
Jost's Engineering Company Limited

Policy on Related Party Transactions

1. PREAMBLE

The Board of Directors (the “Board”) of Jost’s Engineering Company Limited (the “Company”) has adopted this Policy at its meeting held on 3rd February, 2018 upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR). Amendments, from time to time, to the Policy, if any, shall be approved by the Board on the recommendations of the Audit Committee.

The Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for reporting and approval of Related Party Transactions including material transactions.

2. OBJECTIVE

The Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

3. DEFINITIONS

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transactions”

a. **Under the Companies Act, 2013**

| Sr. No. | Transaction or contract or arrangements for | *Limits for the time being in force (as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014) |
|---------|---|---|
| 1. | Sale, purchases or supply of any goods or materials, directly or through appointment of agent | Amounting to 10% or more of the turnover of the Company. For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year |

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| 2. | Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent | Amounting to 10% or more of the net worth of the Company. For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year |
| 3. | Leasing of property of any kind | Amounting to 10% or more of the Turnover of the Company. For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year. |
| 4. | Availing or rendering of any services, directly or through appointment of agent | Amounting to 10% or more of Turnover of the Company. For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year. |
| 5. | For appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company | Where monthly remuneration exceeds Rs. 2,50,000 |
| 6. | Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company | For amount exceeding 1% of Net Worth of the Company |
| <p>* shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government.</p> <p>Annual turnover and net worth referred above shall be computed as per audited financial statements for the preceding financial year.</p> | | |

b. As per Listing Regulations

A Related Party Transaction shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Substituted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022** by the following:

“Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, 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(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.

“Office or Place of Profit” means any office or place –

- (i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

“Related Party”

a. Under the Companies Act, 2013

Related Party means, with reference to a company;

- i) A director or his relative;
- ii) Key Managerial Personnel or his/ her 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 or his relatives 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 2% of its paid-up share capital;
- vi) A 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, except when such advice is given in a professional capacity;

- vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act, except when such advice is given in a professional capacity;
- viii) any body corporate which is—
 - (a) a holding, subsidiary or an associate company of such company;
 - (b) a subsidiary of a holding company to which it is also a subsidiary; or
 - (c) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.
- ix) A director, other than an independent director, or Key Managerial Personnel of the Holding Company or his relative with reference to a company, shall be deemed to be a Related Party

Here the term “Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if—

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. One person is related to another in the following manner, namely:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

b. As per Listing Regulations

“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 any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

Substituted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022**, by the following:

“Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; 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 listed entity 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:”

c. As per Indian Accounting Standard (Ind AS) 24

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the

entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

“Related Party Transactions”

a. Under the Companies Act, 2013

Any contract or arrangement with respect to the following shall be considered as a Related Party Transactions:

- i) sale, purchase or supply of any goods or materials;
- ii) selling or otherwise disposing of, or buying, property of any kind;
- iii) leasing of property of any kind;
- iv) availing or rendering of any services;
- v) appointment of any agent for purchase or sale of goods, materials, services or property;
- vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii) underwriting the subscription of any securities or derivatives thereof of the Company.

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- i) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy.
- ii) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

b. As per Listing Regulations

A related party transaction means a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Substituted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022**, by the following:
“(zc) “related party transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity 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

(ii) a listed entity 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 listed entity 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 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.

(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 a relative as defined under the Companies act, 2013 and includes anyone who is related to another, if –

- a. They are members of a Hindu Undivided Family;
- b. They are Husband and wife;
- c. One person is related to the other in any of the following manner :
 - i) Father (including step-father);
 - ii) Mother (including step-mother);
 - iii) Son (including step-son);
 - iv) Son’s wife;
 - v) Daughter;
 - vi) Daughter’s husband;
 - vii) Brother (including step-brother)
 - viii) Sister (including step-sister)

“Transaction” with a related party shall be construed to include transactions entered into individually or taken together with previous transactions.

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

4. POLICY

All Related Party Transactions shall be reported to the Audit Committee for its approval in accordance with this policy.

In exceptional cases, where approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

4.1 NOTICE OF 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. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

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 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will not be present at the meeting or abstain from discussion and voting on the approval of the Related Party Transaction and shall not be counted in determining the presence of quorum when such transaction is considered.

All Material Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.

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

If prior approval of the Audit Committee / Board / shareholders for entering into a Related Party Transactions is not feasible owing to paucity of time and also other administrative inconvenience, then such Related Party Transactions shall be recommended by the Audit Committee for ratification to the Board / Shareholders.

Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022:**

Provided further that:

(a) the audit committee of a listed entity 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 listed entity is a party but the listed entity is not a party, shall require prior approval of the audit

committee of the listed entity 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 listed entity;

(c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity 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.]

*All Material Related Party Transaction shall require shareholders' approval by resolution and related parties shall abstain from voting on such resolution.

***w.e.f. 1.4.2022.** All material related party transactions 119[*and subsequent material modifications as defined by the audit committee under sub-regulation (2)*] shall require 120[*prior*] approval of the shareholders through resolution and 121[*no related party shall vote to approve*] such resolutions whether the entity is a related party to the particular transaction or not:

122[*Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity 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 123[*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;]124

119 Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022.**

120 Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022.**

121 Substituted for the words "the related parties shall abstain from voting on" by the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018.

122 Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022.**

123 Inserted by the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021, **w.e.f. 1.4.2022.**

To review a Related Party Transaction, the Audit 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 benefits to the Company and to the Related Party, 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 are in the ordinary course of business and on arm's length basis;
- 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 or present a conflict of interest for any director or Key Managerial Personnel of the Company; Whether the Related Party transaction includes any potential reputational risk that may arise as a result of or in connection with the transaction.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

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

- i. 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.

4.3 PRE-APPROVAL / OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into

- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Audit Committee.

4.4 RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transactions shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transactions and shall evaluate all options available including but not limited to ratification, revision, or termination of such transaction.

4.5 DISCLOSURE OF RELATED PARTY TRANSACTIONS

- (i) All Related Party Transactions approved by the Audit Committee shall be entered in the Register of Contracts maintained under the Companies Act, 2013.
- (ii) Pursuant to Section 134(3)(h) of the Companies Act, 2013, the particulars of Contracts or arrangements referred to in section 188(1) of the Companies Act, 2013 and entered into by the company with related parties will be included in the Board's Report to the Shareholders in the prescribed form, as applicable.

5 SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy, SEBI (LODR), as amended / Companies Act, 2013 or any other statutory enactment, rules, the provisions of such SEBI (LODR), Companies Act, 2013 or Statutory enactments, rules shall prevail over this policy.

6 DISSEMINATION OF POLICY

This Policy has been hosted on the Company's website www.josts.com

**Reviewed and approved by the Audit Committee and Board dated 10th February, 2022*
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