



J.K. CEMENT LIMITED

Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions (The Board of Directors adopted this policy on November 1st, 2014 and amended it on February 2, 2019 and 5th February, 2022)

1 Preamble

The Board of Directors of the Company (“Board”) has adopted this Policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made thereunder and any subsequent amendments thereto (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), in order to ensure the transparency and procedural fairness of such transactions. The Audit Committee will review the same from time to time and propose the amendment required in the Policy to the Board. Review of Policy shall also be done by Board at least once in every three years.

2 Purpose

This Policy is intended to ensure proper approval and reporting of Related Party Transactions, as defined hereinunder. Provisions of this Policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of Related Party Transactions and also on dealing with Related Party Transactions, in terms of the Applicable Laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board/Audit Committee may amend this policy from time to time as may be required. The Audit Committee shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the Applicable Laws.

3 Applicability

This Policy has been originally adopted by the Board on 1.11.14. Thereafter, the Policy is updated as and when required to accommodate amendments introduced in the Applicable Laws, from time to time

4 Definitions

- (a) “Act” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars thereof.
- (b) “Applicable Laws” include (a) the Act and rules made thereunder as amended from time to time; (b) the Listing Regulations; (c) Indian Accounting Standards; (d) any other statute, law, standards, regulations or other government instruction relating to Related Party Transactions applicable on the Company.

- (c) “Arm’s length transaction” in pursuance of Explanation (b) to Section 188(1) of the Act, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Tests for ascertaining whether the Related Party Transactions is at arm’s length:

1. The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile;
2. The contracts/ arrangements have been commercially negotiated;
3. The pricing is arrived at as per the rule/ guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Income Tax Act, 1961, Securities and Exchange Board of India and/or such other statutory or regulatory bodies as applicable to any of the contract/ arrangements contemplated under the Act, Rules framed thereunder or Listing Regulations;
4. The terms of contract/ arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties;
5. Such other criteria as may be issued under Applicable Laws.

- (d) “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.—“significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

- (e) “Board” means the Board of Directors of the Company.
- (f) “Compliance Officer” means the Officer appointed by the Board or under this Policy from time to time.
- (g) “Control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

A director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

(h) “Key Managerial Personnel” includes:

- (i) Chief Executive Officer or the Managing Director or the Manager and in their absence, a whole-time director;;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer.

(i) **“Material modification”** shall mean any modification made in the terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, as the case may be, which, individually or taken together with previous modifications during a financial year, results in variation in the value of the Related Party Transaction, by at least % or Rs. crores, whichever is higher, or has significant impact on the nature, value, tenure, exposure, or has a likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.

Provided that a modification shall be material, if by such modification, the terms of the contract cease to be arms’ length.

Provided further that the following shall not be considered as material modification -

- modifications which may be mandated pursuant to change in law,
- modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be,
- modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.) approved by appropriate authority,
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- modifications uniformly affected for similar transactions with unrelated parties

(j) **“Material Related Party Transaction (s)” under:**

➤ Listing Regulations, means:

- a. - A transaction to be entered into with a Related Party (other than a Wholly Owned Subsidiary), value whereof individually or taken together with previous Related Party Transactions during a financial year, exceeds Rs. 1000 crores or ten percent of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the company or such other threshold as may be laid down from time to time by Applicable Laws;

b. 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

➤ Act, means:

transactions as defined under Section 188(1) of the Act by the Company with Related Parties as defined under Section 2(76) of the Act, where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Act from time to time.

All such transactions and any subsequent material modifications shall require prior approval of the shareholders through ordinary resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

(k) “Officer” includes any Director, Manager or Key Managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.

(l) “**Related Party**” means and includes any person or entity:

- a. who/ which is a related party under Section 2(76) of the Act or
- b. who/ which is a related party under Reg 2(1)(zb) of Listing Regulations;
- c. who/ which is a related party under the applicable “Indian Accounting Standards”.

