
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

- (i) **“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.
- (ii) **“Board”** means the Board of Directors as defined under the Companies Act, 2013.
- (iii) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013.
- (iv) **“Material Related Party Transactions”:** Material Related Party Transaction is defined as per different statutes as follows:

a. **As per Companies Act, 2013**

| Sr. No. | Nature of Transactions | Materiality as per the Act |
|---------|---|---|
| 1. | Sale, purchases or supply of any goods or materials, directly or through appointment of agent | 10% or more of the turnover of the Company. |

| | | |
|---|---|--|
| 2. | Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent | 10% or more of the net worth of the Company. |
| 3. | Leasing of property of any kind | 10% or more of the Turnover of the Company. |
| 4. | Availing or rendering of any services, directly or through appointment of agent. | 10% or more of Turnover of the Company. |
| 5. | For appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company. | Monthly remuneration exceeds Rs. 2,50,000/- |
| 6. | Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company | Exceeding 1% of Net Worth of the Company |
| <p>Note:</p> <ul style="list-style-type: none"> • Net worth and turnover would be as per audited financial statements of the preceding financial year. • The limits specified in sub-clause (1) to (4) shall apply for transactions to be taken individually or together with previous transactions during a financial year. | | |

b. As per SEBI (LODR). 2015

| S. No. | Nature of Transactions | Materiality as per SEBI LODR* |
|---|---|--|
| 1 | Usage of Brand and payment of royalty thereof | The transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company |
| 2 | Any other transaction | the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1000 Crore or 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. |
| <p>*including material modifications thereof</p> <p>Note:</p> <p>Annual Consolidated turnover is to be taken as per last audited consolidated financial statements of the Company.</p> | | |

“Material Modification” means amendment in existing terms of an approved transaction triggering any of the following conditions whether individually or in aggregate:

- a. Change in aggregate transaction value of Related Party Transaction beyond 20%.
- b. Extension in duration of Related Party Transaction contract beyond a period of 12 months.
- c. Such other factors as may be decided by the Audit Committee while granting approval to any related party transaction.

(v) “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.

(vi) “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 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.

In addition to the Related Party as defined under the Act and Ind AS, following shall be Related Party:

c. As per Regulation 2(1)(zb) of Listing Regulations

1. Any person or entity forming a part of the promoter or promoter group of the listed entity; or
2. Any person or any entity, holding equity shares of ten per cent or more 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;

(vii) “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

“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; 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.
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time: Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.
- (e) retail purchases from the Company or its subsidiary by its Directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and Directors:

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

- (viii) “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.

Any term not defined in this policy shall have the same meaning as given in the Act and rules made thereunder and /or SEBI LODR including amendments thereof. Indian Accounting Standards and or any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

4. Disclosure by Directors and Key Managerial Personnel (KMP) and Identification of Related Party

Every Director and KMP upon his/her appointment and thereafter at the beginning of the financial year shall provide information by way of written notice to the Company regarding his/ her concern or interest in other entities with specific concern to parties which may be considered as Related Party to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

Directors/KMP are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this policy.

Every Director/KMP shall at the first meeting of the Board in which he/she participates as a Director/KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest, directly/indirectly in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding in Form MBP-1.

Further, it shall be the duty of Directors/KMP to disclose to the Committee/Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company/its subsidiary(ies). Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Every Directors and KMPs shall ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The CFO or persons responsible for Accounts & Finance function of the Company/its subsidiary(ies) shall be responsible for identifying Related Party(ies) as per applicable Accounting Standards and reporting of such Related Party(ies).

5. Related Party Transactions Approval Process:

I. Prior approval process by Audit Committee

- A. Except otherwise provided hereunder, prior approval of the Audit Committee would be required for the following transactions (irrespective of being in the ordinary course of business or at arm's length basis) in accordance with this Policy unless the approval is exempted pursuant to the provisions of applicable law:

- All RPTs and subsequent modifications including material modifications therein.
- RPTs to which the subsidiary of the Company is a party, but the Company is not a party if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10 per cent of the annual standalone turnover in accordance with the last audited financial statements of the subsidiary.

Additionally, the Audit Committee's prior approval by the Company would not be required if the listed subsidiary is a party but the Company is not a party, if any, is subject to compliance with Regulation 23 and Regulation 15(2) of the SEBI LODR (as mentioned herein this document) are applicable to such listed subsidiary. Furthermore, for RPTs of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

Remuneration and sitting fees paid by the Company or its subsidiary to its Director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms Sub – Regulation 1 of Regulation 23 of SEBI LODR.

