

Policy

On

**Materiality of Related Party Transactions and
also, on dealing with Related Party Transaction**

Of

Everest Industries Limited

1. Preamble

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction ("Policy") is prepared and adopted to build a framework for the Related Party Transactions of Everest Industries Limited ("EIL" or "Company"), in accordance with the requirement of Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations, 2015**") read with the provisions of the Companies Act, 2013 ("**Act**") and rules made thereunder, as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws and regulations.

2. Purpose of the Policy

Regulation 23(1) of the Listing Regulations, 2015 mandates that all listed companies formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions, to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to make various disclosures of its related party transactions before the Audit Committee/Board/Shareholders as the case may be and also disclosures with respect to the same are required to be made in the Board's Report, Financial Statement and other specified documents. This Policy is also prepared for the identification and regulation of the Related Party Transactions keeping in view the provisions of the Act the rules made thereunder and the Listing Regulations, 2015.

3. Applicable Definitions

3.1. "**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.

3.2 "**Associate Company**" shall have the meaning as defined in Section 2(6) of the Act.

3.2. "**Board**" means the Board of directors of EIL;

3.3. "**Committee**" means the Audit committee as defined under the Act and the Listing Regulations, 2015

3.4. "**Key Managerial Personnel**" or "**KMP**" means key managerial personnel as defined under the Act.

3.5. **“Material Modifications”** mean any modification of the existing related party transactions which amounts to;

a) either change/modification in the aggregate value of transaction for an amount exceeding 15%; and/or

b) any change in any terms and condition of the transactions resulting the change in its price or consideration of the individual transaction for an amount exceeding 25%; and/or

c) Extension in duration of Related Party Transaction contract beyond a period of 6 months.

Provided that Audit Committee may while granting approval to any related party transaction, outline the criteria for determining material modification for the said transaction.

3.6. **“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 one thousand crore or ten percent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower;

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover as per the last audited financial statements of the Company.

3.7. **“Policy”** means this Policy on materiality of related party transactions and also on dealing with Related Party Transactions;

3.8 **“Related Party”** means related party as defined under Section 2(76) of the Act or and Regulation 2(1) (zb) of the Listing Regulations, 2015, as amended from time to time.

3.9 **“Relative”** means relative as defined under the Act. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

- i. they are members of a Hindu undivided family;
- ii. they are husband or 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)

3.10 "**Subsidiary company**" or "**Subsidiary**" means a company as defined under Section 2(87) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, rules issued thereunder and/ or the Listing Regulations, 2015.

4. The Policy

Following is the structure of dealing with transactions with Related Parties with the Company:

- Identification of potential Related Party Transactions
- Restrictions relating to Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

4.1. Identification of potential Related Party Transactions;

Any transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and

- ✓ a related party of the listed entity or any of its subsidiaries on the other hand; or
- ✓ any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged will be treated as related party transaction

and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract. However, following shall not be treated as Related Party Transactions:

- 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 listed entity 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.

4.2. Approval of Related Party Transactions:

4.2.1 Audit Committee

1. All Related Party Transactions and subsequent modifications therein shall require prior approval of the Audit Committee. Only Independent Directors who are members of the Audit Committee can vote to approve any Related Party Transaction. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of such Related Party Transaction.
2. Related Party Transactions 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 transaction value (individually or taken together) exceeds 10% of the annual consolidated turnover of the Company. Further, *with effect from 1 April 2023* aforesaid limit should be 10% of the annual standalone turnover of the Subsidiary.
3. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. 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.
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such 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.

- iv. 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 approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.
- vi. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- vii. The Agenda of the Meeting at which such Related Party Transaction is proposed to be reviewed/ approved by the Audit Committee shall disclose the following: -
 - a) the name of the related party and nature of relationship;
 - b) the nature, duration of the contract and particulars of the contract or arrangement;
 - c) the material terms of the contract or arrangement including the value, if any;
 - d) any advance paid or received for the contract or arrangement, if any;

- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- g) the persons/authority approving the transaction;
- h) any other information relevant or important for the Committee to take a decision on the proposed transaction; and
- i) Such other information as prescribed under the Act and the Listing Regulations

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:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
- ii. 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;
- iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Related Party Transaction would affect the independence of the Directors/ KMP;
- vi. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- vii. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

- While considering any modification in any Related Party Transaction, the Audit Committee shall consider the need for the modification and factors on account of which modification is necessary.
4. The Audit Committee can take necessary professional help in order to determine whether the transaction is in ordinary course of business and on arm's length basis. It shall also consider whether the Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts.

4.2.2 Board of Directors

The Board shall consider and approve the following:

- a. Related Party Transaction as specified in Section 188(1) of the Act and subsequent Modifications therein shall require approval of the Board except when such transactions are in ordinary course and at arm's length.
- b. Transactions other than those mentioned in section 188, which are referred by the Audit Committee, shall be placed for consideration for approval of the Board.
- c. Material Related Party Transactions and material modifications therein.

