



THE SHIPPING CORPORATION OF INDIA LIMITED

SCI RELATED PARTY TRANSACTION POLICY

1. 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.

2. APPLICABILITY:

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

3. SCOPE AND PURPOSE:

3.1 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.

4. DEFINITIONS:

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

4.2 “**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.

4.3 “**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.

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

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

4.6 “Company” means The Shipping Corporation of India Limited

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

4.8 “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.

- **Related party transactions pursuant to regulation 2(zc) of SEBI (LODR) Regulations a transaction involving a transfer of resources, services or obligations between:**

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

- **Provided that the following shall not be a related party transaction:**

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;

- ii. subdivision or consolidation of securities;

- iii. issuance of securities by way of a rights issue or a bonus issue; and

- iv. buy-back of securities.

- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);”

- **“Material Related Party Transactions” shall have same meaning as specified under regulation 23of the SEBI (LODR) Regulations, 2015 which means :**

A transaction with a related party shall be considered material if the transaction(s) 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 listed entity as per the last audited financial statements of the listed entity.

Further, 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 transactions 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.

• **“Material Related Party Transactions” 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 18.11.2019) as mentioned below:**

a) As contracts or arrangement with respect to clause (a) to (e) of sub-section of Section 188, with criteria as mentioned below-

1) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting ten per cent or more of the turnover of the company as mentioned in clause(a) and clause (e) respectively of sub-section (1) of section 188;

2) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company as mentioned in clause(b) and clause (e) respectively of sub-section (1) of section 188;

3) Leasing of property of any kind amounting ten percent or more of the turnover of the company as mentioned in clause(c) of sub-section (1) of section 188;

4) Availing or rendering of any services, directly or through appointment of agent, amounting ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

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 two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

4.9 “Material Modifications” means any further modifications/alterations/changes to the Related Party Transactions which is already approved by the Audit Committee/Board/Shareholder as the case may be.

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

4.11 “Related Party” means a person or an entity:

- 1) which is a related party under Section 2 (76) of the Companies Act, 2013;
- 2) which is a related party under the applicable accounting standards
- 3) which is a related party under Regulation 2 (zb) of SEBI(LODR) Regulations, 2015.

➤ Pursuant to Section 2(76) of Companies Act, 2013- “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 [or his relative] is a member or director;
- (v) a public company in which a director or manager [and holds] is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) anybody 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 on 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) a holding, subsidiary or an associate company of such company; or
- (B) a subsidiary of a holding company to which it is also a subsidiary;
- (C) an investing company or the venturer of the company

Explanation.—For the purpose of this clause, “the investing company or the venture of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) such other person as may be prescribed;

For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act, a director [other than an independent director] or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

- *Accounting Standard 18 defines related party as parties which are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.*

Explanation- For the purposes of this clause, “Control” means

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or.
- (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Explanation- For the purposes of this clause, “Significant Influence” means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

- *Pursuant to Regulation Regulation 2 (zb) of SEBI(LODR) Regulations, 2015 related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards*

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
 - (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;
- in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year, shall be deemed to be a related party

4.12 “Relatives”, means a relative as defined under Section 2(77) of the Companies Act,2013 and includes anyone who is related in any of the following manner-

1. They are members of a Hindu Undivided Family;
2. They are husband and wife; or
3. 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)

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

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

5.1 Approval of Board / Shareholders-

- 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.

5.2 Approvals as per Regulation 23 of SEBI (LODR) Regulations, 2015

1. Approval of Audit Committee

- All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the company.
- Only those members of the Audit Committee, who are Independent directors, shall approve related party transactions.
- A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity.
- A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary wef 01.04.2023.

- Prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as above, the prior approval of the audit committee of the listed subsidiary shall suffice.

II. Omnibus Approval

- 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

III. Approval of Shareholders

- All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through 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 prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided that the requirements specified under this 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

5.3 The provisions of this regulation shall be applicable to all prospective transactions.

5.4 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.

5.5 SCI shall make disclosures of related party transactions on a consolidated basis every six months, within fifteen days from the date of publication of its standalone and consolidated financial results, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

And wef 01.04.2023 shall make disclosures of related party transactions on a consolidated basis every six months on the date of publication of its standalone and consolidated financial results, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

6. EXEMPTION FROM PRIOR APPROVAL OF AUDIT COMMITTEE AND SHAREHOLDERS

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

- i) transactions entered into between two government companies;
- ii) 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.
- iii) transactions entered into between two wholly-owned subsidiaries of the listed holding company, 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 Government Company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

7. MECHANISM FOR APPROVAL FOR RELATED PARTY TRANSACTIONS IN SCI

7.1 TRANSACTIONS WHICH ARE ON ARM'S LENGTH BASIS AND ARE IN ORDINARY COURSE OF BUSINESS

- a) Approval of Audit Committee for all transactions –
- b) Board to take note of such transactions –
- c) Approval of shareholders by way of resolution only if the value of transactions exceeds the limits provided under Clause 4.8 above.

7.2 TRANSACTIONS WHICH ARE EITHER NOT ON ARM'S LENGTH BASIS AND / OR NOT IN ORDINARY COURSE OF BUSINESS

- a) Approval of Audit Committee for all transactions
- b) Approval of the Board for all transactions
- c) Approval of shareholders by way of resolution only if the value of transactions exceeds the limits provided under Clause 4.8 above as the case may be.

8. DISCLOSURES

All disclosures pertaining to Related Party Transactions required under the Companies Act, 2013 or SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 or DPE Corporate Governance Guidelines or any other statute/rule/regulation shall be made accordingly.

9. LIMITATION

9.1 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.

10. REVIEW OF THE RELATED PARTY TRANSACTION POLICY

10.1 The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

****(The amendments came into force from half year period 01.10.2018-31.03.2019 and onward)***