



The Shipping Corporation of India Limited Related Party Transaction Policy

INTRODUCTION:

The Companies Act, 2013 has laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, Regulation 23 of SEBI(Listing Obligations And Disclosure Requirements)Regulations,2015 specifies that the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company has adopted this Related Party Transaction Policy dealing with the identification, review and approval of Related Party Transactions.

APPLICABILITY:

This Policy shall be applicable to all Related Party Transactions between the Company and its Related Parties.

SCOPE AND PURPOSE:

The Policy has been framed to comply with the applicable provisions of Companies Act, 2013 and as per requirements of SEBI(LODR)Regulations,2015. Any subsequent amendment/modification in the applicable provisions of Companies Act, 2013 or the rules made there under or in the Listing Regulations in this regard shall be deemed to be automatically incorporated in this Policy.

DEFINITIONS:

“Act” shall mean the Companies Act 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

“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.

“Associate Company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation- For the purposes of this clause, “Significant Influence” means Control of at least twenty percent of total share capital, or of business decisions under an agreement.

“Board Level Audit Committee” or “Committee” means “Audit Committee” of the Board of Directors of the Company.

“Board of Directors” or “Board” means the collective body of the Directors of the Company.

“Company” means The Shipping Corporation of India Limited

“Key Managerial Personnel” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

“Related party transactions” shall have same meaning as defined under regulation 2(zc) of SEBI(LODR)Regulations,2015 and shall include all transactions as specified under section 188(1) of the Companies Act 2013.

“Material Related Party Transactions” shall have same meaning as specified under regulation 23(1) of the SEBI (LODR) Regulations,2015 and it shall cover all the transactions as specified under rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (as amended on 30.03.2017) as mentioned below:

- i. Sale, purchase or supply of any goods or materials , directly or through appointment of agent, amounting ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause(a) and clause (e) respectively of sub-section (1) of section 188;
- ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting 10% of net worth of the company or rupees one hundred crores, whichever is lower, as mentioned in clause(b) and clause (e) respectively of sub-section (1) of section 188;
- iii. Leasing of property of any kind amounting ten per cent or more of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crores, whichever is lower, as mentioned in clause(c) of sub-section (1) of section 188;
- iv. Availing or rendering of any services, directly or through appointment of agent, amounting ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

“Policy” means Related Party Transactions Policy of the Company.

“Related Party” means a person or an entity:

- (i) which is a related party under Section 2 (76) of the Companies Act, 2013; or
- (ii) which is a related party under the applicable accounting standards

“Relatives”, means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other person as:
 - (a) Father (including step- father)
 - (b) Mother (including step- mother)
 - (c) Son (including step- son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step- brother)
 - (h) Sister (including step sister)

“Transaction”: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

As per Regulation 23 of SEBI(LODR)Regulations,2015 all related party transactions shall require prior approval of the audit committee.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 the audit committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

(f) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

Exemption from Prior Approval

The prior approvals both in the case of Related Party Transactions and Material Related Party Transactions shall not be required in the following cases:

(a) transactions entered into between two government companies;

(b) 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.

Explanation.- For the purpose of clause (a), "government company(ies)" means

22

Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(g) The provisions of this regulation shall be applicable to all prospective transactions.

(h) For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

(i) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

Board of Directors

All cases where the Related Party Transactions are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, shall be brought before the Board of Directors for approval through Board Level Audit Committee.

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, (b) Material Related Party Transactions, requiring the approval of the shareholders, shall also need to be approved by the Board.

Such approval of Board may be obtained at a duly convened meeting.

Shareholders

All (a) Related Party Transactions that are beyond the prescribed limits as per Companies (Meetings of Board & its Powers) Rules, 2014 and being not in the ordinary course of business of the company and/ or not on an arm's length basis, (b) Material Related Party Transactions, shall require approval of shareholders through special resolution (after due approval by the Board).

DISCLOSURES

All disclosures pertaining to Related Party Transactions required under the Companies Act and Listing Regulations shall be made accordingly.

LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations/ Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the Listing Regulations / Companies Act, 2013 or other statutory enactments, rules, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.