



## **POLICY ON RELATED PARTY TRANSACTIONS**

### **SMC GLOBAL SECURITIES LIMITED**

*Version 1.0 approved by the Board of Directors in 2015*

*Version 2.0 approved by the Board of Directors on 7<sup>th</sup> June, 2021*

*Version 3.0 approved by the Board of Directors on 31<sup>st</sup> January, 2022*

*Version 4.0 approved by the Board of Directors on 29<sup>th</sup> January, 2025*

*Version 5.0 approved by the Board of Directors on 2<sup>nd</sup> May, 2026*

The Board of Directors (“the Board”) of SMC Global Securities Limited (“the Company”) had originally adopted this Policy on Related Party Transactions (“Policy”) as required under the Companies Act, 2013, the Rules framed thereunder (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Considering the recent amendments in the provision of law, the Board of Directors have adopted the amended the policy on 7<sup>th</sup> June, 2021. Considering the amendments introduced by SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, the policy was amended by the Board of Directors on 31<sup>st</sup> January, 2022. Subsequently, the policy has been amended again on 29<sup>th</sup> January 2025, reflecting the amendments introduced by the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024.

### **Scope and Purpose**

This Policy has been framed as per the requirements of the Act and the Listing Regulations and is intended to ensure proper approval and reporting of transactions between the Company and its related parties. The Board recognizes that certain transactions with related parties may heighten the risk of conflict of interest; hence it is necessary to regulate such transactions.

The Policy contains the procedures governing identification of related parties, approval and review mechanism at various levels, determination of materiality and reporting of related party transactions.

### **Interpretation**

All the words and expressions used in the Policy, unless defined herein, shall have the same meaning as respectively assigned to them in the Act and the Listing Regulations including amendments thereof. Likewise, reference in this Policy to Accounting Standards shall be deemed to refer to the contemporaneous Accounting Standards as applicable to the Company at the relevant time.

**“Audit Committee”** means the committee of Board of Directors of the Company constituted under the provisions of section 177 of the Act read with Regulation 18 of the Listing Regulations.

**“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.

**“Key Managerial Personnel (KMP)”** means such personnel as defined under the Companies Act, 2013 viz:

- a) Managing Director or Chief Executive Officer or Manager;
- b) Company Secretary;
- c) Whole Time Director;
- d) Chief Financial Officer;
- e) 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;
- f) Such other officers as may be prescribed

**“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and shall include any person or entity belonging to the promoter or promoter group of the listed entity or any person or entity holding equity shares of 20% [10% w.e.f. 1<sup>st</sup> April, 2023] in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013 at any time during the immediately preceding financial year shall be deemed to be related party.

**“Related Party Transaction”** have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, and shall mean a transaction involving a transfer of resources, services or obligations between: a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

i) a listed entity 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 listed entity or any of its subsidiaries with effect from April 1, 2023, 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, including but not limited to the following.

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. appointment to any office or place of profit in the Company, its subsidiary or associate company
- g. underwriting the subscription of any securities or derivatives thereof, of the Company.

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 listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding
  - a. payment of dividend
  - b. subdivision or consolidation of securities
  - c. issuance of securities by way of rights issue or a bonus issue
  - d. buyback 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 every six months to the stock exchange(s), in the format as specified by the Board [this includes payment of interest thereon]
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by RBI or any other central bank in the relevant jurisdiction from time to time [this includes payment of interest thereon]
- e. retail purchases from Company or any of its subsidiaries by its directors or key managerial personnel or its subsidiary, and relatives of such directors or key managerial personnel, without establishing any business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

**“Relative”** is any person who is related to another, if:

- They are members of a Hindu Undivided Family
- They are husband and wife; or
- One person is related to other in following manner, namely: -
  - o Father (includes step father)
  - o Mother (includes step mother)
  - o Son (includes step son)
  - o Son’s wife
  - o Daughter
  - o Daughter’s husband
  - o Brother (includes step brother)
  - o Sister (includes step sister)
  - o **“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 the thresholds specified in Schedule XII of the SEBI Listing Regulations which is provided below:

| <b>Consolidated Turnover of Listed Entity Threshold</b> | <b>Threshold</b>  |
|---|---|
| o Upto ₹20,000 crore                                    | o 10% of the annual consolidated turnover of the listed entity  |
| o More than ₹20,000 Crore to up to ₹40,000 Crore        | o ₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore  |
| o More than ₹40,000 Crore                               | o ₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5,000 Crore, whichever is lower. |

- o **Note:** Consolidated Turnover for the purpose of the abovementioned table shall be taken as audited consolidated turnover as on immediately preceding financial year.

