

## **Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions**

### **I. Objective**

The Companies Act, 2013 and the Rules made thereunder (Act) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modification(s)/amendment(s)/re-enactment(s) (SEBI LODR) thereof contains provisions related to Materiality of Related Party Transactions, dealing with these Related Party Transactions and framing a policy on these transactions. To comply with the said Act, and the provisions of SEBI LODR, the Company has formulated this 'Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions.'

### **II. Scope**

This policy shall be applied in:

- (a) Identifying Related Parties, updating and maintaining the database of such Related Parties;
- (b) Identifying Related Party Transactions its materiality and modifications;
- (c) Identifying whether the Related Party Transactions are in the Ordinary Course of business and at Arms' Length in relation to the Related Parties;
- (d) Seeking approval of Audit Committee/Board/Shareholders before entering the Related Party Transactions as may be applicable;
- (e) Documenting the Arms' Length pricing of transactions and
- (f) Determining the disclosures to be made about these transactions.

### **III. Definitions**

- (a) **"Act"** means the Companies Act, 2013 and the Rules framed thereunder including any modifications, amendments, clarifications, circulars, or re-enactments thereof from time to time.
- (b) **"Audit Committee or Committee"** shall have the same meaning as defined under Section 177 of the Act and the Listing Regulations.
- (c) **"Arm's Length Transaction"** means the transactions carried out between two Related Parties as if they are not related to each other so that there is no conflict of interest.
- (d) **"Board"** means the Board of Directors of the Company as constituted from time to time.
- (e) **"Company"** means Nesco Limited.

(f) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under Section 2 (51) of the Act and the Rules made thereunder.

(g) **“Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and agreement signed by the Company and the Stock Exchanges in pursuance thereof.

(h) **“Material Related Party Transaction”** means any transaction to be entered into individually or taken together with previous transactions during a financial year exceed the threshold specified in the Section VI of this Policy, dealing with Determination of Materiality of Related Party Transaction.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or to Royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5% (five) percent (or such other limit as may be specified in the applicable Regulation as amended from time to time) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

(i) **“Material Modification”** shall mean an amendment to the terms of a Related Party Transaction/agreement the effect of which will be an increase over the already approved limit for that transaction, by 20% (twenty percent). And the Material Modifications shall not apply to transactions exempted under the Said Act and the Listing Regulations.

(j) **“Ordinary Course of Business”** shall mean and include:

- the usual transactions, customs, and practices carried on generally in the business which is carried by the Company and all such activities the Company can undertake as per its Memorandum & Articles of Association. The Audit Committee may lay down principles from time to time for determining the ordinary course of business in accordance with statutory requirements and other industry practices and guidelines, however, it shall not include the following transactions:
- Complex equity transactions such as corporate restructuring or acquisitions, merger, de-merger, and amalgamation;
- Transactions that may have a material impact on the Company and
- Such transactions may be considered by the Audit Committee/Board not to be in the ordinary course of business.

- (k) **“Policy”** means this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transaction.
- (l) **“Related Party”** means a related party as defined under the Act read with Regulation 2 (1) (zb) of the SEBI LODR as amended from time to time.
- (m) **“Related Party Transaction”** means any transaction as defined under the Act, Rules made thereunder the Act, and Regulation 2 (1) (zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time and includes those specifically mentioned in Section 188 of the Act.
- (n) **“Relative”** means a relative as defined under sub-section (77) of Section 2 of the Act and Rules made thereunder,
- (o) **“Transaction”** with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

Any other terms and expressions used but not defined herein, shall have the same meaning as defined in the Act and the Rules made thereunder and the Listing Regulations as amended from time to time.

#### **IV. Identification of related parties**

Every Director shall, at the beginning of the Financial Year or whenever any change occurs, provide information by way of written notice to the Company, regarding their concern or interest in the entity with specific concern to parties which may be considered as a Related Party with respect to the Company and shall also provide the list of relatives which are regarded as a Related Party as per this Policy. Directors are also required to provide information regarding their engagement with other entities during the financial year which may be regarded as a Related Party according to this Policy. Accordingly, the Company will determine whether a 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.

