



Ester Industries Ltd

Related Party Transactions Policy

1. INTRODUCTION

The Board of Directors of the Company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing the materiality of Related Party Transactions and dealing with Related Party transactions required to be followed by Company to ensure compliance with the Law and Regulation. The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

2. PURPOSE

Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations) requires all listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

3. DEFINITIONS

- a. **“Audit Committee or Committee”** means Audit Committee of Board of Directors of the Company constituted under the Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulation.
- b. **“Board”** means Board of Directors of the Company.
- c. **“Material modification”** means any subsequent change to an existing Related Party Transactions having variance of 20% of the existing limit or Rs.1 crore whichever is lower
- d. **“Related Party Transaction”** A Related Party Transaction is defined as below:

As per Section 188 of the Companies Act, 2013:

- (a) Sale, purchase or supply of any goods or materials;
- (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 purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

As per Regulation 2(ZC) of the Listing Regulations :

A 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 .

e. Material Related Party Transaction

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 crores 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.

However 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 per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- f. **“Related Party”** “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

(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

- g. **“Key Managerial Personnel”** mean key managerial personnel as defined under the Companies Act, 2013 and includes

(i) Managing Director, or Chief Executive Officer or manager

(ii) Whole-time director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

(iv) Such other officer, not more than one level below the directors who is in whole-time employment, designated as Key managerial by the Board and

(v) Such other officer as may be prescribed under Listing Regulations and the Companies Act, 2013.

- h. **“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.

- i. **“Arm Length Price”** means the price at which a willing seller and an unrelated willing buyer will freely agree to a transaction.

- j. **“Net Worth”** means the aggregate value of the paid-up share capital and all reserves created out of the profits, *securities premium account and debit or credit balance of profit and loss account*, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and

amalgamation;

k. **“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.

4. APPROVAL PROCESS

A. AUDIT COMMITTEE

- 1) All the Related Party Transactions and subsequent material modifications thereto proposed to be entered into by the Company 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.

The Audit Committee shall accordingly recommend the Related Party Transactions and subsequent material modifications thereto, for the prior approval of Board of Directors / Shareholders in accordance with this policy.

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;

- 2) All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee in accordance with this Policy. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - a. 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;
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - c. 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 (One) crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
 - e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year
- 2) The requirement of above stated clause 4(A)(1) shall not be applicable to the 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.

B. BOARD OF DIRECTORS

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews 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.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. SHAREHOLDER APPROVAL

Shareholders' approval will be required in the following cases –

- 1) All material related party transactions and subsequent material modifications 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.

However the above requirement shall not be applicable to the 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.

- 2) All Related Party Transactions as prescribed in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (which are not in the Ordinary Course of Business and not at Arms' Length Basis) shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions.

However the above requirement shall not be applicable to the 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.

5. RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL

Following Related Party Transactions shall not require any separate approval under this Policy:

- 1) Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- 2) Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- 3) Payment of Dividend;
- 4) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried

out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;

- 5) Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

6. PROCEDURE

A. Disclosure by Directors & KMPs

Every Director & KMP shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors & KMPs 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.

B. Identification of Transaction with related Parties

Each Director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will 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.

C. Review and approval of Related Party Transaction

A Related Party Transaction reviewed under this Policy will be considered, approved or ratified by the Audit Committee/Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider.

- 1) the Related Party's interest in the Related Party Transaction;
- 2) the approximate amount involved in the Related Party Transaction;
- 3) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- 4) whether the Related Party Transaction was undertaken in the ordinary course of business

of the Company;

- 5) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- 6) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- 7) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- 8) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction
- 9) Whether the Related Party Transaction would impair the independence of an independent director or nominee director;
- 10) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the director or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors as the Audit Committee/Board deems relevant.
- 11) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.
- 12) The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ ratify/ recommend to the shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

7. DISCLOSURES

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.

- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- All listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and website link of such policy shall be mentioned in the Annual Report.

This Policy shall be communicated to all Directors/KMPs and other concerned persons of the Company.

8. AMENDMENTSTOTHEPOLICY

The Audit Committee of the Company shall review this Policy from time to time, but at least once every three years, and may recommend amendments to the same for approval of the Board.

In case of any amendment(s), clarification(s), circular(s) etc. issued by relevant authorities not being consistent with the provisions laid down in this upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid under amendment(s), clarification(s), circular(s), etc.