(m) “**Relative**” with reference to any person, means anyone who is related to another, if—

- (1). they are members of a Hindu Undivided Family;
- (2). they are husband and wife;
- (3). Father (including step-father)
- (4). Mother (including step-mother)
- (5). Son (including step-son)
- (6). Son’s wife
- (7). Daughter
- (8). Daughter’s husband
- (9). Brother (including step-brother)
- (10). Sister (including step-sister)

(n) “**Related Party Transaction**” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity, with its related party;

- (ii) 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 with effect from April 1, 2022; or
- (iii) 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.

“Words and expressions used but not defined in this Policy shall have the same meaning as respectively assigned to them, in the Applicable Law under reference. Likewise, reference in this Policy to Accounting Standards shall be deemed to refer to the contemporaneous Accounting Standards as applicable to the Company at the relevant time.”

5. Compliance Officer

- 5.1** For purposes of this Policy, the Company Secretary would act as Compliance Officer for compliance purpose. However, the Chief Financial Officer of the Company shall be the responsible for RPT transactions undertaken by the Company. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Compliance Officer(s).
- 5.2** The Compliance Officer shall ensure proper implementation of the Policy as approved by the Board/Committee of Directors and may lay down monitoring mechanism for its compliance.
- 5.3** The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

6. Identification of Related Parties and Related Party Transactions

- 6.1 Every Director and/or Key Managerial Personnel of the Company shall disclose to the Company Secretary of the Company in form MBP-1, at the time of his appointment, in beginning of every financial year and wherever there is any changes in the disclosures so made, about all persons, entities, firms, or other organizations in which he/ she is interested, whether directly or indirectly. Every director and KMP shall disclose details as may be required for the purpose of identification of Related Parties, e.g. details of relatives, etc.
- 6.2 The Company shall maintain a complete list of Related Parties, and update the same as and when any change is necessitated. The list shall be disseminated to all business functionaries for their ready reference while undertaking any transaction.
- 6.3 Besides, the Company shall also maintain a list of Related Parties of its subsidiaries, which may be sourced from respective subsidiaries on a periodic (quarterly) basis or as and when needed. Adequate systems must be in place to ensure that the RPTs in which the Company is not a party, but the subsidiary is a party, shall be brought to the

information of the Company in a timely manner, for necessary approvals, wherever required.

6.4 The Chief Financial Officer will be responsible for providing prior notice to the Company Secretary, of any potential Related Party Transaction. He will also be responsible for providing additional information about the transaction that may be required, for placing before the Audit Committee, the Board or shareholders, as the case may be.

6.5 If required, the Company may refer any potential Related Party Transaction to any external legal consultant/ expert for obtaining his/ her opinion on any legal/ regulatory issues involved in the potential Related Party Transaction and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. The Audit Committee shall have the right to obtain external professional advice in relation to related party transactions.

7. Review Mechanism/Approval/Ratification

7.1 All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

7.2 Related Party Transactions and subsequent material modifications shall require prior approval of Audit Committee of the Company (other than transactions with Wholly Owned Subsidiaries) as per the provisions of the Act and the Listing Regulations. Any subsequent modification shall also require approval of the Audit Committee. Further, Related Party Transactions with wholly owned subsidiaries in the ordinary course of business and at arm's length will be placed before the Audit Committee for review.

7.3 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 (10%) of the annual consolidated turnover, as per the last audited financial statements of the Company (w.e.f. April 1, 2023, 10% of the annual standalone turnover)

However, such prior approval shall not be required for (i) a related party transaction wherein Regulation 23 is applicable to such subsidiary, since in that case prior approval of the audit committee of the subsidiary will be obtained; and (ii) such other transactions which may be exempted under the Listing Regulations, from time to time.