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of Sub – Regulation 1 of Regulation 23 of SEBI LODR;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation 23(9) of SEBI LODR;
- (v) any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

- B. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse him / herself and abstain from discussion and voting on the approval of the Related Party Transaction. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

- C. Before approving any transaction with related parties, the Committee shall ensure the existing / proposed transaction(s) are on arms' length basis and in ordinary course of business and that all the necessary information/documents were available as per the prevailing Company policy.

The Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Value of the proposed transaction;
- e) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided,);
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT is in the interest of the Company;
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j) Any other information that may be relevant.

Omnibus Approval by Audit Committee:

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company or its subsidiary, the Committee may grant standing pre-approval /omnibus approval. While granting the omnibus approval the Audit Committee shall satisfy itself of the need for the omnibus approval for transactions of repetitive nature and that such approval 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.

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 the value per transaction not exceeding Rs. 1.00 Crore and maximum value of all transaction in aggregate Rs. 25.00 Crores or such higher amount as may be prescribed from time to time by the Act or Listing Regulations. The details of such transaction shall be reported to the Audit Committee for review on quarterly basis.

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

II. Prior Approval by Board of Directors:

The following Related Party Transactions shall require the approval of Board:

1. All the contracts/arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time), which are not in the ordinary course of business of the Company and/or on arm's length basis shall, in addition to the prior approval of the Audit Committee, also require prior approval of the Board of Directors of the Company, with such modification as may be necessary or appropriate under the circumstances.

Where prior approval is not obtained, the same shall be ratified within 3 months from the date on which such contract or arrangement was entered into.

2. Where approval of the Board of Directors is required for any Related Party Transaction 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.
3. Any member of the Board who has any potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

III. Prior Approval by the Shareholders

The following Related Party Transactions require prior approval of shareholders:

- I. All Material Related Party Transactions and subsequent material modifications under Regulation 23 of the SEBI LODR 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.
- II. Such Related Party Transactions which are either not on arm's length or not in the ordinary course of business and require the approval of shareholders of the Company under Section 188 of the Act or which have specifically been recommended by the Board for shareholders' approval.

However, prior approval of the shareholders would not be required if the transaction is entered into by a listed subsidiary of the Company, and the subsidiary is subject to compliance with Regulation 23 and Regulation 15(2) of the SEBI (LODR). Furthermore, for RPTs of unlisted subsidiaries of the listed subsidiary, prior approval of the shareholders of the listed subsidiary shall suffice.

6. Related Party Transactions not approved under this Policy

- I. If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Board or, as the case may be, of the shareholders of such transaction. The respective authorities shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.
- II. In cases where a transaction is not ratified by the Board or, as the case may be, of the shareholders at a meeting within 03 months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a Party Related to any Director / KMP, or is authorised by any other Director / KMP, the Director/KMP concerned shall indemnify the Company/its subsidiary(ies) against any loss incurred by it.

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

7. Exemption from Prior Approval:

Notwithstanding the above mentioned, the following Related Party Transactions shall not entail any approval:

- 1) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval as per SEBI (LODR) Regulations, 2015.
- 2) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- 3) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

8. Disclosures

Particulars of contracts or arrangements with Related Parties referred to in sub section (1) of Section 188 of the Companies Act, 2013 shall be disclosed in the Directors Report in the prescribed format as per the provisions.

The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the SEBI Listing Regulations.

Such other disclosures, as may be required under any statutory provision as may be applicable to the Company, shall be made accordingly by the Company.

This Policy shall be disclosed on the website of the Company and provide weblink in its Annual Report.

9. Policy Review

This Policy shall be reviewed by the Committee once in every three years and appropriate recommendations shall be made to the Board to update the Policy according. In case of any subsequent changes in the provisions of the SEBI Regulations or the Companies Act, 2013 and rules thereunder or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

10. Amendments

Though the Committee or Board shall have all the right to amend/alter/modify this Policy, however, this Policy may stand amended because of any regulatory amendments, clarifications etc. issued under the applicable laws. The amendment shall be deemed to be effective from the date on which such regulatory amendments, clarifications etc. comes into force. An appropriate recommendation shall be made to the Board to update the Policy accordingly

In the event of any conflict between the provisions of this Policy and of the Act or SEBI Listing Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment /modification in the SEBI Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

Amended in the Board Meeting held on 10th February, 2022 and further on 29th May, 2025

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