

Goldiam International Limited

Policy on Related Party Transactions

(Amended version as approved by the Board of Directors of the Company on March 30, 2022, with effect from April 01, 2022)

1. Introduction

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (the Board) of Goldiam International Limited (“the Company”) has adopted the following policy and procedures with regard to Related Party Transactions. This policy will be applicable to all the transactions that the Company may propose to enter into on or after October 1, 2014 with its Related Parties.

2. Objective

The Company is mainly engaged in the business of Manufactures & Exports of Diamonds & Jewellery. As a part of the business activity, the Company deals with entities which are related parties. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations. The purpose of this policy is to lay down the guiding principles, mechanism and approvals of different bodies and reporting framework. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. Definitions

- 3.1 **The Act** means the Companies Act, 2013 and rules made thereunder including any modifications, amendments, clarifications or re-enactment thereof.
- 3.2 **Audit Committee** means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of SEBI Regulations, 2015.

3.3 **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.

3.4 **Board of Director or Board** means the Board of Directors of the Company, as constituted from time to time.

3.5 **#Material Related Party Transaction** shall mean a transaction to be entered into with and between Related Parties, individually or taken together with previous transactions during a financial year, exceeding the threshold of:

- 5% of the annual consolidated turnover of the Company as per its last audited financial statements, in case of transactions involving payments made with respect to brand usage or royalty, or
- Rs. 1000 Crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower, in case of any other transaction(s). or
- Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time.

3.6 **Policy** means Policy on Related Party Transactions.

3.7 **#Related Party**

Related Party” means, a person or an entity:

- (i) which is a related party under Section 2(76) of the Companies Act, 2013 or Regulation 2(1)(zb) of Listing Regulations; or
- (ii) which is a related party under the applicable accounting standards.

3.8 **#Related Party Transaction** as defined under applicable Indian accounting standards or Regulation 2(1)(zc) of Listing Regulations or shall mean all the transaction as specified under Section 188 of the Act and rules prescribed thereunder as amended time to time.

3.9 **#“Material Modifications”** - shall mean

- a) Change in overall transaction value of Related Party Transaction beyond 25% or
- b) Change in price of goods and services beyond 25 % or
- c) Extension in duration of Related Party Transaction contract beyond a period of 6 months or
- d) As may be decided by the Audit Committee on case to case basis

3.10 Words and expressions used and not defined in this Policy but defined in the Listing Regulations with Stock Exchanges, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Act or the Accounting Standards issued under section 133 of the Act shall have the meanings respectively assigned to them in those Acts / Accounting Standards. In the event, such words or expressions are defined at more than one place, and then the meaning stricter of all should be assigned to them.

4. **Policy**

4.1 **Review and approval of Related Party Transactions**

4.1.1. All Related Party Transactions shall be reported to the Audit Committee for its approval in accordance with this Policy. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in terms of principle laid down in this Policy and on satisfaction of following conditions:

- a) Related Party Transactions are repetitive in nature.
- b) Such omnibus approval is in the interest of the Company.
- c) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, the indicative base price / current contracted price and the formula for variation in the price if any and such other conditions as the Audit Committee may deem fit shall be specified;

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 Rs.1 crore per transaction.

- d) The details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by the Audit Committee shall be submitted to Audit Committee at least on a quarterly basis for their review.
 - e) The validity of such approval shall not exceed a period of one financial year and shall require fresh approvals after the expiry of one year.
 - f) Nothing in this sub-clause 4.1.1 as above, shall apply to the transactions 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.
- 4.1.2. In addition, if the Related Party Transaction proposed to be entered into by the Company is not in ordinary course of business of the Company or is not an Arm's Length Transaction, then such transaction shall not be entered into except with the consent of the Board of Directors given by a resolution at a meeting of the Board.
- 4.1.3. In addition, in the event, the Related Party Transaction referred to in Para 4.1.2 of the Policy falls within the criteria laid down in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time, then such transactions shall not be entered into except with the prior approval of the shareholders by a resolution.
- 4.1.4. Without prejudice to what is stated in para 4.1.2 and 4.1.3 of the Policy, if Related Party Transaction is a Material Related Party Transaction then such transactions shall not be entered into except with the approval of the shareholders by a resolution. Accordingly, such Material Related Party Transactions would also require approval of the Board of the Company before the same are presented at the shareholders' meeting. However, the Material Related Party 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 shall not require approval from shareholders.
- 4.1.5. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
- a. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

However, there is no guidance provided in the Act or in Listing Regulation to determine arm's length price. Pricing may not be the only determinant of a transaction being at arm's length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following has been considered to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price (or margin) at which entered into with independent third parties
 - The transaction is in line with third party quotations / bids from independent third parties
 - Taking assistance of an expert – valuation specialist
 - Principles under the transfer pricing guidelines (considering whether the pricing would be in line with what would have been charged to an unrelated party, without any conflict of interest)
 - Transactions are on terms that are not unfavourable to the entity
- b. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would affect the independence of the directors / Key Managerial Personnel;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company;
- f. 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, executive officer 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.
- g. Whether the Related Party Transaction is in the ordinary course of business.

