

# SHIPPING CORPORATION OF INDIA LIMITED



## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS (“SCI RELATED PARTY TRANSACTION POLICY”)

### 1. INTRODUCTION:

The Companies Act, 2013 has laid down extensive requirements to be fulfilled in case of the Related Party Transactions. Further, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI Listing Regulations”/ “SEBI (LODR) 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 of the Company.

### 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 thereunder or in the SEBI 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 thereunder, 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,

(a) **“Significant Influence”** means control of atleast twenty percent of total voting power, or control of or participation in business decisions under an agreement;

(b) **“joint venture”** means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

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 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(1)(zc) of SEBI (LODR) Regulations, 2015 and shall include all transactions as specified under section 188 (1) of the Companies Act 2013.

4.8.1. Related party transactions pursuant to regulation 2(1)(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);”

- **Related party transactions pursuant to Section 188 (1) of Companies Act, 2013 shall 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.

- **“Material Related Party Transactions”** shall have same meaning as specified under regulation 23 of 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 rupees one thousand crore or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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: 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 section188;
- 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 section188;
- 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;
  - (a) 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.

- (b) 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. **“Ordinary course of business”**

Guidance Note on RPTs issued by the Institute of Company Secretaries of India, *inter-alia*, suggest the following factors may be considered for deciding whether an activity which is carried on by the business is in the ‘ordinary course of business’:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association;
- b. Whether the activity is in furtherance of the business;
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.);
- d. Whether the activity is repetitive/frequent;
- e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company’s books of account;
- f. Whether the transactions are common in the particular industry;
- g. Whether there is any historical practice to conduct such activities;
- h. The financial scale of the activity with regard to the operations of the business;
- i. Revenue generated by the routine business activity;
- j. Resources committed to the routine business activity.

The above list is not exhaustive. Individually, none of the above parameters can amount to the transactions being in the ordinary course of business.

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

4.12. **“Related Party”** means a person or an entity:

- a) Which is a related party under Section 2(76) of the Companies Act, 2013;
- b) Which is a related party under the applicable accounting standards
- c) Which is a related party under Regulation 2(1)(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 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 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 venturer 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 2 (1) (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.

4.13. “**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)

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

## 5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION(S)

### 5.1. Identification of Related Parties:

The Company shall identify and update list of related parties as prescribed under section 2(76) of the Act read with the Rules framed thereunder and Regulation 2(1)(zb) of the SEBI Listing Regulations.

### 5.2. Identification of Related Party Transactions:

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations.

## 6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

### 6.1. Approval of Audit Committee -

(i) All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee. All other modifications shall also require approval of Audit Committee.

(ii) Only those members of the Audit Committee, who are Independent directors, shall approve related party transactions.

(iii) 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.

(iv) 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.

(v) 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 SEBI Listing 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.

(vi) Wherever the Audit Committee is vested with the authority to approve a RPT and if the Committee exercises its power not to approve, it shall make its recommendation to the Board.

#### Omnibus Approval

(vii) 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 and the Board of Directors 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 can not 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.

#### 6.1.1. **Details to be provided to the Audit Committee:**

Information as prescribed under the Companies Act, 2013 and the rules made thereunder, the SEBI Listing Regulations and all other applicable acts, rules, circulars, notifications, etc. , shall be placed before the Audit Committee for seeking approval for any proposed RPT.

#### 6.1.2. **Additional Review by Audit Committee:**

Audit Committee shall additionally review the status of long term (more than one year) or recurring RPTs on an annual basis.

#### 6.2. **Approval of Board:**

6.2.1. 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.

6.2.2. All cases where the 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.

6.2.3. All Material Related Party Transactions and subsequent material modifications,

requiring the approval of the shareholders, shall also need to be approved by the Board.

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

6.3. **Approval of Shareholder:**

6.3.1. 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 and subsequent material modifications, shall require approval of shareholders through resolution (after due approval by the Board).

6.3.2. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

6.3.3. 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.

6.3.4. 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.

6.3.5. **Details to be provided to the Shareholders:** Information as prescribed under the Companies Act, 2013 and the rules made thereunder, the SEBI Listing Regulations and all other applicable acts, rules, circulars, notifications, etc. shall be placed before the shareholders for seeking approval for any proposed RPT.

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

6.3.7. 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.

## **7. EXEMPTION FROM PRIOR APPROVAL OF AUDIT COMMITTEE AND SHAREHOLDERS**

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

- 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.
- c) 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.

## **8. MECHANISM FOR APPROVAL FOR RELATED PARTY TRANSACTIONS IN SCI (To be read with Point 7 above)**

### **8.1 TRANSACTIONS WHICH ARE ON ARM'S LENGTH BASIS AND ARE IN ORDINARY COURSE OF BUSINESS**

- a) Approval of Audit Committee for all transactions (Only those members of the Audit Committee, who are Independent directors, shall approve related party 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.

### **8.2 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 (Only those members of the Audit Committee, who are Independent directors, shall approve related party 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.

## **9. DISCLOSURES**

9.1. 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.

9.2. And with effect from 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.

9.3. All other 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.

## **10. LIMITATION**

10.1. 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.

10.2. Any subsequent notification, circular, guidelines or amendment under Companies Act, 2013/SEBI Regulations, Accounting Standards and all other applicable laws, as the case may be issued from time to time shall be mutatis mutandis applicable, even without any further modification or amendment in this policy.

## **11. REVIEW OF THE RELATED PARTY TRANSACTION POLICY**

11.1. The RPT policy shall be reviewed by the board of directors as and when deemed necessary but at least once every three years and be updated accordingly.

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\* Last amended on 03<sup>rd</sup> February, 2023