The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose-

- Information as placed before the Audit Committee; and
- any other information relevant or important for the Board to take a decision on the proposed transaction.

4.2.3 Shareholders' Approval

- a. All the Material Related Party Transactions and subsequent Material Modifications shall require approval of the shareholders through a ordinary resolution. Further, no Related Party(ies) shall vote to approve the Material RPT(s), irrespective of whether the entity is a party to the particular transaction or not.
- b. Following related party transactions and modifications therein which fall under the provisions of the Act and the rules made thereunder require

approval of the shareholders through ordinary resolution, except when such transactions are in ordinary course and at arm's length:

S. No.	Transactions	Threshold limit
a)	Sale, purchase or supply of any goods or materials directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company or Rs 100 crore (whichever is lower)
b)	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	Amounting to 10% or more of net worth of the Company or Rs 100 crore (whichever is lower)
c)	Leasing of property of the Company of any kind	Amounting to 10% or more of the net worth of the company or 10% or more of turnover of the company or Rs 100 crore (whichever is lower)
d)	Availing or rendering of any services directly or through appointment of agent	Amounting to 10% or more of the turnover of the company or Rs 50 crore (whichever is lower)
	Note: Limits specified in above transactions shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.	
e)	Related party's appointment to any office or place of profit in the	At a monthly remuneration exceeding Rs 2.5 lakhs.

	company, its Subsidiary Company or Associate Company	
f)	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth of the Company.

The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of approving such related party transactions shall include the following particulars namely: -

1. Name of the related party;
2. Name of the director or key managerial personnel who is related, if any;
3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution and such other information as prescribed under the Act and Listing Regulations.

4.2.4 Transactions with Wholly Owned Subsidiary and between two wholly owned subsidiaries

Related Party Transactions with Wholly owned Subsidiary and between the two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval will not require approval of the Shareholders.

However, the approval of Audit Committee and Board of Directors will be required only for transaction(s) with Wholly owned Subsidiary as referred to in Section 188 of the Act except when such transactions are in ordinary course and at arm's length.

4.3. Disclosure of Related Party Transactions

4.3.1. Every related party transaction entered into shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

4.3.2. Adequate disclosure of all related party transactions shall be shall be submitted to the stock exchanges in the format as specified by SEBI from time to time and copy of the same will be posted on the website of the Company. Further, details of all material related party transactions shall also be disclosed in accordance with Regulation 27 of the Listing Regulations, 2015.

4.3.3. The Company shall disclose this Policy on its website and also a web link thereto shall be provided in the Annual Report.

4.3.4. A register of Related Party Transactions shall be maintained as per the Act and placed before the Board and signed by all the directors present at the Meeting, as required from time to time.

4.3.5. In addition to the above, all necessary information/ details about the Related Party Transactions shall be made available to the Board/ Audit Committee, disclosed in Corporate Governance Report/ Annual Report and/or shall be placed wherever required under the provisions of the Act and Listing Regulations, 2015, as amended from time to time.

4.4. Threshold Limit

The Related Party Transactions during a financial year shall not exceed 30 % of the consolidated turnover of the Company during the last financial year.

The aforesaid turnover shall be determined as per the last audited consolidated financial statements of the Company.

5. Related Party Transactions not approved under the Policy:

By Audit Committee

Subject to the provisions of the Act, in case any transaction is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it. The Committee shall consider all the relevant facts & circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the Related Party Transaction. The Committee shall also examine the reasons for not reporting the Related Party Transaction to the Committee and shall take any reasonable action in this regard as it deems appropriate.

In case the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee, may recommend the same for approval of Board and/ or direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

By Board and shareholders

If any Related Party Transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be, the same is required to be ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction is not ratified by Board or Shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board or Shareholders, as the case may be, and if the related party transaction is with a party related to any director, the director concerned shall indemnify the Company against any loss incurred by it.

6. Review

The Board shall, assess the adequacy of this Policy at least once in every three years from last review and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.

Where the terms of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over this Policy and procedures until such time this Policy is amended to conform to the applicable law, rule, regulation or standard.

7. Indemnity against losses to the Company and penalty

If the contract/ arrangement is with a party related to a Director, or is authorized by another Director, then the concerned Directors shall indemnify the Company against any losses incurred by it.

The Company can also proceed against a Director or any other employee for recovery of any loss sustained by it as a result of a contract/ arrangement entered into by such person in contravention of the provisions of the law relating to Related Party Transactions.

This Policy shall come in to force with effect from February 10, 2022 in supersession of the earlier policy adopted by the Board on March 26, 2019.