



SKY INDUSTRIES LIMITED

**POLICY FOR GOVERNANCE OF RELATED
PARTY TRANSACTIONS**



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1. INTRODUCTION

Related party transactions can create potential or actual conflicts of interest, which may not align with the best interests of the company and its shareholders. In line with the approval requirements for such transactions outlined in the Companies Act, 2013 (“Act”) and the related Rules, as well as Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”), Sky Industries Limited (“the Company” or “SKY”) has established guidelines to identify related parties and ensure the proper conduct and documentation of all related party transactions.

The Company has always been committed to the best corporate governance practices and this Policy for Governance of Related Party Transactions (“the Policy”) is prepared and amended for ensuring compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and such other regulatory provisions, as may be applicable from time to time.

2. OBJECTIVE

Related party transactions have been a key focus area in the corporate governance reforms initiated in India. The revisions to corporate governance standards, as introduced in Section 188 of the Companies Act, 2013 (as amended), and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended), require companies to ensure greater transparency and adherence to proper procedures for approving related party transactions. As a result, both Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations mandate that companies establish a policy outlining the materiality of related party transactions, as well as a process for managing these transactions, including clear threshold limits that must be approved by the Board.

The Policy is adopted to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions.

3. DEFINITIONS AND INTERPRETATIONS

3.1. “Act” or “The Act” means the Companies Act, 2013, and the Rules made thereunder (as amended/modified/re-enacted from time to time).

3.2. “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 or any entity which falls under the applicable accounting standards.

Explanation. —For the purposes of this clause- (a) the expression "significant influence"



means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3.3. "Applicable Law" shall mean:

Sr. No.	Particulars	Section/Clause/ Regulations
1	Companies Act, 2013	Section 188 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.
2	SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.	Regulation 23 and other points related to Related Party, as amended from time to time.
3	Indian Accounting Standard (IND AS)	IND AS 24

3.4. "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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

3.5. "Audit Committee" means a committee of the Board of Directors of the Company constituted under provisions of the Act and Listing Regulations.

3.6. "Board of Directors or Board" shall mean Board of Directors of the Company.

3.7. "Control" as defined under the Act 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 shareholder's agreements or voting agreements or in any other manner.

3.8. "Holding Company" shall have the meaning as specified under Section 2(46) of the Companies Act, 2013.

3.9. "Listing Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

3.10. "Key Managerial Personnel" shall have the same meaning as provided under Section 2(51) of the Companies Act, 2013.

3.11. "Material Related Party Transactions" in relation to the Company means a Related Party Transaction which individually or taken together with previous transactions with a Related Party during a financial year, exceeds one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such limit as prescribed or amended by the SEBI Listing Regulations or the Companies Act, 2013 or any other Statutory Bodies.



Any 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 Company as per the last audited financial statements of the Company.

3.11. “Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the ordinary course of business.

3.12. “Policy” means this Policy for Governance of Related Party Transactions.

3.13. “Relative” in relation to a related party shall have the same meaning assigned to it in Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the SEBI Listing Regulations as amended from time to time, means anyone who is related to another, if

- (i) they are members of a Hindu undivided family; or
- (ii) they are husband or wife; or
- (iii) one person is related to the another in the following manner, namely:
 - (A) father, includes step-father
 - (B) mother, includes step-mother
 - (C) son includes step-son
 - (D) son’s wife
 - (E) daughter
 - (F) daughter’s husband
 - (G) brother includes step-brother
 - (H) sister includes step-sister

3.14. “Related Party” means a party as defined in Section 2(76) of the Act and Regulation 2(1) (zb) of the Listing Regulations.

3.15. “Related Party Transactions (RPT)” means the transactions as stated in Clause (a) to (g) of sub-section (1) of Section 188 of the Act and as further defined in Regulation 2(zc) of the Listing Regulations.

3.16. “Subsidiary Company” shall have the same meaning as specified under Section 2(87) of the Companies Act, 2013.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations or any other applicable law or regulation and as amended from time to time.



4. **THE POLICY**

All RPTs must be reported to the Audit Committee of the Company and referred for approval by the Committee irrespective of its materiality in accordance with this policy.

All Related Party Transactions and subsequent material modifications shall require prior approval of Audit Committee, provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions. The onus will be on Finance & Accounts (F&A) Head to refer RPT or potential RPT's to the Audit Committee for its assessment and approval. The Audit Committee while determining approval to an RPT, shall consider all the applicable provisions of laws, as amended from time to time, to ensure perfect compliance of laws.

Further, all Material Related Party Transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related Party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

The Company is having several subsidiary companies, often contracts / arrangements with such subsidiary companies would result in RPT's. However, it is to be noted that these subsidiaries are formed for film production and distribution activities, etc. Therefore, the contracts / arrangements entered into with such subsidiary companies may be RPTs, however, they would be considered in the ordinary course of business itself.

