
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 Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed in the Companies Act, 2013 and the Rules made thereunder from time to time.

“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” means -

(i) a director or his relative ;

(ii) a key managerial personnel or his 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 is a member or director ;

- (v) a public company in which a director or manager is a director and holds along with his relative, more than two percent of its paid-up share capital ;
- (vi) any 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 ;
- (vii) any person under whose advice, directions or instruments a director or manager is accustomed to act:
Provided that nothing in sub-clause (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is –
 - (A) a holding, subsidiary or an associate company of such company ; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary ;
- (ix) such other person as per Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014.

“Related Party Transaction” means any transaction between the Company and any Related Party which fall under one or more of the following :

- a. Sale, purchase or supply of any goods or material;
- b. Selling or otherwise disposing of, or buying property of any kind;
- c. Leasing of property of any kind;
- d. Availing or rendering of any services;
- e. Appointment of any agent for the purchase or sale of goods, material, service or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Any other transaction or arrangement other than a to g above:

“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 shall require prior approval of the Audit Committee.

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

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 arms 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

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