In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Subsequent Material Modification”** shall refer to any modification in the existing related party transaction either individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the listed entity the Company.

**“Ordinary course of business”** includes but not limited to mean such transaction that fulfils any or all the criteria:

1. The transaction has been entered in the normal course of business i.e. usual every day transaction for conduct of its business activities
2. Transaction is normal and incidental to business objectives and is as per standard industry practice.
3. Transaction is as per customary practice related to business

These are not exhaustive criteria and the Audit Committee shall have to assess each transaction and determine basis every transaction’s specific nature and circumstances.

**“Office or place of profit”** means any office or place:

- i) Where such office or place is held by a director, if director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as a director, by way of salary, fee, commission, perquisites any rent free accommodation, or otherwise.
- ii) Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation or otherwise.

## **Identification of Related Parties and Related Party Transaction**

The Company identifies and records the list of related parties as per the definition prescribed in the Act and the Listing Regulations to track transactions of the Company with such persons/entities. The Audit Committee at regular intervals review the list of related parties, so as to ensure there are no inevitable omission.

All the directors and key managerial personnel are responsible for informing the Company their interest (including interest of their relatives) in other companies, firms, associations and such entities and any changes therein, during the year.

Every department of the Company which are responsible for frequently entering into transactions on behalf of, and for, the Company are notified and familiarized with the concept of related party transactions ('RPTs') and are restricted from entering into any such transactions without intimating the Company. Further, all such intimations are directed to be given well in advance, so that the Company Secretary has adequate time to obtain and review the information and refer it to Audit Committee for approval.

The Chief Financial Officer of the Company collates the list of all reportable related party transactions from all units and operations for the reporting quarter to be placed before the Audit Committee. The Committee then reviews the transaction to ensure elimination of any conflict of interest in dealings of the Company.

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

All the RPTs in the Company go through the approval process as prescribed under section 177 and 188 of the Companies Act, 2013 and Rules made thereunder and as provided under Regulation 23 of the Listing Regulations.

### **Audit Committee**

#### ***a) Transaction which require prior Approval***

All transactions which are identified as related party transactions and transactions which are not of repetitive nature, including any subsequent material modification is required to obtain prior approval of audit committee before execution. In this regard, only Independent Directors in the Audit Committee shall vote to approve the transactions. The committee shall consider all relevant factors while evaluating a transaction for approval. In

determining whether or not to approve any related party transaction, the Audit Committee shall consider all factors it deems necessary, including the fact that the terms of the transaction with the related party should not be less favorable than terms generally available to an unrelated third party under same or similar circumstances. Upon evaluation of parameters, the Audit Committee may grant approval for the transaction and recommend the same to the Board of Directors for approval.

Prior approval of the Audit Committee of the Company shall not be required for transactions between the Company and its wholly owned subsidiary company or between two wholly owned subsidiaries to the extent permitted under applicable laws. However, such transactions shall be periodically reviewed by the Audit Committee.

The approval of Board of Directors shall be required for all such transactions which the Audit Committee determines to be not in ordinary course of business or on arm's length basis. In furtherance to the above, if any transaction exceeds the thresholds of materiality as is prescribed in the law including any subsequent material modifications, shall require prior approval of the shareholders of the Company.

Notwithstanding the above, a related party transaction (including any subsequent modification) above ₹ 1 Crore, 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 of the Company if the value of such transaction/ subsequent modification whether entered into individually or taken together with previous transactions/modifications during a financial year, exceeds the lower of the following:

- 10% of the annual standalone turnover of the subsidiary of the Company as per the last audited financial statements of the subsidiary; or
- the threshold for material related party transactions of Company as specified in Schedule XII of the Listing Regulations;

While approving related party transaction, any member of the Audit Committee who has or may have any potential interest in the transaction shall abstain himself/herself from the discussion and voting process on the said transaction. For any transaction, if the Audit Committee resolves to not approve any transaction it shall make recommendations to the Board.

