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

**Version 2.0**

***As approved by the Board of Directors at its Meeting held on 13<sup>th</sup> February, 2025***

### **1. OBJECTIVE**

The Board of Directors (the "Board") of Emami Paper Mills Limited (the "Company" or "EPML"), has adopted this Policy on materiality of related party transactions and on dealing with related party transactions as required under Section 188 of the Companies, Act, 2013 and Rules made thereunder and the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("hereinafter referred to as SEBI LODR/SEBI Listing Regulations"), as amended.

This Policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also lay down mechanisms for identification, approval, review and reporting of such transactions.

This Policy may be amended at any time and is subject to any further change in the SEBI LODR Regulations or the Companies Act, 2013 ("the Act") or rules/regulations made thereunder.

Regulation 23 (1) of SEBI LODR has stipulated that a listed entity shall formulate a policy on the 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 once every three years and updated accordingly.

### **2. DEFINITIONS**

**"Act"** means the Companies Act,2013.

**"Accounting Standards"** means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.

**“Audit Committee (Committee)”** means Committee of the Board of Directors of the Company constituted under the provisions of the SEBI LODR Regulations as well as the Companies Act, 2013.

**“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.

**“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.

**“Board”** means the Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Company”** means Emami Paper Mills Limited.

**“Key Managerial Personnel or KMPs”** mean key managerial personnel as defined under the Companies Act, 2013 and SEBI LODR.

**“Material Related Party Transaction”** means a transaction with a related party, wherein if the value of 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 or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Regulations, from time to time. However, 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 Company.

**“Policy”** means Policy on materiality of related party transactions and on dealing with related party transactions.

**“Related Party”** means a related party as defined under Section 2(76) of the Companies Act, 2013; or under the applicable Accounting Standards.

Further, the following person or entity shall be deemed to be a related party:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from April 1, 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 immediate preceding financial year.

The list of Related Parties to be prepared/ reviewed/updated annually or as and when any change occurs in related parties.

**“Related Party Transaction”** shall mean such transactions as specified under Section 188 of the Companies Act, 2013 or Rules made thereunder and Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment or modification thereof, as may be applicable.

**“Material Modification”** shall mean any subsequent changes in terms and conditions of transactions with related parties which if made would have substantial impact on the related party transactions and which shall be determined on case to case basis by the Audit committee or the Chairman of the Committee as may be authorized.

Any change in the terms and conditions of related party transactions which results into change of more than 25% from the existing threshold shall be deemed to be material modification for which the approval will be required to be obtained as provided under Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendments made, if any from time to time.

**“Relative”** means relative as defined under section 2 (77) of the Companies Act, 2013.

**“Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or SEBI LODR including any statutory modifications or re-enactments thereof for the time being in force.

Unless the context otherwise requires, the words, terms and expressions used in this Policy shall have the meanings as given in the Act/SEBI Listing Regulations and any other law or regulation, as may be applicable from time to time.

### **3. POLICY**

All Related Party Transactions must be identified and reported to the Audit Committee and also to the Directors and shareholders, wherever necessary, for their approval. The said transactions shall be disclosed in accordance with the requirements of the Companies Act, 2013 and the SEBI LODR Regulations.

#### **4.1. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Each director and Key Managerial Personnel are responsible for providing notice of disclosure of interest under Section 184 of the Companies Act 2013 along with the list of relatives to the Company. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the director/ KMP or any other related party without the necessary approvals.

#### **4.2 PROCEDURE TO BE ADOPTED FOR RELATED PARTY TRANSACTIONS**

##### **APPROVAL OF AUDIT COMMITTEE**

All Related Party Transactions and subsequent modifications shall require prior approval of the Audit Committee of the Company whether at a Meeting of the Audit Committee or by Resolution by Circulation.

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company and/or subsidiary subject to the following conditions:

- 1) The audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions and such approval shall be applicable in respect of transactions which are repetitive in nature.
- 2) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.
- 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 shall 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 may be prescribed under the Act/SEBI LODR or as may be required by the Audit Committee.

Provided further that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction or such higher amount as permitted under the Act/SEBI LODR.

- 4) The Audit Committee shall review, at least on a quarterly basis, or as may be required, the details of all RPT entered into by the Company or its subsidiaries pursuant to the approval (including omnibus approval) accorded by it. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- 5) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

In case any member of the Committee is interested in the transaction proposed for approval, the interested member shall abstain from voting and only the dis-interested members shall vote on the resolution.