#### **V. Review and approval of Related Party Transaction (RPT)**

##### **(a) Audit Committee approval**

1. As per Regulation 23 of SEBI LODR and Section 177 of the Act, all transactions with related party, all the Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder or SEBI LODR from time to time. Provided that only those members of the Audit Committee, who are Independent Directors, shall approve such Related Party Transactions(RPT). Any member of the Committee

who has a potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT. Provided also that in case any transaction involving any amount not exceeding one crore rupees 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.

2. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (a) Name of party and details explaining nature of relationship;
- (b) Duration of the contract and particulars of the contract and arrangement;
- (c) Nature of transaction and material terms thereof including the value, if any;
- (d) Manner of determining the pricing to ascertain whether the same is on arm's length;
- (f) Business rationale for entering such transaction;
- (g) Any other information relevant or important to take a decision on the proposed transaction.

The Audit Committee will also deliberate on:

- (i) Whether the terms of the Related Party Transaction are fair and, on an arms, length basis to the Company and in Ordinary Course of Business and would apply on the same basis if the transaction did not involve a Related Party?
- (ii) Whether there are any compelling business reasons/rationale for the Company to enter the Related Party Transaction and the nature of alternative transactions if any?
- (iii) Whether the Related Party Transaction would affect the independence of an Independent Director?
- (iv) Whether the proposed transaction includes any potential risk issues that may arise because of or in connection with the proposed transaction?
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (vi) Whether the Related Party Transaction would present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial

Personnel, or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Audit Committee deems relevant?

- (vii) 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.
- (viii) Omnibus approval for transactions shall be given only if it is determined by the Committee that such transactions are:
- (a) repetitive in nature and that such approval is in (or not inconsistent with) the best interests of the Company and its shareholders;
  - (b) to be entered into by the Company on terms that are comparable to those that would be obtained in arm's length transactions with unrelated third parties; and
  - (c) in the ordinary course of business.

The Audit Committee, while granting any such omnibus approvals, shall specify the following:

- (i) name of the Related Party;
- (ii) nature of the transaction;
- (iii) period of the transaction;
- (iv) the maximum amount of transaction that shall be entered into, and
- (v) Repetitiveness of the transaction (in past or in future)
- (vi) Justification for the need of omnibus approval
- (vii) Satisfy itself on the need for omnibus approval for transaction of repetitive nature and such that such approval is in the interest of the Company.
- (viii) indicative base price/current contracted price and the formula for variation in price if any.
- (ix) 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 prior approval of the Audit Committee.

Provided that where the need for related party transactions cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval

for such transactions, subject to their value not exceeding Rs. 1 Crore (Rupees One Crore only) per transaction.

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding 1(one) financial year and shall require fresh approvals after the expiry of such financial year.

The Audit Committee shall after obtaining approval of the Board specify the criteria for making the omnibus approval which shall include the following namely:

| Sr. No | Criteria  |
|--------|---|
| 1      | Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year.  |
| 2      | Maximum value per transaction which can be allowed.   |
| 3      | extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.   |
| 4      | review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made. |
| 5      | transactions which cannot be subject to the omnibus approval by the Audit Committee.  |

3. The Company shall provide the following information, for review of the Audit Committee as required under the Act, SEBI LODR, and for approval of a proposed Related Party Transaction, other than the transactions for omnibus 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 (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 Related Party Transaction involving a subsidiary, such percentage calculated based on 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, intercorporate 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 transaction.
- (g) Justification as to why the transaction 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 transaction on a voluntary basis;
- (j) Any other information that may be relevant.

**4. Related Party Transaction** to which the subsidiary of a Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction, whether entered individually or taken together with previous transactions during a financial year:

- i. with effect from April 1, 2022, exceeds 10% (ten per cent) of the annual consolidate turnover, as per the last audited financial statements of the Company; OR
- ii. with effect from April 1, 2023, exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Provided that the transactions entered between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval shall be excluded from the requirement under this Clause.

**5. If the Audit Committee determines that a Related Party Transaction is –**

- a) A Material Related Party Transaction; or
- b) Not in the ordinary course of business; or
- c) Not on arm's length basis

The Audit Committee shall place the matter before the Board to obtain its approval, unless exempted under the Act and SEBI LODR.

