



## **Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions**

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**Shanti Educational Initiatives Limited**

**(CIN-L80101GJ1988PLC010691)**

**Policy: Materiality of Related Party Transactions & Dealing with Related Party Transactions**

**Prepared by: Secretarial Dept.**

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## 1. INTRODUCTION

Related party transactions (“RPT”) can present a potential or actual conflict of interest which 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 thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Shanti Educational Initiatives Limited (“the Company” or “SEIL”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Further, Regulation 23 of Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, the Company has framed this Policy on materiality of related party transactions and dealing with related party transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

## 2. OBJECTIVE

This policy is framed based on Listing Regulations and the provisions of the Act and is intended to govern the transactions between the Company and its Related Parties. The objective of this Policy is to set out:

- a) Materiality thresholds for Related Party Transactions; and
- b) The manner of dealing with the transactions between the Company and its Related Parties.

## 3. DEFINITIONS

For this Policy, following terms shall have the meanings ascribed to them as under:

“Act” means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Arm’s length basis” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Board” means Board of Directors of the Company.

“Company” means Shanti Educational Initiatives Limited.

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 2011.

**“Key Managerial Personnel”** (KMP) means the Key Managerial Personnel of the company in terms of the Act.

**“Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

**“Material Related Party Transactions”** means if a transaction with a related party to be entered into individually or taken together with previous transactions during a financial year exceeds the following:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

**Explanation:** For the purpose of computing the thresholds stated above, the annual consolidated turnover of the listed entity shall be determined based on the last audited financial statements of the listed entity.

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 5 (five) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Material Modifications”** shall mean and include any modification to an existing related party transaction having variance of 10% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

**“Promoter”** and **“Promoter group”** shall have the same meaning as assigned to them respectively in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

**“Related Party”** means a Related Party as defined under the Act read with the Listing Regulations or under applicable Accounting Standards.

**“Related Party transactions (RPTs)”** means a transfer of resources, services or obligations between a Company and a related party, 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, and includes transactions as defined as a “related party transaction” under the relevant provisions of the Companies Act or under the Listing Regulations or any other related law, regulation, standard, as amended from time to time.

“**Relatives**” means a relative as defined under the Act.

“**Subsidiary**” means subsidiary as defined under the Act.

#### 4. POLICY

In order to ensure transparency and procedural fairness of Related Party Transactions (RPTs), as also to ensure compliance with provisions of the Act and Listing Regulations, Board of Directors (the “**Board**”) of the Company lays down this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (the “**Policy**”).

#### 5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his/ her Relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and/or the Board.

The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company has to receive such notice of any potential Related Party Transaction well in advance to place it before the Audit Committee, so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

#### 6. REVIEW OF RELATED PARTY TRANSACTIONS

All Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of the Audit Committee except for the transactions for which exemption is available under law and mentioned in para of “**Level 1 Audit Committee’s Approval**” under overall framework of Approval for RPTs.

Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction specifically mentioned in **Annexure 1**, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related

Party, and any other relevant matters.

## **7. CONSIDERATIONS FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any undue compelling business reasons or exigency for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and whether subsequent ratification / post-facto approval would be detrimental to the Company;
- vi. Compare existing contracts/agreements (if any) and its terms with one or more identical or similar transactions and compare the market terms known for such similar transactions and;
- vii. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting /resolution by circulation and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for the management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

## **8. OVERALL FRAMEWORK OF APPROVAL FOR RELATED PARTY TRANSACTIONS**

### **Level 1 - Audit Committee's Approval**

All Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of the Audit Committee whether at a meeting or by resolution passed by circulation (in case of business exigencies) and only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

In case of a Related Party Transaction where subsidiary of the Company is a party, but the Company is not a party, they 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) 10% of the annual standalone turnover as per the last audited financial statements of the subsidiary

Further, In case of a Related Party Transaction where subsidiary of the Company is a party, but the Company is not a party and such subsidiary does not have audited financial statements for a period of at least one year, they 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) 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the audit committee.

### **Prior approval of the Audit Committee shall not be required for following transactions:**

- i. 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.

- ii. 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.
- iii. 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.
- iv. 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 audit committee of the listed subsidiary shall suffice.

### **Level 2 – Board’s Approval**

All Related Party Transactions approved by the Audit Committee may be noted by the Board. However, all the material related party transactions, which are not in the ordinary course of business and not in arm’s length basis shall be mandatorily approved by passing a resolution at the meeting of the Board. Where any director is interested in any contract or arrangement with a related party, such director shall not participate in discussions on the subject matter during the meeting relating to such contract or arrangement and shall not vote on the item of business.

### **Level 3 – Shareholder’s Approval**

#### **A. Material Related Party Transaction:**

All Material Related Party Transactions and subsequent Material Modifications shall require prior approval of the shareholders and no related party shall vote to approve such resolutions, whether the entity is a related party to the particular transaction or not.

However, prior approval of the shareholders of the Company will not be required in the following cases:

- Material Related Party Transactions entered between the Company and its wholly owned subsidiaries, whose accounts are consolidated with the Company and placed before the general meeting for approval of shareholders, shall not require prior approval of shareholders as stipulated under Regulation 23(5) of SEBI Listing Regulations.
- 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.