The term ordinary course of business is not defined under the Act or the Rules there under. Therefore, it would depend on facts and circumstances of each case. The Company would therefore, exercise judgment to conclude whether a transaction can be considered to be in the ordinary course of business. The following factors to be relevant in deciding "ordinary course of business".

- (1) The objects of the Company permit the activities undertaken;
- (2) There is a historical practice to conduct such activities;

- (3) There is a pattern of frequency to conduct such activities over a period of time and such activities are in the regular course of business; and
- (4) These transactions are common industrial practice.

Examples of transactions that the Company would consider to be in the ordinary course of business would include those that form part of the Revenue from Operations, the costs of goods sold and the normal expenses incurred for operating the business (considering the business rationale and without any complicated terms and conditions *as compared to* transactions with independent third parties).

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary will generally be assessed on a case to case basis as to whether it could be considered to be in the ordinary course of business.

Sharing of goods or services by an entity with other group companies based on 'cost sharing' is in the ordinary course of business if the goods / services so shared are not the entity's traded goods/services.

- 4.1.6. 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 the Board to approve the Related Party Transaction (e.g. cases stated in 4.1.2 and 4.1.4 above), then the Board shall consider and approve the Related Party Transaction at a meeting and 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 or shareholders:

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

4.2 Identification of potential Related Party Transactions

- 4.2.1 Each director of the Company and Key Managerial Personnel shall be responsible for providing notice to the Chief Financial Officer & Company Secretary of any potential Related Party Transaction involving him/ her or his / her Relative or of transaction involving the Company and other Related Parties. They shall also be responsible for providing additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee / the Board / General Meeting, as the case may be.
- 4.2.2 The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

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

4.3 #Prohibitions related to Related Party Transactions

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

Provided that only those Members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Provided further that:

- (a) a related party transaction to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company 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 Company;
- (b) with effect from April 1, 2023, a related party transaction to which the Subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company 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;

Further, 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.

The aforesaid provisions and provisions of Clause 4.1.1 (Omnibus approval) shall not be applicable in the following cases:

- 1) Transactions entered into between a Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval.
- 2) Transactions entered into between two Wholly-Owned Subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval.

4.4 Decision regarding transaction in the ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business of the Company or is Arm's Length Transaction. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

5. Related Party Transactions not approved under this policy

Subject to the provisions of the Act in the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Related Party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy, provided such modification or waiver is permissible under applicable law or regulations.

6. Approval mechanism

6.1 Audit Committee approval mechanism

Listing Regulations requires that for a listed Company, all RPT's are to be pre-approved by the Audit Committee. Hence, before entering into a RPT, the Head of Accounting of each Division of the Company will collate all the relevant information about the contract/arrangement/ transaction viz., name of the related party and nature of relationship, nature of transaction etc.

Along with the above information, the CFO will prepare a management note with justification for entering into the contract/arrangement/transaction which will also include whether the transaction is in the ordinary course of business and at arm's length.

The following will require approval of the Audit Committee:

- a. All RPT's will be submitted to the Audit Committee for prior approval irrespective whether such transactions are in the ordinary course of business or at arm's length or not. Such prior approval will be required for every entity and every transaction.
- b. Where the Company has entered into a master agreement with a related party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any additional approval of the Audit Committee.
- c. Section 177 of the Act also requires that any modification to existing RPTs, are approved by the Audit Committee.

6.2 #Board 's approval mechanism

The following Related Party Transactions will require approval of the Board of Directors:

- a. Related Party Transaction which is not in the ordinary course of business
- b. Related Party Transaction which is not at arm's length
- c. Material Related Party Transactions.

6.3 #Shareholders' approval mechanism

The following Related Party Transactions will require approval of the Shareholders:

- Related Party Transaction which is not in the ordinary course of business but at arm's length and it falls within the criteria laid down in Sub-rule 3 of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and amendments thereon.
- Related Party Transaction which is not in the ordinary course of business and not at arm's length basis and it falls within the criteria laid down in aforesaid sub-rule.
- Material Related Party Transactions.
- subsequent material Related Party Transactions modifications

Disclosure

- The Company will disclose the Policy on dealing with RPT's on its website www.goldiam.com and a weblink thereto in the Annual Report.

The amendments have been carried out on March 30, 2022.