***b) Transactions for which omnibus Approval can be granted***

The Audit Committee may grant omnibus approval for related party transactions to be entered by the Company or its subsidiary if the same fulfils the criteria developed by the committee for granting omnibus approval and as approved by the Board of Directors of the Company. Some of the factors which shall be considered by the committee for granting omnibus approval shall be as follows:

- The transactions are repetitive in nature;
- The approval shall be in best interest of the Company;
- The transactions are in ordinary course of business and on arm's length basis
- The approval tenure for such transaction is only one year
- The committee is satisfied with the need of having an omnibus approval for such transactions.

The omnibus approval granted by the Audit Committee shall include the following:

- i. Name of the related parties and nature of relationship with the Company;
- ii. Nature and duration of the transaction;
- iii. Maximum amount of transaction that can be entered into;
- iv. The indicative base price or current contracted price and the formula for variation in the price, if any; and
- v. Such other conditions or information as the Audit Committee may deem fit and as mandated under applicable laws.

The Committee shall on quarterly basis review the details of related party transactions entered into by the Company or its subsidiary pursuant to the omnibus approval. Herein, the limit of granting omnibus approval for foreseen and unforeseen transaction is different. In case where the committee is granting omnibus approval for foreseen transactions, the approval shall be granted for the exact expected amount of transaction without any limit. However, where the committee is granting approval for unforeseen transactions, the approval amount of transaction should not exceed Rs. 1 crore per transaction in a financial year.

In this regard, the committee shall not grant omnibus approval for any transaction relating to selling or disposing of any undertaking of the Company.

*c) Transaction which are subject to ratification*

All the related party transactions should either be prior approved or should have been approved/reviewed under the omnibus approval granted by the Audit Committee. However, if any related party transaction is entered by any personnel of the Company unintentionally without bringing the same to the notice of Audit Committee or obtaining approval was not feasible, the same shall be ratified by the Committee in accordance with the provisions of law.

**Board of Directors**

If the Audit Committee determines that a related party transaction is material and should be brought before the Board, the same shall be required to be reviewed and approved by the Board. All related party transactions that are not in ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Further, if it is mandatory under any law for Board to approve such transactions, it shall be brought before the Board. Any member of the Board who has or have potential interest in such transaction will abstain himself/herself from discussion or voting process on the said transaction.

Further, where the Board determines that the transaction exceeds the limits of materiality prescribed in the law, the same shall be recommended to the shareholders of the Company for their approval.

**Shareholders**

All material related party transactions and subsequent material modifications shall require prior approval of the shareholders of the Company by way of an ordinary resolution and all related parties, whether or not related to the transaction, shall not vote to approve such transactions. The materiality of transaction is specified in Annexure 1 of this Policy.

The requirement of seeking shareholders approval shall not be applicable to transactions between the Company and its wholly owned subsidiary (ies) and transactions between two wholly owned subsidiaries whose accounts are consolidated with the Company and are placed before shareholders for approval.

Material modifications to related party transactions

In case of transaction/s with related parties that are approved by the Audit Committee or Board of Directors or the shareholders of the Company, a prior approval, recommendation or ratification by the Committee or the Board or the shareholders, as the case may be, shall also be required for any subsequent material modification/s proposed to be made or made to such transaction/s.

### **Ratification of transactions**

In case where any related party transaction is entered by any personnel of the Company unintentionally without bringing the same to the notice of Audit Committee. The members of the audit committee, who are independent directors, may ratify related party transactions within 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 rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (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
- (v) any other condition as specified by the audit committee:

Further, if any transaction was required to be approved by the Board of Directors or as the case may be, by the shareholders of the Company, within such time, as prescribed by law. If the transactions are not ratified by the appropriate authority, such transaction/contract/arrangement shall be voidable at the option of the Board or shareholders.

In this regard, if the Audit Committee determines not to ratify a Related Party Transactions that been entered into without approval, then the Audit Committee, as felt appropriate, may direct additional actions including, but not limited to discontinuation of the transactions or seeking approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

Further, 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

#### **Determination of ordinary course of business and arm's length basis**

The Audit Committee and the Board of Directors shall consider relevant details of proposed transaction to ascertain the arm's length nature of contracts/arrangements and whether a transaction can be called as to be in ordinary course of business of the Company or not. The term "arm length basis" has been defined under section 188 of the Act, however, the term ordinary course of business has not been defined anywhere in law. Accordingly, the committee or Board of Directors may have to rely on industry practice, representation made by counter party, or confirmation by the Chief Financial Officer of the Company or through a certificate from internal auditor or by availing any professional advise/opinion for determination of arm's length basis and ordinary nature of any transaction.