7.4 In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Company and Related Parties.

7.5 As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions, and all Material Related Party Transactions shall be referred to the Audit Committee for its approval/ ratification. The Committee will consider interest of the Company and its Stakeholders in carrying out the Related Party Transactions and the benefits accruing to the Company. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval. A quarterly certificate signed by the Chief Financial Officer and the Internal Auditors of the Company shall be placed before the Audit Committee certifying that all transactions entered into with Related Parties during the relevant period were in the ordinary course of business and on arm's length pricing and in due compliance with the Related Party Transaction Policy of the Company. The Statutory Auditors shall also confirm same to the Audit Committee.

OMNIBUS APPROVAL

7.6 The Audit Committee may grant omnibus approval for Related Party Transactions of respective nature, proposed to be entered into by the company, subject to the following conditions:

(i) The Audit Committee/Board shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

(ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.

(iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any (iii) The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and (iv) 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 Rs.1 crore per transaction.

(iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

(v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. **Approval by the Board**

i. Related Party Transaction shall require Board approval in the following cases:

- a. If the Related Party Transaction is not in ordinary course of business or not on Arm's Length Basis; or
- b. The Audit Committee determines that a Related Party Transaction should be brought before the Board; or
- c. The Board in any case elects to review any Related Party Transaction, *suo moto*; or

- d. The Related Party Transaction needs to be approved by the Board under any law for the time being in force
- ii. Approval of the Board shall not be required for the transaction entered into by the Company with its wholly owned subsidiary or with any other party, if such transaction is in the ordinary course of business and on Arm's Length Basis;
- iii. The considerations set forth above in case of Audit Committee shall also apply to the Board's review and approval of the proposed Related Party Transaction with such modification as may be necessary or appropriate under the circumstances.

8. Approval of shareholders

8.1 All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders by way of ordinary resolution.

8.2 The Related Party concerned or interested in any contract or arrangement to be entered into by the Company with such Related Party shall not vote on such ordinary resolution requiring approval of the shareholders, subject to the applicable provisions as may be prescribed from time to time.

8.3 In the case of a wholly owned subsidiary, the ordinary resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between such wholly owned subsidiary and the Company, within the limits approved by the Shareholders.

9. Related Party Transactions not previously approved

9.1 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 transactions within a period of three months from the date of entering into such a 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 system, and shall take any such actions it deems appropriate.

9.2 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 authority to modify or waive any procedural requirements of the Policy.

10. Ratification by the Board/ shareholders-

In a case where the aforesaid transaction has been ratified by the audit committee, the same shall also be required to be ratified by the board in case where the same is not in the ordinary course or at arm's length. Furthermore, if the said transaction is a material related party transaction, then the same will also be required to be placed before the shareholders for their approval.

11. Disclosure

11.1 Particulars of contracts or arrangements with Related Parties covered under this Policy not at arm's length basis and details of Material Related Party Transactions which are at arm's length basis, shall be appropriately referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement pursuant to Section 134 of the Companies Act, 2013.

11.2 The Company shall place before the Board, Register of Contracts or Arrangements containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies for perusal/ signatures of the Directors.

11.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report as may be required under the Act and the Listing Regulations.

11.4 Details of all Material Related Party Transactions with its Related Parties shall be disclosed in the quarterly compliance report on corporate governance as per the provisions of SEBI Listing Regulations

11.5 The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half year (and on the date of publication of its standalone and consolidated financial results, w.e.f. April 1, 2023), disclosures of Related Party Transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

Non-applicability

Notwithstanding anything contained anywhere else in this Policy, following shall be exempted from the purview of this Policy:

- 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:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of rights issue or a bonus issue; and

- buy-back of securities;
 - d. acceptance of fixed deposits by the Company 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
- such other exclusions and exemptions as may be provided under the Act/ SEBI Listing Regulations, or other applicable laws from time to time.

12. Amendment of Policy

The Audit Committee/Board may carry out any amendment/changes in this Policy as may be required from time to time.

Even though this policy has been framed in accordance with requirement of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendment thereon, the Auditor, if observes any deviation, may communicate to the Audit Committee *inter alia* about the transactions with related parties and other related significant matters as they deem fit and proper.
