

SKY GOLD LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

The policy on Related Party Transactions (“RPT Policy or this Policy”) has been adopted by the Board of Directors of Sky Gold Limited (“the Company”) acting upon the recommendation of Audit Committee of the Company (“the Committee”) pursuant to Regulations 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

1. SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest that may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has formulated guidelines for the identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on the materiality of related party transactions and dealing with related party transactions.

In light of the above, the Company has framed this Policy on Related Party Transactions. This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out

- a) Identification of the Related Parties
- b) the materiality thresholds for related party transactions and;
- c) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and any other laws and regulations as may be applicable to the Company.
- d) To ensure due and proper compliance with the applicable provisions followed for approval/ratification and reporting of transactions as applicable, between the Company and any of its Related Parties

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval with effect from July 11, 2018. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one financial

year, and shall require fresh approval for the next financial year. The onus will be on corporate accounts to refer RPT or potential RPT to the Audit Committee.

3. **DEFINITIONS**

- ❖ **“Act”** means the Companies Act, 2013 Rules framed thereunder and any amendments thereto;
- ❖ **“Regulation 23”** means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- ❖ **“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

The following has been considered to be helpful in concluding whether a transaction is on an arm’s length basis or not:

- 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;
 - The transaction is at a price / rate in line with Government guidelines / industry body specifications where relevant
 - 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)
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- ❖ **“Audit Committee”** shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- “Board” means the board of directors of the Company.
- ❖ **“Ordinary course of business”** means the usual transactions, customs, and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining the ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
 - ❖ **“Company”** the words “This Company”, “The Company”, “Company” wherever occur in the policy shall mean “Sky Gold Limited”.
 - ❖ **“Compliance Officer”** means "Company Secretary" and/or "Deputy Company Secretary" of the Company.

- ❖ **“Key Managerial Personnel” or “KMP”** means
 - a. the Chief Executive Officer or the Managing Director or the Manager and in their absence, the Whole Time Director;
 - b. the Company Secretary;
 - c. the Chief Financial Officer;
 - d. such other officer, not more than one level below the directors who is in whole-time employment, designated as KMP by the Board; and
 - e. any other person appointed as the KMP by the Board of Directors of the Company;
- ❖ **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- ❖ **“Related Party”** has the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(ZB) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015
- ❖ **"Related Party Transaction"** has the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as a means of transfer of resources, services, or obligations between a listed entity and a related party, regardless of whether the 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, including but not limited to the following –
 - 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 the rendering of any services;
 - e. appointment of any agent for purchase or sale of goods, materials, services, or property;
 - f. appointment to any office or place of profit in the company
 - g. Underwriting the subscription of any securities or derivatives thereof, of the company.
- ❖ **“Material Related Party Transaction”** means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds INR 1000 Crore or ten percent of the annual consolidated turnover of the Company whichever is lower as per last audited financial statements of the Company as defined under Regulation 23 of the SEBI (LODR)Regulations and the contracts or arrangements as given under the Act.

Notwithstanding the above, 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 Company as per the last audited financial statements of the Company.

- ❖ **"Materiality Threshold"** means limits for related party transactions beyond which the shareholders' approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto.
- ❖ **"SEBI"** means the Securities and Exchange Board of India.
- ❖ **"SEBI Act"** means Securities and Exchange Board of India Act, 1992.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable law or regulation.

4. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

5. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS

In accordance with the Section 189(2) of the Act, all Directors and Key Managerial Personnel shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the Company, the particulars relating to his concern or interest in the other associations/entities in Form MBP-1.

Every Director and Key Managerial Personnel of the Company will be responsible for providing a declaration to the Company containing the following information on his/her appointment as Director/KMP in the Company and thereafter by Director on annual basis in the first meeting of the Board in every financial year in MBP 1:

- Names of his / her relatives;
- Partnership firms in which he / she or his / her relative is a partner;
- Private Companies in which he/ she is a member or Director;
- Public Companies in which he/she is a Director and holds along with his/her relatives more than 2% of paid up share capital;
- Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and

- Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and Key Managerial Personnel will also be responsible to update the management of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/ her Relatives, including any additional information about transactions that the Board or Audit Committee may request. The Board shall record the disclosure of interest and Audit Committee will determine whether the transaction requires compliance with this policy. The Company strongly prefers to receive such notice of any potential Related Party Transactions, if any, well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of such Related Party Transaction. Similarly, where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement.

The Company shall also obtain information from its subsidiaries on quarterly basis.

Finance department will keep track of the following transactions with: -

- a. The Related Parties identified under the above declarations
- b. The holding company, fellow subsidiary companies and group / affiliate companies of the company.
- c. The transactions between the Company or subsidiary of the Company and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

The list of Related Parties shall be updated whenever necessary and reviewed on a timely basis and would be communicated to the functional departments.

Further, while assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

- iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 3. management assessment of pricing terms and business justification for the proposed transaction;
 4. comparative analysis, if any, of other such transactions entered into by the company.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

A. Approval of the Audit Committee

- i. All the transactions which are identified as related party transactions and subsequent modifications should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ii. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is
 - not in the ordinary course of business and/ or
 - not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- iii. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under SEBI (LODR) Regulations and the Act and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- iv. Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In

connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

- v. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.
- vi. Prior approval of Audit Committee shall not be required in 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.
- vii. It shall be ensured that minimum information as required under the Companies Act, 2013 and rules made thereunder, Listing Regulations and SEBI circulars/guidelines issued in connection to RPT is placed before the Audit Committee.

B. APPROVAL OF THE BOARD OF DIRECTORS

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 Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth below shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being:

- i. not in the ordinary course of business, or
- ii. not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

C. APPROVAL OF THE SHAREHOLDERS

If a related party transaction is

- i. a material transaction as per SEBI (LODR) Regulations or Material modifications thereto, Or
- ii. not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013,

it shall require shareholders' approval as per the requirements of SEBI (LODR) Regulations . In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction.

To approve the related party transactions, Shareholders will be provided with all the relevant information pertaining to the Related Party Transaction as required under applicable acts, regulations, rules and circulars/guidelines.

D. APPROVAL OF THE SUBSIDIARIES

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.

A prior approval of the Audit Committee shall not be required for-

- a. 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.
- b. 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

Standing Pre-Approval / Omnibus approval by Audit Committee:

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- a) Name of the related party and nature of the relationship with the related party;
- b) Nature of the transaction

- c) Period of the transaction
- d) Maximum amount of the transactions that can be entered into
- e) Nature, material terms and conditions, monetary values and particulars of the contract or arrangement
- f) Indicative base price / current contracted price and formula for variation in price, if any
- g) Whether the transaction is at arm's length or not;
- h) Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. The Committee shall on quarterly basis review all omnibus transactions and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Related Party Transactions that shall not require Approval:

Following transactions shall not require separate approval under this Policy

- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, amalgamation, hive-off, etc. duly approved by the Board and carried out in accordance with the specific provisions of the Act or SEBI (LODR) Regulations.

Related Party Transactions Not Approved Under This Policy:

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit 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 Audit 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

7. REPORTING OF RELATED PARTY TRANSACTIONS

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

8. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or Listing Agreement or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.

9. INTERPRETATION

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

10. DISCLOSURE:

Appropriate disclosures as required under the Act and the SEBI (LODR) Regulations shall be made in the Annual Return, Directors' Report and to the Stock Exchanges.

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

11. REVIEW:

The Board of Directors shall review this Policy at least once in every three years and update accordingly.

