KAY POWER AND PAPER LIMITED

Related Party Transaction Policy

1. Preamble

The Board of Directors (the "Board") of **KAY POWER AND PAPER LIMITED** (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and all its Related Parties based on the applicable laws and regulations applicable to the Company.

2. Purpose

This policy is framed as per the regulation 23 and amended there off of Securities and Exchange Board of India (listing obligations and disclosure requirements) regulations, 2015 (LODR) and is intended to ensure for proper approval and reporting of transactions between the Company and its Related Parties. The transactions with related parties shall be entered into only if they are in the best interest of the Company and its shareholders. The Companies Act, 2013 requires that Report of the Board of Directors of the Company shall contain all the particulars of the contracts or arrangements with related parties. Regulation 23 SEBI (listing obligations and disclosure requirements) regulations, 2015 requires the Company to disclose the policy on dealing with Related Party Transactions on the website of the Company and a weblink to be provided in the Annual Report. The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

3. Definitions

"Audit Committee or Committee" means Committee of Board of Directors of the Company

"Board" means Board of Directors of the Company

"Key Managerial Personnel" means key managerial personnel as defined under the Companies Act, 2013 and includes

(i) Managing Director, or Executive Director and in their absence, a whole- time director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

“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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

“Material Modification”

For the purpose of Regulation 23 of the SEBI Listing Regulations, "Material Modification" shall mean any change to an approved Related Party Transaction resulting in:

increase in transaction value exceeding 20% of the originally approved value; or

change in nature, tenure, pricing methodology or commercial terms which materially alters the transaction; or

such other threshold as may be prescribed by the Audit Committee.

“Policy” means Related Party Transaction Policy.

“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:

Provided that:

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

shall be deemed to be a related party:

A person or a close member of that person’s family is related to a company if that person:

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

(i) a director or his relative ;

(ii) a key managerial personnel or his relative ;

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

(iv) a private company in which a director or manager is a member or director

(v) 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 ;

(vi) 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 ;

(vii) any person under 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;

(viii) any company which is –

(A) a holding, subsidiary or an associate company of such company ; or

(B) a subsidiary of a holding company to which it is also a subsidiary ;

(ix) Director or key managerial personnel of the holding company or his relative with reference to a Company

(b) such entity is a related party under the applicable Accounting standards

"related party transaction" means a transaction involving a transfer of resources, services or obligations between:

(i) a 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; or

(ii) a 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, 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:

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) 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:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

"Relative" means relative as defined under the Companies Act, 2013 and includes any one who is related to another, 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)

Notwithstanding the above, [with effect from July 01, 2019] 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 company as per the last audited financial statements of the company.

4. Policy

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

All Related Party Transactions may be placed before the Board for information. The approval of the Board and shareholders will be taken for all related party transactions, wherever required, under the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (listing obligations and disclosure requirements) regulations, 2015 as amended from time to time.

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the company

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

(a) the audit committee of a company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

(b) a related party transaction to which the subsidiary of a 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 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 of the company;

(c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a 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 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;

(d) prior approval of the audit committee of the company 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 these regulations 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.

(3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely-

(a) 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;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions 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 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 rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approvals given.

(e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

(4) All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) 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:

Provided that prior approval of the shareholders of a company 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 these regulations are applicable to such listed subsidiary.

Explanation: 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.

Provided further that the requirements specified under this sub-regulation shall not apply 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.

(5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:

(a) transactions entered into between two government companies;

(b) 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) transactions entered into 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.]

Explanation. - For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

(6) The provisions of this policy shall be applicable to all prospective transactions.

(8) All existing material related party contracts or arrangements entered into prior to the date of amendment of this policy and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to amendment of this Policy.

"The Company shall submit to the Stock Exchanges the disclosure of Related Party Transactions in the format prescribed by SEBI under Regulation 23(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. Such disclosure shall be made on the date of publication of the standalone and consolidated financial results for the relevant half-year and shall also be hosted on the website of the Company, wherever required under the applicable laws."

Provided further that the company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

4.1 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 will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Finance Department shall ensure that no related party transactions are processed without the approval of the Audit Committee and it shall be duty of the Finance Department or respective department to communicate all related party transactions in advance to the Company Secretary to enable to take requisite approvals.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

4.2 Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. 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:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. The 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.

