Policy on Related Party Transactions

1. Preamble

Carborundum Universal Limited ("Company") recognises that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's interests. Therefore, this Policy has been adopted by the Company's Board of Directors, as recommended by the Audit Committee, in order to determine the manner of dealing with Related Party Transactions including determination of materiality of Related Party Transactions, Material Modifications (as defined below), and setting forth the procedures under which certain transactions must be reviewed and approved as per the applicable provisions of Companies Act and SEBI LODR Regulations as defined below.

2. Purpose

This Policy is framed as per requirement of Regulation 23 the SEBI LODR Regulations and is intended to ensure proper reporting, approval and disclosure of related party transactions. Such transactions may be considered appropriate only if they are in the best interest of the Company.

3. Definitions

a) "Audit Committee" or "Committee" means the Audit Committee as constituted by Board of Directors of the Company under applicable law;

b) "Board" or "Board of Directors" means the Board of Directors of the Company, as constituted from time to time;

c) "Companies Act" means the Companies Act, 2013 together with the rules formulated thereunder, as amended from time to time;

d) "Director" means a member of the Board of Directors of the Company;

e) "Key Managerial Personnel" or "KMP" means the managerial personnel as defined under Section 2(51) of the Companies Act;

f) "Material Modification" shall mean a modification to the terms of a Related Party Transaction, the effect of which will be an increase over the approved by more than twenty percent (20%) of the approved limit..

g) "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 Rs.1,000 Crores or ten percent (10%) of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower;

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five per cent (5%) of the annual consolidated turnover as per the last audited financial statements of the Company;

h) "Policy" means this Related Party Transactions Policy;

i) 'Promoter' and 'Promoter Group' shall have the meaning assigned to it under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any amendment thereof;

j) "Related Party" means a related party as defined under Regulation 2(1)(zb) of SEBI LODR Regulations, as amended from time to time;

k) "Related Party Transaction" means a transaction as defined under Regulation 2(1)(zc) of SEBI LODR Regulations, as amended from time to time;

l) "Relative" means a relative as defined in Section 2(77) of the Companies Act.

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

n) "Subsidiary" means a subsidiary as defined in section 2(87) of the Companies Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act or SEBI LODR Regulations.

4. Manner of dealing with Related Party Transactions

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions

a. Identification / monitoring mechanism of potential Related Party and Transactions

The Company shall identify the Related Parties and the transactions with the Related Parties as follows:

i. Every Director and Key Managerial Personnel shall be responsible for providing to the Board or the Audit Committee, a list of his/her related parties, at the time of his/her appointment, on an annual basis and whenever there is a change in the information already submitted.

ii. The list of Promoters and Promoter Group shall be as per disclosure/s under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time.

iii. Each Subsidiary of the Company shall provide its list of Related Parties and changes therein to the Company promptly.

iv. The Company shall review and update the list of Related Parties on a regular basis and changes, if any, shall be considered as soon as possible.

The Company shall put in place an appropriate monitoring mechanism to track all the transactions with Related Parties which may inter alia include the following:

i. The Company shall maintain an up to date database of Related Parties including their PAN or any other unique identity number.

ii. The Company shall put in place a process to assess all the potential transactions with Related Parties ahead of the transactions and seek necessary approvals from the Audit Committee/ Board/shareholders as the case may be.

iii. The Chief Financial Officer (CFO) of the Company will determine and assess whether the transaction/s constitute a Related Party Transaction and seek necessary approvals prior to the transactions.

iv. All transactions with Related Parties shall be tracked using either an unique identity number or a transaction number as may be deemed fit.

v. Such transactions shall be flagged for further evaluation/ monitoring and compliance of this Policy.

b. Review and approval of Related Party Transactions

(i) Approval of Audit Committee

a. Subject to the omnibus approval process under Regulation 23(3) of the SEBI LODR Regulations, all Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee.

b. A Related Party Transaction 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 whether entered into individually or taken together with previous transactions during a financial year exceeds the threshold limits specified under Regulation 23(2) of SEBI LODR Regulations, as amended from time to time.

c. Where any member of Audit Committee / Director is interested in any contract or arrangement with a Related Party, such member / Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

In case of transactions involving foreign currency which is required to be approved by the Audit Committee, the conversion basis will be the same as considered while preparing the consolidated financials on a quarterly basis.

(ii) Approval of the Board of Directors

The following transactions shall require approval of the Board duly recommended by the Audit Committee:

a. All transactions with Related Parties specified under Section 188 of the Companies Act, which are not in ordinary course of business or not at arm's length, or both.

b. All transactions with Related Parties which are required to be placed before the shareholders for approval under the Companies Act or SEBI LODR Regulations.

(iii) Approval of the shareholders

a. All Material Related Party Transactions and any subsequent Material Modifications made thereto shall require prior approval of the shareholders through a resolution and all the Related Parties shall not vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

b. All Related Party Transactions specified under Section 188 of the Companies Act, which are not in ordinary course of business or not on arm's length basis and

exceed the threshold limits specified thereunder shall require prior approval of the shareholders through a resolution and voting restrictions for this purpose would be governed by the Companies Act and SEBI LODR as amended from time to time.

