

SUMIT WOODS LIMITED
POLICY ON RELATED PARTY TRANSACTIONS

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Preamble:

Considering the requirements for approval of Related Party Transactions as prescribed under the Companies Act, 2013 read with the rules framed thereunder ("**Act**") and Regulation 23 read with 2(1)(zb) and 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, ("**SEBI LODR**"), the Board of Directors ("**Board**") of Sumit Woods Limited ("**the Company**"), acting upon the recommendation of its Audit Committee has formulated the following policy for identification of related parties and the proper conduct and documentation of all Related Party Transactions.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

Objective and Scope:

This policy is framed as per the requirements of Regulation 23 of SEBI LODR, including any modification(s) / amendment(s) / re-enactment(s) thereof and in terms of Section 177 and 188 of the Act. This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of related party transactions

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

This Policy is set out to determine:

- a. the materiality thresholds for Related Party Transactions and;
- b. the manner of dealing with the transactions between the Company and its related parties.

This Policy applies to the Company and its subsidiaries, and associate Companies. The scope of this Policy includes the identification, review, approval, and disclosure of all transactions between the Company and its Related Parties. This Policy is designed to ensure that all Related Party Transactions are conducted in a manner that is transparent, fair, and in the best interest of the Company and its shareholders.

Terms and Definitions:

- 1) "**Act**" means The Companies Act, 2013, as amended from time to time.
- 2) "**SEBI LODR**" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time;
- 3) "**Company**" means "**Sumit Woods Limited**".
- 4) "**Board of Directors**" or "**Board**" means the collective body of the Directors of the Company, as constituted from time to time, in line with the provisions of the Act and the SEBI LODR.
- 5) "**Audit Committee**" means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of SEBI LODR and Section 177 of the Act.

- 6) **“Arm’s Length Transactions”** means a transaction between two related parties that is conducted as if they were unrelated parties, so that there is no conflict of interest;
- 7) **“Director”** shall have the meaning assigned to it under the Act.
- 8) **“Industry Standard or Standard”** means Industry Standards on Minimum Information to be Provided for Review by the Audit Committee and Shareholders for Approval of Related Party Transactions.
- 9) **“Interested Director”** means any Director, whether by himself or through any of his relatives, firms, body corporate, or other associations of individuals, in which he or his relative is a partner, director, or member, is concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company.
- 10) **“Key Managerial Person” or “KMP”** shall have the meaning assigned to it under the Act.
- 11) **“Material Modification”** means any modification, either individually or taken together with any previous modification, made in the nature, value/exposure, or other terms and conditions of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the contracted value of the transaction, by 10% or more or Rs. 1000 Crores , whichever is higher, or by which the transaction ceases to be in ordinary course and/or on arm’s length or such other parameter as may be determined by the Audit Committee from time to time.

In addition to the above, the Audit Committee may from time to time and based on the facts of particular matter(s) in hand, decide whether the modification in any terms and conditions of an existing Related Party Transaction that would amount to be a material modification and thus requisite approvals may be required for the modification of the said transaction.

Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.) or is of a nature which is purely technical and does not result in substantive change or alteration of rights, interests, and obligations of any of the parties, or is uniformly affected for similar transactions with unrelated parties shall not be regarded as material modification.

12) **“Material Related Party Transaction”** means:

- Related party transactions under the Act, as specified in Section 188, involving a related party as defined in Section 2(76), which are not in the ordinary course of business or not on an arm’s length basis and exceed the threshold specified in Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2015.
- Related party transactions under SEBI LODR, where the total value of transactions during a financial year exceeds ₹1,000 crore or 10% of the Company’s Annual Consolidated Turnover, whichever is lower. Additionally, payments made to a related party for brand usage or royalty are considered material if they exceed 5% of the

Company's Annual Consolidated Turnover in a financial year. Provided any change in the limits prescribed above due to any amendments, will be considered.

- 13) **"Ordinary Course of Business"** means a usual transaction if it is entered into in relation to the provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counterparty normally deals, and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to the business.

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

- 14) **"Related Party"** shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI LODR
- 15) **"Related Party Transaction" or "RPT"** shall mean such transaction as specified under sections 177 and 188 of the Act and Regulation 2(1)(zc) of the SEBI LODR.
- 16) **"Relative"** with reference to any person shall have the same meaning as defined in section 2(77) of the Act.
- 17) Words and expressions used but not defined in this code shall have the same meaning assigned to them in the SEBI LODR or the Act, as the case may be or in any amendment thereto.

