

ZODIAC-JRD-MKJ LIMITED

POLICY FOR GOVERNANCE OF RELATED PARTY TRANSACTIONS

ZODIAC-JRD-MKJ LIMITED

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POLICY FOR GOVERNANCE OF RELATED PARTY TRANSACTIONS

1. INTRODUCTION

ZODIAC-JRD-MKJ LIMITED ("the Company") understands and recognizes that certain relationships might present potential or actual conflicts of interest which may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests. The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

The Company has always been committed to the best corporate governance practices and this Policy for Governance of Related Party Transactions ("the Policy") is prepared and amended for ensuring compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and such other regulatory provisions, as may be applicable from time to time.

2. OBJECTIVE

The Policy is adopted to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions.

3. DEFINITIONS AND INTERPRETATIONS

- 3.1. **"Act"** means the Companies Act, 2013, to the extent notified and the Companies Act, 1956, to the extent in force and rules made there under as amended from time to time.
- 3.2. **"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 or any entity which falls under the applicable accounting standards.

Explanation.—For the purposes of this clause- (a) the expression "significant influence" means control of at least **twenty percent** of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3.3. **“Applicable Law”** shall mean:

Sr. No.	Particulars	Section/Clause/ Regulations
1	Companies Act, 2013	Section 188 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.
2	SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.	Regulation 23 and other points related to Related Party, as amended from time to time.
3	Indian Accounting Standard (IND AS)	IND AS 24

- 3.4. **“Arm’s Length Basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 3.5. **“Audit Committee”** means a committee of the Board of Directors of the Company constituted under provisions of the Act and Listing Regulations.
- 3.6. **“Board of Directors or Board”** shall mean Board of Directors of the Company.
- 3.7. **“Control”** as defined under the Act 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.
- 3.8. **“Holding Company”** shall have the meaning as specified under Section 2(46) of the Companies Act, 2013.
- 3.9. **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 3.10. **“Key Managerial Personnel”** shall have the same meaning as provided under Section 2(51) of the Companies Act, 2013.
- 3.11. **“Material Related Party Transactions”** means related party transactions as defined in the Explanation to the Regulation 23(1) of the Listing Regulations, which shall also include the contracts and arrangements as enumerated under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, which require the Shareholder’s Approval.

Notwithstanding the above, any 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.

3.12. "Ordinary Course of Business" means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the ordinary course of business.

3.13. "Policy" means this Policy for Governance of Related Party Transactions.

3.14. "Related Party" means a party as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

3.15. "Related Party Transactions (RPT)" means the transactions as stated in Clause (a) to (g) of sub-section (1) of Section 188 of the Act and as further defined in Regulation 2(zc) of the Listing Regulations.

3.16. "Subsidiary Company" shall have the same meaning as specified under Section 2(87) of the Companies Act, 2013.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations or any other applicable law or regulation and as amended from time to time.

4. THE POLICY

All RPTs should be reported to the Audit Committee of the Company for approval, irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPT's. The onus will be on Finance & Accounts (F&A) Head to refer RPT or potential RPT's to the Audit Committee for its assessment and approval. The Audit Committee while determining approval to an RPT, shall consider all the applicable provisions of laws, as amended from time to time, to ensure perfect compliance of laws.

The Company having several subsidiary companies, often contracts / arrangements with such subsidiary companies would result in RPT's. However, it is to be noted that these subsidiaries are formed for manufacturing and trading of Diamonds, etc. Therefore, the contracts / arrangements entered into with such subsidiary companies may be RPTs, however, they would be considered in the ordinary course of business itself.

Once such contracts / arrangements are approved by the Audit Committee, transactions arising out of the same would not be subject to further evaluation when they are executed. This process will be monitored by the F&A head holistically.

5. THE PROCEDURE

- (a) The Compliance Officer, as may be identified by the Company, shall identify the related party (ies), as applicable from time to time.
- (b) The Director/ Key Managerial Personnel shall bring to the notice of Compliance Officer of any transactions to be entered by the related party with the company.

- (c) The concerned departments shall approach Compliance Officer before entering into any transactions with Related Party (ies) along with the details of the transactions to be entered.
- (d) After receipt of the notice, the compliance officer shall make sure that the transactions to be entered is as per the Related Party Transaction Policy approved by the Board and also verify the approval sought for such transaction(s) by the Audit Committee /Board of Directors/ Shareholders, as applicable.
- (e) If the transaction to be entered is already approved by the Audit Committee/ Board of Directors/Shareholders, as applicable and if it is within the limit of approval then the compliance officer shall inform the respective department of the same and allow the transaction to proceed.
- (f) If the transaction proposed to be entered with related party is not already approved by the Audit Committee /Board of Directors/ Shareholders, then the Compliance Officer shall take necessary steps for prior approval of the transactions.
- (g) Any Related Party Transaction(s) approved by the Audit Committee / Board of Directors / Shareholders shall be informed to all the concerned departments specifying the limit of approval.
- (h) Interested Directors/Committee Members will not participate in the discussions on Related Party Transactions during the Committee/ Board Meetings.

6. APPROVAL OF RELATED PARTY TRANSACTIONS

AUDIT COMMITTEE

All RPTs require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee subject to the conditions contained in Regulation 23 of the Listing Regulation and Section 177 of the Act read with Rule 6A of Companies (Meeting of Board and its Powers) Rules 2014 and Section 188 of the Act along with the relevant applicable rules made thereto.

BOARD OF DIRECTORS

The Audit Committee shall seek the Board's Approval for all RPTs recommended by the Audit Committee. In case of any RPT(s) referred by the Audit Committee to the Board for its approval which are not in the Ordinary Course of Business, and/or not at an Arm's Length Basis, the Board shall consider factors such as nature of the transaction, material terms, the manner of determining the pricing, the business rationale for entering into such transaction, etc. On such consideration the Board may approve the RPT(s) or may require such modifications to be made in the terms of the RPT(s) as it deems appropriate under the circumstances. Any member of the Board who has any interest in any such RPT(s) shall abstain from any and all the discussion(s) and voting on the approval of such RPT(s). All Material Related Party Transactions shall also require the Shareholders' approval.

SHAREHOLDERS

If a RPT is a Material Related Party Transaction as per Regulation 23 of Listing Regulation, or not in the Ordinary Course of Business, or not at Arm's Length Basis and exceeds certain thresholds as prescribed

under Section 188 of the Act, it shall require the Shareholders' approval by way of a Special Resolution. In such a case, any member(s) of the Company who is a Related Party, shall not vote on such resolution passed for approving such RPTs

7. DEVIATION

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall promptly be referred to the Audit Committee. Subject to the Applicable Laws, the Audit Committee shall have the power to ratify, revise or terminate the Related Party Transactions, which are not in accordance with this Policy, and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

8. DISCLOSURES AND COMPLIANCES

Appropriate disclosures and compliances as required under the Act and the Listing Regulations will timely be made in the Annual Return, Board's Report and to the Stock Exchanges.

9. APPLICABILITY

This Policy has been revised to incorporate the amendments in the Listing Regulations and shall be effective from August 10, 2021. Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly. In case there are any subsequent modification(s) / amendment(s) / notification(s) / circular(s) to Listing Regulations or the Act and Rules made thereunder, it shall apply to this Policy automatically and this Policy shall stand amended automatically and in the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail.