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

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

f. The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and /or SEBI (listing obligations and disclosure requirements) regulations, 2015 and /or transactions referred to it by the Audit Committee.

g. All Material Related Party Transactions shall require approval of shareholders of the Company through resolution (unless it is exempted pursuant to the provisions of SEBI (listing obligations and disclosure requirements) regulations, 2015) and the Related Parties shall abstain from voting on such resolution(s).

h. All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company through resolution and the Related Parties shall abstain from voting on such resolution(s).

i. The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of SEBI (listing obligations and disclosure requirements) regulations, 2015 and/or Companies Act, 2013 and as amended from time to time.

4.3 Review and Approval of Related Party Transactions

The Related Party Transactions under omnibus approval granted by audit Committee will be referred to the next regularly scheduled meeting of Audit Committee for review and approval.

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 terms of the Contract, and any other relevant matters.

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

• Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and the terms 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, Managing Director/Wholetime 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.

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

i. 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 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.

iii Any transaction that involves reimbursement of expenses between the related parties through debit note/credit note at actual without any mark-up except for taxes that may be levied as per statutory requirements.

iv transactions entered into between a holding company and its wholly owned subsidiary company whose accounts are consolidated with such holding 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 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 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, 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 any 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

6. Maintenance of Related Party Register and Database

The Company Secretary shall maintain and update a comprehensive register/database of all Related Parties of the Company based on:

- disclosures received from Directors, Key Managerial Personnel (KMPs) and senior management personnel;
- records maintained under the Companies Act, 2013;
- information available under applicable Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

The Related Party register shall include details of:

- names and nature of relationship of Related Parties;
- changes in Related Party status;
- transactions entered into with Related Parties;

- approvals obtained from the Audit Committee, Board of Directors and shareholders, wherever applicable.

The Company Secretary shall ensure that the Related Party database is reviewed periodically and updated whenever there is any change in the status of Related Parties.

7. Annual Declaration by Directors and Key Managerial Personnel

Every Director and Key Managerial Personnel (KMP) shall provide an annual declaration confirming:

- details of persons and entities who qualify as Related Parties under the Companies Act, 2013, SEBI Listing Regulations and applicable Accounting Standards;
- any changes in such details during the year;
- their interest, directly or indirectly, in any proposed or existing transactions involving the Company.

Such declarations shall be provided at the beginning of each financial year and whenever there is any change in the disclosed information.

The Company Secretary shall place such declarations before the Audit Committee for its review and consideration.

8. Interpretation

In case of any doubt regarding the interpretation or applicability of any provision of this Policy, the matter shall be referred to the Audit Committee, whose decision shall be final and binding, subject to the provisions of applicable laws.

Words and expressions used but not defined in this Policy shall have the same meaning as assigned to them under:

- the Companies Act, 2013 and rules made thereunder;
- the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- applicable Indian Accounting Standards; and
- any other applicable statutory regulations or guidelines.

In case of any inconsistency between this Policy and the provisions of applicable laws, the provisions of such laws shall prevail.

9. Automatic Statutory Updates

Any amendment, modification, clarification, circular, notification or substitution issued by the Ministry of Corporate Affairs, Securities and Exchange Board of India, stock exchanges or any other regulatory authority relating to Related Party Transactions shall be deemed to be incorporated into this Policy from the effective date of such statutory amendment.

The Company shall update this Policy at the earliest opportunity to reflect such statutory changes.

10. Preservation and Retention of Records

The Company shall maintain proper records relating to Related Party Transactions, including:

- details of Related Parties;
- disclosures received from Directors and KMPs;
- agenda papers and minutes of Audit Committee meetings;
- approvals granted by the Audit Committee, Board and shareholders;
- supporting documents relating to transactions;
- disclosures made to stock exchanges and other regulatory authorities.

Such records shall be preserved for the period prescribed under the Companies Act, 2013, SEBI Listing Regulations and the Company's record retention policy, whichever is longer.

The Company Secretary shall be responsible for ensuring proper maintenance and availability of such records for statutory review, audit and regulatory inspection.

Amendments:

The Audit Committee shall periodically review this Policy and recommend amendments to the Board. The Board shall review the Policy at least once in every three years or earlier if required due to changes in applicable laws, regulations or business requirements.