5. Procedure for approving Related Party Transactions and Material Modifications

The Audit Committee/Board/shareholders shall be provided with the material facts of such Related Party Transactions and such information as specified under the Companies Act or SEBI LODR Regulations or any notifications / circulars issued in this regard, as amended from time to time, and the Audit Committee/Board will determine whether to approve such Related Party Transactions or not. Further, the Audit Committee / Board, as the case may be, is entitled to seek the assistance of any employee of the Company or its Subsidiaries or one or more independent experts of its choice at the expense of the Company or its Subsidiaries.

In assessing a Related Party Transaction, the Company and the Audit Committee shall consider such factors as it deems appropriate, including without limitation –

a. the business reasons for the Company to enter into the Related Party Transaction;
b. the commercial reasonableness of the terms of the Related Party Transaction;
c. the materiality of the Related Party Transaction to the Company or its Subsidiaries;
d. whether the terms of the Related Party Transaction are fair to the Company or its Subsidiaries and on the same basis as would apply if the transaction did not involve a Related Party;
e. the extent of the Related Party's interest in the Related Party Transaction;
f. abuse of position on account of conflict of interest and non-arm's length dealings which are beneficial to the Related Party but detrimental to the other stakeholders.

6. Related Party Transactions that do not require approval:

The following Related Party Transactions do not require approval of Audit Committee/Board/ shareholders, as the case may be:

i. Any transaction including subsequent Material Modification entered into between (i) the Company and its wholly owned Subsidiary or (ii) between two wholly owned Subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

ii. Any Related Party Transaction including subsequent modifications, entered into by a listed Subsidiary of the Company, which is required to comply with Regulation 15(2) and Regulation 23 of SEBI LODR Regulations, provided the Company is not a party to such transaction.

iii. Any transaction 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 the prescribed timeline.

7. Mechanism for determining ordinary course of business and arm's length basis:

Ordinary course of business:

All transactions or activities that are necessary, normal and incidental to the business of the Company shall be deemed to be in the ordinary course of business. These may also be common practices and customs of commercial transactions.

To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may *inter alia* be considered:

a. Whether the activity is covered in the objects clause of the Memorandum of Association.
b. Whether the activity is in furtherance of the business.
c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.).
d. Whether the activity is repetitive/ frequent.
e. Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account.
f. Whether the transactions are common in the particular industry.
g. Whether there is any historical practice to conduct such activities.
h. The financial scale of the activity with regard to the operations of the business.
i. Revenue generated by the activity.
j. Resources committed to the activity.

Arm's length:

The following guidelines may be used for determining the arm's length basis:

a. whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
b. whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
c. whether the transaction would affect the independence of an Independent Director;
d. whether the transaction poses any consequential potential reputational risk issues;
e. whether the transaction would present an improper conflict of interest for any Director or KMP, taking into account the size of the transaction, the overall financial position of the Director/KMP or other Related Party, the direct or indirect nature of the Directors', KMPs', or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.

For determining the arm's length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be used to determine these criteria on a case-to-case basis.

The CFO shall provide a quarterly certification and confirmation to the Audit Committee on the compliance of this Policy including the ordinary course and arm's length aspects of all Related Party Transactions.

8. Omnibus approval

Criteria and the need for granting omnibus approval by the Audit Committee:

a. The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company which are routine and repetitive in nature and incidental to the general operations of the Company, subject to such criteria/conditions as it may deem fit, further taking into account the justification for needing an omnibus approval. Such approval shall specify the details as required under the Companies Act, SEBI LODR Regulations or any notifications / circulars issued thereunder, as amended from time to time.

b. The Audit Committee may specify any additional conditions for such determination, as it may deem fit.

c. The Audit Committee may also grant omnibus approval, without the above details, for unforeseen transaction subject to a value not exceeding Rs.1 crore per transaction.

d. Such omnibus approvals shall be valid for a maximum period of one year.

e. The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to such omnibus approvals, on a quarterly basis.

f. The Audit Committee shall review the status of long-term (more than one year) and recurring Related Party Transactions on an annual basis.

9. 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 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Audit 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 Audit Committee has authority to modify or waive any procedural requirements of this Policy.

In cases where the Board and/or shareholders' approval is required for a Related Party Transaction but such approval has not been obtained, 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 Related Party Transaction was entered into, such Related Party Transaction shall be voidable at the option of the Board or, as the case may be, of the shareholders.

10. Disclosures:

The Company shall make necessary disclosures as per the requirements under the Companies Act, SEBI LODR Regulations and Indian Accounting Standards, as the case may be within the prescribed timelines.

11. Limitation, Amendment and Policy Review:

In the event of regulatory changes which make any of the provisions in the Policy inconsistent, such amended regulatory changes would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law(s).

This Policy shall be reviewed by the Audit Committee and Board at least once in every three years. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for approval of the Board. The Board can from time to time authorise Directors to make changes in the Policy due to regulatory or legal requirement and such changes made to be brought to the attention of the Board at the first meeting following the amendment(s).

This Policy shall come into effect from April 1, 2022.

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