



**POLICY**  
**ON**  
**MATERIALITY OF AND DEALING WITH**  
**RELATED PARTY TRANSACTIONS**  
**OF**  
**VESUVIUS INDIA LIMITED**

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(Approved on November 7, 2015)

## 1. Introduction

Vesuvius India Limited ("Vesuvius") is a subsidiary of its ultimate holding company Vesuvius plc, UK. Vesuvius plc is a world leader in refractory products and to maintain its leadership emphasis is given on quality, technological supremacy and uniformity for all its products manufactured from any of its manufacturing units spread over 38 countries. In order to maintain its quality and uniformity for its products, materials, partly finished goods, spares etc need to be sourced from amongst the various subsidiaries of Vesuvius plc. While sourcing or supplying within these subsidiary companies, Vesuvius follows the Transfer Pricing Policy of Vesuvius plc, which is applicable to all its subsidiaries including Vesuvius. This ensures that all transactions within the subsidiaries, being related parties, are at arm's length.

Vesuvius in addition to the compliance with the Transfer Pricing Policy of Vesuvius plc, complies with the requirements of the Accounting Standards on Related Party Transactions applicable in India, the provisions of section 188 of the Companies Act, 2013 (hereinafter referred to as the "Act") and the applicable rules thereunder and also the provisions of the Listing Agreement with Stock Exchanges and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the "Listing Regulations, 2015") which is applicable from December 1, 2015.

## 2. Definitions

The definition of terms mentioned in the Companies Act, 2013, the Listing Agreements with Stock Exchanges, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Accounting Standards on Related Party Disclosures (AS 18) as may be amended from time to time, are applicable to this Policy on Materiality of and Dealing with Related Party Transactions. In case of a conflict of definition, the definition mentioned or interpreted in the SEBI laws and regulations will prevail.

## 3. Related Party and Related Party Transaction

This policy is applicable to all Related Party Transactions, both for sourcing and supply entered into by Vesuvius in the course of its business activities. All subsidiaries of Vesuvius plc are inherently defined as a related party of Vesuvius irrespective of whether any transaction has been entered into with them during the year. All inter-se transactions within these subsidiaries of Vesuvius plc are in the ordinary course of business and being compliant with the Transfer Pricing Policy of Vesuvius plc they are ensured to be arm's length transactions.

## 4. Policy on dealing with Related Party Transactions

**4.1 Scope and Purpose of the Policy :** Transactions between related parties can present a conflict of interest which may be detriment to the interest of Vesuvius and to its Shareholders. It is therefore essential to ensure that such transactions are incurred only for the purposes of the business of Vesuvius, are in the ordinary course of business of Vesuvius and the transactions are at arm's length. Adequate procedures should be in place to determine the manner of identifying related parties, identifying such transactions, ensuring complete disclosure of information and documents, complete disclosure of conflict of interest and the manner in which approvals to be granted.

**4.2 Objective:** The Objective of this Policy is to (a) identify related parties and transactions with them; (b) set out the threshold limits for such related party transactions; (c) set out the Material limit for related party transactions and (d) manner of dealing with and approvals of such related party transactions.

#### **4.3 Policy on Identifying related parties and related party transactions**

- 4.3.1 All subsidiaries of Vesuvius plc are inherently defined as a related party of Vesuvius irrespective of whether any transaction has been entered into with them during the year. All Directors, Key managerial Personnel and Senior Management and their relatives are to be treated as related parties. Any transactions between Vesuvius and a related party will be terms a related party transaction.
- 4.3.2 All Directors are required to declare and disclose the concerns or interests in any company or bodies corporate or in any contract or arrangement in which they are interested directly or indirectly on an annual basis at the first Board meeting in every financial year and subsequently whenever there is any change in their disclosures. Similar disclosures are required to be submitted by the Key Managerial Personnel of Vesuvius.
- 4.3.3 Every Director, Key Managerial Personnel and Senior Management of Vesuvius is further required to give notice of any actual or potential related party transaction with Vesuvius involving themselves or their relatives or the companies in which they are interested.
- 4.3.4 Internal Financial Controls which have been put in place further identify any potential related party or any potential related party transaction and ensure these are updated in the related party list. The Audit Committee shall review the Internal Financial Controls to ensure that systems are in place to identify and locate all related parties and related party transaction and complete reporting of these transactions are made to the Audit Committee.

