

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS
AND
ON DEALING WITH RELATED PARTY TRANSACTIONS**

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1. Introduction

The Board of Directors (the “Board”) of ASTRON PAPER & BOARD MILL LIMITED (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Board retains the power to review and amend this policy from time to time and is subject to

- a) amendments to the Companies Act, 2013 and Rules thereon
- b) SEBI (LODR) Regulations, 2015
- c) Consequential actions taken by the Board of Directors or the Audit Committee of the Company.

This policy will be effective to the Company and amendment applicable from 13th November, 2021 and w.e.f 14th February 2023. The policy intends to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy is framed keeping in view the requirement of the provisions of the Companies Act, 2013 & Rules thereon and Regulation 23 of SEBI (LODR) Regulations, 2015 entered into by the Company with the Stock Exchanges. This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. The Company is required to disclose each year in the Financial Statements transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

- “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of SEBI (LODR) Regulation, 2015 and Companies Act, 2013.
- “**Board**” means Board of Directors of the Company.
- “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes
 - (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;

- (ii) Company Secretary; and
- (iii) Chief Financial Officer
- (iv) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (v) such other officer as may be prescribed
- **“Related Party”** means related party as defined in Regulation 18 of SEBI (LODR) Regulation, 2015 which is as follows:

An entity shall be considered as related to the Company if:

- A. such entity is a related party under Section 2(76) of the Companies Act, 2013; or

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

As per Section 2(76) related parties with reference to the Company, means-

- (i) a director or his relative ;
- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager is a member or director ;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital ;
- (vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity ;

(viii) any company which is –

- (a) a holding, subsidiary or an associate company of such company ; or
- (b) a subsidiary of a holding company to which it is also a subsidiary ;

(ix) Director or key managerial personnel of the holding company or his relative with reference to a company; or

B. such entity is a related party under the applicable accounting standards.

- **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
 - i. They are members of a Hindu undivided family;
 - ii. They are husband and wife ; or
 - iii. Father (including step-father)
 - iv. Mother (including step-mother)
 - v. Son (including step-son)
 - vi. Son’s wife
 - vii. Daughter
 - viii. Daughter’s husband
 - ix. Brother (including step-brother)
 - x. Sister (including step-sister)

- **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, irrespective of any price considered in the transactions.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transaction in a contract.

- **“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions 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 the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

4. Policy on Related Party Transaction:

The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly :

All the Related Party Transaction must require prior approval by the Audit Committee in accordance with this Policy.

The policy aims at Identifying the potential Related Party Transactions, analysis of Related Party Transaction pricing, proper review and approval of Related Party Transactions and Disclosure requirements of related party transactions.

4.1 Identification of Potential Related Party Transactions:

Each Director, Key Managerial Personnel and other related party is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The notice shall include a description of the transaction and aggregate amount. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

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 Five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

4.2 Restriction for Related Party Transactions:

All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party

Transactions proposed to be entered into by the Company subject to following conditions:

- (a) The Audit Committee 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.
- (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- (c) Such Omnibus approval shall specify (i) the names 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 transactions.

- (d) Audit Committee shall review, atleast on quarterly basis, the details of RPTs entered into by the Company pursuant to each of the Omnibus approval given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Provided that such approval shall not be applicable in following cases:

- (a) Transactions entered into between two government companies;
- (b) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation (a): Government Company shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.

Explanation (b): All the entities falling under the definition of related parties and interested in the specific transactions shall abstain from voting.

All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve. For the purpose of this regulation, 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.

4.3 Review of Related Party Transactions:

The Audit Committee shall be responsible for the review, approval or ratification of the all Related Party Transactions.

Any Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain himself/ herself from discussion and voting on the approval of the Related Party Transactions.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, 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.

4.4 Criteria for approving the Related Party Transaction:

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Committee shall take into account, among other factors it deems appropriate, whether the Related Party Transaction is entered into on Arm's Length basis; and the extent of Related Party's interest in the transaction.

The Committee will review the following information when assessing the Related Party Transaction:

- The nature, duration of the contract and particulars of the contract or arrangement;
- The approximate value of the transaction and the approximate value of Related Party's interest involved in the transaction;

- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- 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, Executive Officer 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.
- Any other relevant information regarding the transaction.

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 Board to approve the Related Party Transaction, then 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.

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 Key Managerial Personnel 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.

4.5 Related Party Transactions not approved under this Policy:

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 matter shall be reviewed by the 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 ratification, 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 shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee as appropriate, may direct that additional actions including, but not limited to immediate discontinuation of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

4.6 Prior approval of Shareholders:

Under the Companies Act, 2013 –

- a) In terms of Section 188 of the Companies Act, 2013, except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions:
- b) Further the following transactions shall not be entered into without prior consent of the members by way of special resolution in a General Meeting:
 - sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding Ten percent. of the annual turnover
 - selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth.
 - leasing of property of any kind exceeding ten percent of the net worth.

- availing or rendering of any services directly or through appointment of agents exceeding ten percent of the Turnover.
- appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees.
- remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth.

Under the SEBI (LODR) Regulation:

- a) All related party transactions (whether at arm's length or not) shall require prior approval of the Audit Committee.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to following conditions:

- (a) The Audit Committee 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.
- (b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- (c) Such Omnibus approval shall specify (i) the names 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 transactions.
- (d) Audit Committee shall review, at least on quarterly basis, the details of RPTs entered into by the Company pursuant to each of the Omnibus approval given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

- b) Material Related Party Transaction

A transaction with a related party shall be considered 'material' if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees one thousand crore or ten percent of the annual consolidated turnover of the company as per

the last audited financial statements of the company whichever is lower.

All material related party transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that such approval shall not be applicable in following cases:

- (a) Transactions entered into between two government companies;
- (b) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation (a): Government Company shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.

Explanation (b): All the entities falling under the definition of related parties and interested in the specific transactions shall abstain from voting.

5. Voting Rights:

The Related Party shall abstain from discussions in the Board Meeting where the related party transaction is being discussed.

All Related Parties, whose related transaction is placed before the members for approval shall abstain from voting at the General Meeting for those business.

All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve. For the purpose of this regulation, 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. However same shall not be apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties:]

6. Disclosures and Reporting:

- All Directors/ KMP are required to disclose the parties in which they are interested/deemed to be interested in prescribed form at the time of their appointment, annually and whenever there is any change.
- Further, each Director and KMP of the Company shall promptly notify the

Secretarial Department of any material transaction or Relationship that could reasonably be expected to give rise to a conflict of interest.

- All related party transactions (whether at arm's length or not) shall be disclosed in the Board's Report along with details and justification for entering into such transaction.
- Details of material transactions with related parties shall be disclosed along with the compliance report on corporate governance to the stock exchanges.
- The company shall disclose the policy on its website and in the Annual Report.
- The related party transaction shall be implemented as per the approval from the Board of Directors/ Committee/ Shareholders and in case there is any amendment or change in the transaction which require approval then transaction shall be implemented post such approval.
- The listed entity shall submit standalone and consolidated financial results for the half year within time limit prescribed by applicable law 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.

7. Non-Compliance:

Non-compliance of disclosure by the Directors pursuant to Section 184 of the Act shall lead to vacation of the Director and he/ she will be disqualified to act as Director in any company apart from punishment with imprisonment and/ or fine as prescribed by the Companies Act, 2013.

Non-compliance by an employee of the company shall lead to punishment with imprisonment and/ or fine as prescribed by the Companies Act, 2013.

Contract voidable at the discretion of the Board.

Company to proceed against the concerned Director / employee.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

8. Amendment:

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.