Once such contracts / arrangements are approved by the Audit Committee, transactions arising out of the same would not be subject to further evaluation when they are executed. This process will be monitored by the F&A head holistically.

5. **PROCEDURE**

- (a) The Compliance Officer, as may be identified by the Company, shall identify the related party (ies), as applicable from time to time.
- (b) Every Director shall at the beginning of the Financial Year provide information by way of written notice to the Company regarding his concern or interest in the entity which may be considered as related party with respect to the company and shall also provide the list of relatives who shall be considered as related party to the company.
- (c) The Director/ Key Managerial Personnel shall bring to the notice of Compliance Officer of any transactions to be entered by the related party with the company.
- (d) The concerned departments shall approach Compliance Officer before entering into any transactions with Related Party (ies) along with the details of the transactions to be entered.
- (e) After receipt of the notice, the compliance officer shall make sure that the transactions to be entered is as per the Related Party Transaction Policy approved by the Board and also verify the approval sought for such transaction(s) by the Audit Committee /Board of Directors/ Shareholders, as applicable.



- (f) If the transaction to be entered is already approved by the Audit Committee/ Board of Directors/Shareholders, as applicable and if it is within the limit of approval then the compliance officer shall inform the respective department of the same and allow the transaction to proceed.
- (g) If the transaction proposed to be entered with related party is not already approved by the Audit Committee /Board of Directors/ Shareholders, then the Compliance Officer shall take necessary steps for prior approval of the transactions.
- (h) Any Related Party Transaction(s) approved by the Audit Committee / Board of Directors / Shareholders shall be informed to all the concerned departments specifying the limit of approval.
- (i) Interested Directors/Committee Members will not participate in the discussions on Related Party Transactions during the Committee/ Board Meetings.

6. APPROVAL OF RELATED PARTY TRANSACTIONS

AUDIT COMMITTEE

All RPTs and subsequent material modifications thereof require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee subject to the conditions contained in Regulation 23 of the Listing Regulation and Section 177 of the Act read with Rule 6A of Companies (Meeting of Board and its Powers) Rules 2014 and Section 188 of the Act along with the relevant applicable rules made thereto. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions (for which approval is required) on annual basis.

BOARD OF DIRECTORS

The Audit Committee shall seek the Board's Approval for all RPTs recommended by the Audit Committee. In case of any RPT(s) referred by the Audit Committee to the Board for its approval which are not in the Ordinary Course of Business, and/or not at an Arm's Length Basis, the Board shall consider factors such as nature of the transaction, material terms, the manner of determining the pricing, the business rationale for entering into such transaction, etc. On such consideration the Board may approve the RPT(s) or may require such modifications to be made in the terms of the RPT(s) as it deems appropriate under the circumstances. Any member of the Board who has any interest in any such RPT(s) shall abstain from any and all the discussion(s) and voting on the approval of such RPT(s). All Material Related Party Transactions shall also require the Shareholders' approval.

SHAREHOLDERS

If a RPT is a Material Related Party Transaction as per Regulation 23 of Listing Regulation, or not in the Ordinary Course of Business, or not at Arm's Length Basis and exceeds certain thresholds as prescribed under Section 188 of the Act, it shall require the Shareholders' approval by way of a Special Resolution. In such a case, any member(s) of the Company who is a Related Party, shall not vote on such resolution passed for approving such RPTs.

7. TRANSACTIONS THAT DO NOT REQUIRE APPROVAL

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



a. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company 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.

8. DEVIATION

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the matter shall promptly be referred to the Audit Committee. Subject to the Applicable Laws, the Audit Committee shall have the power to ratify, revise or terminate the Related Party Transactions, which are not in accordance with this Policy, and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

9. DISCLOSURES AND COMPLIANCES

Appropriate disclosures and compliances as required under the Act and the Listing Regulations will timely be made in the Annual Return, Board's Report and to the Stock Exchanges.

a. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

b. The Company shall disclose the policy on dealing with Related Party Transactions on its website.

c. Every Contract or arrangement entered with Related Parties to which Section 188 of the Companies Act, 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.

d. The Company shall make disclosures of related party transactions every six months on the within 15 days of the date of publication of its standalone and consolidated financial results, in the format specified by the board to the stock exchanges and publish the same on its website.

10. APPLICABILITY

This Policy has been amended and shall be effective from April, 2023. Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly. In case there are any subsequent modification(s) / amendment(s) / notification(s) / circular(s) to Listing Regulations or the Act and Rules made thereunder, it shall apply to this Policy automatically and this Policy shall stand amended automatically and in the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail.