## **VI. Determination of materiality of related party transactions**

Material Related Party Transactions shall be determined by applying the following criteria:

| <b>Category of transactions *</b>   | <b>Materiality Thresholds under the Companies Act, 2013(for transactions not in ordinary course of business and not on an arm's length basis)</b>  | <b>Materiality Thresholds under the Listing Regulations</b>   |
|---|--|---|
| Sale, purchase or supply of any goods or materials  | Amounting to 10% or more of Turnover   | Transaction, individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore OR 10% of the annual consolidated turnover of the |
| Selling or otherwise disposing of, or buying, property of any kind  | Amounting to 10% or more of Net Worth  | Company as per the last audited financial statements of the Company whichever is lower.   |
| Leasing of property of any kind   | Amounting to 10% or more of Turnover   |   |
| Availing or rendering of any Services   | Amounting to 10% or more of Turnover   |   |
| Related Party's appointment to any office or place of profit in the Company, Subsidiary company, or associate Company | monthly remuneration > Rs. 2.5 lakhs   |   |
| underwriting the subscription of any securities or derivatives thereof, of the company                                | 1% of net worth  |   |
| Any other transaction with a Related Party (other than exempted transactions)   | Transaction, individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements, of the Company whichever is lower. |   |

\*The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The turnover or net worth as defined in the Act if referred in the above shall be computed based on the audited financial statement of the preceding financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

## **VII. Approval of the board of directors**

Unless exempted, the Audit Committee shall report to the Board all Material Related Party Transactions and subsequent Material Modifications and transactions that are not in the ordinary course of business and not on an arm's length basis to the Board. Where approval of the Board 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 the 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.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of the Act and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three 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 related party to any director, or is authorised by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.

## **VIII. Approval of the shareholders**

Unless exempted, the Company shall seek prior approval of shareholders for "Material Related-Party Transactions and subsequent Material Modifications" in a general meeting in the year in which the Related Party Transaction is undertaken or by postal ballot process. The resolution shall be an ordinary resolution, or such resolution as may be required under the Act and the Listing Regulations, and all the Related Parties (if any) will abstain from voting on such resolution irrespective of whether the concerned entity is a party to the particular transaction or no. The notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Act and Listing Regulations, include the information as required under the Act or the Listing regulations if any and as mentioned in notifications, in particular, the disclosure obligations of listed entities in relation to Related Party Transactions issued by stock exchanges from time to time.

## **IX. Exemptions**

Notwithstanding the foregoing, even though exempted, if required may seek approval of the Audit Committee and Board:

- (a)** Any transaction involving the providing of compensation to a director (which is subject to the Companies Act, 2013, rules made thereunder and the Listing Regulations) or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (b)** Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro-rata as the Related Party.
- (c)** Transactions entered into between the Company and its wholly-owned subsidiary, if any, whose accounts are consolidated with the Company.
- (d)** Any other transactions specially exempted under the Act or the Listing Regulations.

## **X. Related party transactions not approved under this policy**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision, or termination of the Related Party Transaction, to the extent permissible under the law.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

## **XI. Disclosures**

Details of any Related Party Transaction shall be disclosed to the Stock Exchanges as per the provisions of SEBI LODR Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

Contracts or arrangements with Related Parties referred to in sub-section (1) of Section 188 shall be disclosed in the Directors Report pursuant to any statutory requirement, if any. Register of Contracts as required under Section 189 of the Act shall be maintained.

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

## **XII. Scope limitation**

In the event of any conflict between the provision of this Policy and of the Listing Agreement/Companies Act, 2013 or any other statutory enactments, rules, the

provisions of such Listing Agreement/Companies Act, 2013, or statutory enactments, Rules shall prevail over this Policy.

This Policy shall be amended in accordance with the amendments made vide notifications/circulars as may be published in the Official Gazette of India from time to time.

### **XIII. Amendment and Review of policy**

This policy shall be reviewed by the Board of Directors at least once every three (3) years or at such intervals as decided by the Board and updated accordingly.

### **XIV. Dissemination of the Policy**

The policy shall be uploaded on the website of the Company at [www.nesco.in](http://www.nesco.in)

3rd version of this policy has been reviewed, approved and adopted by the Board of Directors at its meeting held on 13th February 2024.