



SOM Distilleries & Breweries Limited

Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions



Som Distilleries & Breweries Limited
(CIN: L74899DL1993PLC052787)

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POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS (AS AMENDED)

OBJECTIVE

The Board of Directors of Som Distilleries and Breweries Limited (“the Board”) has adopted following Policy and procedures with regard to Materiality of Related Party Transactions and dealing with Related Party Transactions of the Company with effect from February 10, 2021. The policy has been reviewed and revised by the Audit / Board of Directors on April 26, 2022.

In accordance with Section 188 of the Companies Act 2013 (the Act) and the Rules made thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended (“Listing Regulations”) requires all listed companies to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. This Policy has been framed for complying with above requirement.

DEFINITIONS

1. **“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
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.
3. **“Associate Company”** shall mean “Associate Company” as defined in Section 2 (6) of the Companies Act, 2013.
4. **“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under the provisions the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 from time to time.
5. **“Board of Directors” or “Board”** means the Board of Directors of the Company, as constituted from time to time.
6. **“Company”** means Som Distilleries and Breweries Limited.
7. **“High Value Debt Listed Entity” (listed entity)** means an entity which has listed its non- convertible debt securities (‘NCDs’) and has the value of principal outstanding of listed NCDs of Rs. 500 crore and above
8. **“Director”** means a person as defined in Section 2 (34) of the Companies Act, 2013.
9. **“Employees”** shall mean the employees and office-bearers of the Company, including but not limited to Directors.

10. **“Key Managerial Personnel or KMP”** shall mean “Key Managerial Personnel” as defined in Section 2 (51) of the Companies Act, 2013 read with related rules issued thereon.
11. **“Material Related Party Transactions”** would mean the following:
- A) a transaction with a related party if the transaction/transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other limit in terms of the listing regulations in force from time to time.
 - B) 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.
- Provided that 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 per cent of the annual consolidated turnover of Company as per the last audited financial statements of the Company, whichever is lower (w.e.f. April 1, 2022)
12. **“Material Modification”** of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (w.e.f. April 1, 2022).
13. **“Office or Place of Profit”** means any office or place:
- a. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - b. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.”
14. **“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 Audit Committee may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

15. **“Policy”** means Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions.

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

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

Provided that any person or entity forming a part of the promoter or promoter group of the Company or any person or entity, holding equity shares of 20% or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party (effective from 1st April 2022). The threshold is set to be lowered to 10% w.e.f. 1 April 2023.

17. **“Related Party Transaction”** or RPTs means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, specifically including transactions under Section 177 and Section 188 of the Act including rules thereof, as defined in applicable accounting standards and as defined in Regulation 2(1) (zc) of the Listing Regulations.

Further, w.e.f April 1, 2022 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between 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;

Further, w.e.f April 1, 2023 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between 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.

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.

18. **“Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

19. **“Regulation”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

20. **“Subsidiary Company”** means as defined under Companies Act, 2013 read with related rules issued thereon including any statutory modification and amendment thereof as may be issued from time to time.

21. **“Turnover”** as mentioned in the Companies Act, 2013



PROCEDURE

A. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

For the purpose of identification of Potential Related Party Transactions, each director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

B. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

I. AUDIT COMMITTEE APPROVAL:

- Every Related Party Transaction and subsequent modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation. Further, only those members of the Audit Committee who are *independent directors** shall approve related party transactions.

**Explanation-In case of a 'high value debt listed entity' which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non-executive directors on its board shall be treated as independent director.*

Every related party transaction to be entered into by the subsidiary of the Company to which 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:

- (a) With effect from April 1, 2022, 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or
- (b) With effect from April 1, 2023, 10% of standalone turnover, as per the last audited financial statements of the subsidiary.

However, prior approval of the audit committee shall not be required for a related party transaction to which listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing regulations are applicable to such listed subsidiary;

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

- The Audit Committee shall be provided such details as may be required to assess the RPTs including the information required to be provided as per the Companies Act, 2013 and Listing Regulations.
- All Related Party Transactions and subsequent modifications shall require prior approval of the Audit Committee.

However, the Audit Committee may grant **omnibus approval for Related Party Transaction(s) proposed to be entered into by the company** subject to the

following conditions:

- (i) The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and in ordinary course of business and at Arm's Length basis.
- (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 and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction(s) 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 financial year and shall require fresh approvals after the expiry of one financial year.
- (vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval shall not require approval of the Audit Committee.

Notwithstanding the foregoing the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

- (i) *Any transaction that involves the providing of compensation to a director or KMP 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.*
- (ii) *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.*

II. BOARD APPROVAL:

If the Committee determines that a Related Party Transaction should be brought before the Board, or where Committee does not approve the transaction shall make its recommendation to the Board, or if the Board in any case decides 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 and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate under the circumstances.

A Director, if interested in any Related Party Transaction, shall not be present at the meeting, whether physically or through Electronic mode, during discussions and shall not vote on such item

III. SHAREHOLDERS APPROVAL:

All Material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders through resolution. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of listing regulations are applicable to such listed subsidiary.

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

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require prior approval of the shareholders through resolution, if so required under any law, and the Related Parties shall abstain from voting on such resolution.

Any Related Party Transaction or Material Related Party Transaction if entered into with a Wholly Owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders of the Company at General Meetings for approval, shall not require approval of the Shareholders.

Any related party transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval, shall not require approval of the shareholders.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as required under Regulation.

IV. MATERIALITY THRESHOLDS:

Regulation 23 of Listing Regulations requires the Company to provide clear threshold limits duly approved by the Board of Directors for related party transactions.

Materiality Thresholds for Related Party Transactions:

The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from

time to time.

1. The Company has fixed its materiality threshold of Rs.1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Regulation 23 (4) of SEBI (LODR) Regulations, 2015, whichever is lower.
2. Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

C. EXEMPTION FROM OBTAINING APPROVAL IN TERMS OF THE LISTING REGULATIONS

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered into between Som Distilleries and Breweries Limited and its wholly owned subsidiary, if any, whose accounts are consolidated with Som Distilleries and Breweries Limited.

However, an approval of Audit Committee and Board of Directors/ Shareholders as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

D. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction(s) and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s). The Committee may examine the facts and circumstances of the case and take any such actions it deems appropriate.

An RPT involving amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the RPT, such transaction shall be voidable at the option of the Committee and if the transaction is with the Related Party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

E. DISCLOSURES

Details of all material transactions with Related Parties shall be disclosed as part of the Report on Corporate Governance, included in the Annual Report of the Company.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

Provided that Company being a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year basis.

The annual report shall include disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results and also Disclosure by Company and its subsidiaries and associates of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

F. INTERPRETATION

- a. 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 Accounting Standards or any other relevant legislation / law applicable to the Company.
- b. 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.

G. POLICY REVIEW

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Listing Regulations or any other regulations ("the Regulations") which makes any of the provisions in the Policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.

