

## GUJARAT PIPAVAV PORT LIMITED

### POLICY ON RELATED PARTY TRANSACTIONS

#### 1. Introduction

The Board of Directors (the "Board") of Gujarat Pipavav Port Limited (the "Company") has, basis the recommendation of the Audit Committee, adopted the following policy and procedures with regard to Related Party Transactions ("RPT") and materiality of such transactions pursuant to Regulation 23 of SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015("SEBI LODR").

#### 2. Objective

Related Party Transactions have been one of the major areas of focus for corporate governance reforms. The Changes introduced in the Corporate Governance norms through the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement is that companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy is to regulate transactions between the Company and its Related Parties based laws and regulations applicable to the Company. This policy intends to ensure proper approval and reporting of transactions between the Company and its Related Parties.

#### 3. Definitions

**"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 .

**"Audit Committee"** or **"Committee"** means Committee constituted by the Board of Directors of the Company, from time to time, under provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Listing Agreement with the Stock Exchanges and the Companies Act, 2013.

**"Board of Directors"** or **"Board"** means the Board of Directors of Gujarat Pipavav Port Limited, as constituted from time to time.

**"Company"** means "Gujarat Pipavav Port Limited."

**"Control"** means:

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) control of the composition of the Board of Directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) substantial interest in voting power and the power to direct, by statute or agreement, the financial and/ or operating policies of the enterprise.

**"Key Managerial Personnel"** in relation to the Company, as defined under the Companies Act, 2013 means:

- (i) The Chief Executive Officer, or the Managing Director or the Manager;
- (ii) The whole-time Director;
- (iii) The Company Secretary;

- (iv) The Chief Financial Officer;
- (v) Such other officer, not more than one level below the directors who is in the whole time employment of the Company, as may be designated as Key Managerial personnel by the Board; and
- (vi) Such other officers as may be prescribed under Companies Act, 2013.

**"Listing Regulations"** means provisions of SEBI (Listing Obligations and Disclosure Requirements), 2015.

**"Material Modification"** means any change in the value of transaction with the related party already approved by the Audit Committee / Board / Shareholder.

**"Material Related Party Transaction" –**

- a) 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 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- b) a transaction involving payments made to a related party with respect to brand usage or royalty, if the transaction/ transactions 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 Company as per the latest audited financial statements of the Company.

**"Policy"** means Policy on Related Party Transactions.

**"Related Party"** means a related party as defined under Regulation 2(1)(zb) of SEBI LODR, under section 2(76) of the Companies Act, 2013 or under the applicable accounting standards, read with amendments issued from time to time.

**"Related Party Transaction"** in relation to the Company means a transaction (the term will include a single transaction or a group of transactions in a contract) which is a transfer of resources, services or obligations between

- a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand;
- b) the Company 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 Company 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;

Provided that the following shall not be a related party transaction:

- 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 by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- c) a contract or arrangement with a related party with respect to:
  - i) sale, purchase or supply of any goods or materials;
  - ii) selling or otherwise disposing of, or buying, property of any kind;
  - iii) leasing of property of any kind;

- iv) availing or rendering of any services;
- v) appointment of any agent for purchase or sale of goods, materials, services or property;
- vi) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- vii) underwriting the subscription of any securities or derivatives thereof, of the Company;
- d) defined as a 'related party transaction' under the relevant provisions of the Companies Act, 2013 or the listing regulations or any other related law, regulation, accounting standards etc. as amended from time to time.

**"Relative"** means relative as defined under section 2(77) of the Companies Act, 2013 and Rule framed thereunder, 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).

**"Significant influence"** means participation in the financial and/ or operating policy decisions of an enterprise, but not control of those policies.

#### **4. Applicability**

The Policy shall be applicable to all the Related Party Transactions entered in to by the Company

#### **5. Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy.

##### **5.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel 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 Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

##### **5.2 Review and Approval of Related Party Transactions**

5.2.1.1 All Related Party Transactions and subsequent material modifications shall require prior approval of the members of the Audit Committee who are Independent Directors. The approval of the Audit Committee may be granted by way of a Circular Resolution. Provided further that:

- a) a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements the Company;

- b) a related party transaction to which the subsidiary of the Company is a party but 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- c) prior approval of the audit committee 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice

5.2.1.2 The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered in to by the Company subject to the following conditions:

5.2.1.2.1 The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy and such approval shall be applicable in respect of transactions which are repetitive in nature;

5.2.1.2.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

5.2.1.2.3 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 transactions subject to their value not exceeding Rs. 1 crore per transaction i.e. all transactions per type/ nature of transaction(s) per Related Party. It will be advisable to have contract/ agreement with Related Party to avoid this limitation.

5.2.1.2.4 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.

5.2.1.2.5 Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of every financial year.

**5.3** All Material Related Party Transactions and subsequent material modifications shall, apart from prior approval of Audit Committee, also require prior approval of the Board of Directors and prior approval of the shareholders of the Company through special resolution and no related party shall vote to approve such resolutions, whether the Company is a related party to the particular transaction or not.

Provided prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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.