For the purpose of determination of arm's length nature of contracts/arrangements, the committee shall not limit itself to the transaction value only but shall also review other terms and conditions of a transaction which may include discounts/premiums/credit period/interest/default terms and/or such similar terms. This shall also include comparison of the proposed transaction with similar transactions of the Company with unrelated parties.

For determination of ordinary course of business, the Audit Committee shall analyse the exceptionality of the transaction i.e. the frequency and course of transaction. A transaction shall be regarded as ordinary course only when the transaction is undertaken in order to conduct the routine or usual transactions of a Company.

Notwithstanding any mentioned above, in each case, the decision on whether a particular transaction is on arm's length basis or not or/and in ordinary course of business, shall be of the Audit Committee and Board of Directors of the Company.

### **Exceptions- Related Party Transactions that shall not require approval**

Following transactions shall not require separate approval under this Policy:

1. Any benefits, interest arising to related party solely from ownership of Company shares at par with other holders, for example dividends, right issues, stock split or bonus issue approved by the Nomination and Remuneration committee.
2. Any transaction in which the related party's interest arises solely from ownership of securities issued by the company and where all the holders of such securities receive the same benefits as the related party.
3. Reimbursement made of expenses incurred by related party for business purpose of the Company, or reimbursement received for expenses incurred by the Company on behalf of a related party.
4. Transactions involving corporate restructuring, such as buyback of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with specific provisions of the Companies Act, 2013 and Listing Regulations.
5. Facilities entered or transactions entered into by the Company with all employees in general.
6. Appointment of Directors/KMP and appointment of relatives of directors/KMP at office or place of profit.
7. Remuneration and sitting fees paid by the company and its subsidiary to director, KMP and SMP, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of Regulation 23 of the Listing Regulations.

## **Disclosures**

Following disclosures shall be ensured by the Company:

1. The policy on dealing with related party transactions shall be published on the website of the Company and a web link thereto shall be provided in the Annual Report.
2. The contracts and arrangements entered into by the Company as per the provisions of section 188 of the Companies Act, 2013 shall be disclosed in the Board's Report along with the justification for entering into such contract or arrangement.
3. Details of consolidated related party transactions of the Company shall be disclosed to stock exchanges and website on half yearly basis within such time as prescribed in law.
4. Any related party transaction with person or entity belonging to promoter/promoter group of the Company and having shareholding of 10% or more in the Company will be disclosed in the annual report.
5. The Company while placing RPT for approval / modification / ratification to the Audit Committee/Board of Directors/shareholders, shall provide all the information pertaining to such RPT as required under the Companies Act, 2013 and the Rules made thereunder, the Listing Regulations and the circulars/standards/guidelines issued thereunder, as amended from time to time.
6. Such other disclosures as may be required pursuant to the applicable law relating to related party transactions.

## **Amendment**

Any amendments in the law, including any clarification/ circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically reflect the contemporaneous applicable Law at the time of its implementation.

## **Review**

The policy will be modified to be in line with the amendments in the applicable law. The policy shall be reviewed by the Audit Committee and the Board of Directors from time to time

**Annexure 1: Materiality Schedule**

| <b>Sl. No.</b> | <b>Transaction</b>   | <b>Materiality Limits</b>   |
|----------------|--|---|
| 1.             | Sale, purchase or supply of good or material, directly or through appointment of agent.  | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year.  |
| 2.             | Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.  | 10% or more of net worth of the Company, individually or taken together with previous transactions during the financial year. |
| 3.             | Leasing of property of any kind  | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year.  |
| 4.             | Availing or rendering of any services, directly or through appointment of agent.   | 10% or more of turnover of the Company, individually or taken together with previous transactions during the financial year.  |
| 5.             | Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company  | At a monthly remuneration exceeding Rs. 2,50,000  |
| 6.             | Remuneration for underwriting the subscription of any securities or derivatives  | Exceeds 1% of net worth of the Company  |
| 7.             | Payments for brand usage or royalty (either individually or taken together with previous transactions during the financial year)   | Exceeds 5% of annual consolidated turnover of the Company as per last audited financial statements.                           |
| 8.             | Other transactions with related parties, other than those covered above, resulting in transfer of resources, obligations or services (either individually or taken together with previous transactions during the financial year). | 10% of the annual consolidated turnover of the listed entity  |

*\* Shall be read along with any amendments/modifications in the said limits, as may be applicable.*