#### **4.4 Policy on Dealing with Related Party Transactions:**

- 4.4.1 All related parties will be identified and a list of the same will be maintained by the Company Secretary. Transactions with such related parties shall be identified and categorised into the items referred to in clauses (a) to (g) of subsection (1) of section 188 of the Act or any further amendments thereto.
- 4.4.2 All contracts or arrangements with related parties referred to in Section 188 of the Act and Rules thereunder shall be in the ordinary course of business, at arm's length transaction and within the threshold limits prescribed under the Act and Rules thereunder specifically Rule 15 of Companies (Meetings of Board and its Powers) Rules 2014, as amended from time to time.
- 4.4.3 All contracts or arrangements referred to in Clause 49 of the Listing Agreement or Regulation 23 of the Listing Regulations, 2015 shall be in the ordinary course of business, at arm's length transaction and within the respective "materiality" limit.
- 4.4.4 All contracts or arrangements with related parties will first be approved by the Audit Committee and upon their recommendation by the Board of Directors of the Company in the manner mentioned later.
- 4.4.5 Shareholders approval will be required only for those Related Party Transactions which are not in the ordinary course of business or not at arm's length or have exceeded the threshold limits and for which such approval is prescribed under the Act and Rules thereunder. Shareholders approval will be required for all Related Party Transactions which exceed the "Materiality" limit. Consent from the Audit Committee and from the Board of Directors shall be obtained prior to placing the matter before the Shareholders for their approval.

However it is clarified that all related party transactions exceeding the threshold limits under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 which are in the ordinary course of business and on an arm's length basis, will only require the prior approval of the Audit Committee, provided that such related party transactions do not exceed the "Material" limit as provided under Clause 49(VV)(C) of the Listing Agreements with Stock Exchanges and Regulation 23(1) of the Listing Regulations, 2015.

#### **4.5 Policy on "Material" transactions**

4.5.1 The Threshold limits prescribed under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules 2014 and amendments thereto will be the applicable threshold limits under this Policy.

4.5.2 The Listing Agreement with Stock Exchanges and the Listing Regulations, 2015 require that all transactions exceeding the "Material" limit, irrespective of whether they are in ordinary course of business or at arm's length, require approval from the Shareholders of the Company through an ordinary resolution where all related parties, irrespective of whether they are a related party to the transaction or not, will abstain from voting.

**Definition of "Material" transaction for the purpose of this Policy :** A transaction with a related party will be considered as "Material" if the transaction(s) to be entered into individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of Vesuvius as per the last Audited financial statements of Vesuvius or such higher percentage or amount as the Listing Regulations, 2015 may provide from time to time.

#### **4.6 Policy on Omnibus Approval**

For known repetitive transactions entered into with related parties which are in the ordinary course of business and at arm's length and not exceeding the threshold or "Material" limit, Omnibus Approval may be granted for such amounts and for periods not exceeding one year at a time and on such conditions as the Audit Committee may recommend and approved by the Board of Directors. However, in case of related party transactions which cannot be foreseen or the transaction value or their information are not readily available, Omnibus Approval may be granted to such transactions not exceeding Rs 1 crore per transaction on such conditions and for such periods not exceeding one year at a time. When the limits mentioned in the Omnibus Approval are reached, a fresh Omnibus Approval may be granted for those transactions.

#### **4.7 Review and Approval Process**

4.7.1 All contracts or arrangements with related parties will require prior approval of the Audit Committee and upon their recommendation by the Board of Directors of the Company. In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy. On the recommendation of the Audit Committee, the Board of Directors may grant Omnibus Approval to repetitive related party transactions for such periods not exceeding one year at a time.

- 4.7.2 In case of new contracts or arrangements to be entered into, full disclosure as required under the Act, Listing Agreement and the Listing Regulations, 2015 must be submitted to the Audit Committee. The requirements of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable Rules and amendments thereto in the format prescribed by the Audit Committee along with all documents and justification for these transactions to be submitted. Full disclosures of any conflict of interest of Directors, Key Managerial Personnel or Senior Managerial personnel should be disclosed. The transactions will be approved by the Board of Directors after consent to the same has been given by the Audit Committee.
- 4.7.3 The Audit Committee will review on a quarterly basis, the details and value of all related party transactions entered into during the quarter and the cumulative value of transactions entered into during the financial year upto the end of the quarter and compare with the respective Omnibus Approval granted. When the limits mentioned in the Omnibus Approval are reached, a fresh Omnibus Approval may be granted for those transactions.
- 4.7.4 All requirements relating to disclosures to the Audit Committee and to the Board of Directors, details and nature of information, key terms and conditions, determination of arm's length transaction etc as required under the Act and Rules thereunder, the Listing Agreements with Stock Exchanges and the Listing Regulations, 2015 will be complied with.
- 4.7.5 In case the Audit Committee determines not to approve or ratify a related party transaction that is intended to be entered into or that has been commenced without prior approval of the Audit Committee, the Audit Committee may direct additional actions including, but not limited to, discontinuation of the transaction or seeking approval of the Shareholders or payment of compensation for the loss suffered by Vesuvius etc.

## **5. Policy Review**

- 5.1 The Audit Committee may review this Policy from time to time and recommend any amendments to the Policy to the Board for approval. The Board upon receiving such recommendation may review and amend the Policy.
- 5.2 Any change in definition or any terms and conditions of this Policy or any additional disclosure requirement or any change in threshold or "Material " limits under the Act, Listing Agreements or Listing Regulations, 2015 will immediately affect this Policy and the requirements of this Policy will stand altered change accordingly without any further action or approvals. However, If there is a conflict between this Policy and the new requirements, the Policy will require to be reviewed and revised by the Audit Committee and then by the Board of Directors.