**5.4** As per Listing Regulations, a Related Party Transaction, whether material or not, entered into:

- (i) with a wholly owned subsidiary of the Company, which is in the ordinary course of business and which is an Arm's length transaction;

(ii) between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; shall not require any pre/post approval of the Audit Committee, Board or shareholders of the Company.

However, as per provisions of the Companies Act, 2013, approval of the Audit Committee will be required in case of Related Party Transactions entered into with Wholly Owned Subsidiary Companies.

**5.5** A Related Party Transaction which is not a Material Related Party Transaction and which is in the ordinary course of business and at an Arm's Length Transaction shall require prior approval of the Audit Committee only or can be covered under the omnibus approval of the Audit Committee.

**5.6** In case of Related Party Transaction (including that entered into with a wholly owned subsidiary) which is not in the ordinary course of business and/ or which is not at an Arm's Length Transaction (whether or not it is a Material Related Party Transaction), prior approval granted at the meeting of the Board shall be necessary.

**5.7** Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting of the Board or its Committee during discussions on the subject matter of the resolution relating to such contract or arrangement.

**5.8** Wherever required, in case of wholly owned subsidiary, the special resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the Company.

**5.9** The approval requirements for Related Party Transactions are summed up as follows:

- i. Prior approval of Audit Committee is required in all cases.
- ii. Prior approval of Board of Directors is required:
  - A. In case of Material Related Party Transaction(s) with other than Wholly owned Subsidiary Companies, and
  - B. At the meeting of the Board of Directors, in case the transaction(s) is/ are not in the ordinary course of business and/ or is/ are not an Arm's length transaction.
- iii. Prior approval of the shareholders of the Company is also required:
  - A. In case of transaction(s) referred in ii. A above, and
  - B. In case of transaction(s) referred in ii. B above, if the transaction(s) exceeds the monetary limits prescribed in Rule 15(3) of the Companies (Meetings of Board and its powers) Rules, 2014.

#### **5.10 Process for Dealing with Related Party Transactions**

1. A list of all the Related Parties in relation to the Company based on the declarations received from its Directors and Key Managerial Personals shall be provided by the Secretarial Department to all the concerned departments, and updated from time to time.
2. Every department, prior to entering in to any contract or arrangement with a related party, shall fill the details of the contract or arrangement in the format enclosed as an annexure to the Policy and submit the same to the Secretarial Department.
3. The Secretarial Department shall, within 3 working days of submission of details, convey to the concerned department the approvals required if any for the contract/ arrangement and approximate time within which such approval can be obtained.
4. The Secretarial Department may ask for further information about the contract/arrangement, if felt necessary, to determine the nature/ type of transaction.

5. The contract/ arrangement shall not be entered in to without the necessary approval from the Audit Committee/ Board/ shareholders, if such prior approval(s) is/ are necessary under the Policy.
6. The Secretarial Department shall arrange for the approval of the Audit Committee/ Board/ Shareholders, as may be necessary.
7. 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 recuse and abstain from discussion and voting on the approval of the Related Party Transaction.
8. 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. In determining whether to approve a Related Party Transaction, the Committee will consider *inter-alia* the following factors, to the extent relevant to the Related Party Transaction:
  - > 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;
  - > 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;
  - > 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.
9. 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.
10. In case the Related Party Transaction is required to be approved by the shareholders, the same shall be arranged.
11. Upon receipt of necessary approvals, the Secretarial Department shall convey the same to the concerned department.

#### **5.11 Prohibitions relating to Related Party Transaction**

Normally, no Related Party Transaction shall be entered into by the Company unless it is in the ordinary course of its business and at arm's length basis. In case it is essential and in the interest of the Company to enter into such Related Party Transaction, the said transaction is required to be pre-approved as may be necessary under the Companies Act, 2013 and other applicable laws and this policy by following the requisite procedure in this regard.

#### **6. 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 a case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 Committee has authority to modify or waive any procedural requirements of this Policy.

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

## **7. Disclosures**

The Policy on dealing with Related Party Transactions shall be disclosed on the Company's website and a web link thereto would be disclosed in the Annual Report of the Company.

The Company shall in accordance with SEBI Regulations as applicable from time to time submit to the stock exchange disclosure of related party transactions in the specified format and publish the same on its website.

Details of all material transactions with related parties shall be disclosed quarterly along with compliance report on Corporate Governance.

Further, the Company shall make such disclosures relating to Related Party Transactions as may be requisite under the Companies Act, 2013 and Rules made there under, Listing Regulations, Accounting Standards or any other relevant legislation/ law applicable in this regard.

## **8. Amendments**

The Board of Directors shall have the power to amend or substitute any of the provisions of this Policy or replace this Policy in its entirety with a new Policy.

In case of any amendment to the Companies Act, 2013 or Rules made there under, Listing Regulations, Accounting Standards or any other relevant legislation/ law applicable in this regard, this policy shall automatically stand amended accordingly with immediate effect.

In case of such changes/ amendments, the Secretarial Department will carry out the changes and inform all concerned including the Directors of the Company. Such changes shall also be informed to the Audit Committee and the Board of Directors of the Company in the next meeting.

## **9. 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, Listing Regulations, 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.