- 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.
- 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.

**B. Transactions other than Material Related Party Transactions:**

All transactions, other than the Material Related Party Transactions, which are not in the ordinary course of business and / or not at Arms' Length Basis except Related Party Transactions entered between the Company and its wholly owned subsidiaries, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval of shareholders shall require the prior approval of the shareholders on exceeding the following limits and no related parties shall vote to approve such resolution:

- i. Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to 10% (ten percent) or more of the turnover of the Company;
- ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% (ten percent) or more of the net worth of the Company;
- iii. Leasing of property of any kind amounting to 10% (ten percent) or more of the turnover of the Company;
- iv. Availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the Company;
- v. Appointment of Related Party to any office or place of profit in the Company, its subsidiary Company or associate company at a monthly remuneration exceeding two and a half lakh rupees.
- vi. Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company, exceeding 1% (one percent) of the net worth of the Company

**9. OMNIBUS APPROVAL BY AUDIT COMMITTEE**

In the case of frequent / regular / repetitive transactions proposed to be entered into by the Company or its subsidiary, which are in the normal/ordinary course of business, the Audit Committee

may grant standing omnibus approval. While granting such approval, the Audit Committee it shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company / its subsidiary and/or the Related Party Transactions that are repetitive in nature. The omnibus approval shall specify the following:

- i. Name of the Related Party
- ii. Nature of the transaction
- iii. Period of the transaction
- iv. Maximum amount of the transactions that can be entered into
- v. Indicative base price/current contracted price and the formula for variation in the price if any
- vi. Name of the Director having interest
- vii. 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 cr. (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for noting. The Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary, as may be applicable, pursuant to each of the omnibus approvals given.

The omnibus approval shall be valid for a period of one financial year and fresh approval shall be obtained after the expiry of one financial year.

## **10. EXCEPTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:

- a) Any transaction involving the providing of compensation (including stock options) to a Director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment.

However, any 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 approval of the audit committee.

Further, any remuneration and sitting fees paid by the Company or any of its subsidiary to its Director, Key managerial Personnel or senior management, shall require approval of the audit Committee if the same is a material related party transaction as per Listing Regulations.

- b) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- c) Transactions that have been approved by the Board under specific provisions of the Act e.g. intercorporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties.
- d) Transactions arising out of corporate restructuring, compromises, arrangements and amalgamations dealt with under specific provisions of the Act, will not attract the requirements of Section 188 of the Act. (MCA vide General Circular No. 30/2014 dated July 17, 2014).
- e) Contribution to Corporate Social Responsibility (CSR) obligations, subject to approval of CSR Committee and within the overall limits approved by the Audit committee / Board of Directors of the Company

## **11. DEVIATIONS**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the details of such transactions may be placed before the audit committee for ratification. The members of the audit committee, who are independent directors, may ratify related party transactions within 3 (three) months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
- ii. the transaction is not a material related party transaction;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions to the stock exchanges in terms of the provisions of regulation 23(9) of SEBI Listing Regulations, 2015;
- v. any other condition as specified by the audit committee.

The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including continuation, revision

or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, failure to seek ratification of the audit committee or where the Committee determines not to approve a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, rendering the transaction voidable, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

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 Company against any loss incurred by it.

## **12. DISCLOSURE**

- a) The Company shall disclose the Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions on its website and provide web link in the Annual Report. In addition to the disclosures required under Accounting Standards, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.
- b) The Company shall submit every 6 months on the date of publication of its standalone and consolidated financial results for the half year ended, disclosures of related party transactions on a consolidated basis, in the specified format, to the stock exchanges.
- c) 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 the above disclosure provided that the same is not a material related party transaction

## **13. AMENDMENTS AND UPDATES**

The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time-to-time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the existing provisions

with a new provision or replace this Policy entirely with a new Policy. However, the Board shall review this policy at least once in every three years.

The amended provisions of the Policy shall come into force with effect from the date of Board approval unless otherwise specified in the respective provision of this Policy.

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## ANNEXURE 1

- **INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):**
  - a) Type, material terms and particulars of the proposed transaction;
  - b) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - c) Tenure of the proposed transaction (particular tenure shall be specified);
  - d) Value of the proposed transaction;
  - e) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
  - f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
    - details of the source of funds in connection with the proposed transaction;
    - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
    - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT
  - g) Justification as to why the RPT is in the interest of the Company'
  - h) A copy of the valuation or other external party report, if any such report has been relied upon;
  - i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis; and
  - j) Any other information that may be relevant.

- **INFORMATION TO BE PROVIDED TO SHAREHOLDERS FOR CONSIDERATION OF RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Act, include the following information as a part of the explanatory statement:

- a) A summary of the information provided by the management of the listed entity to the audit committee as specified above;
- b) Justification for why the proposed transaction is in the interest of the listed entity;

- c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point no. 5.2.1 (f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f) Any other information that may be relevant.