

# GENUS PAPER & BOARDS LIMITED

(CIN: L21098UP2012PLC048300)

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## RELATED PARTY TRANSACTION POLICY & PROCEDURE

### 1. INTRODUCTION

Genus Paper & Boards Limited (hereinafter referred to as “Genus” or the “Company” in this document) recognizes that Related Party Transactions (“RPT”) can present potential or actual conflicts of interest of the Directors, Senior Management etc. with the interest of the Company. Thus, the Board of Directors of the Company (the “Board”) has approved and adopted this policy and procedure with regard to RPT as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there-under and any subsequent amendments thereto (the “Act”) and Listing Agreement with the Stock Exchanges and any subsequent amendments thereto. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable in order to ensure the transparency and procedural fairness of such transactions and protect the interest of the shareholders of the Company. This policy will be applicable to the Company.

### 2. OBJECTIVE

This policy is framed as per requirement of revised Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges effective from October 1, 2014 and aimed to ensure the appropriate approval and reporting of transactions as applicable, between the Company and any of its related parties, in the best interest of the Company and its Stakeholders. This policy is designed to oversee the transparency of approval process and disclosures requirements to make sure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Audit Committee of Directors (“Audit Committee”) shall review and approve the Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Board reserves the power to review and amend this policy from time to time.

### 3. DEFINITIONS

For the purposes of this policy, the following definitions apply:

(A). “**Board**” means the Board of Directors of the Company.

(B). “**Audit Committee or Committee**” means Committee of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

(C). “**Related Party**” - includes the following:

(i) A director or his relative;

(ii) A key managerial personnel or his relative;

(iii) A director other than independent director or key managerial personnel of the holding Company or his relative;

(iv) A firm, in which a director, manager or his relative is a partner;

- (v) A private Company in which a director or manager or his relative is a member or director;
- (vi) a public Company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vii) Anybody 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;
- (viii) Any person on 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;*

(ix) any Company which is—

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

(x) The entity, which is a related party under Section 2(76) of the Companies Act, 2013.

(xi) The entity, which is a related party under applicable accounting standards.

(D). “**Relatives**” - with reference to any person, means anyone who is related to another , if –

(i) They are members of a Hindu Undivided Family;

(ii) They are husband and wife; or

(iii) One person is related to the other in the following manner, namely:-

- a) Father including step father
- b) Mother including step mother
- c) Son including step son
- d) Son’s Wife
- e) Daughter
- f) Daughter’s Husband
- g) Brother including step brother
- h) Sister including step sister

(E). “**Related Party transactions**” - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

**As per Section 188 of the Act:**

(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.

(vii). Underwriting the subscription of any securities or derivatives thereof, of the Company.

As per Clause 49:

(viii). Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

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

**As per Accounting Standards 18:**

- (ix). transfer of research and development.
- (x). license agreements.
- (xi). finance (including loans and equity contributions in cash or kind).
- (xii). guarantees and collaterals.
- (xiii). Management contracts including for deputation of employees.

(F). "**Control**" 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:

*Provided that a director or officer of the Company shall not be considered to be in control over such company, merely by virtue of holding such position;*

(G). "**Material Related Party Transaction**" means those transaction(s) entered into with the Company by a related party, individually or taken together with previous transactions during a financial year, exceed 10 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

(H). "**Office or place of profit**" means any office or place—

- (i). where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as 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.

(I). "**Transactions on 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.

(J). "**Key Managerial Personnel**" includes

- (i). the Chief Executive Officer or the Managing Director or the Manager;
- (ii). the Company Secretary;
- (iii). the Whole-time Director;
- (iv). the Chief Financial Officer

(K). "**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.

**Explanation:**

- (i). "Significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.
- (ii). "Total Share Capital" means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

#### **4. INFORMATION REQUIRED FOR DETERMINING RELATED PARTY**

The following details shall be required for ascertaining related party:

- (A). Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1
- (B). Declaration of relatives by all Directors and KMPs'
- (C). Declaration about a firm in which a Director/ Manager or his relative is a partner
- (D). Declaration about a private Company in which a Director or Manager is a member or director
- (E). Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital
- (F). Notices from Directors of any change in particulars of Directorship or in other positions during the year
- (G). Declaration by Holding Company regarding its Directors/KMPs' and their relatives
- (H). Details of 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 of the Company
- (I). Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

*Provided that nothing in point no.(H) & (I) shall apply to the advice, directions or instructions given in a professional capacity*

- (J). Details of any Company which is-
  - (i). a holding, subsidiary or an associate company of such company or
  - (ii). a subsidiary of a holding company to which it is also a subsidiary

#### **5. POLICY AND PROCEDURE**

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

##### **(A) Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel ("KMP") is required to provide notice to the Board or Audit Committee of any potential RPT involving him or her or his or her Relative, including any additional details about the transaction that the Board/Audit Committee may reasonably request. Such notice of any potential Related Party Transaction should be given well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction. The Board/Audit Committee will determine whether the transaction falls under the category of Related Party Transaction and requires compliance with this policy.

##### **(B) Prohibitions related to Related Party Transactions**

All Related Party Transactions 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 the following conditions:

- (i). 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.
- (ii). The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- (iii). 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.*

(iv). Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

(v). 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, the following Related Party Transaction(s), shall require approval of the Shareholders through Special Resolution and all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not:

- All Material Related Party Transaction(s); OR
- Any Related Party Transaction, which is prescribed under any law for shareholders' approval.

*"Provided that above requirements of obtaining approval of Audit Committee or Shareholders shall not be applicable on 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.*

### **(C) Review and Approval of Related Party Transactions**

Related Party Transactions to be entered into, will be reported/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 himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

For reviewing a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including,

- (i). the terms and conditions of the transaction;
- (ii). the purpose of the transaction;
- (iii). the benefits to the Company and the Related Party; and
- (iv). any other relevant information/documents.

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

- (i). Whether the terms and conditions of the Related Party Transaction are fair and on arms 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 compelling business reasons 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 an independent director;
- (iv). 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, chief 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.

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). 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.

## **6. TREATMENT OF THE RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it. The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## **7. DISCLOSURE AND REGISTERS**

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto in the Annual Report. Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction in the Corporate Governance Report.

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholders approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

The Company shall as prescribed under the Rules, keep and maintain a register electronically, giving separately the particulars of all contracts or arrangements to which this policy applies and printout of such register shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in any company or companies or bodies corporate or firms or other associations, which are required to be included in the register maintained.

The register referred above shall be kept at the registered office of the Company and it shall be open for inspection at such office during business hours and extracts may be taken there-from, and copies thereof as may be required by any member of the Company, shall be furnished by the Company to such extent, in such manner, and on payment of such fees as may be specified in the articles of the Company but not exceeding ten rupees per page.



The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

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

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