The Company shall provide all information as prescribed under SEBI LODR and Companies Act, 2013 read with Rules made thereunder for review of the Audit Committee for approval of a proposed Related Party Transaction.

**Prior approval of Audit Committee shall not be required in following cases:**

Remuneration and sitting fees paid by the Company or its subsidiary to its director, KMP or senior management, except who is part of promoter or promoter group, if the same is not a Material RPT.

**APPROVAL OF BOARD OF DIRECTORS**

All the Related Party Transactions and subsequent material modification shall be approved by the Board of Directors of the Company, except:

- (i) transactions entered into by the company are in its ordinary course of business; and
- (ii) transactions are at an arm's length basis

## **APPROVAL OF SHAREHOLDERS**

All transactions with Related Parties exceeding the materiality thresholds and any subsequent material modification, as stated below, shall require prior approval of the Shareholders by a resolution:

- a) If the transaction/transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 10% (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 with respect to brand usage or royalty, if the transaction/transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
- c) All transactions specified under Section 188 of the Companies Act, 2013 which are not at arm's length or not in the ordinary course of business and exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.

Provided that the requirements specified above shall not apply to in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Further, any transactions not covered above, but covered under the "material related party" Transactions defined under Section 188 of the Companies Act 2013 shall be approved by the shareholders through a special resolution and the concerned related party(ies) which are related to that transaction shall not vote on such resolution.

### **Information to be provided to shareholders for consideration of RPTs:**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the audit committee;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered e-mail address of the shareholders;

- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

#### **4.3 FACTORS TO BE CONSIDERED WHILE GRANTING APPROVAL TO RELATED PARTY TRANSACTIONS**

- The Audit Committee / Board will consider the following factors, among others, to the extent relevant to the Related Party Transactions while granting its approval:
- Whether the terms of the Related Party Transaction are fair and on the arms-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 transaction qualifies to be a transaction in the ordinary course of business and at arm's length.
- 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 Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the overall financial position of the director 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.

#### **4.4 REVIEW & MONITORING OF RELATED PARTY TRANSACTIONS**

The Audit Committee may review and monitor a Related Party Transaction taking into account 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 connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this Policy.

#### **4.5 FOLLOWING TRANSACTIONS NOT TO BE CONSIDERED AS RELATED PARTY TRANSACTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require the approval of Audit Committee or Shareholders:

- a) 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.
- b) 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.
- c) 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.
- d) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - payment of dividend;
  - subdivision or consolidation of securities;
  - issuance of securities by way of a rights issue or a bonus issue; and buy-back of securities.
- e) Any transaction arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/ Companies Act, 2013;
- f) Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party;
- g) Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party;
- h) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee;
- i) Transactions entered into between two wholly-owned subsidiaries of the company whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

#### **5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event, the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy the matter shall be reviewed by the Audit Committee. The Audit 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 by it or recommend the Board for their ratification or seeking approval of Shareholders, 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.

## **6. EXISTING RELATED PARTY TRANSACTIONS**

This policy shall operate prospectively and all the agreements which have been entered before the effective date of this policy and are in accordance with the then prevailing laws shall be valid and effective. However, any agreement for material transactions that have been already approved and continued to be operational beyond March 2015, a procedure under clause 4.2 is to be followed.

This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company and the definition/provisions of the policy herein shall be deemed to have been amended to the extent of any alterations in-laws/ statutes by virtue of an amendment.

## **7. DISCLOSURES**

Related Party Transactions shall be disclosed in the Annual Report as prescribed under the Companies Act, 2013 and the SEBI LODR.

The Company shall disclose to the Stock Exchange(s) on quarterly basis the details of all material related party transactions along with the compliance report on Corporate Governance.

The Company shall submit to the Stock Exchanges disclosure of Related Party Transactions in the format as specified by the SEBI from time to time and also publish the same on its website.

The Company and its subsidiaries shall in 'Corporate Governance Report' disclose Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount. The Related Party Transactions Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

Such other disclosures as may be prescribed under applicable laws and regulations.

## **8. GENERAL**

The right to interpret/amend/modify this Policy vests in the Board of Directors of the Company as may be recommended by the Audit Committee. This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company. The Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly. In case of any subsequent changes in the provisions of the Act or the Listing Regulations which makes any of the provisions in the Policy inconsistent with the Act or the Listing Regulations, then the provisions of the Act or the Listing Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Act or the Listing Regulations.