Procedure:

A. Identification of Related Parties and the Related Party Transactions:

1. Every director and key managerial personnel (KMP) of the Company shall:

- at the time of appointment;
- annually; and
- whenever there is any change in the information already submitted,

provide requisite information about his / her Relatives and all firms, entities, and body corporates, in which such director or KMP is interested, whether directly or indirectly, to the Company Secretary of the Company or the subsidiary (as the case may be).

Every such director and KMP shall also provide any additional information about the transaction, that the Board / Audit Committee may reasonably request.

- Each Subsidiary and Associate Company shall furnish an updated list of its Related Parties to the Company.
- On the basis of the above, a consolidated list of Related Parties shall be prepared in accordance with the provisions of the Act and SEBI LODR.

4. Potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a proposal with details as mentioned in 'Criteria for granting Omnibus Approval' of this Policy, shall be submitted for requisite approval.
5. The subsidiaries shall, from time to time, provide to the Company, information on any proposed Material Related Party Transactions and any Material Modification(s), for the purpose of obtaining requisite approvals from the Company.

B. Approval of Related Party Transactions:

Approval of the Audit Committee

1. All RPTs between the Company and its Related Parties, and any modifications therein, shall require prior approval of the Audit Committee.
2. RPTs to which a subsidiary of the Company is a party, but the Company is not a party ('Other RPTs'), shall require prior approval of the Audit Committee of the Company if the value of the transaction (whether entered into individually or taken together with previous transactions, during a financial year) exceeds the statutory limits prescribed in the SEBI LODR.
3. Remuneration and sitting fees paid by the Company or its subsidiary(ies) to its director, key managerial personnel or senior management shall not require approval of the Audit Committee, subject to the following conditions:
 - (i) the related party is not a part of the promoter or promoter group of the Company and/ or its subsidiary(ies),
 - (ii) the transaction is not a Material Related Party Transaction under SEBI LODR.
4. Prior approval of the Audit Committee of the Company shall not be required for Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in (2) above, if prior approval of the audit committee of the listed subsidiary has been obtained.
5. The Audit Committee may grant omnibus approval for the RPTs, which are routine and repetitive in nature, and which satisfy the criteria for omnibus approvals, as prescribed under the Act or the SEBI LODR.
6. Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
7. Such omnibus approval shall be based on the 'Criteria for granting Omnibus Approval' of this Policy.
8. Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval, before the expiry of the approval period.
9. Only Independent Directors, who are members of the Audit Committee shall approve the RPTs. In case such an Independent Director is interested in any potential RPT, then he/she shall abstain from voting when such transaction is being considered.

10. In case the Audit Committee does not approve any transaction, it shall make its recommendations on such RPTs to the Board.

C. Approval of the Board of Directors & Shareholders:

1. All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed as an Arm's length transaction. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such RPT.
2. Further, all related party transactions which are not in the ordinary course of business or not at the arm's length price and are exceeding threshold limits prescribed in section 188 of the Act as amended from time to time shall also require prior approval of shareholders of the Company by way of Ordinary Resolution and all entities falling under the definition of Related Parties shall not vote to approve the relevant transaction, irrespective of whether the entity is a party to the particular transaction or not.
3. Transactions that are not approved by the Audit Committee, or in the opinion of the Audit Committee, need special consideration/determination by the Board.
4. Where it is mandatory under any law for the Board to approve such transactions.
5. All the Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the Board and 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.

Provided that prior approval of shareholders of the Company shall not be required for RPTs where listed subsidiary is a party but the Company is not a party, if Regulation 23 and 15(2) of SEBI LODR are applicable to such listed subsidiary.

D. Transactions for which Prior approvals are not required:

The following RPTs shall be exempt from the requirement of prior approval of the Audit Committee and shareholders:

1. Transactions between and among the wholly owned subsidiary(ies) and the Company, whose accounts are consolidated with the Company, if such transactions are in the Ordinary Course of Business or executed as an Arm's length transaction.
2. transactions between and among two or more wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company.
3. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand

E. Procedure and Criteria for Omnibus Approval of Related Party Transactions:

The Audit Committee shall lay down the criteria as approved by the Board 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 that are repetitive in nature

While assessing any proposal, the Audit Committee may review the documents / seek information from the Management of the Company

The maximum value of the transactions, in aggregate, which can be allowed in the omnibus route and the maximum value per transaction, shall be such as are approved by the Audit Committee.

