entered into between the Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- E. The explanatory statement to be annexed to the notice of a general meeting convened 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; and
 - 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.

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 Regulations, 2015 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. Interpretation

In any circumstance where the terms of this policy differs from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this policy and procedures until such time as this policy is changed to conform to the law, rule, regulation or standard.

10. Dissemination

The Company shall host this Policy on its website and a web-link thereto shall be provided in the Annual Report of the Company.