The omnibus approval shall provide details of:

- a. name of the related parties;
- b. nature and duration of the transaction;
- c. maximum amount of transaction that can be entered into;
- d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
- e. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

Where the need for related party transactions cannot be foreseen and aforesaid details are not available, the audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

In determining whether to approve an RPT, the Committee shall inter-alia consider the following factors, to the extent relevant to the matter:

- a. Whether the proposed transaction is in the best interest of the Company.
- b. Whether the terms of the proposed transaction are fair and it is an Arm's length transaction.
- c. Whether the proposed RPT is permissible under the provisions of Applicable Laws.
- d. Whether such contract or arrangement is proposed to be entered into on terms no less favourable to the Company than terms generally available to an unaffiliated third party under the same or similar circumstances;
- e. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any.
- f. Whether the proposed transaction includes any potential reputational risk issues.
- g. Whether the RPT would present an improper conflict of interest for any director or KMP of the Company, or a subsidiary of the Company, to the extent of the director or KMP's interest in such contract or arrangement.

Transactions which shall not be considered as Related Party Transactions:

The following transactions shall not be considered as Related Party Transactions for the purpose 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 which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 1. payment of dividend;
 2. subdivision or consolidation of securities;
 3. issuance of securities by way of a rights issue or a bonus issue; and
 4. buy-back of securities.
- c. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions to the stock exchange.
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.
- e. retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.
For the purpose as above, "retail purchases" would mean purchase/availing of products and services offered by the Company in the ordinary course of its business, or, in case of any related party transaction by any subsidiary, by such subsidiary in ordinary course of its business, through retail channels i.e., branches or business outlets through which the Company/subsidiary services its retail customers, on terms which are uniformly offered to all employees as per applicable policies of the Company/subsidiary, subject to applicable laws.

Related Party Transactions not previously approved:

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval by way of ratification from the Audit Committee, the Board and/or shareholders of the Bank as required under applicable laws.

The ratification of Related Party Transactions by the Audit Committee shall be subject to the adherence of the following conditions:

- Only those members of the Audit Committee, who are independent directors, can ratify Related Party Transactions.
- The Related Party Transactions are to be ratified in the immediate next Audit Committee meeting, subject to a maximum period of three months from the date of transaction, whichever is earlier.

- The value of ratified transactions with a Related Party, whether entered into individually or taken together with other ratified transactions, shall not exceed rupees one crore during a financial year.
- The transaction shall not be a Material Related Party Transaction under SEBI LODR.
- The rationale for inability to seek prior approval for the Related Party Transaction shall be placed before the Audit Committee while seeking ratification.
The details of ratification shall be disclosed along with the disclosures of Related Party Transactions to the stock exchanges.

Failure to seek ratification of the Audit Committee, shall render the transaction voidable, at the option of the Audit Committee, and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

The Audit Committee, while considering the transaction for ratification, shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the factors due to which the transaction could not be approved, the impact of such transaction on the Company, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

Disclosure of RPT & Policy:

This Policy will be uploaded on the website of the Company at www.sumitwoods.com and the web link thereto will be provided in Corporate Governance section in the Annual Report.

The Company will also submit disclosures of Related Party Transactions, including details of ratification of any such transactions, if any, to stock exchanges as prescribed by SEBI LODR and publish the same on its website mentioned above.

The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure to stock exchanges, provided that the same is not a Material Related Party Transaction under SEBI LODR.

The Company will also ensure necessary disclosures of the Related Party Transactions in the financial statements and other documents/ filings made by the Company, as required under the applicable accounting standards, SEBI LODR, the Companies Act, 2013 and rules thereunder and other applicable laws.

Review, Amendments and Industry Standard:

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective.

Any subsequent amendments or modifications to the SEBI LODR or any other applicable Acts, Rules, Regulations, or their re-enactments, including any industry standard issued in consultation with SEBI from time to time that impact the provisions of this Policy, shall be deemed to apply automatically. Accordingly, the relevant provisions of this Policy shall stand modified or amended to reflect such changes, even if not explicitly incorporated herein.

The Company shall adhere to the Industry Standard as and when applicable. In the event of any ambiguity or inconsistency between the provisions of this Policy and/or the SEBI LODR and/or Industry Standard due to any subsequent amendments to the SEBI LODR and/or SEBI Circulars, the provisions of the SEBI LODR and/or SEBI Circulars shall prevail.
